

Handelsbanken's Interim Report

JANUARY – JUNE 2021

January – June 2021

- compared with January – June 2020

- Operating profit increased by 14% to SEK 11,600m (10,196). Adjusted for foreign exchange effects and the year's provision for Oktogonen, operating profit increased by 17%.
- Return on equity increased to 11.1% (10.3).
- Earnings per share increased by 15% to SEK 4.60 (3.99).
- The common equity tier 1 ratio increased to 20.5% (18.7).
- The credit loss ratio was 0.00% (0.04).
- Income grew by 5% to SEK 22,894m (21,803). Adjusted for foreign exchange effects, income increased by 6%.
- Continued large inflows to the Bank's mutual funds. Commission income from fund management grew by 34%.
- The underlying increase in expenses, adjusted for Oktogonen and foreign exchange effects, was 325 m, or 3%, with more than the entire increase being attributable to rising development costs. Including Oktogonen and foreign exchange effects, expenses increased by 3% to SEK -11,355m (-10,980).
- The C/I ratio improved to 49.6% (50.4).

Q2 2021

- compared with Q1 2021

- Operating profit increased by 7% to SEK 5,988m (5,612).
- Return on equity was 11.6% (10.6).
- Earnings per share increased by 8% to SEK 2.39 (2.21).
- Credit quality remains very good, and credit losses consisted of net recoveries of SEK 47m (8).
- Income climbed by 3% to SEK 11,602m (11,292). Net interest income improved by 2% to SEK 7,961m (7,818).
- Commission income from fund management rose by 6%.
- Growth in both corporate and household lending. In total, lending increased by SEK 31bn.
- Expenses were essentially unchanged at SEK -5,672m (-5,683).
- The cost-cutting programme is proceeding according to plan, and thus far, measures corresponding to SEK 1.3bn have been decided on/initiated since Q3 2020, with achieved positive effects on profit of SEK 400m. Just over 700 persons, or around 6% of the total number of employees, have reached an agreement to leave the Bank.
- The C/I ratio improved to 48.9% (50.3).
- Handelsbanken first in the Nordic region with green EU taxonomy-adapted loans.

SEK m	Q2 2021	Q1 2021	Change %	Change after adjustment of items affecting comparability*		Jan-Jun 2021	Jan-Jun 2020	Change %	Change after adjustment of items affecting comparability*	
				SEK m	%				SEK m	%
Net interest income	7,961	7,818	2%	109	1%	15,779	15,852	0%	163	1%
Net fee and commission income	3,055	2,963	3%	87	3%	6,018	5,230	15%	849	16%
Other income	586	511	15%	73	14%	1,097	721	52%	387	54%
Total income	11,602	11,292	3%	269	2%	22,894	21,803	5%	1,399	6%
Staff costs, excl. Oktogonen	-3,481	-3,435	1%	-30	1%	-6,916	-6,942	0%	-103	1%
Oktogonen	-55	-213	-74%			-268	0			
Other expenses	-2,136	-2,035	5%	-91	4%	-4,171	-4,038	3%	-222	5%
Total expenses	-5,672	-5,683	0%	-121	2%	-11,355	-10,980	3%	-325	3%
of which development costs	-883	-708	25%			-1,591	-1,180	35%		
Total expenses, excl. items affecting comparability' and development costs	-4,708	-4,762	-1%	54	-1%	-9,714	-9,800	-1%	86	-1%
Credit losses	47	8	488%	38	475%	55	-635			
Operating profit	5,988	5,612	7%	202	3%	11,600	10,196	14%	1,754	17%

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

Non-recurring items and special items: A provision of SEK -55m was made for the Oktogonen profit-sharing scheme in the second quarter. In the first quarter of 2021, as in the fourth quarter of 2020, a provision of SEK -213m was made for Oktogonen.

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

Group – Overview

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Summary income statement									
Net interest income	7,961	7,818	2%	7,622	4%	15,779	15,852	0%	31,606
Net fee and commission income	3,055	2,963	3%	2,530	21%	6,018	5,230	15%	10,786
Net gains/losses on financial transactions	486	397	22%	409	19%	883	539	64%	1,437
Risk result - insurance	37	69	-46%	23	61%	106	64	66%	195
Other dividend income	0	1	-100%	15	-100%	1	16	-94%	53
Share of profit of associates	10	18	-44%	-13		28	21	33%	18
Other income	53	26	104%	39	36%	79	81	-2%	153
Total income	11,602	11,292	3%	10,625	9%	22,894	21,803	5%	44,248
Staff costs	-3,536	-3,648	-3%	-3,464	2%	-7,184	-6,942	3%	-15,343
Other expenses	-1,611	-1,563	3%	-1,568	3%	-3,174	-3,155	1%	-6,085
Depreciation, amortisation and impairment of property, equipment and intangible assets	-525	-472	11%	-442	19%	-997	-883	13%	-1,906
Total expenses	-5,672	-5,683	0%	-5,474	4%	-11,355	-10,980	3%	-23,334
Profit before credit losses	5,930	5,609	6%	5,151	15%	11,539	10,823	7%	20,914
Net credit losses	47	8	488%	-97		55	-635		-781
Gains/losses on disposal of property, equipment and intangible assets	11	-5		0		6	8	-25%	2
Operating profit	5,988	5,612	7%	5,054	18%	11,600	10,196	14%	20,135
Taxes	-1,255	-1,231	2%	-1,095	15%	-2,486	-2,300	8%	-4,547
Profit for the period	4,733	4,381	8%	3,959	20%	9,114	7,896	15%	15,588
Summary balance sheet									
Loans to the public	2,337,419	2,321,695	1%	2,302,177	2%	2,337,419	2,302,177	2%	2,269,612
of which mortgage loans	1,482,561	1,465,579	1%	1,405,529	5%	1,482,561	1,405,529	5%	1,439,328
of which other loans	854,858	856,116	0%	896,648	-5%	854,858	896,648	-5%	830,284
Deposits and borrowing from the public	1,427,959	1,474,862	-3%	1,375,922	4%	1,427,959	1,375,922	4%	1,229,763
of which households	598,868	580,474	3%	560,169	7%	598,868	560,169	7%	560,888
Total equity	178,623	174,754	2%	163,215	9%	178,623	163,215	9%	171,473
Total assets	3,436,487	3,491,631	-2%	3,533,187	-3%	3,436,487	3,533,187	-3%	3,135,288
Summary of key figures									
Return on equity	11.6%	10.6%		10.2%		11.1%	10.3%		10.0%
C/I ratio	48.9%	50.3%		51.5%		49.6%	50.4%		52.7%
Earnings per share, SEK	2.39	2.21		2.00		4.60	3.99		7.87
- after dilution	2.39	2.21		2.00		4.60	3.99		7.87
Common equity tier 1 ratio, CRR	20.5%	20.2%		18.7%		20.5%	18.7%		20.3%
Total capital ratio, CRR	24.5%	24.3%		23.5%		24.5%	23.5%		24.3%

Group performance

INTRODUCTION – A RESULT ACCORDING TO PLAN

In 2019, the Bank began work on a comprehensive strategic project to map the entire operations. The background to this was the negative earnings trend that had beset the Bank in the preceding years.

The insights gained from the project resulted in a number of important decisions, which are now being implemented. One of the most important of these decisions was the choice to re-evaluate our ambition to be a universal bank. Instead, the Bank elected to adopt a strategy of focusing its efforts on the products and services where the Bank has a high level of expertise, good earnings and significant development potential. These areas are found in financing and asset management.

The result now reflects further effects of the Bank's transition. The effects already began to become visible in the Bank's cost trend a year ago, and are now also manifesting in income. The positive cost trend has also continued through this year. Business volumes are rising, transactions are closed more quickly and with more precision. This is demonstrated in increased market shares in both asset management and property financing. In the credit portfolio, the historically very high quality has seen further improvement.

The Bank's assessment is that the current trend of income growing at a faster rate than expenses will continue. The implementation of the Bank's new strategic direction will continue, but is far from being finished. As further progress is made, and the Bank's specialist approach becomes even more pronounced, these positive developments are expected to continue.

The measures and activities are being undertaken as planned, and in fact slightly ahead of schedule in some areas.

The capital situation has continued to strengthen thanks to profitable growth, with satisfied customers, at a low risk.

Overall, the results for the first half-year were essentially in line with the Bank's expectations. The results show that the change to the Bank's approach, initiated just over two years ago, is having the desired – and more pertinently, expected – effects.

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit increased by 14% to SEK 11,600m (10,196). The appreciation of the Swedish krona had a negative impact of SEK -82m on operating profit. Adjusted for foreign exchange effects and the provision for the Oktogonen profit-sharing scheme, operating profit grew by 17%.

Income grew by 5% to SEK 22,894m (21,803). Foreign exchange effects had a SEK -308m impact on income. Adjusted for these, income grew by 6%.

Expenses rose by 3% to SEK -11,355m (-10,980). The appreciation of the Swedish krona had a positive impact of SEK 218m. A provision of SEK -268m (0) was made for the Oktogonen profit-sharing scheme during the period. This means that the Bank continued to have a lead on peer banks in terms of return on equity. The underlying cost increase, adjusted for both these effects, was 3.0%.

The cost-cutting programme, which aims to reduce the Bank's cost level to SEK 20bn by the end of 2022, as previously announced, is progressing according to plan. Thus far, measures corresponding to SEK 1.3bn have been decided on/carried out since Q3 2020. These measures have so far resulted in the achievement of positive effects on profit of SEK 400m. As of the end of Q3 2020, just over 700 persons, or around 6% of the total number of employees, had reached an agreement to leave the Bank.

The C/I ratio went down to 49.6% (50.4). Return on equity increased to 11.1% (10.3), and earnings per share rose to SEK 4.60 (3.99).

The common equity tier 1 ratio rose to 20.5% (18.7). The common equity tier 1 capital was SEK 153bn (132).

Non-recurring items and special items in operating profit

SEK m	Jan-Jun 2021	Jan-Jun 2020
Special items		
Oktogonen profit-sharing scheme	-268	-
Total special items	-268	-

Income

SEK m	Jan-Jun 2021	Jan-Jun 2020	Change
Net interest income	15,779	15,852	0%
<i>of which government fees</i>	-713	-744	-4%
Net fee and commission income	6,018	5,230	15%
Net gains/losses on financial trans.	883	539	64%
Other	214	182	18%
Total income	22,894	21,803	5%

Income grew by 5% to SEK 22,894m (21,803). The appreciation of the Swedish krona had a negative effect of SEK -308m on income. Adjusted for foreign exchange effects, income increased by 6%.

Net interest income was virtually unchanged, decreasing by SEK -73m to SEK 15,779m (15,852). However this decrease was more than 100% attributable to the appreciation of the Swedish krona, which reduced net interest income by SEK -236m. Adjusted for foreign exchange movements, net interest income increased by 1%. Increased business volumes in the home markets made a positive contribution of SEK 255 m, while the net effect of margins and funding costs was negative,

amounting to SEK -64m. The day effect, arising because the period of comparison was during a leap year, was SEK -25m. Government fees decreased by SEK 31m to a total of SEK -713m (-744).

Net fee and commission income climbed by 15% to SEK 6,018m (5,230). Foreign exchange effects had a negative impact of SEK -61m; adjusted for these, net fee and commission income grew by 16%. Fund management, custody account management and other asset management commissions increased by 31%, or SEK 795 m, to SEK 3,351m (2,556). Income from advisory services grew by 30% to SEK 131m (101). Brokerage income totalled SEK 334m (348). Lending and deposit commissions fell by 3% to SEK 656m (677). Net payment commissions went down by 8% to SEK 787m (860), of which net card commissions decreased by 5% to SEK 487m (514).

Net gains/losses on financial transactions increased by SEK 344m to SEK 883m (539). Of the improvement to this figure, a total of SEK 117m was attributable to a lower provision for a deferred capital contribution in Handelsbanken Liv's traditional insurance operations, of SEK -19m (-136). The period of comparison was also adversely affected by the outbreak of the Covid-19 pandemic, with CVA and DVA having a negative impact of SEK -186m on profit during the period of comparison.

Other types of income increased to SEK 214m (182), with the risk result – insurance rising to SEK 106m (64).

Expenses

SEK m	Jan-Jun 2021	Jan-Jun 2020	Change
Staff costs	-7,184	-6,942	3%
<i>of which Oktogonen</i>	-268	-	
Other expenses	-3,174	-3,155	1%
Depreciation and amortisation	-997	-883	13%
Total expenses	-11,355	-10,980	3%
Change after adjustment of foreign exchange effects and special items			3.0%

Development costs

SEK m	Jan-Jun 2021	Jan-Jun 2020	Change
Development spend	-1,489	-1,414	5%
<i>of which staff costs</i>	-761	-694	10%
<i>of which other costs</i>	-728	-720	1%
Capitalised costs	250	469	-47%
Development spend after capitalised costs	-1,239	-945	31%
Amortisation and impairment	-352	-235	50%
Development costs	-1,591	-1,180	35%

Total expenses rose by 3% to SEK -11,355m (-10,980). The appreciation of the Swedish krona reduced expenses by SEK 218m. A provision of SEK -268m (-) was made for the Oktogonen profit-sharing scheme during the period. The underlying increase in expenses, adjusted for foreign exchange effects and Oktogonen, was 3.0%,

or SEK 325m. More than the entire increase was attributable to rising development costs, which increased by 35%, or SEK 411m. Adjusted for this, expenses decreased by SEK 86 m, or 1%.

During the period, SEK 843m was withdrawn from the restructuring reserves recognised by the Bank in 2019 and 2020 (a total of SEK 1,314m has now been withdrawn).

During Q3 2020, the Bank decided to temporarily increase IT investments during the period 2021-2022 by a total of SEK 1bn. As part of this programme, SEK -168m was spent during the period. Total expenses for the Bank's development increased by 5% to SEK -1,489m (-1,414).

During the period, a smaller portion of the development spend was capitalised on the Bank's balance sheet and, instead, have been recognised as expenses directly in the income statement. Capitalised costs decreased to SEK 250m (469). 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. Development costs, including amortisation, thus rose by 35% to SEK -1,591m (-1,180).

Staff costs rose by 3% to SEK -7,184m (-6,942). Foreign exchange effects had a SEK 129m positive impact. The underlying increase in staff costs, adjusted for the provision for Oktogonen and foreign exchange effects, was 1.5%; within the staff costs category, costs relating to the Bank's IT development increased by 10% to SEK -761m (-694). Pension costs were SEK -1,002m (-979). The average number of employees fell to 12,334 (12,524).

Other expenses, including depreciation and amortisation, were essentially unchanged at SEK -4,171m (-4,038). Foreign exchange effects reduced other expenses by SEK 89m. Depreciation and amortisation rose to SEK -997m (-883). Amortisation linked to development was SEK -352m (-235).

Credit losses

SEK m	Jan-Jun 2021	Jan-Jun 2020	Change
Net credit losses	55	-635	690
<i>of which additional provision requirements</i>	-33	-419	
Credit loss ratio as % of loans to the public	0.00	0.04	

Credit losses consisted of net recoveries of SEK 55m (-635), mainly due to gross recoveries of SEK 107m (62). This amount includes expert-based calculations that take into account the effects of Covid-19, and entail an additional provision requirement of SEK -33m. The credit loss ratio was 0.00% of lending to the public (0.04).

Taxes

The effective tax rate was 21.4% (22.6). As of 1 January 2021, the corporate tax rate in Sweden rate is 20.6%, a reduction from 21.4%. The fact that interest expenses on subordinated loans are not tax-deductible had an impact of 1.0 percentage points on the tax rate, compared with the corporate tax rate.

Q2 2021 COMPARED WITH Q1 2021

Operating profit climbed by 7% to SEK 5,988m (5,612). Foreign exchange effects were marginal and had a positive impact of SEK 16m.

Income grew by 3% to SEK 11,602m (11,292). The depreciation of the Swedish krona had a positive impact on income of SEK 41m.

Expenses went down slightly to SEK -5,672m (-5,683). Foreign exchange effects had a negative impact of SEK -26m on expenses. The C/I ratio improved to 48.9% (50.3).

Return on equity was 11.6% (10.6). The period's profit after tax increased by 8% to SEK 4,733m (4,381). Earnings per share amounted to SEK 2.39 (2.21).

Non-recurring items and special items in operating profit

SEK m	Q2 2021	Q1 2021	Change
Special items			
Oktogonen profit-sharing scheme	-55	-213	
Total special items	-55	-213	-74%

Income

SEK m	Q2 2021	Q1 2021	Change
Net interest income	7,961	7,818	2%
<i>of which government fees</i>	-368	-345	7%
Net fee and commission income	3,055	2,963	3%
Net gains/losses on financial trans.	486	397	22%
Other	100	114	-12%
Total income	11,602	11,292	3%

Net interest income grew by 2%, or SEK 143 m, to SEK 7,961m (7,818). The depreciation of the Swedish krona had a positive impact of SEK 34m. The effect of the comparison quarter having one less calendar day was SEK 33m. An increase in business volumes in the home markets made a positive contribution of SEK 68 m, while the net effect of margins and funding costs was positive, amounting to SEK 35m. Government fees were SEK 23m higher and amounted to SEK -368m (-345).

Net fee and commission income increased by 3% to SEK 3,055m (2,963), the highest ever quarterly level. Fund commissions continued to grow, increasing by SEK 80 m, or 6%, to SEK 1,441m (1,361). Brokerage income declined by 8% to SEK 160m (174). Net payment commissions were SEK 403m (384), with net card commissions totalling SEK 249m (238). Advisory commissions decreased to SEK 63m (68). Lending and

deposit commissions were unchanged at SEK 328m (328).

Net gains/losses on financial transactions totalled SEK 486m (397). Profit was affected by positive value effects on derivatives linked to the Bank's funding.

Other types of income totalled SEK 100m (114), with the decrease attributable to a higher risk result – insurance during the comparison quarter.

Expenses

SEK m	Q2 2021	Q1 2021	Change
Staff costs	-3,536	-3,648	-3%
<i>of which Oktogonen</i>	-55	-213	-74%
Other expenses	-1,611	-1,563	3%
Depreciation and amortisation	-525	-472	11%
Total expenses	-5,672	-5,683	0%

Development costs

SEK m	Q2 2021	Q1 2021	Change
Development spend	-765	-724	6%
<i>of which staff costs</i>	-383	-378	1%
<i>of which other costs</i>	-382	-346	10%
Capitalised costs	69	181	-62%
Development spend after capitalised costs	-696	-543	28%
Amortisation and impairment	-187	-165	13%
Development costs	-883	-708	25%

Total expenses decreased slightly to SEK -5,672m (-5,683). The depreciation of the Swedish krona increased expenses by SEK 26m. Adjusted for foreign exchange and the provision for Oktogonen, expenses increased by 2%, but also including adjustments for development costs, total expenses decreased by 1%.

Total expenses for the Bank's development amounted to SEK -765m (-724). Capitalised costs decreased to SEK 69m (181). Development costs, including amortisation, thus rose by 25% to SEK -883m (-708).

Staff costs were down by 3%, or SEK 112 m, to SEK -3,536m (-3,648). This was attributable to the fact that the provision to the Oktogonen profit-sharing scheme was SEK 158m lower, at SEK -55m (-213). The lower level of capitalised costs for IT development resulted in staff costs also increasing. The depreciation of the Swedish krona increased staff costs by SEK 16m. The average number of employees fell to 12,272 (12,396).

Other types of expenses increased by 5% to SEK -2,136m (-2,035). Foreign exchange effects accounted for SEK -10m of this cost increase. Other costs attributable to the Bank's development amounted to SEK -382m (-346).

Credit losses

SEK m	Q2 2021	Q1 2021	Change
Net credit losses	47	8	39
of which additional provision requirements	6	-39	45
Credit loss ratio as % of loans to the public	-0.02	0.01	

Credit losses consisted of net recoveries of SEK 47m (8), mainly due to gross recoveries of SEK 66m (41). The credit loss ratio was -0.02% (0.01).

Taxes

The effective tax rate was 21.0% (21.9). As of 1 January 2021, the corporate tax rate in Sweden is 20.6%, a reduction from 21.4%. The fact that interest expenses on subordinated loans are not tax-deductible had an impact of 0.8 percentage points on the tax rate, compared with the corporate tax rate.

SUSTAINABILITY

Handelsbanken has an ambition – and a responsibility – to be at the forefront of sustainability work, increasing its tempo in this field. 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. This included the objective of zero net emissions of greenhouse gases as soon as possible, or by 2040 at the latest. In addition to the Bank's direct emissions, this goal also includes operations within lending, leasing and investments.

In the second quarter, several new green loan offerings were launched, for both private and corporate customers. With Green energy loans and Green leasing and conditional sales, more customers have access to green services and products at Handelsbanken; this is an important stage in achieving the Bank's sustainability objectives for financing: that 20% of Handelsbanken's lending in 2025 is to be green, or linked to the borrower's process of sustainable transition.

The work of establishing the EU taxonomy – a classification system for assessing whether an economic activity is sustainable – has been in progress in the EU for several years, and has now reached the legislative stage. In late June, Handelsbanken became the first bank in the Nordic region to enter into a green EU taxonomy-adapted loan, when one of the Bank's branches and a Swedish real estate company signed a loan for the financing of a modern office property that fulfils the requirements for taxonomy loans.

During the second quarter, Handelsbanken Fonder became the first Swedish fund management company to change the index of five of its global and regional index funds to Paris-Aligned Benchmarks. Funds with assets under management equivalent to 15% of the Group's total mutual fund volumes changed over to the Paris-

Aligned Benchmarks. The aim of this is to offer the Bank's customers access to investment products that are in line with the measures of the Paris Agreement. Constantly improving the sustainability level of the Bank's mutual funds, instead of launching separate new ESG products, is in line with Handelsbanken's strategy that sustainability is to be an integral part of all mutual funds offered by Handelsbanken Fonder.

