Annual and Sustainability Report 2022

Handelsbanken

This is

Handelsbanken

Handelsbanken was founded in 1871. Today, a little over 150 years later, we are one of the world's strongest banks.

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

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

The year in brief

Operating profit increased by 13% to SEK 26,619m (23,475).

Earnings per share grew by 10% to SEK 10.84 (9.86).

Return on equity increased to 12.5% (11.8).

Income grew by 13% to SEK 50,249m (44,277).

Net interest income increased by 21% to SEK 36,610m (30,321) due to higher business volumes and recovered interest margins.

Adjusted for items affecting comparability, expenses increased by 3%. The increase can be explained by increased IT investments and business development aimed at improving efficiency and business growth. Reported expenses climbed by 7% to SEK -21,296m (-19,843).

The C/I ratio improved to 42.4% (44.8).

The credit loss ratio was 0.00% (0.00).

The common equity tier 1 ratio was 19,6% (19.4).

The Board of Directors proposes an ordinary dividend of SEK 5.50 (5.00) per share and a special dividend of SEK 2.50 (-) per share.

The Bank has published three climate reports focusing on different parts of its business: financing, fund investments, and pensions and insurance. All three reports were prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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

Handelsbanken was named "Business Bank of the Year" and "Small Enterprise Bank" by the independent Finansbarometern survey in 2022.

Handelsbanken has been ranked as the safest commercial bank in Europe, and the fourth safest globally, in Global Finance's ranking of 500 banks.

Handelsbanken has more satisfied customers than the sector average in all its home markets, according to SKI/EPSI Rating 2022.

2022

Banking our way

With our approach to risk and sustainability, and a unique, long-term perspective, we create customer relationships that last through all of life's different stages. Our idea of running a bank is based on trust and respect for the individual. We offer our customers:

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

Unique long-term perspective
We always give our customers the best long-term advice, regardless of what is the most profitable product for the Bank in the short term. The Bank has no volume requirements, budgets or centrally determined sales targets. Handelsbanken measures its success on the basis of customer satisfaction, cost efficiency and profitability. Our employees who meet customers do not receive variable remuneration – no bonuses or commissions. This gives our business a unique, long-term perspective.

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

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

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

Brief information

Handelsbanken's Annual General Meeting 2023

Handelsbanken's Annual General Meeting (AGM) for 2023 will be held on Wednesday, 22 March 2023. Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB, by Tuesday, 14 March 2023 at the latest, and have registered to attend the meeting by no later than 16 March 2023. To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request that their own name be registered in the register of shareholders kept by Euroclear. This registration may be temporary (registration of shares for voting rights) and can be requested of the nominee according to the nominee's procedures, giving sufficient notice as specified by the nominee. Registrations of shares for voting rights completed by Thursday, 16 March 2023 will be respected when the register of shareholders is drawn up. Further information about the AGM can be found in the notice of the meeting published on the Bank's website, handelsbanken.com/agm.

Dividend

The Board proposes an ordinary dividend of SEK 5.50 per share and a special dividend of SEK 2.50 per share. The Board proposes that the record day for the dividend be Friday, 24 March 2023, which means that the Handelsbanken share will be traded ex-dividend on Thursday, 23 March 2023. Assuming that the meeting resolves to accept the proposal, the dividend is then expected to be disbursed by Euroclear on Wednesday, 29 March 2023.

Financial calendar 2023

8 February	Handelsbanken's Highlights of the Annual Report 2022
22 March	Annual General Meeting
26 April	Interim report January – March 2023
19 July	Interim report January – June 2023
18 October	Interim report January – September 2023

Financial information

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

- annual and sustainability reports
- interim reports
- risk and capital management reports
- climate reports
- corporate governance reports
- remuneration reports
- factbooks.

Distribution

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

Handelsbanken's Sustainability Report 2022

Handelsbanken's Annual and Sustainability Report 2022 contains Handelsbanken's statutory sustainability reporting as required under the Annual Accounts Act, found on pages 36 to 73. Unless otherwise stated, the information reported refers to the entire Group. Together with the Sustainability Factbook 2022, the Sustainability Report contains Handelsbanken's complete sustainability reporting for 2022.

The Sustainability Report is based on stakeholder dialogue undertaken at regular intervals and a materiality analysis carried out in 2022. The Sustainability Report contains descriptions of the Bank's sustainability governance, business models and processes, as well as activities conducted in 2022. The Sustainability Factbook 2022 includes detailed breakdowns of results, GRI indexes and Handelsbanken's reporting under the Principles for Responsible Banking (PRB). The Sustainability Factbook 2022 is available from handelsbanken.com/sustainability.

This is Handelsbanken's thirteenth Sustainability Report and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. The Sustainability Report has been examined by the Bank's external auditors, whose report is reproduced on page 264 of the Annual and Sustainability Report 2022.

WE SUPPORT UN GLOBAL COMPACT

Svenska Handelsbanken AB (publ)
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Registered office: Stockholm
handelsbanken.com

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The formal annual report which has been examined by the auditors comprises pages 6–35 and 74–258 and has the sections marked with the following colours ■ ■ ■ ■
The statutory sustainability report comprises pages 36–73 and has the section marked with the following colour ■

Stable finances provide the freedom to do more business

Handelsbanken's operating profit for 2022 was SEK 26.6 billion – the Bank's best financial performance ever. This may not come as a big surprise, given the fact that, for the last few decades, the Bank has consistently exceeded the previous year's results.

However, our results for 2022 were achieved in a year, and in a world, in which many unexpected events took place. And, in many cases, even expected developments turned out to be more extensive, sustained, and profound.

It is difficult to produce forecasts. Personally, I try to avoid predicting the future. Because although you may have a fairly good idea of what is to come, you rarely know exactly when, where, and how events will unfold. In the past year, 2022, this became apparent in many different areas. Let me give you a few examples.