During the spring, 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. As at 30 June, 86% of the total volume of the Group's mutual funds were invested in the two highest categories: 15.3% in the highest category (article 9) i.e. funds that have sustainable investments or a reduction in carbon dioxide emissions as goals, and 70.3% in the second highest (article 8), i.e. funds that promote environmental and social aspects.

BUSINESS DEVELOPMENT**January – June 2021 compared with January – June 2020**

The average volume of loans to the public was largely unchanged and was SEK 2,316bn (2,319), but adjusted for foreign exchange movements, the average volume of lending increased by 1.1%. Household lending increased by 3% to SEK 1,259bn (1,223), while corporate lending fell by 3% to SEK 1,058bn (1,097). During the comparison period, corporate lending had risen sharply, due to the market turbulence that occurred at the outbreak of the pandemic.

Average volumes of deposits and borrowing rose by 12% to SEK 1,448bn (1,290). The appreciation of the Swedish krona had a SEK 27bn negative effect on the volume and, adjusted for foreign exchange effects, the average volume of deposits and borrowing from the public grew by 14%. The average volume of household deposits went up by 6% to SEK 573bn (540), while corporate deposits increased by 17% to SEK 875bn (751).

The total average volume of assets under management in the Group at the end of the period amounted to SEK 980bn (731), an increase of 34%. Of the assets under management, SEK 892bn (654) was invested in the Bank's funds, an increase of 36%. Net inflows accounted for SEK 70bn of the SEK 238bn increase in fund volume, while value appreciation accounted for SEK 168bn. The net inflow to the Bank's mutual funds during the first half of the year was SEK 36.0bn (6.4), of which SEK 13.0bn (2.2) came from the home markets outside Sweden.

Q2 2021 compared with Q1 2021

The average volume of loans to the public grew by 1%, or SEK 31bn, during the quarter, to SEK 2,332bn (2,301). The depreciation of the Swedish krona had a

positive impact of SEK 9bn on the average volume, but even adjusted for foreign exchange effects, the volume increase was 1%. Household lending increased by SEK 18bn to SEK 1,268bn (1,250), while corporate lending grew by SEK 13bn to SEK 1,064bn (1,051).

The total volume of deposits and borrowing rose by 6%, or SEK 78bn, to SEK 1,487bn (1,409). The depreciation of the Swedish krona had a positive impact of SEK 5bn on the average volume. Household deposits went up by SEK 18bn and the average volume of corporate deposits increased by SEK 59bn.

Total assets under management in the Group increased during the second quarter by 5% to SEK 980bn (933), of which SEK 892bn (848) was invested in the Bank's mutual funds. The net inflow to the Bank's mutual funds during the quarter was SEK 11.5bn (24.5), of which SEK 3.4bn (9.6) came from the home markets outside Sweden.

FUNDING AND LIQUIDITY

Bond issues during the first six months amounted to SEK 85bn (109), of which SEK 62bn (73) was in covered bonds and SEK 23bn (36) was in senior bonds.

In early July, the Swedish National Debt Office, which is the resolution authority, circulated for official comment proposals regarding how the requirements of the new BRRD2 recovery and resolution directive should be applied in Sweden. Among other things, these proposals set out how much in terms of own funds and eligible liabilities a bank will need to retain. The Bank's assessment, based on estimated capital requirements and capitalisation at the end of Q2 2021, is that the Bank already fulfils the requirements that must be met by the end of 2023. In the long run, however, the size of the requirement and the need will be dependent upon the evolution of the Bank's capital requirements, their composition, and the Bank's total capitalisation. Moreover, it is advantageous to the Bank to have a large volume of outstanding senior bonds.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered and therefore represent protection for the Bank's senior lenders. The ratio of non-encumbered assets to all unsecured market funding amounted to 276% at the end of the quarter (275 at the end of Q1 2021).

At the end of the second quarter, cash funds and liquid assets deposited with central banks amounted to SEK 615bn (compared with SEK 685bn at the end of Q1 2021). The volume of liquid bonds and other liquid assets totalled SEK 130bn (134 at the end of Q1 2021). At the end of the period, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated regulation, was 155% (148 at the end of Q1 2021). At the end of the period, the net stable funding ratio (NSFR) according to CRR2 was 115% (116 at the end of Q1 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.

At the end of the quarter, the common equity tier 1 ratio was 20.5%. 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 14.0% (SEK 104bn), of which 2.9 percentage points (SEK 21.5bn) comprises the common equity tier 1 capital requirement in Pillar 2. The expected common equity tier 1 capital requirement includes the majority of the effects deriving from the adaptation of capital requirements for Swedish banks to the EU's banking package and CRDV.

At the end of the quarter, the total capital ratio was 24.5%. The Bank's assessment is that the Swedish Financial Supervisory Authority's expected total capital requirement amounted to 18.5% (SEK 138bn) on the same date, of which 3.9 percentage points (SEK 29bn) comprises the total capital requirement in Pillar 2.

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

Capital for consolidated situation 30 June 2021 compared with 30 June 2020

SEK m	30 Jun 2021	30 Jun 2020	Change
Common equity tier 1 ratio, CRR	20.5%	18.7%	1.8
Total capital ratio, CRR	24.5%	23.5%	1.0
Risk exposure amount, CRR	744,288	704,880	6%
Common equity tier 1 capital	152,867	131,918	16%
Total own funds	182,578	165,328	10%

Own funds were SEK 183bn (165), and the Bank's total capital ratio amounted to 24.5% (23.5). The common equity tier 1 capital was SEK 153bn (132), while the common equity tier 1 ratio was 20.5% (18.7). Earnings during the last 12-month period raised the common equity tier 1 capital ratio by 1.0 percentage points, after a deduction for the dividend generated. The return to own funds of the previously deducted dividend proposed on the basis of profit in 2019 had a positive contribution of 1.5 percentage points. The effects of net pensions had a positive impact of 0.4 percentage points. Higher exposure volumes reduced the common equity tier 1 ratio by 0.6 percentage points, and the net effect of customer and volume migration was positive in the amount of 0.5 percentage points. Foreign exchange effects were neutral. The transition from IRB to a standardised basis for calculating the capital requirement for credit risk in the UK at Group level reduced the common equity tier 1 ratio by 1.4 percentage points. Other effects increased the common equity tier 1 ratio by 0.4 percentage points.

Capital for consolidated situation 30 June 2021 compared with 31 March 20

SEK m	30 Jun 2021	31 Mar 2021	Change
Common equity tier 1 ratio, CRR	20.5%	20.2%	0.3
Total capital ratio, CRR	24.5%	24.3%	0.2
Risk exposure amount, CRR	744,288	747,273	0%
Common equity tier 1 capital	152,867	151,151	1%
Total own funds	182,578	181,385	1%

Own funds amounted to SEK 183bn (181) and the total capital ratio was 24.5% (24.3). The common equity tier 1 capital was SEK 153bn (151), while the common equity tier 1 ratio was 20.5% (20.2). Profit for the period contributed 0.4 percentage points, after a deduction for the dividend payout ratio of 40%.

The pension system had a neutral effect on capital ratios, as the size of the net assets led to neither the crediting nor risk-weighting of the capital.

Changed exposure volumes had a negative effect of 0.3 percentage points. The net effect of customer and volume migration had a positive effect of 0.2 percentage points. Foreign exchange movements and other effects had a neutral impact.

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 Q2, Group EC totalled SEK 60.7bn (57.3), while AFR was SEK 207.7bn (176.1). Thus, the ratio between AFR and EC was 342% (307). For the consolidated situation, EC totalled SEK 30.6bn (29.3), and AFR was SEK 202.0bn (172.0).

Rating

During the quarter, Handelsbanken's long-term and short-term senior ratings with the rating agencies which monitor the Bank were unchanged (see the following table). As is the case for the majority of Nordic banks, the outlook for the rating from Fitch is negative. The outlook for other long-term senior ratings from other agencies is stable. On 13 July, Moody's raised the Bank's rating for outstanding AT1 bonds to Baa2 (Baa3), and announced that the Bank's senior non-preferred bonds may potentially be assigned a higher credit rating.

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

Handelsbanken Group – Business segments

January - June 2021		Home markets								Group Jan-Jun 2021
SEK m	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
Net interest income	9,017	2,696	1,817	785	698	498	138	130		15,779
Net fee and commission income	4,071	366	308	362	355	67	496	-7		6,018
Net gains/losses on financial transactions	230	88	23	63	32	11	594	-158		883
Risk result - insurance							106			106
Share of profit of associates								28		28
Other income	32	0	3	6	7	0	10	22		80
Total income	13,350	3,150	2,151	1,216	1,092	576	1,344	15		22,894
Staff costs	-1,655	-1,214	-432	-362	-226	-201	-1,029	-2,011	-54	-7,184
Other expenses	-431	-481	-74	-65	-152	-39	-393	-1,539		-3,174
Internal purchased and sold services	-2,770	-452	-265	-248	-297	-82	420	3,694		
impairments of property, equipment and intangible assets	-164	-142	-40	-24	-31	-26	-154	-416		-997
Total expenses	-5,020	-2,289	-811	-699	-706	-348	-1,156	-272	-54	-11,355
Profit before credit losses	8,330	861	1,340	517	386	228	188	-257	-54	11,539
Net credit losses	84	50	16	-9	-70	0	-16	0		55
Gains/losses on disposal of property, equipment and intangible assets	5	9	3	0	-	-	-10	-1		6
Operating profit	8,419	920	1,359	508	316	228	162	-258	-54	11,600
Profit allocation	172	21	28	7	12	1	-241			
Operating profit after profit allocation	8,591	941	1,387	515	328	229	-79	-258	-54	11,600
Internal income*	-325	-467	-824	-80	-97	-215	-147	2,155		

January - June 2020		Home markets								Group Jan-Jun 2020
SEK m	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
Net interest income	9,084	2,996	1,742	812	697	448	196	-123		15,852
Net fee and commission income	3,381	370	244	318	345	61	511			5,230
Net gains/losses on financial transactions	208	89	24	59	26	12	483	-362		539
Risk result - insurance							64			64
Share of profit of associates								21		21
Other income	16	0	3	4	6	1	15	52		97
Total income	12,689	3,455	2,013	1,193	1,074	522	1,269	-412		21,803
Staff costs	-1,650	-1,254	-417	-386	-227	-201	-1,136	-1,586	-85	-6,942
Other expenses	-418	-484	-114	-63	-105	-71	-421	-1,479		-3,155
Internal purchased and sold services	-2,550	-398	-252	-225	-257	-72	265	3,489		
impairments of property, equipment and intangible assets	-153	-140	-47	-25	-36	-29	-47	-406		-883
Total expenses	-4,771	-2,276	-830	-699	-625	-373	-1,339	18	-85	-10,980
Profit before credit losses	7,918	1,179	1,183	494	449	149	-70	-394	-85	10,823
Net credit losses	-255	-104	-190	-58	-30	-2	1	3		-635
Gains/losses on disposal of property, equipment and intangible assets	3	-2	5	2	0	-	0	0		8
Operating profit	7,666	1,073	998	438	419	147	-69	-391	-85	10,196
Profit allocation	177	26	21	4	15	3	-246			
Operating profit after profit allocation	7,843	1,099	1,019	442	434	150	-315	-391	-85	10,196
Internal income*	117	-686	-1,828	-173	-154	-216	-908	3,848		

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

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

The comparative figures in the table have therefore been recalculated.

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

Handelsbanken Sweden

Handelsbanken Sweden comprises the branch operations, as well as the operations of Ecster and Stadshypotek in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. Banking services are offered at 284 branches throughout Sweden.

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	4,521	4,496	1%	4,480	1%	9,017	9,084	-1%	18,166
Net fee and commission income	2,090	1,981	6%	1,661	26%	4,071	3,381	20%	7,112
Net gains/losses on financial transactions	142	88	61%	86	65%	230	208	11%	458
Other income	25	7	257%	6	317%	32	16	100%	33
Total income	6,778	6,572	3%	6,233	9%	13,350	12,689	5%	25,769
Staff costs	-814	-841	-3%	-811	0%	-1,655	-1,650	0%	-3,284
Other expenses	-250	-181	38%	-201	24%	-431	-418	3%	-827
Internal purchased and sold services	-1,404	-1,366	3%	-1,305	8%	-2,770	-2,550	9%	-5,017
Depreciation, amortisation and impairments of property, equipment and intangible assets	-52	-112	-54%	-76	-32%	-164	-153	7%	-321
Total expenses	-2,520	-2,500	1%	-2,393	5%	-5,020	-4,771	5%	-9,449
Profit before credit losses	4,258	4,072	5%	3,840	11%	8,330	7,918	5%	16,320
Net credit losses	121	-37		-6		84	-255		-177
Gains/losses on disposal of property, equipment and intangible assets	4	1	300%	1	300%	5	3	67%	8
Operating profit	4,383	4,036	9%	3,835	14%	8,419	7,666	10%	16,151
Profit allocation	76	96	-21%	84	-10%	172	177	-3%	333
Operating profit after profit allocation	4,459	4,132	8%	3,919	14%	8,591	7,843	10%	16,484
Internal income	-7	-318	98%	-44	84%	-325	117		88
Cost/income ratio, %	36.8	37.5		37.9		37.1	37.1		36.2
Credit loss ratio, %	-0.03	0.02		0.00		-0.01	0.02		0.01
Allocated capital	90,739	96,212	-6%	91,886	-1%	90,739	91,886	-1%	96,413
Return on allocated capital, %	15.6	13.6		13.4		14.6	13.7		14.0
Average number of employees	3,379	3,503	-4%	3,664	-8%	3,441	3,661	-6%	3,672
Number of branches	284	343	-17%	381	-25%	284	381	-25%	376

BUSINESS VOLUMES

Average volumes, SEK bn	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Loans to the public*									
Household	929	917	1%	885	5%	923	881	5%	892
of which mortgage loans	889	878	1%	845	5%	883	840	5%	851
Companies	530	530	0%	547	-3%	530	537	-1%	537
of which mortgage loans	371	367	1%	352	5%	369	347	6%	354
Total	1,459	1,447	1%	1,432	2%	1,453	1,418	2%	1,429
Deposits and borrowing from the public									
Household	434	420	3%	407	7%	426	396	8%	406
Companies	338	334	1%	306	10%	337	297	13%	309
Total	772	754	2%	713	8%	763	693	10%	715

* Excluding loans to the National Debt Office.

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit increased by 10% to SEK 8,419m (7,666), as a result of robust business development and lower credit losses. Return on allocated capital was 14.6% (13.7). The C/I ratio was 37.1% (37.1).

Net interest income went down by 1%, or SEK 67 m, to SEK 9,017m (9,084). Higher lending volumes increased net interest income by SEK 156 m, while higher deposit volumes contributed SEK 63m. The net amount of changed margins and funding costs made a negative contribution of SEK -328m. The fact that the comparison period was during a leap year caused a negative day effect of SEK -8m. Government fees went down by SEK 9m to SEK -413m (-422), with a higher fee to the Resolution Fund being offset by a lower fee for the deposit guarantee.

Net fee and commission income grew by 20%, or SEK 690 m, to SEK 4,071m (3,381), where mutual fund commissions increased by SEK 641m to SEK 2,191m (1,550). Commission income from custody and other asset management rose by SEK 94m. Insurance commissions went down by SEK 19m. Payment commissions went down by SEK 76m.

Total expenses rose by 5% to SEK -5,020m (-4,771). Staff costs, which include the annual salary reviews, were essentially unchanged at SEK -1,655m (-1,650). The average number of employees fell by 6% to 3,441 (3,661).

Credit losses consisted of net recoveries of SEK 84m (-255). The credit loss ratio was -0.01% (0.02).

Q2 2021 COMPARED WITH Q1 2021

Operating profit increased by 9% to SEK 4,383m (4,036); this was attributable to a strong income performance.

Return on allocated capital was 15.6% (13.6). The C/I ratio was 36.8% (37.5).

Net interest income rose by 1%, or SEK 25 m, to SEK 4,521m (4,496). Higher deposit volumes increased net interest income by SEK 9 m, while higher lending volumes contributed SEK 36m. The gross margin on mortgage loans was 1.04 (1.04). The net amount of changed customer interest rates and funding costs increased net interest income by SEK 16m. There was a positive day effect of SEK 8m. Government fees increased by SEK 15m to SEK -214m (-199).

Net fee and commission income increased by 6% to SEK 2,090m (1,981), mainly due to higher commissions from the mutual fund and payments business.

Expenses rose by 1% to SEK -2,520m (-2,500). Staff costs totalled SEK -814m (-841). The average number of employees fell by 4% to 3,379 (3,503). Other external expenses rose by 38% to SEK -250m (-181).

Credit losses consisted of net recoveries of SEK 121m (-37), and the credit loss ratio was -0.03% (0.02).

BUSINESS DEVELOPMENT

Activity levels remained high, with high demand within areas which the Bank is focusing on: mortgages, property-related finance (particularly green), and asset management. In the January - May period, the Bank was the largest player within new mortgage loans. Net inflows to mutual funds remained strong.

January – June 2021 compared with January – June 2020

The average volume of mortgage loans to private individuals rose by just over 5% to SEK 883bn (840), while household deposits grew by 8% to SEK 426bn (396). The average volume of lending to corporates decreased by 1% to SEK 530bn (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 6% to SEK 369bn (347). Deposits from corporates increased by 13% to SEK 337bn (297).

New savings in the Bank's mutual funds in Sweden during the period totalled SEK 23.0bn, corresponding to a market share of 26%. In terms of total fund assets, Handelsbanken is the second largest player on the Swedish mutual funds market, with a share that grew to 12.0% (11.4).

Q2 2021 compared with Q1 2021

The average volume of mortgage loans to private individuals rose by 1% to SEK 889bn (878), while household deposits grew by 3% to SEK 434bn (420). The average volume of corporate lending was unchanged at SEK 530bn (530); within mortgage lending to corporates, however, there was a 1% increase. Deposits from corporates increased by 1% to SEK 338bn (334).

New savings in the Bank's mutual funds in Sweden totalled SEK 8.1bn (14.9).

Handelsbanken UK

Handelsbanken UK comprises branch operations in 14 districts and the subsidiary Handelsbanken Wealth & Asset Management. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. In the UK, Handelsbanken offers banking services at 200 branches and meeting places across the country.

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	1,361	1,335	2%	1,443	-6%	2,696	2,996	-10%	5,683
Net fee and commission income	186	180	3%	174	7%	366	370	-1%	713
Net gains/losses on financial transactions	44	44	0%	36	22%	88	89	-1%	176
Other income	0	0	0%	0	0%	0	0	0%	1
Total income	1,591	1,559	2%	1,653	-4%	3,150	3,455	-9%	6,573
Staff costs	-612	-602	2%	-613	0%	-1,214	-1,254	-3%	-2,465
Other expenses	-243	-238	2%	-231	5%	-481	-484	-1%	-864
Internal purchased and sold services	-237	-215	10%	-209	13%	-452	-398	14%	-761
Depreciation, amortisation and impairments of property, equipment and intangible assets	-79	-63	25%	-79	0%	-142	-140	1%	-267
Total expenses	-1,171	-1,118	5%	-1,132	3%	-2,289	-2,276	1%	-4,357
Profit before credit losses	420	441	-5%	521	-19%	861	1,179	-27%	2,216
Net credit losses	17	33	-48%	-54		50	-104		-119
Gains/losses on disposal of property, equipment and intangible assets	10	-1		-3		9	-2		-7
Operating profit	447	473	-5%	464	-4%	920	1,073	-14%	2,090
Profit allocation	10	11	-9%	12	-17%	21	26	-19%	49
Operating profit after profit allocation	457	484	-6%	476	-4%	941	1,099	-14%	2,139
Internal income	-239	-228	-5%	-354	32%	-467	-686	32%	-1,193
Cost/income ratio, %	73.1	71.2		68.0		72.2	65.4		65.8
Credit loss ratio, %	-0.02	-0.05		0.07		-0.04	0.07		0.04
Allocated capital	20,320	20,288	0%	18,982	7%	20,320	18,982	7%	19,306
Return on allocated capital, %	7.1	7.6		7.9		7.4	9.3		8.9
Average number of employees	2,506	2,505	0%	2,445	2%	2,505	2,444	2%	2,462
Number of branches	200	202	-1%	207	-3%	200	207	-3%	204

BUSINESS VOLUMES

Average volumes, GBP m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Loans to the public									
Household	6,620	6,686	-1%	6,925	-4%	6,653	6,972	-5%	6,873
Companies	14,267	14,325	0%	15,177	-6%	14,296	14,932	-4%	14,783
Total	20,887	21,011	-1%	22,102	-5%	20,949	21,904	-4%	21,656
Deposits and borrowing from the public									
Household	5,496	5,415	1%	5,050	9%	5,456	5,134	6%	5,144
Companies	13,713	13,741	0%	12,198	12%	13,727	11,731	17%	12,465
Total	19,209	19,156	0%	17,248	11%	19,183	16,865	14%	17,609

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit went down by 14%, or SEK 153 m, to SEK 920m (1,073), owing to lower income. Foreign exchange effects were negative and amounted to SEK -47m. Expressed in local currency, operating profit declined by 10%. Return on allocated capital was 7.4% (9.3). The C/I ratio rose to 72.2% (65.4).

Income decreased by 9% to SEK 3,150m (3,455). Foreign exchange effects totalled SEK -146m. Income fell by 5% when expressed in local currency terms.

Net interest income fell by 10%, or SEK -300 m, to SEK 2,696m (2,996). Foreign exchange effects had a negative impact of SEK -126m on net interest income. Lower business volumes had a negative impact of SEK -63m. The net amount of changed margins and funding costs reduced net interest income by SEK -92 m, chiefly due to central bank key rate cuts in 2020. No government fees burdened net interest income (-).