From a geopolitical perspective, most analysts were in agreement that the tense situation between Ukraine and the pro-Russian separatists in the eastern parts of the country would continue. But no-one could have imagined that Russia, two months into the new year, would unleash a direct attack and launch a full-scale war – a war which is still ongoing, and which, every day, is causing untold human suffering.

The consequences of this war have been felt far beyond the battlefields. While, at the end of 2021, there was some talk about rising energy prices, in the early part of 2022, forecasters were nowhere near when it came to predicting the crisis and the electricity price levels that followed.

As 2021 drew to a close, there was also speculation about the central banks' austerity measures, and whether these would result in inflationary pressure in the coming year. However, most analysts believed that this would be of a temporary nature. That a period of extremely low interest rates – and thus very low funding costs – was coming to an end, was seen by many as healthy in the long term. And when the Swedish Riksbank, for the first time in eight years, raised the repo rate above the zero mark in April 2022, this was not regarded as a cause of great concern. Very few could predict that, come autumn, large parts of the western world be afflicted by inflation figures close to – and in some cases above – ten per cent.

Similarly, many analysts speculated that the Swedish stock exchange, after the record year of 2021, would plateau in 2022. No-one saw the sharp drop coming, which resulted in a fall of over 24 per cent.

War, energy crisis, inflation and stock market crisis – the list goes on – but no-one could have foreseen this. At least not the extent or the levels, and particularly not the sustained, long-term consequences.

Naturally, this has had – and will continue to have – a significant impact on all of Handelsbanken's home markets. Higher funding costs, sharp price increases, and general uncertainty about the future, have had a clear, dampening effect.

The fact that Handelsbanken, in such a year, still manages to achieve growth and even exceed the results from the previous year, is satisfying, but, as already mentioned, not completely unexpected. Because this is often the case, for a number of reasons.

A significant part of the explanation can be found in two of the cornerstones for our business model: stable finances, and the ability to attract – and retain – truly good customers.

Our very strong finances give us, among other things, higher ratings, compared to our competitors. For many years now, we have been one among an increasingly smaller group of banks in the world that are rewarded with top ratings by the leading rating agencies. This, in turn, means lower funding costs for the Bank. And, perhaps most significantly: greater freedom to do more business.

No matter how things evolve in the world around us, we are always able to do the business that we, and our customers, want. This became all the more evident during the past year, when the forecasts turned out to be way off, the economy went into decline, and many players adopted a much more restrained approach.

Not everyone, though. Our customers are largely made up of stable, well-run companies – often family owned. Our private customers are remarkably often people whose finances are in very good administrative order. What these customers have in common is that they are usually not affected by various crises in the same way as the market in general. Quite the opposite, in fact. Where large numbers of players hold back, many of our corporate customers are seeing an opportunity to advance their positions.

> "This consistent approach helps to build trusting, long-term relationships with truly good customers."

This is particularly true on the Swedish market, where the Bank continues to be the largest player within new lending to companies. Another example is the fact that Handelsbanken, as in previous years, was named "Business Bank of the Year" and "Small Enterprise Bank".

In times of austerity, good customers are also more selective when choosing who they want to do business with. Handelsbanken's long history of very stable finances, and hence robust sustainability over time, make us an attractive choice. In the UK , we saw deposits increase significantly during the past year.

In the same way, the Bank is selective when choosing its business. We have always adopted a restrictive approach to risk, no matter what is going on in the world. A bad credit is a bad credit – even at the best of times. And the reverse is true: a good credit is a good credit, even when the economy is in the doldrums.

This consistent approach helps to build trusting, long-term relationships with truly good customers. Not only are our customers more satisfied, they are also more loyal – significantly above the average in all our home markets.

However, in order to win and retain good customers and maintain good customer relationships, stability and predictability is not all that's required. Our customers also demand an extensive, genuine personal service, a high degree of availability, and the ability to make quick decisions.

We meet these demands by applying a strictly decentralised way of working, and we are constantly aiming to move resources, responsibilities and mandates as close to the customer and their business as possible. For this reason, we have also organised our business geographically.

Each home market is headed by a Country General Manager with full business responsibility and a high degree of independence. The Country General Manager oversees a comprehensive branch network, where the overall responsibility for each customer always lies with a branch. All Branch Managers have a very good understanding of their local market

and their customers. Therefore, it is the Branch Manager's responsibility – and mandate – to ensure that each customer is offered the right products and services at the right price. This means that practically all important business decisions at Handelsbanken are made at a branch, together with the customer, there and then.

However, the meetings are not always held at a physical branch. Together with the Branch Managers, the Bank is continually developing other meeting places where the branch can meet the customer at a time and place that suits the customer. Customers often choose to meet us online or over the phone. The goal is a seamless experience for the customer where their matter can be moved between meeting places according to the customer's wishes.

Overall, we are continually carrying out extensive work on developing and expanding our online services. Not just those used by customers – but also those used by the branches. Even though the pace of development has been very high during the year, I expect it to increase further.

We have freed up large resources by leaving markets where we didn't foresee growth, we have discontinued products and services that, for whatever reason, weren't working sufficiently well, and instead we have chosen to focus our energies towards what we are good at, in order to become even better.

Our branches are also in constant development. Although customers generally visit the branches far less often than was previously the case, the matters that customers nowadays need help with when they do visit are often complex and time-consuming. This is one reason why we have gradually strengthened the branches – delegating them greater decision-making authorities and giving them access to even more specialists.

Over time, this leads to more satisfied customers, and also to very competent employees across the Bank, as they become experienced in making independent decisions. In a line organisation which is flat, such as ours, where everyone has clear areas of responsibility, development is largely driven by business, and the reality that our customers and branches find themselves in.

One extremely important parameter for all development within the Bank, is that everything must be sustainable in the long term. Discussions regarding our joint future have perhaps been somewhat overshadowed by the crises in the past year, but this does not mean that there is less of a need to have them.

Therefore, Handelsbanken supports a number of different initiatives related to corporate sustainability, for example Principle for Responsible Banking (PRB), Global Compact, Net Zero Banking Alliance (NZBA), and Principles for Responsible Investments (PRI).