Net fee and commission income declined by 1% to SEK 366m (370). Foreign exchange effects totalled SEK -16m. Expressed in local currency, net fee and commission income increased by 4%. Commission income from the mutual fund and asset management business increased by 8% to SEK 166m (153).

Expenses increased by 1% to SEK -2,289m (-2,276). Expressed in local currency, expenses were up by 5%.

Staff costs fell by 3% to SEK -1,214m (-1,254). Expressed in local currency, staff costs rose by 1%. The average number of employees grew by 2% to 2,505 (2,444). This increase was mainly seen within head office functions, where the Bank's own staff have replaced consultants to a greater extent. Other expenses decreased by 1% to SEK -481m (-484). Expressed in local currency, these expenses increased by 4%.

Credit losses consisted of net recoveries of SEK 50m (-104). The credit loss ratio was -0.04% (0.07).

Q2 2021 COMPARED WITH Q1 2021

Operating profit decreased by 5% to SEK 447m (473). Foreign exchange effects were positive and, in local currency terms, operating profit decreased by 7%. Return on allocated capital was 7.1% (7.6).

Income grew by 2% to SEK 1,591m (1,559). Foreign exchange effects increased income by SEK 20m. Expressed in local currency, income growth was 1%.

Net interest income grew by 2% to SEK 1,361m (1,335). Foreign exchange effects had a positive impact of SEK 17m on net interest income, and expressed in local currency, net interest income grew by 1%. The day effect between the quarters amounted to SEK 13m. Lower business volumes had a negative impact of SEK -7m. The net amount of changed margins and funding costs increased net interest income by SEK 3m. No government fees burdened net interest income (-). Net fee and commission income increased by 3% to SEK 186m (180). Foreign exchange effects were marginally positive. The higher net fee and commission

income figure was primarily attributable to higher income from brokerage, mutual funds and payments.

Expenses rose by 5% to SEK -1,171m (-1,118). Foreign exchange effects were negative and amounted to SEK -17m. In local currency terms, expenses increased by 4%. Staff costs rose by 2% to SEK -612m (-602). The average number of employees was 2,506 (2,505).

Credit losses consisted of net recoveries and amounted to SEK 17m (33). The credit loss ratio was -0.02% (-0.05).

BUSINESS DEVELOPMENT

The previous division of the operations into five regional banks has been replaced with an organisation comprised of 14 districts. In conjunction with the transition to this new organisation, the number of branches is expected to decrease, as previously announced. The operations of Handelsbanken Wealth & Asset Management have been more distinctly integrated into the Bank. These measures are expected to lead to an improved customer offering and a decrease in costs in 2022.

During the period, demand for corporate lending stabilised, following a period that had shown a weaker trend. The trend within the mortgage business, on the other hand, is still cautious. The savings business performed strongly during the period, with net inflows to asset management for all six months in the first half of the year.

January – June 2021 compared with January – June 2020

Corporate deposits grew by 17% and corporate lending fell by 4%. Household deposits grew by 6%, while household lending fell by 5%. Overall, the average volume of deposits and borrowing from the public increased by 14% to GBP 19.2bn (16.9). The average volume of lending decreased by a total of 4% to GBP 21.0bn (21.9).

The volume of assets under management in Handelsbanken Wealth & Asset Management at the end of the period totalled GBP 4.4bn (3.7).

The net inflow to Handelsbanken Wealth & Asset Management during the period totalled GBP 209m (-84).

Q2 2021 compared with Q1 2021

The average volume of household deposits increased by 1%, while household lending decreased by 1%. Average volumes of deposits and lending from corporates were unchanged. Overall, the average volume of deposits from the public was unchanged at GBP 19.2bn (19.2). The average volume of lending decreased by a total of 1% to GBP 20.9bn (21.0).

The net inflow to Handelsbanken Wealth & Asset Management during the quarter totalled GBP 113m (96).

Handelsbanken Norway

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

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	926	891	4%	771	20%	1,817	1,742	4%	3,481
Net fee and commission income	155	153	1%	113	37%	308	244	26%	504
Net gains/losses on financial transactions	14	9	56%	9	56%	23	24	-4%	57
Other income	2	1	100%	1	100%	3	3	0%	32
Total income	1,097	1,054	4%	894	23%	2,151	2,013	7%	4,074
Staff costs	-219	-213	3%	-198	11%	-432	-417	4%	-822
Other expenses	-33	-41	-20%	-47	-30%	-74	-114	-35%	-203
Internal purchased and sold services	-141	-124	14%	-131	8%	-265	-252	5%	-509
Depreciation, amortisation and impairments of property, equipment and intangible assets	-20	-20	0%	-19	5%	-40	-47	-15%	-88
Total expenses	-413	-398	4%	-395	5%	-811	-830	-2%	-1,622
Profit before credit losses	684	656	4%	499	37%	1,340	1,183	13%	2,452
Net credit losses	2	14	-86%	-120		16	-190		-270
Gains/losses on disposal of property, equipment and intangible assets	1	2	-50%	2	-50%	3	5	-40%	7
Operating profit	687	672	2%	381	80%	1,359	998	36%	2,189
Profit allocation	10	18	-44%	10	0%	28	21	33%	40
Operating profit after profit allocation	697	690	1%	391	78%	1,387	1,019	36%	2,229
Internal income	-413	-411	0%	-759	46%	-824	-1,828	55%	-2,420
Cost/income ratio, %	37.3	37.1		43.7		37.2	40.8		39.4
Credit loss ratio, %	0.00	-0.02		0.12		-0.01	0.10		0.10
Allocated capital	19,153	18,918	1%	17,998	6%	19,153	17,998	6%	19,986
Return on allocated capital, %	11.6	11.6		6.8		11.6	8.2		8.8
Average number of employees	722	723	0%	700	3%	722	699	3%	709
Number of branches	43	45	-4%	45	-4%	43	45	-4%	45

BUSINESS VOLUMES

Average volumes, NOK bn	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Loans to the public									
Household	105.7	104.6	1%	100.8	5%	105.1	100.3	5%	101.7
Companies	171.6	168.9	2%	171.4	0%	170.3	169.6	0%	168.6
Total	277.3	273.5	1%	272.2	2%	275.4	269.9	2%	270.3
Deposits and borrowing from the public									
Household	27.5	26.4	4%	24.7	11%	27.0	23.7	14%	24.7
Companies	63.5	64.2	-1%	64.8	-2%	63.8	58.5	9%	60.9
Total	91.0	90.6	0%	89.5	2%	90.8	82.2	10%	85.6

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit increased by 36% to SEK 1,359m (998), as a result of robust business development and lower credit losses. The effect of foreign exchange movements on operating profit was marginal. Return on allocated capital increased to 11.6% (8.2). The C/I ratio improved to 37.2% (40.8).

Income grew by 7% to SEK 2,151m (2,013). Foreign exchange effects were marginal.

Net interest income increased by 4% to SEK 1,817m (1,742). Higher business volumes had a positive impact of SEK 32m. The net effect of changes to margins and funding costs was an increase in net interest income amounting to SEK 47m. Government fees burdened net interest income by SEK -77m (-82).

Net fee and commission income increased by 26% to SEK 308m (244). Mutual fund and asset management income displayed a positive performance, while payments-related commissions showed a negative trend.

Net gains/losses on financial transactions totalled SEK 23m (24).

Expenses decreased by 2% to SEK -811m (-830). The foreign exchange effect was marginal.

Staff costs rose by 4% to SEK -432m (-417). The average number of employees increased by 3% to 722 (699). Other expenses fell by 35%, which was mainly attributable to lower costs for work to prevent financial crime.

Credit losses consisted of net recoveries of SEK 16m (-190). The credit loss ratio was -0.01% (0.10).

Q2 2021 COMPARED WITH Q1 2021

Operating profit increased by 2% to SEK 687m (672). Foreign exchange effects amounted to SEK 12 m, and in local currency terms, operating profit rose marginally.

Net interest income increased by 4% to SEK 926m (891). Foreign exchange effects amounted to SEK 15 m, and in local currency terms, net interest income rose by 2%. Larger business volumes made a positive contribution of SEK 11m. The net amount of changed margins and funding costs increased net interest income by SEK 3m. Government fees burdened net interest income by SEK -39m (-38).

Net fee and commission income increased by 1% to SEK 155m (153). In local currency terms, net fee and commission income decreased by 1%, primarily due to lower brokerage and mutual fund income.

Net gains/losses on financial transactions totalled SEK 14m (9).

Expenses rose by 4% to SEK -413m (-398). Foreign exchange effects totalled SEK -6 m, and expressed in local currency terms, expenses grew by 2%.

Staff costs rose by 3% to SEK -219m (-213). In local currency terms, staff costs were virtually unchanged. The average number of employees was 722 (723).

Credit losses consisted of net recoveries of SEK 2m (14), and the credit loss ratio was 0.00% (-0.02).

BUSINESS DEVELOPMENT

There is a high level of activity in the Norwegian housing market, which resulted in a strong performance by the mortgage loan business. The significant demand for advisory meetings in 2020 has continued in the early parts of 2021, and activity is also high within asset management. A clear recovery is evident in the corporate segments, particularly at the end of the quarter.

January – June 2021 compared with January – June 2020

The average volume of household deposits increased by 14%, while lending to households grew by 5%. In the corporate segment, too, deposits grew more than lending, by 9% and 0% respectively. Overall, the average volume of deposits and borrowing from the public increased by 10% to NOK 90.8bn (82.2). The average volume of lending increased by a total of 2% to NOK 275.4bn (269.9).

New savings in the Bank's mutual funds in Norway during the period totalled SEK 2.3bn (0.6).

Q2 2021 compared with Q1 2021

The average volume of household deposits increased by 4%, while lending to households grew by 1%. The average volume of corporate deposits fell by 1%, while lending grew by 2%. Overall, the average volume of deposits from the public was unchanged at NOK 91.0bn (90.6). The average volume of lending increased by 1% to NOK 277.3bn (273.5).

New savings in the Bank's mutual funds in Norway during the quarter totalled SEK 0.5bn (1.8).

Handelsbanken Denmark

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

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	400	385	4%	403	-1%	785	812	-3%	1,612
Net fee and commission income	176	186	-5%	141	25%	362	318	14%	624
Net gains/losses on financial transactions	31	32	-3%	30	3%	63	59	7%	123
Other income	4	2	100%	2	100%	6	4	50%	8
Total income	611	605	1%	576	6%	1,216	1,193	2%	2,367
Staff costs	-175	-187	-6%	-192	-9%	-362	-386	-6%	-790
Other expenses	-30	-35	-14%	-28	7%	-65	-63	3%	-144
Internal purchased and sold services	-123	-125	-2%	-114	8%	-248	-225	10%	-459
Depreciation, amortisation and impairments of property, equipment and intangible assets	-12	-12	0%	-13	-8%	-24	-25	-4%	-49
Total expenses	-340	-359	-5%	-347	-2%	-699	-699	0%	-1,442
Profit before credit losses	271	246	10%	229	18%	517	494	5%	925
Net credit losses	-14	5		10		-9	-58		-32
Gains/losses on disposal of property, equipment and intangible assets	0	0		-		0	2	-100%	2
Operating profit	257	251	2%	239	8%	508	438	16%	895
Profit allocation	4	3	33%	2	100%	7	4	75%	12
Operating profit after profit allocation	261	254	3%	241	8%	515	442	17%	907
Internal income	-33	-47	30%	-90	63%	-80	-173	54%	-210
Cost/income ratio, %	55.3	59.0		60.0		57.2	58.4		60.6
Credit loss ratio, %	0.06	-0.02		-0.09		0.02	0.07		0.01
Allocated capital	7,376	7,015	5%	7,611	-3%	7,376	7,611	-3%	7,263
Return on allocated capital, %	11.3	11.5		10.0		11.4	9.4		9.8
Average number of employees	583	591	-1%	590	-1%	587	587	0%	589
Number of branches	43	43	0%	55	-22%	43	55	-22%	43

BUSINESS VOLUMES

Average volumes, DKK bn	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Loans to the public									
Household	46.6	46.8	0%	47.2	-1%	46.7	47.1	-1%	47.1
Companies	30.4	28.0	9%	30.3	0%	29.2	30.2	-3%	28.9
Total	77.0	74.8	3%	77.5	-1%	75.9	77.3	-2%	76.0
Deposits and borrowing from the public									
Household	16.7	16.9	-1%	17.3	-3%	16.8	16.9	-1%	17.3
Companies	22.0	24.0	-8%	20.4	8%	23.0	20.9	10%	22.4
Total	38.7	40.9	-5%	37.7	3%	39.8	37.8	5%	39.7

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit went up by 16%, or SEK 70 m, to SEK 508m (438), partly due to higher commissions and lower credit losses. The appreciation of the Swedish krona had a negative impact of SEK -24m on operating profit. Expressed in local currency, the improvement in profit was 22%. Return on allocated capital was 11.4% (9.4). The C/I ratio was 57.2% (58.4).

Net interest income decreased by 3%, or SEK 27 m, to SEK 785m (812). Foreign exchange effects amounted to SEK -39 m, and in local currency terms, net interest income rose by 1%. The fact that the comparison period was during a leap year caused a negative day effect of SEK -2m. Changed business volumes had a SEK -16m negative impact on net interest income, while the net amount of changed margins and funding costs increased net interest income by SEK 34m. Government fees burdened net interest income by SEK -31m (-38).

Net fee and commission income rose by 14% to SEK 362m (318). Foreign exchange effects amounted to SEK -15 m, and in local currency terms, net fee and commission income rose by 19%. The increase was thanks to high levels of activity in all areas.

Net gains/losses on financial transactions totalled SEK 63m (59).

Expenses were unchanged at SEK -699m (-699). Foreign exchange effects totalled SEK 30 m, and expressed in local currency terms, expenses grew by 5%. Staff costs fell by 6% to SEK -362m (-386). Expressed in local currency, staff costs decreased by 1%. The average number of employees was unchanged at 587 (587).

Credit losses totalled SEK -9m (-58). The credit loss ratio was 0.02% (0.07).

Q2 2021 COMPARED WITH Q1 2021

Operating profit went up by 2% to SEK 257m (251), due to higher income and lower expenses. The foreign exchange effect between the quarters was marginal.

Net interest income grew by 4% to SEK 400m (385). Increasing business volumes made a positive contribution of SEK 7m. The net amount of changed margins and funding costs had a SEK 5m positive impact. Government fees burdened net interest income by SEK -15m (-16).

Net fee and commission income fell by 5% to SEK 176m (186), which was mainly attributable to quarterly effects and the savings-related commissions.

Net gains/losses on financial transactions totalled SEK 31m (32).

Expenses fell by 5% to SEK -340m (-359). This was attributable to lower staff costs, which decreased by 6% to SEK -175m (-187). The average number of employees decreased to 583 (591).

Credit losses totalled SEK -14m (5), giving a credit loss ratio of 0.06% (-0.02).

BUSINESS DEVELOPMENT

In the first six months the activity level was high, resulting in successes, particularly for the savings business and corporate business. In the savings area, total assets in advisory agreements were up by 23% from the equivalent period of last year. A continued focus on the Private Banking business segment resulted in a 7% increase in customer numbers during the same period. In the second quarter, the activity level in the corporate business was high; among other things, this resulted in the average volume of lending showing a 9% increase over the first quarter.

January – June 2021 compared with January – June 2020

Corporate deposits grew by 10%, while household deposits fell by 1%. Overall, deposits from the public increased by 5% to DKK 39.8bn (37.8).

Lending to corporates went down by 3%, while lending to households decreased by 1%. Overall, lending to the public went down by 2% to DKK 75.9bn (77.3).

New savings in the Bank's mutual funds in Denmark totalled SEK 5.9bn (0.6).

Q2 2021 compared with Q1 2021

Corporate deposits fell by 8%, while household deposits decreased by 1%. Overall, deposits from the public went down by 5% to DKK 38.7bn (40.9).

Corporate lending increased by 9%, while household lending was virtually unchanged. Overall, lending to the public went up by 3% to DKK 77.0bn (74.8).

New savings in the Bank's mutual funds in Denmark totalled SEK 0.8bn (5.1).

Handelsbanken Finland

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

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	359	339	6%	346	4%	698	697	0%	1,403
Net fee and commission income	178	177	1%	162	10%	355	345	3%	683
Net gains/losses on financial transactions	13	19	-32%	13	0%	32	26	23%	-24
Other income	5	2	150%	2	150%	7	6	17%	10
Total income	555	537	3%	523	6%	1,092	1,074	2%	2,072
Staff costs	-117	-109	7%	-114	3%	-226	-227	0%	-448
Other expenses	-72	-80	-10%	-53	36%	-152	-105	45%	-212
Internal purchased and sold services	-155	-142	9%	-139	12%	-297	-257	16%	-519
Depreciation, amortisation and impairments of property, equipment and intangible assets	-16	-15	7%	-19	-16%	-31	-36	-14%	-66
Total expenses	-360	-346	4%	-325	11%	-706	-625	13%	-1,245
Profit before credit losses	195	191	2%	198	-2%	386	449	-14%	827
Net credit losses	-58	-12	383%	72		-70	-30	133%	-193
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	0		-1
Operating profit	137	179	-23%	270	-49%	316	419	-25%	633
Profit allocation	5	7	-29%	7	-29%	12	15	-20%	27
Operating profit after profit allocation	142	186	-24%	277	-49%	328	434	-24%	660
Internal income	-44	-53	17%	-85	48%	-97	-154	37%	-192
Cost/income ratio, %	64.3	63.6		61.3		63.9	57.4		59.3
Credit loss ratio, %	0.01	0.15		-0.22		0.08	0.04		0.11
Allocated capital	7,601	7,347	3%	8,447	-10%	7,601	8,447	-10%	7,728
Return on allocated capital, %	6.0	8.0		10.3		7.0	8.5		6.7
Average number of employees	540	513	5%	500	8%	527	499	6%	506
Number of branches	27	27	0%	32	-16%	27	32	-16%	27

BUSINESS VOLUMES

Average volumes, EUR m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Loans to the public									
Household	4,430	4,352	2%	4,310	3%	4,391	4,327	1%	4,330
Companies	9,768	9,774	0%	9,917	-2%	9,771	9,794	0%	9,841
Total	14,198	14,126	1%	14,227	0%	14,162	14,121	0%	14,171
Deposits and borrowing from the public									
Household	1,930	1,878	3%	1,883	2%	1,904	1,821	5%	1,872
Companies	3,453	3,571	-3%	3,583	-4%	3,512	3,371	4%	3,511
Total	5,383	5,449	-1%	5,466	-2%	5,416	5,192	4%	5,383

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit went down by 25% to SEK 316m (419), mainly due to increasing expenses and higher credit losses. Foreign exchange effects on operating profit amounted to SEK -26 m, and in local currency terms, operating profit declined by 21%.

Return on allocated capital was 7.0% (8.5). The C/I ratio was 63.9% (57.4).

Income increased by 2% to SEK 1,092m (1,074), and foreign exchange effects amounted to SEK -56m. Expressed in local currency, income growth was 7%.

Net interest income was virtually unchanged at SEK 698m (697). Foreign exchange effects totalled SEK -37m. In local currency terms, net interest income increased by 6%. Larger business volumes had a SEK 11m positive impact on net interest income. The net amount of changed margins and funding costs increased net interest income marginally. Government fees burdened net interest income by SEK -38m (-42).

Net fee and commission income grew by 3% to SEK 355m (345), with an increase in savings-related commissions being offset by a negative trend in deposit and lending commissions. Foreign exchange effects amounted to SEK -18 m, and in local currency terms, net fee and commission income rose by 8%.

Total expenses increased by 13%, or SEK 81 m, to SEK -706m (-625). Foreign exchange effects totalled SEK 30 m, and expressed in local currency terms, expenses grew by 19%. The ongoing replacement of the core banking system was a significant factor behind the rise in expenses, and underlying costs increased by 4%.

Staff costs were virtually unchanged at SEK -226m (-227). Expressed in local currency, staff costs rose by 5%. The average number of employees increased by 6% to 527 (499). Other expenses rose by 45% to SEK -152m (-105).

Credit losses totalled SEK -70m (-30). The credit loss ratio was 0.08% (0.04).

Q2 2021 COMPARED WITH Q1 2021

Operating profit went down by 23% to SEK 137m (179). The effect of foreign exchange movements on operating profit was marginal.

Net interest income grew by 6% to SEK 359m (339). The day effect was positive, amounting to SEK 3m. The effect of foreign exchange movements on net interest

income was marginal. Higher business volumes had a marginally positive impact on net interest income. The net amount of changed margins and funding costs increased net interest income by SEK 2m. Government fees burdened net interest income by SEK -19m (-19).

Net fee and commission income increased by 1% to SEK 178m (177), with payment commissions showing a positive performance. The foreign exchange effect was marginal.

Net gains/losses on financial transactions totalled SEK 13m (19).

Expenses rose by 4% to SEK -360m (-346), with foreign exchange effects being marginal.

Staff costs totalled SEK -117m (-109). The average number of employees was 540 (513).

Credit losses were SEK -58m (-12), and the credit loss ratio was 0.01% (0.15).

BUSINESS DEVELOPMENT

Mortgage loan-related business increased during the period. In the corporate segments, there was higher activity within property financing. Activity within the savings business was high among both new and existing customers, particularly within the Private Banking segment. The demand for advanced advisory meetings remains high.

January – June 2021 compared with January – June 2020

The average volume of household deposits rose by 5%, while household lending grew by 1%. Corporate deposits increased by 4%, while lending to corporates was unchanged. Overall, the average volume of lending to the public amounted to EUR 14.2bn (14.1), while deposits from the public grew by 4% to EUR 5.4bn (5.2).