Similarly, we report on our sustainability work, so that our customers, shareholders and employees can follow our work towards achieving our sustainability goals. This happens throughout the Bank. Our work within this area is in constant development.

However, sustainability work is primarily about making strategic choices, which are not always simple or obvious, and about challenging accepted truths. For a number of years now, the sustainability and environmental aspects have been well integrated into the Bank's risk assessment.

The objective is clear: the transition must happen. This matter concerns everything and everyone and there is a deep-rooted engagement within this area across the Bank.

> "However, sustainability work is primarily about making strategic choices, which are not always simple or obvious, and about challenging accepted truths."

This means that Handelsbanken is constantly changing and evolving. But – and this is important to remember – fundamentally, we are still Handelsbanken. A Bank that always strives to have lower costs and more satisfied customers than its competitors, more often than not meaning that we are more profitable than peer banks in all markets where we operate.

In 2022 as well, we managed to maintain good control of our costs and created more satisfied customers. As usual, this very unusual year.

There are two main reasons why we can consign yet another successful year to the history books: our customers and our employees. No bank is better than its customers, but good customers require good employees. We have these, and to conclude, I would therefore like to extend my warmest gratitude to all of you.

Thank you to all employees throughout the Bank for your dedication and fantastic efforts during the year. Despite the sometimes fast pace of our change activities, we never lost track of our inherent primary focuses; the customer and the business.

And finally, many thanks to all our customers for the confidence you continue to show us. We promise to make our utmost to meet – and preferably exceed – your expectations in the coming year.

Stockholm, February 2023
Carina Åkerström, President and Chief Executive Officer

Administration report

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Concept

Handelsbanken creates value through unique customer meetings. Through trust in the individual, a strong local commitment and a decentralised way of working, we create long-term customer relationships.

By running the Bank in a responsible and sustainable manner and with stable finances, we earn confidence from customers, shareholders and the society.

More satisfied customers, income growing at a faster rate than expenses, and a low risk tolerance create sustainable profitability and the capacity to grow our business and customer offerings, regardless of the situation in the world and economy around us.

Goal

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

Handelsbanken's profitability goal is intended to offer shareholders long-term, high growth in value, with increasing earnings per share over a business cycle. With stable finances, the Bank can also provide support to its customers whatever the prevailing business environment. Profitability and sound, sustainable business operations are critical to shareholders who have invested in the Bank. In addition, these go hand in hand with low funding costs, positive growth and the Bank being seen as an attractive employer.

This goal is mainly to be achieved by having more satisfied customers and lower costs than its competitors

Goals and goal achievement

Handelsbanken's goal is to have higher profitability than the average of peer competitors in its home markets. The Bank intends to achieve this goal by having more satisfied customers and lower costs than its competitors.

CORPORATE GOAL

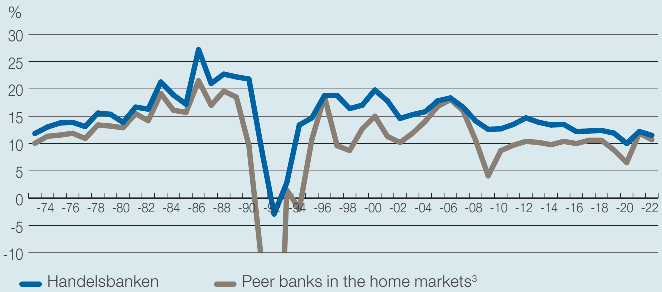
Handelsbanken's goal is to have higher profitability than the average of peer competitors in its home markets.

Goal achievement

Handelsbanken achieved its goal (as at 30 September 2022[1]) of having higher profitability than the average of peer competitors in its home markets. A preliminary provision was thus made for the Oktogonen profit-sharing scheme for the full year 2022, which amounted to SEK -196 million (-69) for the continuing operations.

[1] Not all banks in the comparison group had published their annual accounts for 2022 as of the date of approval of this Annual and Sustainability Report by the Board.
[2] As at September 2022.
[3] Only Swedish banks are included for the period up to and including 2002, and only Nordic banks for the period 2003–2012.

Return on equity 1973–2022[2]

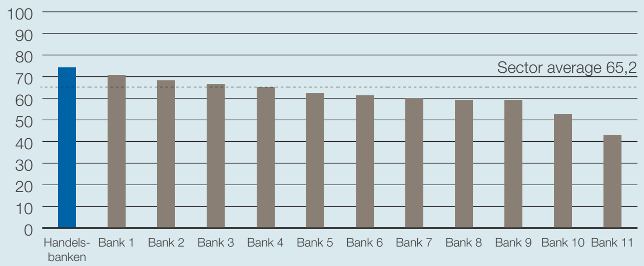


SUSTAINABILITY GOALS

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

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

Weighted average of sustainability surveys



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

MOST SATISFIED CUSTOMERS

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

Outcome

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

Customer satisfaction, private customers 2022

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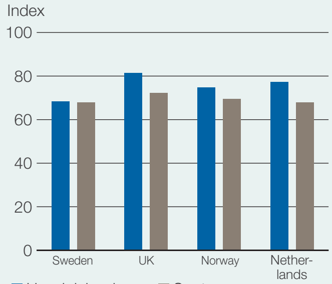

Customer satisfaction, corporate customers 2022

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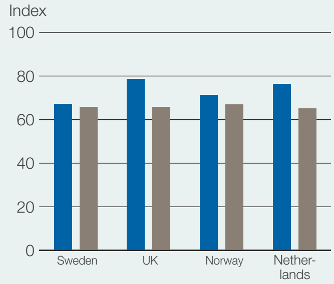


■ Handelsbanken ■ Sector average

Markets being discontinued are not included in the results.