New savings in the Bank's mutual funds in Finland totalled SEK 1.3bn (0.3).

Q2 2021 compared with Q1 2021

The average volume of household deposits rose by 3%, while lending to households grew by 2%. Corporate deposits went down by 3%, while lending to corporates was unchanged. Overall, the average volume of deposits from the public decreased by 1% to EUR 5.4bn (5.4), while total loans went up by 1% to EUR 14.2bn (14.1).

New savings in the Bank's mutual funds in Finland totalled SEK 0.8bn (0.5).

Handelsbanken the Netherlands

Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank, as well as asset management operations in Optimix Vermogensbeheer. The regional bank offers banking services at 28 branches throughout the Netherlands.

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	256	242	6%	225	14%	498	448	11%	908
Net fee and commission income	35	32	9%	30	17%	67	61	10%	125
Net gains/losses on financial transactions	5	6	-17%	5	0%	11	12	-8%	25
Other income	0	0	0%	0	0%	0	1	-100%	2
Total income	296	280	6%	260	14%	576	522	10%	1,060
Staff costs	-104	-97	7%	-99	5%	-201	-201	0%	-395
Other expenses	-18	-21	-14%	-40	-55%	-39	-71	-45%	-146
Internal purchased and sold services	-44	-38	16%	-37	19%	-82	-72	14%	-143
Depreciation, amortisation and impairments of property, equipment and intangible assets	-13	-13	0%	-14	-7%	-26	-29	-10%	-56
Total expenses	-179	-169	6%	-190	-6%	-348	-373	-7%	-740
Profit before credit losses	117	111	5%	70	67%	228	149	53%	320
Net credit losses	-1	1		-1	0%	0	-2	-100%	-4
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	116	112	4%	69	68%	228	147	55%	316
Profit allocation	1	0		2	-50%	1	3	-67%	5
Operating profit after profit allocation	117	112	4%	71	65%	229	150	53%	321
Internal income	-107	-108	1%	-111	4%	-215	-216	0%	-387
Cost/income ratio, %	60.3	60.4		72.5		60.3	71.0		69.5
Credit loss ratio, %	0.01	-0.01		0.01		0.00	0.01		0.01
Allocated capital	2,856	2,642	8%	2,642	8%	2,856	2,642	8%	2,612
Return on allocated capital, %	12.9	13.5		8.5		13.2	9.4		10.0
Average number of employees	336	336	0%	328	2%	336	323	4%	329
Number of branches	28	29	-3%	29	-3%	28	29	-3%	29

BUSINESS VOLUMES

Average volumes, EUR m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Loans to the public									
Household	3,842	3,673	5%	3,356	14%	3,757	3,290	14%	3,387
Companies	2,805	2,740	2%	2,400	17%	2,773	2,338	19%	2,404
Total	6,647	6,413	4%	5,756	15%	6,530	5,628	16%	5,791
Deposits and borrowing from the public									
Household	452	358	26%	234	93%	405	221	83%	261
Companies	2,160	2,047	6%	1,387	56%	2,103	1,370	54%	1,366
Total	2,612	2,405	9%	1,621	61%	2,508	1,591	58%	1,627

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit improved by 55% to SEK 228m (147). The appreciation of the Swedish krona had a negative effect of SEK -9m on operating profit. Return on allocated capital was 13.2% (9.4), and the C/I ratio was 60.3% (71.0).

Net interest income increased by 11% to SEK 498m (448).

Foreign exchange effects amounted to SEK -23 m, and in local currency terms, net interest income rose by 17%. Larger business volumes had a SEK 72m positive impact on net interest income. The net amount of changed margins and funding costs increased net interest income by SEK 2m. Government fees burdened net interest income by SEK -14m (-14).

Net fee and commission income increased by 10% to SEK 67m (61). Foreign exchange effects were negative, and expressed in local currency, net fee and commission income grew by 12%. Fee and commission income from fund and asset management operations amounted to SEK 59m (52).

Expenses decreased by 7% to SEK -348m (-373). In local currency terms, expenses decreased by 2%, which was mainly linked to lower costs for work to prevent financial crime. The average number of employees grew by 4% to 336 (323).

Credit losses were marginal (-2). The credit loss ratio was 0.00% (0.01).

Q2 2021 COMPARED WITH Q1 2021

Operating profit increased by 4% to SEK 116m (112). Foreign exchange effects were marginal.

Income grew by 6% to SEK 296m (280), while expenses increased by 6% to SEK -179m (-169).

Net interest income grew by 6% to SEK 256m (242). In local currency terms, net interest income increased by 5%. Larger business volumes had a SEK 11m positive impact on net interest income, while the net effect of changed margins and funding costs increased net interest income by SEK 3m. Government fees burdened net interest income by SEK -8m (-6).

Net fee and commission income grew by 9% to SEK 35m (32).

Expenses rose by 6% to SEK -179m (-169). Staff costs increased by 7% to SEK -104m (-97). The average number of employees was 336 (336).

Other types of expenses rose by 4% and totalled SEK -75m (-72).

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

BUSINESS DEVELOPMENT

Business activity was high, and growth in both mortgage loans and corporate property financing was strong, particularly towards the end of the period. Asset management also showed a positive trend, with net inflows.

January – June 2021 compared with January – June 2020

Corporate deposits increased by 54%, while household deposits grew by 83%. Overall, deposits from the public increased by 58% to EUR 2,508m (1,591).

Lending to corporates grew by 19%, while household lending increased by 14%. Overall, lending to the public increased by 16% to EUR 6,530m (5,628).

Assets under management at Optimix totalled EUR 1.9bn (1.5) at the end of the period, including the company's own mutual funds.

Q2 2021 compared with Q1 2021

Deposits from corporates increased by 6%, while household deposits grew by 26%. Overall, deposits from the public increased by 9% to EUR 2,612m (2,405).

Lending to corporates grew by 2%, while household lending increased by 5%. During the quarter, overall lending to the public grew by 4% to EUR 6,647m (6,413).

Handelsbanken Capital Markets

Handelsbanken Capital Markets consists of the Markets and Savings & Pension business areas. The International business area is in the process of being phased out; continuing operations outside the Bank's home markets are being concentrated in Luxembourg and New York.

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.

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

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	70	68	3%	89	-21%	138	196	-30%	355
Net fee and commission income	238	258	-8%	249	-4%	496	511	-3%	1,032
Net gains/losses on financial transactions	270	324	-17%	341	-21%	594	483	23%	1,039
Risk result - insurance	37	69	-46%	23	61%	106	64	66%	195
Other income	5	5	0%	7	-29%	10	15	-33%	23
Total income	620	724	-14%	709	-13%	1,344	1,269	6%	2,644
Staff costs	-498	-531	-6%	-558	-11%	-1,029	-1,136	-9%	-2,203
Other expenses	-205	-188	9%	-218	-6%	-393	-421	-7%	-791
Internal purchased and sold services	212	208	2%	152	39%	420	265	58%	603
Depreciation, amortisation and impairments of property, equipment and intangible assets	-92	-62	48%	-23	300%	-154	-47	228%	-123
Total expenses	-583	-573	2%	-647	-10%	-1,156	-1,339	-14%	-2,514
Profit before credit losses	37	151	-75%	62	-40%	188	-70		130
Net credit losses	-20	4		1		-16	1		11
Gains/losses on disposal of property, equipment and intangible assets	-3	-7		0		-10	0		-3
Operating profit	14	148	-91%	63	-78%	162	-69		138
Profit allocation	-106	-135	-21%	-117	-9%	-241	-246	-2%	-466
Operating profit after profit allocation	-92	13		-54	-70%	-79	-315	75%	-328
Internal income	-38	-109	65%	-467	92%	-147	-908	84%	-1,563
Cost/income ratio, %	113.4	97.3		109.3		104.8	130.9		115.4
Credit loss ratio, %	0.00	-0.04		0.02		-0.02	0.00		-0.01
Allocated capital	6,277	5,082	24%	6,837	-8%	6,277	6,837	-8%	5,843
Return on allocated capital, %	-4.7	0.8		-2.5		-2.2	-7.8		-4.2
Average number of employees	1,165	1,201	-3%	1,341	-13%	1,183	1,354	-13%	1,317

GROUP INCOME FROM HANDELSBANKEN CAPITAL MARKETS' PRODUCTS

January - June 2021 SEK m	Capital Markets	Branch operations	Other	Total income from Capital Market's products	Change compared to same period last year
Net interest income	138			138	-30%
Commission income	624	3,847	-42	4,429	24%
of which brokerage income	145	190	-1	334	-4%
of which mutual funds and custody	188	3,191	-28	3,351	31%
of which insurance	-13	466	-13	440	17%
Net fee and commission income	496	3,808	-5	4,299	26%
Net result of financial trans.	594	201	2	797	18%
Risk result - insurance	106			106	66%
Other income	10			10	-33%
Total income	1,344	4,009	-3	5,350	22%

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

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

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit increased to SEK 162m (-69), due to increased income and reduced expenses. Income grew by 6% to SEK 1,344m (1,269). Expenses decreased by 14% to SEK -1,156m (-1,339).

Net fee and commission income declined by 3% to SEK 496m (511), which was primarily due to the restructuring of the custody business, as well as lower guarantee and payment commissions in the wake of the ongoing discontinuation of business within Handelsbanken International.

Net gains/losses on financial transactions increased to SEK 594m (483), which was largely due to a much lower provision for a deferred capital contribution in Handelsbanken Liv's traditional insurance operations.

Staff costs fell by 9% to SEK -1,029m (-1,136), due to a decrease in the number of employees. The average number of employees fell by 13% to 1,183 (1,354).

Other types of expenses went down by SEK 76m to SEK -127m (-203).

Credit losses were SEK -16m (1), and the credit loss ratio was -0.02% (0.00).

Q2 2021 COMPARED WITH Q1 2021

Operating profit totalled SEK 14m (148); this was attributable to lower income, higher expenses and higher credit losses.

Total income went down by 14% to SEK 620m (724). Net fee and commission income went down by 8% to SEK 238m (258); this was attributable to slightly lower advisory commissions and higher fee and commission expenses.

Net gains/losses on financial transactions went down by 17% to SEK 270m (324).

Total expenses rose by 2% to SEK -583m (-573). Staff costs decreased by 6% to SEK -498m (-531). The average number of employees fell by 3% to 1,165 (1,201). Other types of expenses totalled SEK -85m (-42).

Credit losses were SEK -20m (4), and the credit loss ratio was 0.00% (-0.04).

BUSINESS DEVELOPMENT

Markets

Handelsbanken Markets' positive performance has remained stable.

The fixed income business has developed more strongly, while the foreign exchange business has declined slightly. Market conditions have normalised after the turbulence in the first half of 2020.

Developments in Corporate Finance have remained positive.

A total of 73 bond issues were arranged during the first six months, at a value of EUR 6.7bn (9.2). Green bonds at a volume of EUR 2.0bn were arranged,

comprising 30% of the total volume issued during the period. The corresponding proportion during the first half of the previous year was 9%.

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

Asset management

In Sweden, net savings in Handelsbanken's mutual funds during the first half of the year amounted to SEK 23.0bn (4.2), which corresponds to a market share of 26%. The Bank was thus largest in new savings among all fund market players in Sweden in the first half of 2021.

Total net savings in the Group's funds amounted to SEK 36.0bn (6.4). The total fund volume, including exchange-traded funds, increased during the first six months of the year by 16% to SEK 892bn (654). Total assets under management in the Group increased during the year by 16% to SEK 980bn (846).

During the year, work on introducing enhanced sustainability requirements in the Bank's mutual funds has continued, to the extent that just over 90% of the total mutual fund volume at the end of the period was managed according to the enhanced sustainability requirements. Handelsbanken Fonder became the first Swedish fund management company to change the index of five of its global and regional index funds to the Paris-Aligned Benchmarks. The aim of this is to offer our customers access to mutual funds that are in line with the measures of the Paris Agreement.

During the quarter, all the Bank's active Norwegian funds were also adapted to our enhanced sustainability requirements.

In the Kantar SIFO Prospera survey in June, Handelsbanken Asset Management was ranked no.1 among institutional customers for "external asset management" for the third successive year.

In February this year, Handelsbanken Fonder was named Fund Management Company of the Year 2020 by the Privata Affärer financial magazine, as well as receiving three additional distinctions.

Handelsbanken remained the largest player in Nordic ETFs.

Pension & Life

Profit within Pension & Life increased by 66% to SEK 778m (469). The improvement was due to improved performance in the traditional insurance operations, as well as increased fee and commission income, combined with a higher risk result.

The total premium volume increased by 32%, and occupational pensions also increased by 9%. New fund management and custody accounts in Sweden increased by 77% compared with the previous year and amounted to SEK 4,299m (2,435).

Assets under management at Handelsbanken Liv increased by SEK 33bn, or 17%, compared with the year-end figure, to SEK 233bn (200).

International

The consolidation work within Handelsbanken International is continuing, and has only been

marginally delayed by the pandemic. The branch in Singapore closed during the second quarter.

The average volume of deposits in Handelsbanken International decreased by 23% during the year and amounted to SEK 48.8bn (63.7). Lending decreased by 51% to SEK 11.4bn (23.1).

Other units not reported in the business segments

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

INCOME STATEMENT

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	68	62	10%	-135		130	-123		-2
Net fee and commission income	-3	-4	25%	-		-7	-		-7
Net gains/losses on financial transactions	-33	-125	74%	-111	70%	-158	-362	56%	-417
Share of profit of associates	10	18	-44%	-13		28	21	33%	18
Other income	12	10	20%	36	-67%	22	52	-58%	97
Total income	54	-39		-223		15	-412		-311
Staff costs	-971	-1,040	-7%	-833	17%	-2,011	-1,586	27%	-4,796
Other expenses	-760	-779	-2%	-750	1%	-1,539	-1,479	4%	-2,898
Internal purchased and sold services	1,892	1,802	5%	1,783	6%	3,694	3,489	6%	6,805
Depreciation, amortisation and impairments of property, equipment and intangible assets	-241	-175	38%	-199	21%	-416	-406	2%	-936
Total expenses	-80	-192	-58%	1		-272	18		-1,825
Profit before credit losses	-26	-231	89%	-222	88%	-257	-394	35%	-2,136
Net credit losses	0	0	0%	1	-100%	0	3	-100%	3
Gains/losses on disposal of property, equipment and intangible assets	-1	0		-		-1	0		-4
Operating profit	-27	-231	88%	-221	88%	-258	-391	34%	-2,137
Profit allocation									
Operating profit after profit allocation	-27	-231	88%	-221	88%	-258	-391	34%	-2,137
Internal income	881	1,274	-31%	1,910	-54%	2,155	3,848	-44%	5,877
Average number of employees	3,041	3,024	1%	2,965	3%	3,033	2,957	3%	2,979

JANUARY – JUNE 2021 COMPARED WITH JANUARY – JUNE 2020

Operating profit in other units not reported in the business segments amounted to SEK -258m (-391).

A preliminary provision of SEK -268m (-) was made for the Oktogonen profit-sharing scheme during the period.

Net interest income improved to SEK 130m (-123), which was primarily attributable to net interest income in the period of comparison being burdened by expenses of SEK -236m relating to the further strengthening of the liquidity reserve.

Net gains/losses on financial transactions totalled SEK -158m (-362). The period of comparison featured significantly widened credit spreads in the market, which explained the negative impact on profit.

The average number of employees grew by 3% to 3,033 (2,957). The number of employees at the IT department totalled 1,977 (1,913).

Q2 2021 COMPARED WITH Q1 2021

Operating profit was SEK -27m (-231). A preliminary provision of SEK -55m (-213) was made for the Oktogonen profit-sharing scheme during the quarter.

The average number of employees totalled 3,041 (3,024); within this figure, the number of employees at the IT department was 1,981 (1,973).

KEY FIGURES – GROUP

	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	Full year 2020
Return on equity	11.6%	10.6%	10.2%	11.1%	10.3%	10.0%
C/I ratio	48.9%	50.3%	51.5%	49.6%	50.4%	52.7%
C/I ratio, incl. credit losses	48.5%	50.3%	52.4%	49.4%	53.3%	54.5%
Earnings per share, SEK	2.39	2.21	2.00	4.60	3.99	7.87
- after dilution	2.39	2.21	2.00	4.60	3.99	7.87
Ordinary dividend, SEK						4.10
Adjusted equity per share, SEK	89.04	86.78	79.76	89.04	79.76	84.90
Common equity tier 1 ratio, CRR	20.5%	20.2%	18.7%	20.5%	18.7%	20.3%
Total capital ratio, CRR	24.5%	24.3%	23.5%	24.5%	23.5%	24.3%
Average number of employees	12,272	12,396	12,533	12,334	12,524	12,563
Number of branches, Sweden	284	343	381	284	381	376
Number of branches outside Sweden	348	354	379	348	379	356

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

THE HANDELSBANKEN SHARE

	Q2 2021	Q1 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	Full year 2020
Number of converted shares	-	-	-	-	-	-
Number of repurchased shares	-	-	-	-	-	-
Holding of own shares in trading book, end of period	-	-	-	-	-	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494
Number of outstanding shares after dilution, end of period	1,980,028,494	1,980,028,494	1,980,047,556	1,980,028,494	1,980,047,556	1,980,028,494
Average number of shares converted during the period	-	-	-	-	-	-
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-	-
Average number of outstanding shares	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494
- after dilution	1,980,028,494	1,980,028,494	1,980,048,771	1,980,028,494	1,980,045,524	1,980,045,524
Share price SHB class A, end of period, SEK	96.56	94.86	88.44	96.56	88.44	82.60
Share price SHB class B, end of period, SEK	102.40	106.80	93.00	102.40	93.00	92.20
Market capitalisation, end of period, SEK bn	191	188	175	191	175	164

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Interest income		9,591	9,592	0%	11,668	-18%	19,183	25,337	-24%	45,508
<i>of which interest income according to the effective interest method and interest on derivatives in hedge accounting</i>		9,263	9,217	0%	10,783	-14%	18,480	22,905	-19%	42,164
Interest expense		-1,630	-1,774	-8%	-4,046	-60%	-3,404	-9,485	-64%	-13,902
Net interest income	Note 2	7,961	7,818	2%	7,622	4%	15,779	15,852	0%	31,606
Net fee and commission income	Note 3	3,055	2,963	3%	2,530	21%	6,018	5,230	15%	10,786
Net gains/losses on financial transactions	Note 4	486	397	22%	409	19%	883	539	64%	1,437
Risk result - insurance		37	69	-46%	23	61%	106	64	66%	195
Other dividend income		0	1	-100%	15	-100%	1	16	-94%	53
Share of profit of associates		10	18	-44%	-13		28	21	33%	18
Other income		53	26	104%	39	36%	79	81	-2%	153
Total income		11,602	11,292	3%	10,625	9%	22,894	21,803	5%	44,248
Staff costs		-3,536	-3,648	-3%	-3,464	2%	-7,184	-6,942	3%	-15,343
Other expenses	Note 5	-1,611	-1,563	3%	-1,568	3%	-3,174	-3,155	1%	-6,085
Depreciation, amortisation and impairment of property, equipment and intangible assets		-525	-472	11%	-442	19%	-997	-883	13%	-1,906
Total expenses		-5,672	-5,683	0%	-5,474	4%	-11,355	-10,980	3%	-23,334
Profit before credit losses		5,930	5,609	6%	5,151	15%	11,539	10,823	7%	20,914
Net credit losses	Note 6	47	8	488%	-97		55	-635		-781
Gains/losses on disposal of property, equipment and intangible assets		11	-5		0		6	8	-25%	2
Operating profit		5,988	5,612	7%	5,054	18%	11,600	10,196	14%	20,135
Taxes		-1,255	-1,231	2%	-1,095	15%	-2,486	-2,300	8%	-4,547
Profit for the period		4,733	4,381	8%	3,959	20%	9,114	7,896	15%	15,588
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,731	4,380	8%	3,958	20%	9,111	7,895	15%	15,585
Non-controlling interest		2	1		1		3	1		3

EARNINGS PER SHARE – GROUP

	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,731	4,380	8%	3,958	20%	9,111	7,895	15%	15,585
- of which interest expense on convertible subordinated loan after tax	-	-		-		-	-		-
Average number of outstanding shares, million	1,980.0	1,980.0		1,980.0		1,980.0	1,980.0		1,980.0
Average number of outstanding shares after dilution, million	1,980.0	1,980.0		1,980.0		1,980.0	1,980.0		1,980.0
Earnings per share, SEK	2.39	2.21	8%	2.00	20%	4.60	3.99	15%	7.87
- after dilution	2.39	2.21	8%	2.00	20%	4.60	3.99	15%	7.87