Source: SKI/EPSI 2022

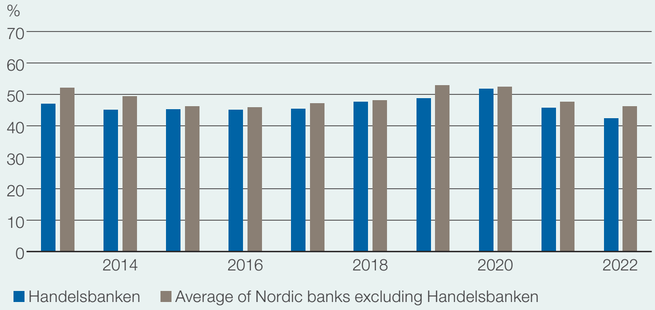
COST-EFFECTIVENESS

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

Outcome

Handelsbanken's expenses relative to income were 42.4% (44.8). The equivalent key metric for an average of other major Nordic banks was 46.2% (47.7).

Costs/income, excluding credit losses, 2013–2022



CREDIT QUALITY

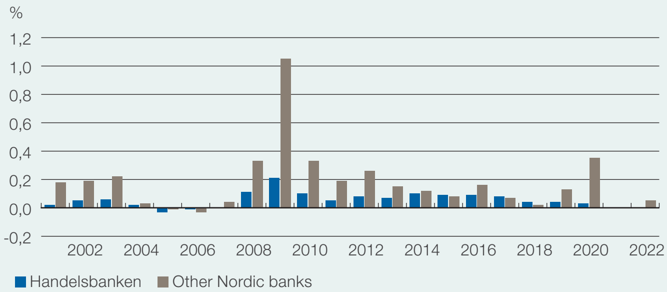
Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Credit losses were SEK -47 million (-43). At the end of the year, the expert-based provision was SEK -621 million (-499). Credit losses as a proportion of lending were 0.00% (0.00).

For the past ten years – that is, since 2013 – the Bank's average credit loss ratio has been 0.05%. This can be compared with the average for the other major Nordic banks during the same period: 0.11%.

Credit losses as a percentage of lending 2001–2022



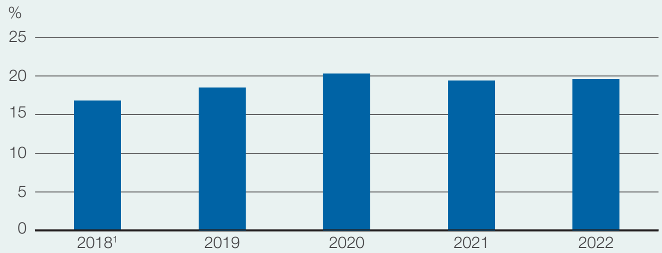
CAPITAL

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

Outcome

At the end of the year, the common equity tier 1 ratio was 19.6% (19.4). In the Bank's assessment, the overall common equity tier 1 capital requirement according to the Swedish Financial Supervisory Authority was 14.5% at the end of the year.

Common equity tier 1 ratio, 2018–2022



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

RATING

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

Outcome

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

Nordic bank ratings

	Standard & Poor's		Fitch		Moody's		
31 December 2021	Long term	Short term	Long term	Short term	Financial strength (BCA)[1]	Long term	Short term
Handelsbanken	AA-	A-1+	AA	F1+	a2	Aa2	P-1
DNB	AA-	A-1+			a3	Aa2	P-1
Nordea	AA-	A-1+	AA-	F1+	a3	Aa3	P-1
SEB	A+	A-1	AA-	F1+	a3	Aa3	P-1
Swedbank	A+	A-1	AA-	F1+	baa1	Aa3	P-1
Danske Bank	A+	A-1	A	F1	baa2	A3	P-2

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

Source: SNL

Our concept and working methods

Handelsbanken was founded over 150 years ago. Today, we are one of the world's strongest banks. Our business rests on the pillars of a strong local presence, a decentralised way of working, stable finances and a low risk tolerance. Through our customer meetings, we create and cultivate long-term relationships with our customers. Customer meetings are also where we lay the foundations for the development of the Bank's business in line with customer demand. We always strive to provide the best bank offering within financing, savings and advisory services. We run our Bank responsibly and sustainably, with concern and care for customers being our first consideration. By doing so, we ensure satisfied customers, generate value for our shareholders, and gain the trust of the wider market.

LONG-TERM APPROACH

Handelsbanken has been conducting banking operations since 1871 and has the oldest listed share on the Stockholm stock exchange. Our goal is to have better profitability than the average of peers in our home markets. The methods we employ in this respect are more satisfied customers and lower costs. We are continuously developing and evolving our business to make sure we achieve our goal. We focus on where our expertise lies – we take what we are already good at, and do it even better. Our model is particularly suited to customers who need a bank that sees the bigger picture and who want a long-term relationship with their bank. In common with the Bank, these customers, whether private individuals or companies, have a good, stable financial position. Handelsbanken's home markets are Sweden, the UK, Norway and the Netherlands. Each home market has its own national organisation. The Bank also does business in Luxembourg and the USA.

Our idea of how we should run our Bank is based on trust and respect for the individual's capability to independently make sound decisions and their desire to do good. We are convinced that our employees want to do a good job, to take responsibility and to develop personally. People like meeting other people so that they can collaborate, work together to find solutions and build relationships. This is why we have adapted our organisation and our way of working to what we believe is best for just that – people. Both employees and customers alike. This means that our staff have substantial responsibility and authority to make decisions in all kinds of matters that concern our customers. An arrangement like this allows for better decisions to be made more quickly and closer to the customer, and is a key factor in the Bank's high levels of customer satisfaction. A decentralised way of working and local presence are fundamental to our work. Customer opinion surveys show that our customers choose us because they know they can rely on us, and trust our way of running the Bank. A bank's business is built entirely on trust, and being accessible, easy to deal with and treating customers with understanding and care are critical components in fostering that trust.

SUSTAINABLE VALUE CREATION

Sustainability will always be integrated into our way of thinking and making decisions. Handelsbanken has established numerous central policies, rules, guidelines and instructions covering a wide array of areas. Among these is gender equality, where our view is that everyone has the right to be treated on the same terms, which is why we work actively to prevent bullying and other forms of harassment. The starting point for our credit policy is our low risk tolerance. Together with our sustainability policy, it forms the foundation to a bank whose goal is to have better profitability than the average of peer competitors in our home markets. This makes us more sustainable in the long term, as well as stronger and more attractive in times of crisis: as an investment, as a supplier of products and services, and as an employer.