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

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Profit for the period	4,733	4,381	8%	3,959	20%	9,114	7,896	15%	15,588
Other comprehensive income									
Items that will not be reclassified to the income statement									
Defined benefit pension plans	1,243	5,528	-78%	1,201	3%	6,771	-4,174		1,523
Instruments measured at fair value through other comprehensive income - equity instruments	17	34		264		51	158		-583
Tax on items that will not be reclassified to income statement	-257	-1,137	77%	-267	4%	-1,394	888		-256
<i>of which defined benefit pension plans</i>	-255	-1,136	78%	-260	2%	-1,391	889		-267
<i>of which equity instruments measured at fair value through other comprehensive income</i>	-2	-1		-7		-3	-1		11
Total items that will not be reclassified to the income statement	1,003	4,425	-77%	1,198	-16%	5,428	-3,128		684
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	-776	-545	-42%	-1,051	26%	-1,321	1,357		-1,124
Instruments measured at fair value through other comprehensive income - debt instruments	-1	17		12		16	-3		7
Translation differences for the period	-1,273	2,812		-2,376	46%	1,539	-2,365		-4,269
<i>of which hedging net investment in foreign operations</i>	90	-867		999	-91%	-777	437		848
Tax on items that may subsequently be reclassified to the income statement	141	290	-51%	9		431	-383		93
<i>of which cash flow hedges</i>	160	112	43%	224	-29%	272	-291		274
<i>of which debt instruments measured at fair value through other comprehensive income</i>	0	-3		-2		-3	1		-1
<i>of which hedging net investment in foreign operations</i>	-19	181		-213	91%	162	-93		-180
Total items that may subsequently be reclassified to the income statement	-1,909	2,574		-3,406	44%	665	-1,394		-5,293
Total other comprehensive income for the period	-906	6,999		-2,208	59%	6,093	-4,522		-4,609
Total comprehensive income for the period	3,827	11,380	-66%	1,751	119%	15,207	3,374	351%	10,979
Attributable to									
Shareholders in Svenska Handelsbanken AB	3,825	11,379	-66%	1,751	118%	15,204	3,373	351%	10,976
Non-controlling interest	2	1	100%	0		3	1	200%	3

QUARTERLY PERFORMANCE – GROUP

SEK m	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Interest income	9,591	9,592	9,980	10,191	11,668
Interest expense	-1,630	-1,774	-2,119	-2,298	-4,046
Net interest income	7,961	7,818	7,861	7,893	7,622
Net fee and commission income	3,055	2,963	2,884	2,672	2,530
Net gains/losses on financial transactions	486	397	540	358	409
Risk result - insurance	37	69	79	52	23
Other dividend income	0	1	36	1	15
Share of profit of associates	10	18	-17	14	-13
Other income	53	26	48	24	39
Total income	11,602	11,292	11,431	11,014	10,625
Staff costs	-3,536	-3,648	-3,670	-4,731	-3,464
Other expenses	-1,611	-1,563	-1,387	-1,543	-1,568
Depreciation, amortisation and impairment of property, equipment and intangible assets	-525	-472	-559	-464	-442
Total expenses	-5,672	-5,683	-5,616	-6,738	-5,474
Profit before credit losses	5,930	5,609	5,815	4,276	5,151
Net credit losses	47	8	-97	-49	-97
Gains/losses on disposal of property, equipment and intangible assets	11	-5	-6	0	0
Operating profit	5,988	5,612	5,712	4,227	5,054
Taxes	-1,255	-1,231	-1,342	-905	-1,095
Profit for the period	4,733	4,381	4,370	3,322	3,959
Earnings per share, SEK	2.39	2.21	2.21	1.68	2.00
- after dilution	2.39	2.21	2.21	1.68	2.00

BALANCE SHEET – GROUP

SEK m		30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Assets						
Cash and balances with central banks		598,097	684,396	397,642	557,689	626,876
Other loans to central banks	Note 7	18,307	1,459	21,326	34,508	82,900
Interest-bearing securities eligible as collateral with central banks		89,197	83,447	99,133	84,402	172,234
Loans to other credit institutions	Note 7	37,543	43,378	21,920	26,748	30,579
Loans to the public	Note 7	2,337,419	2,321,695	2,269,612	2,290,611	2,302,177
Value change of interest-hedged item in portfolio hedge		-465	-306	25	15	18
Bonds and other interest-bearing securities		33,404	41,101	44,566	44,449	46,477
Shares		21,619	21,899	21,045	20,084	16,751
Investments in associates		434	422	386	392	381
Assets where the customer bears the value change risk		230,511	216,766	197,212	186,490	169,873
Derivative instruments	Note 9,10	25,632	30,631	30,614	49,574	53,747
Reinsurance assets		11	11	11	11	11
Intangible assets	Note 11	11,260	11,489	11,330	11,488	11,463
Property and equipment		6,019	6,208	6,232	6,379	6,402
Current tax assets		2,099	1,782	988	2,833	2,139
Deferred tax assets		670	1,048	1,218	1,688	1,715
Net pension assets		8,972	7,587	2,005	-	-
Assets held for sale		1,229	1,699	1,657	-	-
Other assets		11,400	13,838	6,113	18,133	6,674
Prepaid expenses and accrued income		3,129	3,081	2,253	2,369	2,770
Total assets		3,436,487	3,491,631	3,135,288	3,337,863	3,533,187
Liabilities and equity						
Due to credit institutions	Note 12	126,690	157,321	124,723	198,906	254,734
Deposits and borrowing from the public	Note 12	1,427,959	1,474,862	1,229,763	1,317,718	1,375,922
Liabilities where the customer bears the value change risk		230,511	216,766	197,212	186,490	169,873
Issued securities	Note 13	1,381,844	1,373,500	1,310,737	1,369,174	1,412,499
Derivative instruments	Note 9,10	14,252	17,633	32,819	16,429	16,433
Short positions		14,600	9,011	1,682	7,332	5,958
Insurance liabilities		544	573	557	534	556
Current tax liabilities		477	223	25	1,462	895
Deferred tax liabilities		5,788	6,051	5,353	5,940	6,166
Provisions		1,439	1,668	2,302	2,603	1,155
Net pension liabilities		-	-	-	1,425	3,432
Other liabilities		18,811	22,418	13,928	14,683	83,297
Accrued expenses and deferred income		3,988	5,784	3,632	3,667	3,724
Subordinated liabilities		30,961	31,067	41,082	44,005	35,328
Total liabilities		3,257,864	3,316,877	2,963,815	3,170,368	3,369,972
Non-controlling interest		11	11	9	9	8
Share capital		3,069	3,069	3,069	3,069	3,069
Share premium		8,758	8,758	8,758	8,758	8,758
Reserves		14,625	15,531	8,532	9,607	8,618
Retained earnings		143,049	143,005	135,520	134,836	134,867
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		9,111	4,380	15,585	11,216	7,895
Total equity		178,623	174,754	171,473	167,495	163,215
Total liabilities and equity		3,436,487	3,491,631	3,135,288	3,337,863	3,533,187

STATEMENT OF CHANGES IN EQUITY – GROUP

January – June 2021 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Non-controlling interest	Total
Opening equity 2021	3,069	8,758	5,891	3,353	94	-806	151,105	9	171,473
Profit for the period							9,111	3	9,114
Other comprehensive income			5,380	-1,049	61	1,701		0	6,093
<i>of which reclassified within equity</i>						-18			-18
Total comprehensive income for the period			5,380	-1,049	61	1,701	9,111	3	15,207
Reclassified to retained earnings							18		18
Dividend							-8,118		-8,118
Share-based payments to employees of Handelsbanken plc *							44		44
Change in non-controlling interest								-1	-1
Closing equity	3,069	8,758	11,271	2,304	155	895	152,160	11	178,623

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

January – June 2020 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Non-controlling interest	Total
Opening equity 2019	3,069	8,758	4,635	4,203	660	3,643	134,856	8	159,832
Profit for the period							7,895	1	7,896
Other comprehensive income			-3,285	1,066	155	-2,459		1	-4,522
<i>of which reclassified within equity</i>						-11		-	
Total comprehensive income for the period			-3,285	1,066	155	-2,459	7,895	2	3,374
Dividend									0
Reclassified to retained earnings							11		11
Change in non-controlling interest								-2	-2
Closing equity	3,069	8,758	1,350	5,269	815	1,184	142,762	8	163,215

*) Starting from the earnings year 2020 all employees in Handelsbanken plc are part of a share compensation programme, in accordance with Great Britain law (Share Incentive Plan ("SIP")).

The translation reserve includes conversion effects relating to the balance sheets and income statements of the Group's international branches and subsidiaries. Accumulated conversion effects are reported for taxation when an international branch is closed down or divested. The tax regulations for the taxation of conversion effects are highly complex, and therefore subject to different interpretations. Therefore, it cannot be ruled out that conversion effects may need to be reported for taxation at an earlier stage than when a divestment/closedown takes place.

CONDENSED STATEMENT OF CASH FLOWS – GROUP

SEK m	Jan-Jun 2021	Jan-Jun 2020	Full year 2020
Operating profit, total operations	11,600	10,196	20,135
Adjustment for non-cash items in profit/loss	687	1,322	2,038
Paid income tax	-3,104	-4,755	-7,711
Changes in the assets and liabilities of operating activities	198,165	308,781	72,798
Cash flow from operating activities	207,348	315,544	87,260
Change in shares	-64	644	1,632
Change in property and equipment	-98	-216	-381
Change in intangible assets	-247	-656	-1,031
Cash flow from investing activities	-409	-228	220
Repayment of subordinated loans	-9,811	-	-2
Issued subordinated loans	-	-	8,176
Dividend paid	-8,118	-	-
Cash flow from financing activities	-17,929	-	8,174
Liquid funds at beginning of the period	397,642	327,958	327,958
Cash flow for the period	189,010	315,316	95,654
Exchange rate difference on liquid funds	11,445	-16,398	-25,970
Liquid funds at end of the period*	598,097	626,876	397,642

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

NOTES

Note 1 Accounting policies

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

The interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25 Annual reports in credit institutions and securities companies. The parent company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements.

Changed accounting policies

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

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

The amendments are thus deemed to facilitate the transition to new reference rates without significant effects on profit, and this without a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements. The comparative figures for previous periods have not been recalculated and opening retained earnings have not been impacted by any initial effect in conjunction with the application of the amendments.

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

Future regulatory changes

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts has been published by the IASB and replaces IFRS 4 Insurance Contracts. Assuming that IFRS 17 is adopted by the EU, this standard is to be applied as of the 2023 financial year. IFRS 17 entails a change in how insurance contracts are recognised, presented and valued. It will also entail extended disclosure requirements.

In order to reduce discrepancies in the recognition of insurance contracts, IFRS 17 introduces uniform valuation principles based on three measurement approaches: the building block approach, the premium allocation approach, and the variable fee approach. IFRS 17 prescribes the building block approach for the valuation of insurance contracts, whereby the insurance commitment is valued on the basis of expected present values of future cash flows, with consideration given to a risk margin and a profit margin. The two other valuation approaches can be applied under specific circumstances. The choice of approach depends on the terms of the contract (long-term, short-term or profit-yielding). The Bank has a project for the implementation of IFRS 17 and is currently analysing the financial effects of the new standard on the Group's accounts.

Other changes in IFRS

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

Note 2 Net interest income

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Interest income									
Loans to credit institutions and central banks	-54	-82	34%	-15	-260%	-136	751		517
Loans to the public	9,506	9,480	0%	10,802	-12%	18,986	22,172	-14%	41,754
Interest-bearing securities eligible as collateral with central banks	69	64	8%	96	-28%	133	165	-19%	291
Bonds and other interest-bearing securities	66	64	3%	97	-32%	130	225	-42%	380
Derivative instruments	-300	-316	5%	389		-616	1,271		1,172
Other interest income	311	348	-11%	315	-1%	659	631	4%	1,282
Total	9,598	9,558	0%	11,684	-18%	19,156	25,215	-24%	45,396
Interest income reported in Net gains/losses on financial transactions	7	-34		16	-56%	-27	-122	78%	-112
Total interest income	9,591	9,592	0%	11,668	-18%	19,183	25,337	-24%	45,508
<i>of which interest income according to the effective interest method and interest on derivatives in hedge accounting</i>	9,263	9,217	0%	10,783	-14%	18,480	22,905	-19%	42,164
Interest expense									
Due to credit institutions and central banks	-44	-49	-10%	-192	-77%	-93	-450	-79%	-576
Deposits and borrowing from the public	-86	-62	39%	-303	-72%	-148	-1,093	-86%	-1,332
Issued securities	-1,567	-1,915	-18%	-3,166	-51%	-3,482	-7,663	-55%	-11,786
Derivative instruments	707	989	-29%	402	76%	1,696	1,229	38%	2,690
Subordinated liabilities	-232	-356	-35%	-283	-18%	-588	-617	-5%	-1,186
Government fees	-368	-345	7%	-411	-10%	-713	-744	-4%	-1,424
Other interest expenses	-40	-36	11%	-60	-33%	-76	-120	-37%	-204
Total	-1,630	-1,774	-8%	-4,013	-59%	-3,404	-9,458	-64%	-13,818
Interest expense reported in Net gains/losses on financial transactions	0	0	0%	33	-100%	0	27	-100%	84
Total interest expense	-1,630	-1,774	-8%	-4,046	-60%	-3,404	-9,485	-64%	-13,902
<i>of which interest expense according to the effective interest method and interest on derivatives in hedge accounting</i>	-1,211	-1,354	-11%	-3,330	-64%	-2,565	-8,063	-68%	-11,609
Net interest income	7,961	7,818	2%	7,622	4%	15,779	15,852	0%	31,606

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

Note 3 Net fee and commission income

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Brokerage and other securities commissions	160	174	-8%	160	0%	334	348	-4%	656
Mutual funds	1,441	1,361	6%	996	45%	2,802	2,093	34%	4,432
Custody and other asset management fees	279	270	3%	241	16%	549	463	19%	979
Advisory services	63	68	-7%	46	37%	131	101	30%	240
Insurance	225	215	5%	183	23%	440	377	17%	779
Payments	799	710	13%	747	7%	1,509	1,606	-6%	3,182
Loans and deposits	328	328	0%	332	-1%	656	677	-3%	1,353
Guarantees	78	76	3%	93	-16%	154	183	-16%	352
Other	161	166	-3%	150	7%	327	298	10%	648
Total fee and commission income	3,534	3,368	5%	2,948	20%	6,902	6,146	12%	12,621
Securities	-61	-58	5%	-67	-9%	-119	-131	-9%	-258
Payments	-396	-326	21%	-331	20%	-722	-746	-3%	-1,494
Other	-22	-21	5%	-20	10%	-43	-39	10%	-83
Total fee and commission expenses	-479	-405	18%	-418	15%	-884	-916	-3%	-1,835
Net fee and commission income	3,055	2,963	3%	2,530	21%	6,018	5,230	15%	10,786

Net fee and commission income per segment

January - June 2021		Home markets								Group Jan-Jun 2021
SEK m	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
Brokerage and other securities commissions	130	4	9	32	10	5	145	4	-5	334
Mutual funds	2,191	149	113	74	104	26	164		-19	2,802
Custody and other asset management fees	315	17	48	95	26	33	24	0	-9	549
Advisory services	2	23	2	8			98		-2	131
Insurance	394		22	13	37		-13	0	-13	440
Payments	1,032	130	110	81	154	1	8	-6	-1	1,509
Loans and deposits	370	62	42	33	111	10	25	3	0	656
Guarantees	54	9	20	35	10	0	27		-1	154
Other	248	2	3	47	7	0	146	0	-126	327
Total fee and commission income	4,736	396	369	418	459	75	624	1	-176	6,902
Total fee and commission expenses	-665	-30	-61	-56	-104	-8	-128	-8	176	-884
Net fee and commission income	4,071	366	308	362	355	67	496	-7	0	6,018
<i>of which Net card commissions</i>	<i>415</i>	<i>15</i>	<i>33</i>	<i>25</i>	<i>5</i>	<i>0</i>	<i>0</i>	<i>-6</i>		<i>487</i>

January - June 2020		Home markets								Group Jan-Jun 2020
SEK m	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
Brokerage and other securities commissions	120	5	11	29	9	9	161	10	-6	348
Mutual funds	1,550	134	69	52	78	22	229		-41	2,093
Custody and other asset management fees	221	19	33	80	14	30	66		0	463
Advisory services	0	20	1	7			73		0	101
Insurance	413		17	14	29		-85	0	-11	377
Payments	1,108	133	114	86	154	1	18	-6	-2	1,606
Loans and deposits	350	82	38	31	137	10	27	2	0	677
Guarantees	62	9	23	34	13	1	41		0	183
Other	226	2	3	42	7	0	131	2	-115	298
Total fee and commission income	4,050	404	309	375	441	73	661	8	-175	6,146
Total fee and commission expenses	-669	-34	-65	-57	-96	-12	-150	-8	175	-916
Net fee and commission income	3,381	370	244	318	345	61	511	0	0	5,230
<i>of which Net card commissions</i>	<i>437</i>	<i>17</i>	<i>34</i>	<i>25</i>	<i>7</i>	<i>0</i>	<i>0</i>	<i>-6</i>		<i>514</i>

Note 4 Net gains/losses on financial transactions

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Amortised cost	96	55	75%	47	104%	151	102	48%	182
<i>of which loans</i>	124	90	38%	74	68%	214	157	36%	309
<i>of which interest-bearing securities</i>	0	0		0	0%	0	0	0%	0
<i>of which issued securities</i>	-28	-35	20%	-27	-4%	-63	-55	-15%	-127
Fair value through other comprehensive income	0	0	0%	0	0%	0	0	0%	-1
<i>of which expected credit losses</i>	0	0	0%	0	0%	0	0	0%	-1
Fair value through profit or loss, fair value option	-124	-436	72%	96		-560	395		304
<i>of which interest-bearing securities</i>	-124	-436	72%	96		-560	395		304
Fair value through profit or loss, mandatory including FX effects	514	808	-36%	251	105%	1,322	145		1,021
Hedge accounting	14	-25		-1		-11	33		49
<i>of which net gains/losses on fair value hedges</i>	13	-25		0		-12	34		49
<i>of which cash flow hedge ineffectiveness</i>	1	0		-1		1	-1		0
Result from financial components in insurance contract	-14	-5	-180%	16		-19	-136	86%	-118
Net gains/losses on financial transactions	486	397	22%	409	19%	883	539	64%	1,437

Note 5 Other expenses

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Property and premises	-146	-156	-6%	-156	-6%	-302	-325	-7%	-626
External IT costs	-681	-626	9%	-568	20%	-1,307	-1,119	17%	-2,199
Communication	-74	-76	-3%	-81	-9%	-150	-166	-10%	-314
Travel and marketing	-31	-27	15%	-28	11%	-58	-93	-38%	-157
Purchased services	-520	-480	8%	-521	0%	-1,000	-1,036	-3%	-1,924
Supplies	-38	-39	-3%	-46	-17%	-77	-88	-13%	-172
Other administrative expenses	-121	-159	-24%	-168	-28%	-280	-328	-15%	-693
Other expenses	-1,611	-1,563	3%	-1,568	3%	-3,174	-3,155	1%	-6,085

Note 6 Credit losses

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Expected credit losses on balance sheet items									
The period's provision Stage 3	-66	-118	-44%	-164	-60%	-184	-374	-51%	-829
Reversal of Stage 3 provisions previous years	93	43	116%	180	-48%	136	335	-59%	581
Total expected credit losses Stage 3	27	-75		16	69%	-48	-39	23%	-248
The period's net provision Stage 2	44	-44		-159		0	-389		-430
The period's net provision Stage 1	7	16	-56%	108	-94%	23	-62		-35
Total expected credit losses in Stage 1 and Stage 2	51	-28		-51		23	-451		-465
Total expected credit losses on balance sheet items	78	-103		-35		-25	-490	-95%	-713
Expected credit losses on off-balance sheet items									
The period's net provision Stage 3	-46	51		-27	70%	5	-56		-20
The period's net provision Stage 2	-17	33		-55	-69%	16	-85		-95
The period's net provision Stage 1	-13	8		1		-5	-31	84%	-24
Total expected credit losses on off-balance sheet items	-76	92		-81	-6%	16	-172		-139
Write-offs									
Actual credit losses for the period	-136	-177	-23%	-88	55%	-313	-346	-10%	-1,834
Utilised share of previous provision Stage 3	115	155	-26%	66	74%	270	311	-13%	1,757
Total write-offs	-21	-22	-5%	-22	-5%	-43	-35	23%	-77
Recoveries	66	41	61%	41	61%	107	62	73%	148
Net credit losses	47	8	488%	-97		55	-635		-781
<i>of which loans to the public</i>	<i>122</i>	<i>-83</i>		<i>-18</i>		<i>39</i>	<i>-464</i>		<i>-638</i>

SEK m	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
1) Expected credit losses Stage 3 on and off balance sheet	-19	-24	-145	-28	-11
Change in model-based provision Stage 1 and Stage 2:					
Update of macroeconomic scenarios and risk factors	14	34	10	40	-203
Transfer of exposures in exposed sectors from Stage 1 to Stage 2*	-3	1	3	-7	-37
Change in probability of default in portfolio at beginning of quarter (net rating changes)	-33	-70	-35	-6	-70
Effects of changes in exposures (existing, new and terminated exposures)	6	18	38	44	154
Other in Stage 1 and Stage 2	31	69	16	25	30
Model-based credit losses in Stage 1 and Stage 2	15	52	32	96	-126
Expert-based provision for Covid-19 (stress of ECL 12 months, in Stage and Stage 2):					
Provision for stress in exposed sectors according to assumptions	-695	-678	-663	-564	-562
Exclusion of mortgages					65
Exclusion of previously included counterparties					46
Extended list of identified exposed sectors (retail property)					-48
Provision for stress of Group exposures towards SME corporates (excl. properties)					-25
Extended stress of the group exposure of Hotel corp.		-27		-100	
Reduction, based on 60% probability for stress					105
Reduction, based on 80% probability for stress					
Reduction, based on 80% probability for stress, 90% in UK and 100% for hotel	98	102	99	97	
Expert-based calculation of provision	-597	-603	-564	-567	-419
Expert-based credit losses in Stage 1 and Stage 2 (change in provision versus previous quarter)	6	-39	3	-148	21
2) Expected credit losses in Stage 1 and Stage 2 on and off balance sheet	21	13	35	-52	-105
3) Write-offs	-21	-22	-23	-19	-22
4) Recoveries	66	41	36	50	41
Net credit losses (1+2+3+4)	47	8	-97	-49	-97

* expert-based assessment of significant increase in credit risk

The provision requirement decreased somewhat during the second quarter. Both the expert assessment of the effect of the Covid-19 pandemic and the model-based provision decreased slightly during the quarter, partly due to updated values for the forward-looking macroeconomic risk factors, with GDP increasing, unemployment decreasing, and the future value of collateral increasing compared with the Q1 forecast.