Profitability before volume

The employees at our branches who meet customers are not eligible to receive variable remuneration – no bonuses or commissions – and thus have no personal financial incentive to offer customers a certain service or product. The Bank has no volume requirements, budgets or centrally determined sales targets. Instead, the Bank measures its success on the basis of customer satisfaction, cost efficiency and profitability.

Stable finances

Stable finances are a prerequisite for doing all the business the Bank and our customers want to do – on good terms. With stable finances, we can support our customers no matter what is happening in the business environment. Financial stability not only allows for the freedom to do more business, but also ensures lower funding costs and, consequently, contributes to higher profitability. Handelsbanken manages its finances entirely on commercial terms, and is one of few banks in its home markets not to have sought financial support from governments, central banks or shareholders in times of trouble in the financial markets.

Low risk tolerance

The Bank's low risk tolerance means that we deliberately avoid high-risk transactions, even if the financial reward may be large at that moment. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. It is important to the Bank that the granting of credit is based on an assessment of each individual customer's repayment capacity.

CUSTOMER SATISFACTION

Important business decisions should be made as close to the customer as possible. The fact that our customers are always able to meet the person making the final decision contributes enormously to the quality of the customer meeting, and helps ensure faster, better decisions and more satisfied customers. A customer's trust in the Bank is built up over time, but is nurtured and helped on the way at every customer meeting. The customer meeting is thus central to Handelsbanken's business operations.

Personal meetings, where the customer wants

For us, the customer meeting is critical in creating value for our customers and to our way of running a bank. We offer personal customer meetings – no matter where, how or when we meet the customer. Our task is to make it easy for the customer to reach us, and to offer advice and service that is shaped by our care for customers. The overall customer responsibility always lies with the branch closest to the customer's geographical location. This is the case with both private individuals and companies. Our customers appreciate our local presence – that we know the customer and the local market. We therefore make business decisions locally, together with customers. Our first consideration is always the customer's needs, and we resolve each everyday task as effectively and efficiently as possible. Having satisfied customers is absolutely crucial to us, and is a prerequisite if we are to achieve our goal.

Decentralised way of working

Handelsbanken's decentralised way of working is implemented throughout the Bank. For our customers, it means that the local branch always has responsibility for the customer and their credits, regardless of how, when and where the customer has contact with the Bank. The branches' independence contributes to a very strong local connection, with long-term customer relations. Short decision-making channels also enable us to more quickly adapt to various changes in local markets, and to quickly take advantage of new business opportunities.

Skilled employees

The Bank has a long-term view of its relationships with both customers and employees, and sees every recruitment as meaningful and long lasting. Employees with a wealth of expertise and experience across all parts of the Bank are a key driver of the Bank's high levels of customer satisfaction. Handelsbanken's ambition is to meet its employees' needs during various phases of their life in a flexible way, so that the employee is given the conditions to develop at the Bank.

Our best advice

For many years, Handelsbanken has successfully operated on the basis of local presence, long-term relationships and strong local decision-making mandates. With the business model as a starting point, the Bank's offering is primarily aimed at private customers, property companies and other owner-managed companies. The main needs among customers are financing, savings and payment solutions of varying types. The Bank is always developing its products and services to ensure a competitive offering, and thus to improve profitability while maintaining a low level of risk. Across all product areas, the Bank clearly integrates sustainability into both the customer relationship and its offerings. No matter the meeting place, the customer is always given the best advice, regardless of what is the most profitable product for Handelsbanken in the short term. By always giving the best advice, we build trusting relationships with our customers.

HANDELSBANKEN IS ALWAYS HANDELSBANKEN

Over the years, our model has often been put to the test. Boom or bust, in good times and bad, our model has worked. But it is not – and never has been – static. Our business must always be evolving and meet the needs of our customers. So we will continue to create growth, with a high level of efficiency and responsiveness to external factors – and generate good profitability and sizeable returns for our shareholders.

> "Our business must always be evolving and meet the needs of our customers."

Financial overview 2022

- Operating profit increased by 13% to SEK 26,619m (23,475).
- Return on equity increased to 12.5% (11.8).
- Income grew by 13% to SEK 50,249m (44,277).
- Net interest income increased by 21% to SEK 36,610m (30,321) due to higher business volumes and recovered interest margins.
- Adjusted for items affecting comparability, expenses increased by 3%. The increase can be explained by increased IT investments and business development aimed at improving efficiency and business growth. Reported expenses climbed by 7% to SEK -21,296m (-19,843).
- The C/I ratio improved to 42.4% (44.8).
- The credit loss ratio was 0.00% (0.00).
- The Board of Directors proposes an ordinary dividend of SEK 5.50 (5.00) per share and a special dividend of SEK 2.50 (-) per share.

Review of operations

2022 was a turbulent year. A year of sharp rises in inflation and interest rates, global economic woes, volatile markets and the continuation of a war not all too far from our borders.

Operating profit increased by 13% to SEK 26,619m (23,475).

Income grew by 13% to SEK 50,249m (44,277). The increase was due to higher net interest income as a result of increased volumes and recovered margins.

Adjusted for items affecting comparability (presented in the tables below), expenses increased by 3%. The increase in its entirety can be attributed to increased IT investments and business development. Reported expenses climbed by 7% to SEK -21,296m (-19,843).

The C/I ratio improved to 42.4% (44.8). The credit loss ratio was 0.00% (0.00).

Profit for the period from continuing operations increased by 12% to SEK 21,189m (18,848). Earnings per share grew by 10% to SEK 10.84 (9.86). Return on equity increased to 12.5% (11.8). The common equity tier 1 ratio was 19.6% (19.4).

INCOME

SEK m	Full year 2022	Full year 2021	Change
Net interest income	36,610	30,321	21%
Net fee and commission income	11,103	11,458	-3%
Net gains/losses on financial transactions	1,111	1,699	-35%
Other	1,426	799	78%
Total income	**50,249**	**44,277**	**13%**

Net interest income grew by 21%, or SEK 6,289m, to SEK 36,610m (30,321). The increase can be attributed to higher business volumes and recovered interest margins. All in all, the net effect of margins and funding costs had a SEK 3,674m positive impact. Higher business volumes contributed SEK 1,968m. The liquidity portfolio's contribution to net interest income went up by SEK 82m. Higher fees for deposit guarantee schemes had an impact of SEK -91m. Foreign exchange effects made a positive contribution of SEK 612m. Other effects had a SEK 44m impact on net interest income.

Net fee and commission income went down by 3%, or SEK 355m, to SEK 11,103m (11,458). All in all, fund management, custody and other asset management commissions decreased by 5% to SEK 6,380m (6,747). The decrease includes fund commission income that, as a result of lower market values, declined by 6% to SEK 5,469m (5,842). Brokerage income declined by 18% to SEK 455m (555). Net payment commissions grew by 16% to SEK 1,711m (1,479), with net card commissions totalling SEK 1,022m (971). Lending and deposit commissions fell by 1% to SEK 1,146m (1,155). Income from insurance decreased by 1% to SEK 794m (803). Advisory commissions decreased by 15% to SEK 196m (230). Other net fee and commission income amounted to SEK 421m (489).

Net gains/losses on financial transactions went down by 35%, or SEK -588m, to SEK 1,111m (1,699). The Bank's liquidity portfolio had a negative effect of SEK -118m during the period, and amounted to SEK -572m (-454) as a result of a volatile market with climbing interest rates and increased credit spreads. The contribution from the customer-driven business in Handelsbanken Capital Markets decreased by SEK 54m to SEK 1,131m (1,185). The realised capital contribution for the period, which arises when the yield within traditionally managed insurance at Handelsbanken Liv falls below contractually guaranteed rates, amounted to SEK -455m (-48).

Other income items increased to SEK 1,426m (799), as a result of the sales of real estate holding subsidiaries.

Staff costs were essentially unchanged compared with the previous year, when adjusted for items affecting comparability. The preliminary provision for the Oktogonen profit-sharing scheme increased to SEK -249m (-48). In order to further strengthen the pension system, the Bank elected not to exercise its option to claim reimbursement from the Bank's pension foundation for pension disbursements made during the year. This decision resulted in additional payroll tax of SEK -152m in staff costs, but entailed an essentially neutral effect on profit for the period, given the converse positive effect in the Taxes line item of SEK 160m. The average number of employees in continuing operations fell by 85 to 10,954 (11,039). Reported staff costs climbed by 5% to SEK -13,103m (-12,452).

Other expenses increased by 14%, adjusted for foreign exchange effects. The majority of the increase is related to higher development expenses. Other reported expenses rose by 17% to SEK -6,543m (-5,577).

Development expenses rose overall by 18% to SEK -3,337m (-2,821). Total development spend climbed by 30% to SEK -3,433m (-2,643). The capitalisation rate was 21% (19) and capitalisations amounted to SEK 710m (499).

Depreciation, amortisation and impairments of property, equipment and intangible assets decreased by 9% to SEK -1,650m (-1,814).

EXPENSES

SEK m	Full year 2022	Full year 2021	Change	
Staff costs	**-13,103**	**-12,452**	**-651**	**5%**
Development expenses	-1,214	-1,125	-89	8%
Other, excluding items affecting comparability	-11,213	-11,279	66	-1%
Items affecting comparability	-676	-48	-628	
Oktogonen	*-249*	*-48*	*-201*	
Foreign exchange effects	*-275*		*-275*	
Other items affecting comparability	*-152*		*-152*	
Other expenses	**-6,543**	**-5,577**	**-966**	**17%**
Development expenses	-1,509	-1,019	-490	48%
Other, excluding items affecting comparability	-4,866	-4,558	-308	7%
Items affecting comparability	-168		-168	
Foreign exchange effects	*-168*		*-168*	
Depreciation, amortisation and impairment	**-1,650**	**-1,814**	**164**	**-9%**
Development expenses	-614	-677	63	-9%
Other, excluding items affecting comparability	-1,024	-1,137	113	-10%
Items affecting comparability	-12		-12	
Foreign exchange effects	*-12*		*-12*	
Total expenses	**-21,296**	**-19,843**	**-1,453**	**7%**
Development expenses	-3,337	-2,821	-516	18%
Other, excluding items affecting comparability	-17,104	-16,974	-130	1%
Items affecting comparability	-855	-48	-807	
Oktogonen	*-249*	*-48*	*-201*	
Foreign exchange effects	*-454*		*-454*	
Other items affecting comparability	*-152*		*-152*	
Change, adjusted for items affecting comparability				**3%**

DEVELOPMENT EXPENSES

SEK m	Full year 2022	Full year 2021	Change
Development spend	-3,433	-2,643	30%
staff costs	*-1,508*	*-1,388*	*9%*
other costs	*-1,925*	*-1,255*	*53%*
Capitalised costs	710	499	42%
staff costs	*294*	*263*	*12%*
other costs	*416*	*236*	*76%*
Development spend after capitalised costs	**-2,723**	**-2,144**	**27%**
Amortisation and impairment	-614	-677	-9%
Development expenses	**-3,337**	**-2,821**	**18%**

CREDIT LOSSES

SEK m	Full year 2022	Full year 2021	Change
Net credit losses	-47	-43	-4
of which additional provision requirements	*-122*	*-3*	*-119*
Credit loss ratio as % of loans to the public	0.00	0.00	

Credit losses were SEK -47m (-43), and the credit loss ratio was 0.00% (0.00) of loans to the public. The expert-based provision was SEK -621m (-499).

Risk tax and resolution fee

The risk tax and resolution fee totalled SEK -2,311m (-930). The risk tax amounted to SEK -1,316m (-), and the resolution fee amounted to SEK -995m (-930).