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

In order to incorporate the estimated impact of the Covid-19 pandemic from factors not covered by the model, an expert-based calculation has been carried out at aggregate level to adjust the model-based calculations for selected sub-portfolios. A stressed scenario for these sub-portfolios has been compared with the model-based calculation as at 30 June 2021, with the difference constituting the expert-based calculation. Thereafter, the Bank has assessed the probability that the outcome of the expert-based calculation will arise, and arrived at an additional provision requirement of SEK 597m (603), a decrease of SEK 6m. The stressed sub-portfolios include all private customers (excluding mortgages) and corporate customers assessed as belonging to a sector that is especially exposed to the effects of the Covid-19 pandemic. The exposed sectors are primarily comprised of construction businesses, retail, and hotel and restaurant businesses. Specific counterparties in the identified sectors have been excluded, based on an expert assessment, as the provision requirement is deemed to have been considered in the model-based calculation. For both companies and private individuals, probability of default (PD) is the risk parameter that has been stressed for the coming 12 months.

In addition to the stress above, an expert-based assessment has been made for companies in the sectors which are particularly affected by the Covid-19 pandemic and have a higher than normal credit risk. These companies are deemed to have a significant increase in credit risk solely due to their sector and rating and are placed in Stage 2, regardless of the size of the change in the modelled credit risk since the credit was granted. The expert-based assessment results in an increased provision requirement of SEK 3m (-1), due to transfers between Stage 1 and Stage 2.

During Q2 2021, no temporary exemptions from loan repayments offered as a response to the Covid-19 pandemic have qualified as a single quantitative factor for a transfer from Stage 1 to Stage 2.

The process for the impairment testing of agreements in Stage 3 has not changed due to the Covid-19 pandemic, but remains as before with the customary procedure for individual assessment.

Loans to the public – Key figures

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Credit loss ratio %, acc	0.00	0.01	0.03	0.03	0.04
Total credit loss reserve ratio, %	0.14	0.15	0.15	0.17	0.20
Credit loss reserve ratio Stage 1, %	0.02	0.02	0.02	0.02	0.02
Credit loss reserve ratio Stage 2, %	1.16	1.20	1.09	1.06	0.95
Credit loss reserve ratio Stage 3, %	28.19	29.99	31.97	32.05	39.02
Proportion of loans Stage 3, %	0.22	0.22	0.21	0.23	0.23

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

Note 7 Loans

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

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Cash and balances with central banks	598,097	684,396	397,642	557,689	626,876
Other loans to central banks	18,307	1,459	21,326	34,508	82,900
Interest-bearing securities eligible as collateral with central banks	417	418	1,181	1,904	1,623
Loans to other credit institutions	37,543	43,378	21,920	26,748	30,579
<i>of which reverse repos</i>	15,542	19,728	523	2,492	2,397
Loans to the public	2,337,419	2,321,695	2,269,612	2,290,611	2,302,177
<i>of which reverse repos</i>	13,655	13,073	11,626	14,879	16,640
Bonds and interest-bearing securities	8,596	9,584	7,964	4,804	3,756
Total	3,000,379	3,060,930	2,719,645	2,916,264	3,047,911

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

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Volume, gross	3,003,650	3,064,428	2,723,110	2,920,063	3,052,582
<i>of which Stage 1</i>	2,922,590	2,981,585	2,639,707	2,830,893	2,958,997
<i>of which Stage 2</i>	73,809	75,478	76,401	81,275	84,766
<i>of which Stage 3</i>	7,251	7,365	7,002	7,895	8,819
Provisions	-3,273	-3,501	-3,467	-3,801	-4,672
<i>of which Stage 1</i>	-372	-383	-389	-407	-422
<i>of which Stage 2</i>	-857	-909	-840	-863	-809
<i>of which Stage 3</i>	-2,044	-2,209	-2,238	-2,531	-3,441

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

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Loans to the public, gross	2,340,683	2,325,187	2,273,069	2,294,406	2,306,846
<i>of which Stage 1</i>	2,259,639	2,242,371	2,189,683	2,205,263	2,213,338
<i>of which Stage 2</i>	73,793	75,451	76,384	81,248	84,689
<i>of which Stage 3</i>	7,251	7,365	7,002	7,895	8,819
Provisions	-3,264	-3,492	-3,457	-3,795	-4,669
<i>of which Stage 1</i>	-366	-378	-385	-404	-420
<i>of which Stage 2</i>	-854	-905	-834	-860	-808
<i>of which Stage 3</i>	-2,044	-2,209	-2,238	-2,531	-3,441

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

30 June 2021 SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-389	-840	-2,238	-3,467
Derecognised assets	21	41	96	158
Write-offs	0	0	270	270
Remeasurements due to changes in credit risk	-73	25	-11	-59
Changes due to update in the methodology for estimation	-	-	-	-
Foreign exchange effect, etc	-9	-17	-27	-53
Purchased or originated assets	-32	-7	-10	-49
Transfer to Stage 1	-25	42	1	18
Transfer to Stage 2	72	-203	4	-127
Transfer to Stage 3	63	102	-129	36
Provision at end of period	-372	-857	-2,044	-3,273

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

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

30 June 2021 SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-385	-834	-2,238	-3,457
Derecognised assets	21	41	96	158
Write-offs	0	0	270	270
Remeasurements due to changes in credit risk	-72	21	-11	-62
Changes due to update in the methodology for estimation	-	-	-	-
Foreign exchange effect, etc	-8	-16	-27	-51
Purchased or originated assets	-32	-7	-10	-49
Transfer to Stage 1	-25	42	1	18
Transfer to Stage 2	72	-203	4	-127
Transfer to Stage 3	63	102	-129	36
Provision at end of period	-366	-854	-2,044	-3,264

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

The change analysis shows the net effect on the provision for the stage in question for each explanatory item during the period. The impact of reversals and write-offs is calculated on the opening balance. The effect of revaluations arising as a result of changes due to updates in the methodology for estimation, foreign exchange effects, etc., is calculated before any transfer of net amounts between stages. Purchased or originated assets and amounts transferred between stages are recognised after the effects of other explanatory items are taken into account. The transfer rows present the effect on the provision for the stated stage.

Loans to the public – by sector

30 June 2021	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	1,189,396	16,334	2,629	-152	-132	-733	1,207,342
<i>of which mortgage loans</i>	993,713	11,325	683	-32	-21	-57	1,005,611
<i>of which other loans with property mortgages</i>	149,612	3,691	836	-12	-14	-139	153,974
<i>of which other loans to private individuals</i>	46,071	1,318	1,110	-108	-97	-537	47,757
Housing co-operative associations	257,880	1,521	71	-5	-5	-32	259,430
<i>of which mortgage loans</i>	237,061	653	11	-3	0	-7	237,715
Property management	613,962	35,857	1,622	-89	-228	-239	650,885
Manufacturing	23,484	3,865	96	-12	-17	-58	27,358
Retail	20,943	981	400	-17	-46	-89	22,172
Hotel and restaurant	3,049	7,074	81	-4	-116	-8	10,076
Passenger and goods transport by sea	2,343	1,370	1,188	-1	-29	-299	4,572
Other transport and communication	9,103	804	90	-8	-13	-66	9,910
Construction	18,435	813	151	-18	-19	-89	19,273
Electricity, gas and water	13,100	691	3	-3	-8	-3	13,780
Agriculture, hunting and forestry	21,643	1,148	60	-12	-15	-35	22,789
Other services	14,927	1,520	230	-17	-40	-178	16,442
Holding, investment and insurance companies, funds etc.	49,949	732	131	-13	-144	-112	50,543
Government and municipalities	5,800	171	-	0	-1	-	5,970
<i>of which Swedish national debt office</i>	376	-	-	-	-	-	376
Other corporate lending	15,625	912	499	-15	-41	-103	16,877
Total	2,259,639	73,793	7,251	-366	-854	-2,044	2,337,419

31 December 2020	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	1,149,125	18,737	2,236	-155	-169	-756	1,169,018
<i>of which mortgage loans</i>	962,972	12,734	601	-37	-28	-56	976,186
<i>of which other loans with property mortgages</i>	145,738	4,330	591	-13	-19	-139	150,488
<i>of which other loans to private individuals</i>	40,415	1,673	1,044	-105	-122	-561	42,344
Housing co-operative associations	248,889	1,405	98	-6	-3	-43	250,340
<i>of which mortgage loans</i>	225,561	678	18	-4	-1	-7	226,245
Property management	600,483	33,375	1,674	-96	-267	-328	634,841
Manufacturing	22,332	3,747	174	-16	-21	-107	26,109
Retail	17,894	2,206	379	-17	-59	-96	20,307
Hotel and restaurant	4,584	5,804	37	-10	-145	-9	10,261
Passenger and goods transport by sea	2,394	2,077	1,162	-1	-6	-288	5,338
Other transport and communication	9,025	601	102	-9	-24	-80	9,615
Construction	15,655	1,977	166	-19	-41	-86	17,652
Electricity, gas and water	12,946	754	3	-3	-10	-1	13,689
Agriculture, hunting and forestry	20,223	1,312	61	-12	-20	-42	21,522
Other services	14,616	1,491	318	-18	-43	-211	16,153
Holding, investment and insurance companies, funds etc.	46,772	2,011	155	-16	-14	-108	48,800
Government and municipalities	7,086	91	-	0	-1	-	7,176
<i>of which Swedish national debt office</i>	474	-	-	-	-	-	474
Other corporate lending	17,659	796	437	-7	-11	-83	18,791
Total	2,189,683	76,384	7,002	-385	-834	-2,238	2,269,612

Specification of Loans to the public – Property management

30 June 2021	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans in Sweden							
State-owned property companies	7,892	14	-	0	0	-	7,906
Municipal-owned property companies	7,801	-	-	0	-	-	7,801
Residential property companies	122,932	1,440	46	-4	-6	-8	124,400
<i>of which mortgage loans</i>	112,721	1,274	24	-4	-5	-4	114,006
Other property management	114,258	13,221	202	-12	-69	-76	127,524
<i>of which mortgage loans</i>	64,059	2,727	27	-4	-9	-8	66,792
Total loans in Sweden	252,883	14,675	248	-16	-75	-84	267,631
Loans outside Sweden							
UK	136,642	8,803	563	-37	-72	-79	145,820
Norway	111,706	8,380	37	-19	-48	-3	120,053
Denmark	23,295	681	149	-6	-12	-30	24,077
Finland	41,650	2,983	614	-3	-18	-39	45,187
The Netherlands	45,877	321	-	-8	-3	-	46,187
Other countries	1,909	14	11	0	0	-4	1,930
Total loans outside Sweden	361,079	21,182	1,374	-73	-153	-155	383,254
Total loans - Property management	613,962	35,857	1,622	-89	-228	-239	650,885

31 December 2020	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans in Sweden							
State-owned property companies	7,895	14	-	0	-	-	7,909
Municipal-owned property companies	7,635	-	-	0	-	-	7,635
Residential property companies	124,320	1,274	57	-5	-8	-47	125,591
<i>of which mortgage loans</i>	113,335	1,107	12	-4	-6	-6	114,438
Other property management	118,593	10,026	218	-20	-101	-86	128,630
<i>of which mortgage loans</i>	63,899	1,920	29	-3	-12	-10	65,823
Total loans in Sweden	258,443	11,314	275	-25	-109	-133	269,765
Loans outside Sweden							
UK	127,793	10,051	622	-37	-76	-107	138,246
Norway	105,806	7,731	61	-16	-56	-4	113,522
Denmark	21,133	2,087	125	-7	-14	-34	23,290
Finland	42,328	1,684	577	-3	-9	-47	44,530
The Netherlands	42,742	498	-	-8	-2	-	43,230
Other countries	2,238	10	14	0	-1	-3	2,258
Total loans outside Sweden	342,040	22,061	1,399	-71	-158	-195	365,076
Total loans - Property management	600,483	33,375	1,674	-96	-267	-328	634,841

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

30 June 2021							
SEK m, gross	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Total
Government guarantees	2,132	-	24	-	24,256	-	26,412
Residential	146,890	80,592	19,940	12,471	6,900	31,002	297,795
Office, retail, hotel	67,185	46,425	84,924	4,528	7,935	3,558	214,555
Other real estate	13,783	-	103	3,295	1,153	10,779	29,113
Industry, logistics	16,932	11,741	2,165	674	3,747	241	35,500
Agriculture, forestry	1,810	780	48	94	1	-	2,733
Other collateral	9,092	3,287	1,583	2,443	466	431	17,302
Unsecured	9,982	2,747	10,532	559	538	183	24,541
Undeveloped	-	436	804	61	251	4	1,556
Total	267,806	146,008	120,123	24,125	45,247	46,198	649,507

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

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

30 June 2021							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	81.9	86.2	78.5	71.9	78.8	83.3	81.7
41-60	16.5	13.0	18.5	21.6	15.4	15.4	16.2
61-75	1.2	0.6	2.0	5.2	2.4	0.7	1.4
>75	0.4	0.2	1.0	1.4	3.3	0.6	0.7
Average LTV	47	45	52	57	49	49	48

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

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

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

30 June 2021							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	79.8	82.9	74.8	64.7	56.3	75.4	77.9
41-60	17.1	16.5	21.9	24.5	20.7	22.0	18.1
61-75	2.8	0.4	2.4	7.9	9.3	1.8	2.7
>75	0.3	0.2	0.9	2.9	13.7	0.8	1.3
Average LTV	49	48	54	64	80	55	52

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

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

Note 8 Credit risk exposure

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Cash and balances with central banks	598,097	684,396	397,642	557,689	626,876
Other loans to central banks	18,307	1,459	21,326	34,508	82,900
Interest-bearing securities eligible as collateral with central banks	89,197	83,447	99,133	84,402	172,234
Loans to other credit institutions	37,543	43,378	21,920	26,748	30,579
<i>of which reverse repos</i>	15,542	19,728	523	2,492	2,397
Loans to the public	2,337,419	2,321,695	2,269,612	2,290,611	2,302,177
<i>of which reverse repos</i>	13,655	13,073	11,626	14,879	16,640
Bonds and other interest-bearing securities	33,404	41,101	44,566	44,449	46,477
Derivative instruments*	25,632	30,631	30,614	49,574	53,747
Contingent liabilities	75,896	82,667	79,895	87,449	92,110
Commitments	478,732	484,966	463,424	477,348	464,078
Total	3,694,227	3,773,740	3,428,132	3,652,778	3,871,178

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Positive market values					
Trading	24,727	30,031	28,543	35,818	35,989
Fair value hedges	2,706	2,768	3,207	3,318	3,242
Cash flow hedges	19,128	20,421	24,208	39,588	46,340
Amounts offset	-20,929	-22,589	-25,344	-29,150	-31,824
Total	25,632	30,631	30,614	49,574	53,747
Negative market values					
Trading	22,444	26,619	42,757	36,734	38,763
Fair value hedges	1,082	1,279	630	658	636
Cash flow hedges	8,202	8,209	10,478	4,086	3,994
Amounts offset	-17,476	-18,474	-21,046	-25,049	-26,960
Total	14,252	17,633	32,819	16,429	16,433
Nominal value					
Trading	2,791,194	2,739,181	2,661,187	2,958,488	3,140,068
Fair value hedges	392,131	350,385	308,268	236,976	206,623
Cash flow hedges	649,098	669,434	714,675	765,670	803,371
Amounts offset	-2,337,844	-2,213,093	-2,110,391	-2,045,784	-1,856,014
Total	1,494,579	1,545,907	1,573,739	1,915,350	2,294,048

In this note, derivative contracts are presented on a gross basis. Amounts offset on the balance sheet consist of the offset market value of contracts for which there is a legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

Note 10 Offsetting of financial instruments

30 June 2021 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	46,561	36,280	82,841
Amounts offset	-20,929	-6,554	-27,483
Carrying amount on the balance sheet	25,632	29,726	55,358
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,963	-	-9,963
Financial assets received as collateral	-9,418	-29,718	-39,136
Total amounts not offset on the balance sheet	-19,381	-29,718	-49,099
Net amount	6,251	8	6,259
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	31,728	19,361	51,089
Amounts offset	-17,476	-6,554	-24,030
Carrying amount on the balance sheet	14,252	12,807	27,059
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,963	-	-9,963
Financial assets pledged as collateral	-2,090	-12,807	-14,897
Total amounts not offset on the balance sheet	-12,053	-12,807	-24,860
Net amount	2,199	-	2,199
31 December 2020 SEK m			
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	55,958	14,692	70,650
Amounts offset	-25,344	-2,014	-27,358
Carrying amount on the balance sheet	30,614	12,678	43,292
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets received as collateral	-7,503	-12,669	-20,172
Total amounts not offset on the balance sheet	-22,349	-12,669	-35,018
Net amount	8,265	9	8,274
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	53,865	2,014	55,879
Amounts offset	-21,046	-2,014	-23,060
Carrying amount on the balance sheet	32,819	-	32,819
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets pledged as collateral	-13,310	-	-13,310
Total amounts not offset on the balance sheet	-28,156	-	-28,156
Net amount	4,663	-	4,663

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

The amount offset for derivative assets includes offset cash collateral of SEK 4,728m (7,330) derived from the balance sheet item Deposits and borrowing from the public. The amount offset for derivative liabilities includes offset cash collateral of SEK 1,274m (3,032), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Jun 2021	Jan-Jun 2020	Full year 2020	Jan-Jun 2021	Jan-Jun 2020	Full year 2020	Jan-Jun 2021	Jan-Jun 2020	Full year 2020
Opening residual value	6,822	7,007	7,007	4,508	4,178	4,178	11,330	11,185	11,185
Additional during the period	-	-	-	247	656	1,031	247	656	1,031
The period's amortisation	-	-	-	-339	-261	-548	-339	-261	-548
The period's impairments	-	-	-	-63	-26	-82	-63	-26	-82
Foreign exchange effect	54	-62	-185	31	-29	-71	85	-91	-256
Closing residual value	6,876	6,945	6,822	4,384	4,518	4,508	11,260	11,463	11,330

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

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Due to credit institutions	126,690	157,321	124,723	198,906	254,734
<i>of which repos</i>	58	326	-	2,157	753
Deposits and borrowing from the public	1,427,959	1,474,862	1,229,763	1,317,718	1,375,922
<i>of which repos</i>	12,749	10,691	-	265	-

Note 13 Issued securities

SEK m	Jan-Jun 2021	Jan-Jun 2020	Full year 2020
Issued securities at beginning of year	1,310,737	1,384,961	1,384,961
Issued	497,923	478,212	944,015
Repurchased	-31,399	-44,769	-72,852
Matured	-409,235	-396,160	-880,712
Foreign exchange effect etc.	13,818	-9,745	-64,675
Issued securities at end of period	1,381,844	1,412,499	1,310,737

Note 14 Pledged assets, contingent liabilities and commitments

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Assets pledged for own debt	933,844	894,646	897,907	905,889	891,274
Other pledged assets	51,563	48,447	48,430	60,772	58,812
Contingent liabilities	75,896	82,667	79,895	87,449	92,110
Commitments	478,732	484,966	463,424	477,348	464,078

Note 15 Classification of financial assets and liabilities

30 June 2021	Fair value through profit or loss			Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option	Derivatives identified as hedge instruments				
SEK m							
Assets							
Cash and balances with central banks					598,097	598,097	598,097
Other loans to central banks					18,307	18,307	18,307
Interest-bearing securities eligible as collateral with central banks	4,456	84,324		399	18	89,197	89,197
Loans to other credit institutions					37,543	37,543	37,547
Loans to the public					2,337,419	2,337,419	2,345,168
Value change of interest-hedged item in portfolio hedge					-465	-465	
Bonds and other interest-bearing securities	11,692	13,116		8,596		33,404	33,404
Shares	20,730			889		21,619	21,619
Assets where the customer bears the value change risk	230,452				59	230,511	230,511
Derivative instruments	14,460		11,172			25,632	25,632
Other assets	24				11,376	11,400	11,400
Total	281,814	97,440	11,172	9,884	3,002,354	3,402,664	3,410,882
Investments in associates						434	
Non-financial assets						33,389	
Total assets						3,436,487	
Liabilities							
Due to credit institutions					126,690	126,690	127,124
Deposits and borrowing from the public					1,427,959	1,427,959	1,427,940
Liabilities where the customer bears the value change risk		230,452			59	230,511	230,511
Issued securities	2,106				1,379,738	1,381,844	1,393,746
Derivative instruments	6,970		7,282			14,252	14,252
Short positions	14,600					14,600	14,600
Other liabilities	22				18,789	18,811	18,811
Subordinated liabilities					30,961	30,961	32,680
Total	23,698	230,452	7,282		2,984,196	3,245,628	3,259,664
Non-financial liabilities						12,236	
Total liabilities						3,257,864	

31 December 2020	Fair value through profit or loss			Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option	Derivatives identified as hedge instruments				
SEK m							
Assets							
Cash and balances with central banks					397,642	397,642	397,642
Other loans to central banks					21,326	21,326	21,326
Interest-bearing securities eligible as collateral with central banks	3,928	94,024		401	780	99,133	99,133
Loans to other credit institutions					21,920	21,920	21,918
Loans to the public					2,269,612	2,269,612	2,281,897
Value change of interest-hedged item in portfolio hedge					25	25	
Bonds and other interest-bearing securities	9,962	26,640		7,964		44,566	44,566
Shares	20,245			800		21,045	21,045
Assets where the customer bears the value change risk	197,152				60	197,212	197,212
Derivative instruments	16,834		13,780			30,614	30,614
Other assets	30				6,083	6,113	6,113
Total	248,151	120,664	13,780	9,165	2,717,448	3,109,208	3,121,466
Investments in associates						386	
Non-financial assets						25,694	
Total assets						3,135,288	
Liabilities							
Due to credit institutions					124,723	124,723	125,220
Deposits and borrowing from the public					1,229,763	1,229,763	1,229,741
Liabilities where the customer bears the value change risk		197,152			60	197,212	197,212
Issued securities	2,215				1,308,522	1,310,737	1,326,970
Derivative instruments	23,851		8,968			32,819	32,819
Short positions	1,682					1,682	1,682
Other liabilities	38				13,890	13,928	13,928
Subordinated liabilities					41,082	41,082	42,675
Total	27,786	197,152	8,968		2,718,040	2,951,946	2,970,247
Non-financial liabilities						11,869	
Total liabilities						2,963,815	

Note 16 Fair value measurement of financial instruments

30 June 2021 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	87,789	1,390	-	89,179
Bonds and other interest-bearing securities	24,616	8,788	-	33,404
Shares	20,069	932	618	21,619
Assets where the customer bears the value change risk	229,489	486	477	230,452
Derivative instruments	67	25,538	27	25,632
Total	362,030	37,134	1,122	400,286
Liabilities				
Liabilities where the customer bears the value change risk	229,489	486	477	230,452
Issued securities	-	2,106	-	2,106
Derivative instruments	178	14,048	26	14,252
Short positions	14,440	160	-	14,600
Total	244,107	16,800	503	261,410

31 December 2020 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	97,513	840	-	98,353
Bonds and other interest-bearing securities	37,931	6,635	-	44,566
Shares	19,892	603	550	21,045
Assets where the customer bears the value change risk	196,244	434	474	197,152
Derivative instruments	267	30,267	80	30,614
Total	351,847	38,779	1,104	391,730
Liabilities				
Liabilities where the customer bears the value change risk	196,244	434	474	197,152
Issued securities	-	2,215	-	2,215
Derivative instruments	255	32,484	80	32,819
Short positions	1,488	194	-	1,682
Total	197,987	35,327	554	233,868

Valuation process

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

For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information received can be verified by means of regularly occurring transactions. The current market price corresponds to the price between the bid price and the offer price which is most representative of fair value under the circumstances. For groups of financial instruments which are managed on the basis of the Bank's net exposure to market risk, the current market price is presumed to be the same as the price which would be received or paid if the net position were divested.