Taxes

The effective tax rate in total operations (including discontinued operations) was 23.5% (20.8). The deviation compared to the 20.6% corporate tax rate in Sweden is primarily due to the sale of the Danish operations, with the recognised reversal of goodwill and other intangible assets, amounting to SEK -2.8bn, being non-deductible.

The effective tax rate in continuing operations was 20.4% (19.7). The higher tax rate applying to the operations outside Sweden, as well as non-deductible interest expenses on subordinated loans, counteracted the aforementioned positive tax effect of the Bank's decision not to exercise its option to claim reimbursement from the Bank's pension foundation.

Discontinued operations

Profit/loss from discontinued operations consists of the external income and expenses in the operations in Denmark and Finland that are in the process of being divested. An agreement regarding the sale of the Danish operations was signed in June, and the transaction was completed during Q4. The transaction increased common equity tier 1 capital by SEK 2.5bn, with the reversal of goodwill and other intangible assets contributing SEK 2.8bn as this is compensated for in the purchase price, while the impact on profit upon the closing of the transaction was SEK -0.3bn, including transaction costs and the non-deductible reversal of goodwill and other intangible assets. The transaction overall also results in a reduction in the common equity tier 1 capital requirement by approximately SEK 6.5bn. Of this reduction, SEK 5.1bn is attributable to decreased credit risk resulting from the divestment of the credit portfolio, SEK 0.3bn to decreased operational risks and SEK 1.1bn to the discontinuation of structural hedging. In addition, historical translation differences in equity amounting to approximately SEK 0.7bn were realised, and were thus transferred from the translation reserve to retained earnings.

Profit from discontinued operations, after tax, amounted to SEK 280m (695), including the SEK -326m effect in the fourth quarter arising from closing of the sale of the Danish operations. Before taxes, the effect of the sale amounted to SEK 235m.

Income climbed by 9% to SEK 4,600m (4,209). Net interest income increased by 32% to SEK 3,434m (2,606) due to improved net interest income in Finland. During the previous year, the net interest income in Finland was adversely impacted by the Bank's euro liquidity being deposited with the central bank at a negative interest rate.

Expenses increased by 11% to SEK -3,226m (-2,915). Credit losses consisted of net recoveries of SEK 29m (64).

NON-RECURRING ITEMS AND SPECIAL ITEMS IN OPERATING PROFIT

SEK m	Full year 2022	Full year 2021
Capital gains from real estate sales (other income)	1,059	-
Sale of card acquiring operations (other income)	-	408
Oktogonen: adjustment of previous year's provision (staff costs)	-53	21
Oktogonen: provision for current year (staff costs)	-196	-69
Payroll tax on pension due to non-claimed reimbursement for pension costs from the Bank's pension foundation (staff costs)	-152	-
Total	**658**	**360**

BUSINESS DEVELOPMENT

Loans to the public in the home markets (Sweden, Norway, the UK and the Netherlands) grew by 7%, and the average volume was SEK 2,218bn (2,064), an increase of SEK 154bn.

Deposits and borrowing from the public in the home markets grew by 11%, and the average volume was SEK 1,271bn (1,143), an increase of SEK 128bn.

The total volume of assets under management in the Group at the end of the period amounted to SEK 915bn (1,075). Of the assets under management, SEK 845bn (987) was invested in the Bank's funds. In the home markets, assets under management amounted to SEK 885bn (1,001), of which mutual fund volumes accounted for SEK 822bn (929). New mutual fund savings in the home markets during the year amounted net to SEK 6.3bn (58.9). Of the net new savings in the Swedish mutual fund market during the year, a total of 53% was invested in Handelsbanken's funds. The Bank's share of the Swedish mutual fund market rose to 12.2% (12.0).

FUNDING AND LIQUIDITY

During the year, the Bank has had access to, and utilised, the funding markets as it wished, in spite of the sometimes very turbulent market climate.

Bond issues during the year amounted to SEK 199bn (183), of which SEK 131bn (140) was covered bonds and SEK 57bn (43) was senior bonds, with approximately SEK 13bn (16) senior non-preferred bonds. Moreover, two non-perpetual subordinated loans of SEK 11bn (-) were issued during the year.

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 272% at the end of the year (268). At the end of the year, cash funds and liquid assets deposited with central banks amounted to SEK 505bn (439). The volume of liquid bonds and other liquid assets totalled SEK 171bn (157). Thus, the Bank has further reinforced its resistance to future market disruptions during the year.

At year-end, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated regulation, was 159% (152). At year-end, the net stable funding ratio (NSFR) according to CRR2 was 114% (114).

CAPITAL

At the end of the period, the common equity tier 1 ratio was 19.6%. In the Bank's assessment, the overall common equity tier 1 capital requirement according to the Swedish Financial Supervisory Authority was 14.5%, corresponding to SEK 118bn, at the end of the quarter. Of this, an amount of 2.3 percentage points (1.0 percentage points Pillar 2 guidance and 1.3 percentage points Pillar 2 requirement), corresponding to SEK 19bn, comprises the common equity tier 1 capital requirement in Pillar 2. The countercyclical capital buffer was 1.0%. Announced but as yet non-implemented requirements are expected to raise the countercyclical capital buffer to 1.9% at the end of 2023, which would imply a total capital requirement of 15.4%, all else being equal.

At the end of the period, the total capital ratio was 23.8%. The Bank's estimation is that the Swedish Financial Supervisory Authority's total capital requirement amounted to 18.8% (SEK 152bn) on the same date. Of this, an amount of 3.1 percentage points, corresponding to SEK 25bn, comprises the total capital requirement in Pillar 2.

As reported during previous quarters, the Swedish Financial Supervisory Authority has resolved that, starting in 2022, the Bank's structural foreign exchange positions are no longer exempted from capital requirements. At the end of the quarter, the Bank's risk-weighted exposure amount for these positions amounted to SEK 32bn.

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. The Bank's capitalisation was thus above the target range.