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

Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the degree of transparency regarding market data used in the valuation. The categorisation is shown as levels 1-3 in the tables. Financial instruments which are valued at a direct and liquid market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed shares and short-term positions in corresponding assets. Level 1 also includes the majority of shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities. Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities and interest- and currency-related derivatives. Financial instruments whose value to a material extent is affected by input data that cannot be verified using external market information are categorised as level 3. Level 3 includes unlisted shares, certain holdings of private equity funds and certain derivatives.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2020), the instrument has been moved between the levels in the table.

During January – June 2021, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 794m was transferred from level 1 to level 2. Interest-bearing securities worth SEK 482m was transferred 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 period January – June 2021 due solely to the Covid-19 situation. Changes in level 3 holdings during the year are shown in a separate table below.

The holdings in level 3 mainly comprise unlisted shares. The Group's holdings of unlisted shares are mainly comprised of participating interests in companies which provide supporting operations to the Bank. For example, these may be participating interests in clearing organisations and infrastructure collaboration on Handelsbanken's home markets. Such holdings are generally valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. In all material respects, unlisted shares are classified at fair value through other comprehensive income. Value changes for these holdings are thus reported in Other comprehensive income.

Certain holdings of private equity funds are categorised in level 3. These are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, such as P/E ratios. Most of these holdings represent investment assets in the Group's insurance operations. Value changes in the investment assets are included in the basis for calculating the yield split in the insurance operations and are therefore not reported directly in the income statement.

The derivatives component in some of the Bank's issued structured bonds and the related hedging derivatives are also categorised as belonging to level 3. For these derivatives, internal assumptions have a material impact on calculation of the fair value. Hedging derivatives in level 3 are traded under CSA agreements where the market values are checked and verified with the Bank's counterparties on a daily basis.

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

The models use input data in the form of market prices and other variables that are deemed to affect pricing. The models and input data which form the basis of the valuations are regularly validated to ensure that they are consistent with market practice and established financial theory. In cases where there are differences between the value calculated with the help of a valuation model at initial recognition and the transaction price (day 1 gains/losses), the difference is accrued over the life of the financial instrument. Such differences occur when the applied valuation model does not fully capture all the components which affect the value of the instrument. Day 1 gains/losses are comprised of the Bank's profit margin and remuneration for, for example, capital costs and administrative costs. During the period January – June 2021, an accrual effect of SEK 85m (116) was recognised under Net gains/losses on financial transactions. Of the accrual effect during the corresponding period of the previous year, SEK 87m was attributable to the initial reversal of non-recognised day 1 gains/losses in conjunction with the transition to a new method for reporting CVA. At the end of the period, non-recognised day 1 gains/losses totalled SEK 516m; at year-end 2020, the corresponding figure was SEK 538m.

Change in holdings in level 3

January - June 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	31	1	-15	-	-
Repurchases/sales	-2	6	1	-	-
Matured during the period	-	-	-	-	-
Unrealised value change in income statement	-2	-120	128	3	-3
Unrealised value change in other comprehensive income	41	-	-	-	-
Transfer from level 1 or 2	-	11	-11	-	-
Transfer to level 1 or 2	-	49	-49	-	-
Carrying amount at end of period	618	27	-26	477	-477

January - December 2020 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	1,308	69	-70	493	-493
Acquisitions	6	9	-13	-	-
Repurchases/sales	-704	-	5	-	-
Matured during the period	-	-	-	-	-
Unrealised value change in income statement	-22	-16	16	-19	19
Unrealised value change in other comprehensive income	-38	-	-	-	-
Transfer from level 1 or 2	-	17	-17	-	-
Transfer to level 1 or 2	-	1	-1	-	-
Carrying amount at end of period	550	80	-80	474	-474

Note 17 Assets and liabilities by currency

30 June 2021								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	185,218	133,255	4,454	25,909	101,447	147,736	78	598,097
Other loans to central banks	-	-	16,843	272	1,192	-	-	18,307
Loans to other credit institutions	3,777	6,837	15,101	0	844	8,938	2,046	37,543
Loans to the public	1,447,480	241,156	279,469	104,695	247,580	14,702	2,337	2,337,419
<i>of which corporates</i>	508,115	149,750	174,402	41,211	170,127	14,517	842	1,058,964
<i>of which households</i>	939,365	91,406	105,067	63,484	77,453	185	1,495	1,278,455
Interest-bearing securities eligible as collateral with central banks	79,536	5,439	1,403	19	-	2,800	-	89,197
Bonds and other interest-bearing securities	20,594	1,137	9,905	16	-	1,752	-	33,404
Other items not broken down by currency	322,520							322,520
Total assets	2,059,125	387,824	327,175	130,911	351,063	175,928	4,461	3,436,487
Liabilities								
Due to credit institutions	48,120	31,657	28,797	111	3,277	14,362	366	126,690
Deposits and borrowing from the public	810,942	136,636	89,331	56,845	224,909	106,752	2,544	1,427,959
<i>of which corporates</i>	363,809	106,419	60,491	33,437	160,610	102,510	1,815	829,091
<i>of which households</i>	447,133	30,217	28,840	23,408	64,299	4,242	729	598,868
Issued securities	482,181	388,534	29,343	11	73,199	391,010	17,566	1,381,844
Subordinated liabilities	3,012	15,216	-	-	0	12,733	-	30,961
Other items not broken down by currency, incl. equity	469,033							469,033
Total liabilities and equity	1,813,288	572,043	147,471	56,967	301,385	524,857	20,476	3,436,487
Other assets and liabilities broken down by currency (net)		184,386	-179,556	-73,895	-49,569	348,899	16,058	
Net foreign currency position		167	148	49	109	-30	43	486

31 December 2020								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	84,525	128,206	18,025	212	100,280	65,480	914	397,642
Other loans to central banks	-	-	2,862	17,371	1,093	-	-	21,326
Loans to other credit institutions	2,083	10,886	1,280	294	1,394	4,534	1,449	21,920
Loans to the public	1,418,660	239,227	259,469	97,781	236,368	15,441	2,666	2,269,612
<i>of which corporates</i>	506,541	151,899	161,117	34,499	161,817	15,273	1,125	1,032,271
<i>of which households</i>	912,119	87,328	98,352	63,282	74,551	168	1,541	1,237,341
Interest-bearing securities eligible as collateral with central banks	89,688	5,457	839	19	-	2,368	762	99,133
Bonds and other interest-bearing securities	33,813	1,420	7,285	16	0	2,032	-	44,566
Other items not broken down by currency	281,089							281,089
Total assets	1,909,858	385,196	289,760	115,693	339,135	89,855	5,791	3,135,288
Liabilities								
Due to credit institutions	48,198	36,846	20,498	229	5,087	13,396	469	124,723
Deposits and borrowing from the public	732,785	132,828	83,757	47,247	208,449	22,651	2,046	1,229,763
<i>of which corporates</i>	310,737	106,377	58,415	24,285	149,183	18,513	1,365	668,875
<i>of which households</i>	422,048	26,451	25,342	22,962	59,266	4,138	681	560,888
Issued securities	478,803	390,814	24,709	104	68,531	331,087	16,689	1,310,737
Subordinated liabilities	3,002	15,213	-	-	0	22,867	-	41,082
Other items not broken down by currency, incl. equity	428,983							428,983
Total liabilities and equity	1,691,771	575,701	128,964	47,580	282,067	390,001	19,204	3,135,288
Other assets and liabilities broken down by currency (net)		190,618	-160,732	-68,039	-56,983	300,144	13,444	
Net foreign currency position		113	64	74	85	-2	31	365

Note 18 Own funds and capital requirements in the consolidated situation

The requirements for the calculation of own funds and capital requirements are regulated in Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU, which comprise the EU's implementation of the international Basel III regulations. All references to CRR in this report refer to these regulations in their entirety, regardless of legislative form (regulation, directive, executive decree or national implementation). Figures reported in this section refer to the minimum capital requirements under Pillar 1 and meet the requirements for publication of information relating to capital adequacy in CRR Part Eight, as well as in the Swedish Financial Supervisory Authority's regulation FFFS 2014:12. Information regarding the total capital requirement and common equity tier 1 capital requirements in Pillar 2 is provided in the Group performance section. They fulfil the requirements set out in the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25 Annual reports in credit institutions and securities companies.

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

Key metrics

	30 Jun 2021	31 Mar 2021
Available own funds (amounts)		
Common equity tier 1 (CET1) capital	152,867	151,151
Tier 1 capital	165,555	164,148
Total capital	182,578	181,385
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	744,288	747,273
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common equity tier 1 ratio (%)	20.5%	20.2%
Tier 1 ratio (%)	22.2%	22.0%
Total capital ratio (%)	24.5%	24.3%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)		
Additional AT1 SREP requirements (%)		
Additional T2 SREP requirements (%)		
Total SREP own funds requirements (%)	8.0%	8.0%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
Institution specific countercyclical capital buffer (%)	0.1%	0.1%
Systemic risk buffer (%)	3.0%	3.0%
Global Systemically Important Institution buffer (%)		
Other Systemically Important Institution buffer	1.0%	1.0%
Combined buffer requirement (%)	6.6%	6.6%
Overall capital requirements (%)	13.6%	13.6%
CET1 available after meeting the total SREP own funds requirements (%)		
Leverage ratio		
Leverage ratio total exposure measure	3,374,515	3,406,820
Leverage ratio	4.9%	4.8%
Additional own funds requirements to address excessive leverage (as a percentage of leverage ratio total exposure amount)		
Additional CET1 leverage ratio requirements (%)		
Additional AT1 leverage ratio requirements (%)		
Additional T2 leverage ratio requirements (%)		
Total SREP leverage ratio requirements (%)	3.0%	
Applicable leverage buffer		
Overall leverage ratio requirements (%)		
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value-average)	736,563	743,754
Cash outflows - Total weighted value	562,019	562,308
Cash inflows - Total weighted value	64,596	63,201
Total net cash outflows (adjusted value)	497,423	499,107
Liquidity coverage ratio (%)	149.0%	150.0%
Net Stable Funding Ratio		
Total available stable funding	1,983,117	1,990,234
Total required stable funding	1,728,332	1,721,117
NSFR ratio (%)	115.0%	116.0%

Overview of risk weighted exposure amounts

	RWEA		Own funds requirements	
	30 Jun 2021	31 Mar 2021	30 Jun 2021	31 Mar 2021
Credit risk (excluding CCR)	656,000	659,533	52,480	52,763
Of which standardised approach	182,928	189,858	14,634	15,189
Of which foundation IRB (FIRB) approach	43,354	41,966	3,468	3,357
Of which slotting approach				
Of which equities under simple risk-weighted approach	3,297	3,156	264	252
Of which advanced IRB (AIRB) approach	231,544	234,201	18,524	18,736
Of which risk weight floor	194,877	190,352	15,590	15,228
Counterparty credit risk - CCR	13,182	11,424	1,055	914
Of which standardised approach	10,615	8,679	849	694
Of which internal model method (IMM)				
Of which exposures to a CCP	15	5	1	0
Of which credit valuation adjustment - CVA	2,552	2,740	204	219
Of which other CCR				
Settlement risk	6	1	0	0

Securitisation exposures in the non-trading book (after the cap)

Of which SEC-IRBA approach
Of which SEC-ERBA (including IAA)
Of which SEC-SA approach
Of which 1250%/ deduction

Position, foreign exchange and commodities risks (Market risk)	5,432	6,647	435	532
Of which standardised approach	5,432	6,647	435	532
Of which IMA				
Large exposures				
Operational risk	69,668	69,668	5,573	5,573
Of which basic indicator approach				
Of which standardised approach	69,668	69,668	5,573	5,573
Of which advanced measurement approach				

**Amounts below the thresholds for deduction
(subject to 250% risk weight)**

Total	744,288	747,273	59,543	59,781
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Capital requirement credit risk

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

In the IRB approach without own estimates of LGD and CCF, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set out in CRR rules. In the IRB approach with own estimates of LGD and CCF, the Bank uses its own methods to calculate the loss given default (LGD) and the exposure amount.

Handelsbanken uses the IRB approach without own estimates of LGD and CCF for exposures to sovereigns and institutions, for certain product and collateral types for corporate exposures in the whole of the regional banking operations, and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB and Ecster AB. As of Q1 2021, the Bank's exposures in the UK at Group level are reported according to the standardised approach.

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

At the end of the quarter, the IRB approach was applied to 72% of the total risk-weighted exposure amount for credit risk, including the effect of the risk weight floor on Swedish mortgage loans. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach.

The total risk-weighted exposure amount for credit risk decreased marginally during the quarter.

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

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

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

Capital requirement market risk

The capital requirement for market risks is calculated for the Bank's consolidated situation. The capital requirements for interest rate risk and equity price risk are, however, only calculated for positions in the trading book. When calculating the capital requirement for market risks, the standardised approach is applied.

Capital requirement operational risk

Handelsbanken uses the standardised approach to calculate the capital requirement for operational risk. According to the standardised approach, the capital requirement is calculated by multiplying a factor specified in the regulations by the average operating income during the last three years of operation. Different factors are applied in different business segments.

Note 19 Risk and liquidity

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

Risk and uncertainty factors

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

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

Liquidity and funding

Handelsbanken has a low tolerance of liquidity risks and works actively to minimise them, at aggregate level and also in each individual currency. The aim is to have good access to liquidity, a low level of variation in results and a considerable capacity to meet customers' funding needs, even in difficult times. This is achieved by maintaining a good matching of incoming and outgoing cash flows over time in all currencies essential to the Bank and by maintaining large liquidity reserves of good quality. The Bank thus minimises the economic risks in funding and can thereby maintain stable and long-term internal interest rates to the business-operating units.

Furthermore, the Bank aims for breadth in its funding programmes and their use. This ensures that the Bank can keep its core business intact for a long period of time, even if there is extensive disruption in the financial markets.

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves in all currencies of relevance to the Bank. The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises liquid securities, such as government bonds, covered bonds and other securities of very high credit quality. These can also provide the Bank with immediate liquidity. These parts of the liquidity reserve are illustrated in the table and amounted to SEK 745bn at 30 June 2021. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-creating measures.

Balances with central banks and securities holdings in the liquidity reserve

Market value, SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Level 1 assets	740,391	812,430	558,086	711,842	850,657
Cash and balances with central banks	615,219	684,692	417,889	591,204	708,768
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	94,452	82,904	100,364	83,800	102,880
Securities issued by municipalities and PSEs	656	625	645	694	869
Extremely high quality covered bonds	30,064	44,209	39,188	36,144	38,140
Level 2 assets	4,661	6,425	4,650	5,698	5,447
Level 2A assets	4,204	6,259	4,599	5,585	5,367
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	1,402	1,841	881	2,812	3,165
High quality covered bonds	2,802	4,418	3,718	2,773	2,202
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	457	166	51	113	80
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	457	166	51	113	80
Shares (major stock index)	-	-	-	-	-
Total liquid assets	745,052	818,855	562,736	717,540	856,104
of which in SEK	272,596	241,054	209,797	237,348	204,009
of which in EUR	141,714	123,888	132,403	147,065	160,162
of which in USD	152,291	292,005	69,901	182,104	303,311
of which in other currencies	178,451	161,908	150,635	151,023	188,622

30 June 2021	SEK	EUR	USD	Other	Total
Market value, SEK m					
Level 1 assets	271,829	141,212	150,595	176,755	740,391
Cash and balances with central banks	185,218	133,279	147,721	149,001	615,219
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	73,720	7,640	2,874	10,218	94,452
Securities issued by municipalities and PSEs	656	-	-	-	656
Extremely high quality covered bonds	12,235	293	-	17,536	30,064
Level 2 assets	767	502	1,696	1,696	4,661
Level 2A assets	427	385	1,696	1,696	4,204
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	1,402	1,402
High quality covered bonds	427	385	1,696	294	2,802
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	340	117	-	-	457
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	340	117	-	-	457
Shares (major stock index)	-	-	-	-	-
Total liquid assets	272,596	141,714	152,291	178,451	745,052

Maturities for financial assets and liabilities

30 June 2021 SEK m	Up to 30 days	31 days - 6 mths	6 - 12 mths	1 - 2 yrs	2 - 5 yrs	5 yrs -	Unspec. maturity	Total
Assets								
Cash and balances with central banks	598,104	-	-	-	-	-	-	598,104
Interest-bearing securities eligible as collateral with central banks *	89,119	-	-	-	-	-	-	89,119
Bonds and other interest-bearing securities *	33,316	-	-	-	-	-	-	33,316
Loans to credit institutions	52,996	573	0	98	152	2,024	-	55,843
<i>of which reverse repos</i>	15,542	-	-	-	-	-	-	15,542
Loans to the public	53,853	248,571	208,169	211,866	418,807	1,193,502	-	2,334,768
<i>of which reverse repos</i>	13,655	-	-	-	-	-	-	13,655
Other **	30,775	-	-	-	-	-	294,562	325,337
<i>of which shares and participating interests</i>	21,619	-	-	-	-	-	-	21,619
<i>of which claims on investment banking settlements</i>	9,156	-	-	-	-	-	-	9,156
Total	858,163	249,144	208,169	211,964	418,959	1,195,526	294,562	3,436,487
Total financial assets								
Due to credit institutions ***	46,210	40,549	3,843	2,368	153	988	32,583	126,694
<i>of which repos</i>	58	-	-	-	-	-	-	58
<i>of which deposits from central banks</i>	25,271	24,073	-	-	-	-	4	49,348
Deposits and borrowing from the public ***	109,948	28,764	3,492	432	348	6,374	1,277,870	1,427,228
<i>of which repos</i>	12,749	-	-	-	-	-	-	12,749
Issued securities	87,472	411,650	203,868	209,259	382,263	81,217	-	1,375,729
<i>of which covered bonds</i>	-	56,187	36,889	160,899	303,157	52,221	-	609,353
<i>of which bank certificates (CDs) with original maturity of less than one year</i>	38,129	109,042	46,906	-	-	-	-	194,077
<i>of which corporate certificates (CPs) with original maturity of less than one year</i>	48,801	222,256	89,233	-	-	-	-	360,290
<i>of which bank certificates (CDs) and corporate certificates (CPs) with original maturity above one year</i>	-	-	6,256	434	-	-	-	6,690
<i>of which Senior Non-Preferred Bonds</i>	-	-	-	-	8,607	22,995	-	31,602
<i>of which senior bonds and other securities with original maturity of more than one year</i>	542	24,165	24,584	47,926	70,499	6,001	-	173,717
Subordinated liabilities	-	-	-	10,517	11,736	8,405	-	30,658
Other **	23,551	-	-	-	-	-	452,627	476,178
<i>of which short positions</i>	14,600	-	-	-	-	-	-	14,600
<i>of which investment banking settlement debts</i>	8,951	-	-	-	-	-	-	8,951
Total	267,181	480,963	211,203	222,576	394,500	96,984	1,763,080	3,436,487

* The table shows holdings of bonds and other interest-bearing securities in the time intervals in which they can be converted to liquidity if they are pledged as collateral or sold. This means that the table does not reflect the actual maturities for the securities included. In "Other", assets and liabilities are reported as maturing in the time intervals that correspond to the contractual maturity dates, taking into account contractual amortisation plans.

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

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

Liquidity coverage ratio (LCR)

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Liquidity coverage ratio (LCR) - sub-components, SEK m					
High quality liquidity assets	742,088	814,738	559,278	714,115	852,590
Cash outflows					
Retail deposits and deposits from small business customers	63,619	62,408	61,299	60,865	60,223
Unsecured wholesale funding	402,434	478,173	273,375	404,940	539,454
Secured wholesale funding	7,716	5,204	5,245	8,883	4,872
Other cash outflows	64,578	67,882	73,105	73,677	72,202
Total cash outflows	538,347	613,667	413,024	548,365	676,751
Cash inflows					
Inflows from fully performing exposures	29,095	29,973	27,536	25,159	18,063
Other cash inflows	31,621	33,335	13,491	44,702	38,893
Total cash inflows	60,716	63,308	41,027	69,861	56,956
Liquidity coverage ratio (LCR)	155%	148%	150%	149%	138%

Net stable funding ratio (NSFR)

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Net stable funding ratio (NSFR) - sub-components, SEK m					
Available stable funding (ASF)					
Capital items and instruments	206,021	204,073			
Retail deposits	687,227	666,027			
Wholesale funding	1,084,121	1,114,123			
Other liabilities	5,748	6,011			
Total Available stable funding (ASF)	1,983,117	1,990,234			
Required stable funding (RSF)					
Total high-quality liquid assets (HQLA)	6,135	5,417			
Assets encumbered for more than 12m in cover pool	440,915	444,594			
Performing loans and securities	1,184,665	1,171,443			
Other assets	72,058	74,594			
Off-balance sheet items	24,559	25,069			
Total Required stable funding (RSF)	1,728,332	1,721,117			
Net stable funding ratio (NSFR)	115%	116%			

The liquidity coverage ratio (LCR) has been a binding requirement for banks in the EU since the European Commission introduced its Delegated Regulation. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The requirement applies to LCR at aggregate level and the ratio must be at least 100%. Minimum requirements for the net stable funding ratio (NSFR) – the structural liquidity measure that is the ratio between available stable funding and the stable funding required – entered into force in the EU on 30 June 2021 and means that the bank must have sufficient stable funding to cover the duration of their long-term assets in a one-year perspective under both normal and stressed conditions. The minimum requirement applies at the aggregate level and the ratio must be at least 100%.

At the end of the quarter, the Group's aggregated LCR was 155%, which shows that the Bank has substantial resistance to short-term disruptions in the funding markets. At the same time the Group's aggregated NSFR was 115%.

Stress test with liquidity-creating measures

The governance of the Bank's liquidity position is based on stress tests, which are performed at an aggregate level and also individually for the currencies that are essential to the Bank. The stress tests are designed to ensure that the Bank has sufficient liquidity in various stressed scenarios and with the implementation of different measures, which are also included in the Bank's recovery plan. The

stress tests are carried out with both market-wide and idiosyncratic stress on a regular basis, as well as on an ad hoc basis. These are also supplemented with scenario analyses which take substantial falls in housing prices into account.

Resistance to more long-term disruptions in the market is measured on a daily basis through stress testing of cash flows based on certain assumptions. For example, it is assumed that the Bank cannot obtain funding in the financial markets, at the same time as 10% of non-fixed-term deposits from households and companies disappears gradually in the first month. It is further assumed that the Bank will continue to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies will be renewed at maturity and that issued commitments and credit facilities will be partly utilised by customers. The Bank also takes into account that balances with central banks and banks will be utilised and that Group Treasury's securities can immediately supply liquidity if provided as collateral, primarily in the market and as a last resort in central banks. In addition, the Bank can create liquidity through utilising the unutilised issue amount for covered bonds and by implementing other liquidity-creating measures to gradually provide the Bank with liquidity. With these conditions, the Bank will be liquid for more than three years.

Non-encumbered assets, NEA

30 June 2021		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio***	745	84%
Mortgage loans	802	174%
Other household lending	174	193%
Property company lending lowest risk class (1-3)	274	224%
Other corporate lending lowest risk class (1-3)	109	236%
Loans to credit institutions lowest risk class (1-3)	15	238%
Other corporate lending	315	273%
Other assets	26	276%
Total non-encumbered assets (NEA)	2,460	276%
Encumbered assets without underlying liabilities**	61	
Encumbered assets with underlying liabilities	916	
Total assets, Group	3,437	

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

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

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

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

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

Note 20 Related-party transactions

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

Note 21 Segment reporting

Information about the Bank's segment reporting is provided on pages 10-25.

Note 22 Events after the balance sheet date

No significant events occurred after the balance sheet date.

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Net interest income	3,326	3,166	5%	3,060	9%	6,492	6,480	0%	13,071
Dividends received	414	212	95%	310	34%	626	465	35%	15,937
Net fee and commission income	1,266	1,261	0%	1,405	-10%	2,527	2,903	-13%	5,692
Net gains/losses on financial transactions	820	523	57%	1,962	-58%	1,343	333	303%	1,869
Other operating income	782	710	10%	705	11%	1,492	1,391	7%	2,790
Total income	6,608	5,872	13%	7,442	-11%	12,480	11,572	8%	39,359
Staff costs	-2,761	-2,708	2%	-2,661	4%	-5,469	-5,315	3%	-11,689
Other administrative expenses	-1,421	-1,413	1%	-1,403	1%	-2,834	-2,813	1%	-5,684
Depreciation, amortisation and impairment of property, equipment and intangible assets	-652	-693	-6%	-637	2%	-1,345	-1,329	1%	-2,672
Total expenses before credit losses	-4,834	-4,814	0%	-4,701	3%	-9,648	-9,457	2%	-20,045
Profit before credit losses	1,774	1,058	68%	2,741	-35%	2,832	2,115	34%	19,314
Net credit losses	3	-35		-14		-32	-344	-91%	-477
Impairment of financial assets	-	-		-79		-	-79		-79
Operating profit	1,777	1,023	74%	2,648	-33%	2,800	1,692	65%	18,758
Appropriations	8	23	-65%	24	-67%	31	48	-35%	743
Profit before tax	1,785	1,046	71%	2,672	-33%	2,831	1,740	63%	19,501
Taxes	-315	-286	10%	-572	-45%	-601	-427	41%	-4,275
Profit for the period	1,470	760	93%	2,100	-30%	2,230	1,313	70%	15,226

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q2 2021	Q1 2021	Change	Q2 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change	Full year 2020
Profit for the period	1,470	760	93%	2,100	-30%	2,230	1,313	70%	15,226
Other comprehensive income									
Items that will not be reclassified to the income statement									
Instruments measured at fair value through other comprehensive income - equity instruments	17	34		264		51	158		-583
Tax on items that will not be reclassified to income statement	-2	-1		-7		-3	-1		11
<i>of which equity instruments measured at fair value through other comprehensive income</i>	-2	-1		-7		-3	-1		11
Total items that will not be reclassified to the income statement	15	33		257		48	157		-572
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	-334	235		-1,117	70%	-99	-57	-74%	-1,677
Instruments measured at fair value through other comprehensive income - debt instruments	-1	17		12		16	-3		7
Translation differences for the period	-602	1,111		-736	18%	509	-1,104		-2,184
<i>of which hedging net investment in foreign operations</i>	7	-72		42	-83%	-65	-249	74%	-256
Tax on items that may subsequently be reclassified to the income statement	67	-37		228	-71%	30	66	-55%	420
<i>of which cash flow hedges</i>	69	-49		239	-71%	20	12	67%	365
<i>of which debt instruments measured at fair value through other comprehensive income</i>	0	-3		-2		-3	1		-1
<i>of which hedging net investment in foreign operations</i>	-2	15		-9	78%	13	53	-75%	56
Total items that may subsequently be reclassified to the income statement	-870	1,326		-1,613	46%	456	-1,098		-3,434
Total other comprehensive income for the period	-855	1,359		-1,356	37%	504	-941		-4,006
Total comprehensive income for the period	615	2,119	-71%	744	-17%	2,734	372		11,220

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

The parent company's accounts cover parts of the operations that, in organisational terms, are included in branch operations within and outside Sweden, Capital Markets, and central departments and staff functions. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms a sizeable part of business volumes are outside the parent company in wholly owned subsidiaries – particularly in the Stadshypotek AB mortgage institution and Handelsbanken plc. Thus, the performance of the parent company is not equivalent to the performance of business operations in the Group as a whole.

The parent company's operating profit grew to SEK 2,800m (1,692), mainly due to a SEK 1,010m increase in net gains/losses on financial transactions. The positive change in net gains/losses on financial transactions compared with the same period previous year is attributable to the positive effects of narrowing spreads in the market on the Bank's holdings of subordinated loans issued by the subsidiary Stadshypotek, which are measured at fair value on the balance sheet and income statement. Profit for the period increased to SEK 2,230m (1,313). Net interest income increased slightly to SEK 6,492m (6,480), while net fee and commission income decreased by 13% to SEK 2,527m (2,903). Since year-end, the parent company's equity has decreased to SEK 137,455m (142,839).

BALANCE SHEET – PARENT COMPANY

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Assets					
Cash and balances with central banks	496,649	580,494	297,362	457,312	533,250
Interest-bearing securities eligible as collateral with central banks	89,179	83,428	99,115	84,383	172,216
Loans to credit institutions	1,029,553	1,001,210	953,650	963,089	991,955
Loans to the public	580,018	574,469	566,145	586,281	613,071
Value change of interest hedged item in portfolio hedge	-473	-316	13	-	-
Bonds and other interest-bearing securities	34,340	42,229	46,533	48,145	51,695
Shares	14,791	15,002	14,313	13,325	10,045
Shares in subsidiaries and investments in associates	73,109	73,095	73,057	73,077	72,174
Assets where the customer bears the value change risk	8,176	7,787	7,405	7,081	6,713
Derivative instruments	27,898	32,548	33,031	49,869	54,084
Intangible assets	3,332	3,452	3,459	3,449	3,475
Property, equipment and leasing assets	7,435	7,446	7,381	7,554	7,701
Current tax assets	1,908	1,198	154	2,761	2,055
Deferred tax assets	429	875	1,173	1,257	970
Other assets	8,958	10,852	20,775	15,356	6,377
Prepaid expenses and accrued income	1,999	1,993	1,297	1,416	1,702
Total assets	2,377,301	2,435,762	2,124,863	2,314,355	2,527,483
Liabilities and equity					
Due to credit institutions	208,629	213,672	193,054	269,307	310,745
Deposits and borrowing from the public	1,203,977	1,249,625	1,021,130	1,109,944	1,176,030
Liabilities where the customer bears the value change risk	8,176	7,787	7,405	7,081	6,713
Issued securities	730,768	739,879	657,520	694,010	741,663
Derivative instruments	23,865	28,762	44,774	34,501	35,066
Short positions	14,600	9,011	1,682	7,332	5,958
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	180	651	777	1,014	1,171
Provisions	1,297	1,504	2,276	2,533	1,084
Other liabilities	13,486	12,659	9,125	9,901	78,356
Accrued expenses and deferred income	3,005	3,394	2,266	2,349	2,430
Subordinated liabilities	30,961	31,067	41,082	44,005	35,328
Total liabilities	2,238,944	2,298,011	1,981,091	2,181,977	2,394,544
Untaxed reserves	902	911	933	1,609	1,632
Share capital	3,069	3,069	3,069	3,069	3,069
Share premium	8,758	8,758	8,758	8,758	8,758
Other funds	7,017	8,088	6,706	9,279	9,867
Retained earnings	116,381	116,165	109,080	108,303	108,300
Profit for the period	2,230	760	15,226	1,360	1,313
Total equity	137,455	136,840	142,839	130,769	131,307
Total liabilities and equity	2,377,301	2,435,762	2,124,863	2,314,355	2,527,483

CHANGE IN EQUITY – PARENT COMPANY

January – June 2021 SEK m	Restricted equity				Unrestricted equity				Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software		Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *		
Opening equity 2021	3,069	2,682	3,274	0	8,758	628	94	28	124,306	142,839
Profit for the period									2,230	2,230
Other comprehensive income						-79	61	522		504
<i>of which reclassified within equity</i>							-684			-684
Total comprehensive income for the period						-79	61	522	2,230	2,734
Reclassified to retained earnings									0	0
Dividend									-8,118	-8,118
Fund for internally developed software			-193						193	0
Closing equity	3,069	2,682	3,081		8,758	549	155	550	118,611	137,455

January – December 2020 SEK m	Restricted equity				Unrestricted equity				Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software		Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *		
Opening equity 2020	3,069	2,682	3,034	0	8,758	1,940	660	2,156	108,636	130,935
Profit for the period									15,226	2,230
Other comprehensive income						-1,312	-566	-2,128		-4,006
<i>of which reclassified within equity</i>										0
Total comprehensive income for the period						-1,312	-566	-2,128	15,226	11,220
Reclassified to retained earnings									684	684
Fund for internally developed software			240						-240	
Closing equity	3,069	2,682	3,274		8,758	628	94	28	124,306	142,839

January – June 2020 SEK m	Restricted equity				Unrestricted equity				Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software		Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *		
Opening equity 2020	3,069	2,682	3,034	0	8,758	1,940	660	2,156	108,636	130,935
Profit for the period									1,313	1,313
Other comprehensive income						-45	155	-1,051		-941
<i>of which reclassified within equity</i>										
Total comprehensive income for the period						-45	155	-1,051	1,313	372
Fund for internally developed software			336						-336	
Closing equity	3,069	2,682	3,370		8,758	1,895	815	1,105	109,613	131,307

* Included in fair value fund.

The translation reserve includes conversion effects relating to the balance sheets and income statements of the parent company's international branches. Accumulated conversion effects are reported for taxation when an international branch is closed down or divested. The tax regulations for the taxation of conversion effects are highly complex, and therefore subject to different interpretations. Therefore, it cannot be ruled out that conversion effects may need to be reported for taxation at an earlier stage than when a divestment/closedown takes place.

CONDENSED STATEMENT OF CASH FLOWS – PARENT COMPANY

SEK m	Jan-Jun 2021	Jan-Jun 2020	Full year 2020
Operating profit	2,800	1,693	18,757
Adjustment for non-cash items in profit/loss	1,072	1,399	-12,481
Paid income tax	-2,173	-2,720	-4,910
Changes in the assets and liabilities of operating activities	196,323	284,938	47,324
Cash flow from operating activities	198,022	285,310	48,690
Change in shares	-79	616	704
Change in property and equipment	-1,080	-634	-1,547
Change in intangible assets	-188	-541	-852
Cash flow from investing activities	-1,347	-559	-1,695
Repayment of subordinated loans	-9,811	-	-2
Issued subordinated loans	-	-	8,176
Dividend paid	-8,118	-	-
Received Group contributions	15,135	15,992	15,992
Cash flow from financing activities	-2,794	15,992	24,166
Liquid funds at beginning of the year	297,362	242,889	242,889
Cash flow for the period	193,881	300,743	71,161
Exchange rate difference on liquid funds	5,406	-10,382	-16,688
Liquid funds at end of year*	496,649	533,250	297,362

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

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

Key metrics

	30 Jun 2021	31 Mar 2021
Available own funds (amounts)		
Common equity tier 1 (CET1) capital	131,488	130,897
Tier 1 capital	144,175	143,894
Total capital	161,199	161,131
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	417,216	472,629
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common equity tier 1 ratio (%)	31.5%	30.6%
Tier 1 ratio (%)	34.6%	33.6%
Total capital ratio (%)	38.6%	37.7%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)		
Additional AT1 SREP requirements (%)		
Additional T2 SREP requirements (%)		
Total SREP own funds requirements (%)	8.0%	8.0%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
Institution specific countercyclical capital buffer (%)	0.1%	0.1%
Systemic risk buffer (%)	3.0%	3.0%
Global Systemically Important Institution buffer (%)		
Other Systemically Important Institution buffer	1.0%	1.0%
Combined buffer requirement (%)	6.6%	6.6%
Overall capital requirements (%)	10.6%	10.6%
CET1 available after meeting the total SREP own funds requirements (%)		
Leverage ratio		
Leverage ratio total exposure measure	1,701,210	1,751,124
Leverage ratio	8.5%	8.2%
Additional own funds requirements to address excessive leverage (as a percentage of leverage ratio total exposure amount)		
Additional CET1 leverage ratio requirements (%)		
Additional AT1 leverage ratio requirements (%)		
Additional T2 leverage ratio requirements (%)		
Total SREP leverage ratio requirements (%)	3.0%	
Applicable leverage buffer		
Overall leverage ratio requirements (%)		
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value-average)	638,982	634,101
Cash outflows - Total weighted value	555,433	545,836
Cash inflows - Total weighted value	115,017	110,268
Total net cash outflows (adjusted value)	440,416	435,568
Liquidity coverage ratio (%)	146.0%	146.0%
Net Stable Funding Ratio		
Total available stable funding	1,252,902	1,241,627
Total required stable funding	1,255,476	1,244,023
NSFR ratio (%)	100.0%	100.0%

Overview of risk weighted exposure amounts

	RWEA		Own funds requirements	
	30 Jun 2021	31 Mar 2021	30 Jun 2021	31 Mar 2021
Credit risk (excluding CCR)	346,738	356,819	27,739	28,546
Of which standardised approach	153,672	162,938	12,294	13,035
Of which foundation IRB (FIRB) approach	34,929	35,065	2,794	2,805
Of which slotting approach				
Of which equities under simple risk-weighted approach	3,241	3,101	259	248
Of which advanced IRB (AIRB) approach	143,255	145,380	11,460	11,630
Of which risk weight floor	11,641	10,335	931	827
Counterparty credit risk - CCR	13,182	11,425	1,055	914
Of which standardised approach	10,615	8,680	849	694
Of which internal model method (IMM)				
Of which exposures to a CCP	15	5	1	0
Of which credit valuation adjustment - CVA	2,552	2,740	204	219
Of which other CCR				
Settlement risk	6	1	0	0
Securitisation exposures in the non-trading book (after the cap)				
Of which SEC-IRBA approach				
Of which SEC-ERBA (including IAA)				
Of which SEC-SA approach				
Of which 1250% deduction				
Position, foreign exchange and commodities risks (Market risk)	18,178	20,266	1,454	1,621
Of which standardised approach	18,178	20,266	1,454	1,621
Of which IMA				
Large exposures				
Operational risk	39,118	39,118	3,129	3,129
Of which basic indicator approach				
Of which standardised approach	39,118	39,118	3,129	3,129
Of which advanced measurement approach				
Amounts below the thresholds for deduction (subject to 250% risk weight)				
Total	417,216	472,629	32,358	34,210

SUBMISSION OF REPORT

We hereby declare that this half-yearly report provides a true and fair view of the Bank's and the Group's operations, financial position and performance and describes material risks and uncertainty factors faced by the Bank and the companies that are part of the Group.

Stockholm, 16 July 2021

Pär Boman
Chairman of the Board

Fredrik Lundberg
Vice Chairman of the Board

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
Board Member

PRESS AND TELEPHONE CONFERENCE

A digital press conference will be held on 16 July at 9:00 a.m. (CET).

A telephone conference will be held on 16 July at 11:00 a.m. (CET).

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

This report has been subject to review by the company's auditors.

The interim report for January – September 2021 will be published on 20 October 2021.

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Auditors' report concerning review of interim report

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

INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 June 2021 and for the six-month period ending as at this date. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

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

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

CONCLUSION

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

Stockholm, 16 July 2021

Ernst & Young AB
Jesper Nilsson, Authorised Public Accountant

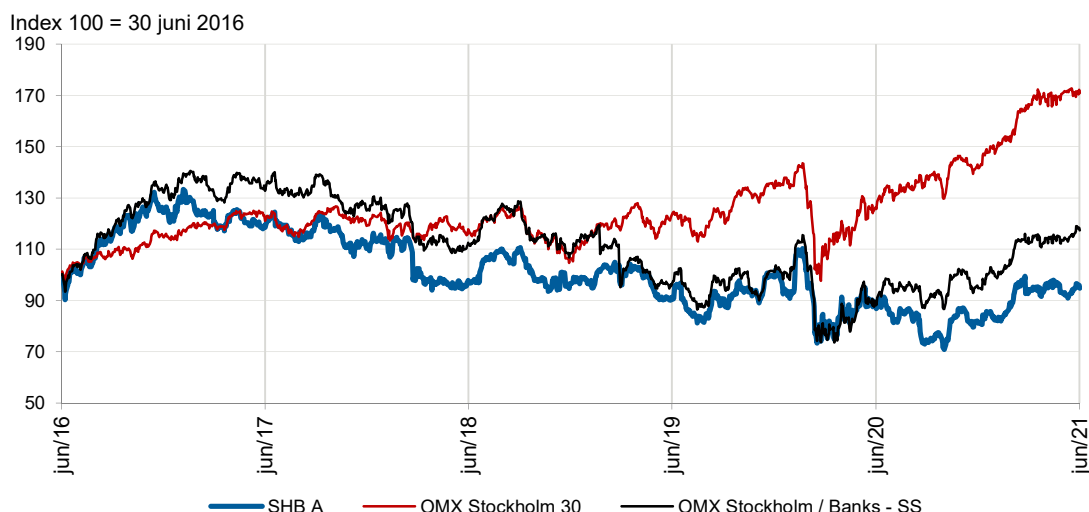
PricewaterhouseCoopers AB
Johan Rippe, Authorised Public Accountant

Share price performance and other information

The Swedish stock market (OMX Stockholm 30 index) went up by 21% during the first six months of the year. The Stockholm stock exchange's bank index climbed by 24%. Handelsbanken's class A share closed at SEK 96.56, an improvement of 17%, but including the distributed dividend of SEK 4.10, the total return was 22%.

Over the last five years, the Swedish stock market (OMX Stockholm 30) has gone up by 71%, while the bank index (OMX Stockholm Banks SS) has gone up by 17%. During the same period, the price of Handelsbanken's class A share has declined by 5%.

SHARE PRICE PERFORMANCE PREVIOUS 5 YEARS



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