Capital for consolidated situation

SEK m	31 Dec 2022	31 Dec 2021	Change
Common equity tier 1 ratio, CRR	19,6%	19,4%	0.2
Total capital ratio, CRR	23,8%	23,3%	0.5
Risk exposure amount, CRR	810,144	773,158	5%
Common equity tier 1 capital	158,551	149,709	6%
Total own funds	193,186	180,458	7%
Equity, Group	196,030	181,706	8%

Total own funds were SEK 193bn (180), and the Bank's total capital ratio amounted to 23.8% (23.3). The common equity tier 1 capital was SEK 159bn (150), while the common equity tier 1 ratio was 19.6% (19.4).

Earnings increased the common equity tier 1 ratio by 0.6 percentage points, after a deduction for the proposed dividends. Increased exposure volumes reduced the common equity tier 1 ratio by 0.4 percentage points. The effect of differing credit qualities for inflows and outflows increased the common equity tier 1 ratio by 0.1 percentage points, while rating migrations had a negative effect in the amount of 0.2 percentage points. The additional risk-weighted exposure amount for structural foreign exchange risk, of SEK 32bn, had a negative effect of 0.8 percentage points on the common equity tier 1 ratio. The sale of the Danish operations made a positive contribution of 0.9 percentage points, arising due to a SEK 2.5bn increase in common equity tier 1 capital and a SEK 25bn reduction in the risk exposure amount for credit risks. Foreign exchange effects had a negative impact of 0.1 percentage point, while other effects had a positive impact of 0.1 percentage point.

Economic capital and available financial resources

The Bank's internal assessment of its need for capital is based on the Bank's capital requirement, stress tests, and the Bank's model for economic capital (EC). This is measured in relation to the Bank's available financial resources (AFR).

The Board stipulates that the AFR/EC ratio for the Group must exceed 120%. At the end of the quarter, Group EC totalled SEK 54.6bn (58.5), while AFR was SEK 225.3bn (240.2). Thus, the ratio between AFR and EC was 413% (411). For the consolidated situation, EC totalled SEK 30.8bn (34.5), and AFR was SEK 218.2bn (230.3).

RATINGS

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

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

SUSTAINABILITY

Handelsbanken has a clearly defined strategy for its sustainability work. Handelsbanken has previously launched concrete, measurable sustainability goals for the Bank's core operations: financing, investment and advisory services. The goals include, among other ambitions, net-zero emissions of greenhouse gases by 2040, and that, by 2025, 20% of the Bank's financing volume must consist of green financing, social financing or financing that contributes to a sustainable, measurable transition by the borrower.

During the fourth quarter, the Bank set its first interim target: to reduce greenhouse gas emissions linked to the Bank's real estate financing (CO2e/m2) by 36% 2030. This target is science based and aligned with the objective to keep the global mean temperature increase below 1.5 degrees. The target encompasses approximately 80% of the Group's loans to the public.

During the third quarter, Handelsbanken updated and expanded its Green Bond Framework. The new financing framework is partly aligned with the EU Taxonomy and broadens the Bank's opportunities to fund projects that lead to climate change adaptations and improved energy efficiency. With the new Green Framework, Handelsbanken will be able to take further steps towards its goal that, by 2025, 20% of the financing it provides to customers must consist of green financing, social financing or financing that contributes to a sustainable, measurable transition by the borrower. Handelsbanken issued its third green bond in late August; a seven-year green senior bond of EUR 750m – the Bank's largest green bond up to this point. Thanks to the Bank's high credit quality, the issue was oversubscribed by three times.

As a further means to promote energyefficient living, in addition to the Bank's loan offerings for solar panels and other energy efficiency measures, Handelsbanken's customers in Sweden with a mortgage for an energy-efficient single-family home or cottage (energy class A or B according to the Swedish National Board of Housing, Building and Planning) had these converted to a green mortgage in late September, incurring 0.10 percentage points less interest. Equivalent conversions were undertaken for housing co-operative apartments in October.

In the second quarter, the Bank published an updated climate report on Handelsbanken's real estate financing.

Handelsbanken's high sustainability rating was raised further in late May by MSCI ESG Ratings, from AA to AAA. Handelsbanken thus has the highest possible sustainability rating.

During the first quarter, it was announced that Handelsbanken had again – for the sixth year running – been included in the SAM Sustainability Yearbook. This means that Handelsbanken is among the top 15% most sustainable banks worldwide according to S&P Global's Corporate Sustainability Assessment.

Business volumes linked to the Bank's sustainability activities continued to grow. Compared with the corresponding period of the previous year, the volume of green loans in remaining operations increased by 127% to SEK 63.7bn (28.1); as part of this total, green mortgages grew by 266% to SEK 31.8bn (8.7). In addition, sustainability-linked loan facilities amounted to SEK 59.0bn (23.9).

The EU's Sustainable Finance Disclosures Regulation (SFDR) means that asset managers must be transparent in how their mutual funds are classified under the SFDR. In 2022, the European Commission and European supervisory authorities released statements on the interpretation of the regulations that caused a lack of clarity on the requirements for reporting a fund according to article 9.3. Handelsbanken Fonder has been monitoring developments and analysing the matter closely during the latter part of the year, while awaiting clarification from the legislator and the authorities. Given these uncertain circumstances, Handelsbanken Fonder has chosen to adopt a conservative approach and report the Bank's Paris-aligned index funds as article 8 instead of article 9.3 funds. At the end of the year, five of the Group's funds, representing 7% of assets under management, were reported in the highest category (article 9), i.e. a fund that has sustainable investments as its objective. A total of 99 funds, representing 88% of the managed fund volume, were reported in the second-highest category (article 8), i.e. funds that promote environmental or social aspects.

HANDELSBANKEN'S ANNUAL GENERAL MEETING 2023

Handelsbanken's Annual General Meeting will take place on 22 March 2023. The Board of Directors proposes to the annual general meeting an ordinary dividend of SEK 5.50 (5.00) per share and a special dividend of SEK 2.50 (0.00) per share. The Board proposes that the record day for the dividend be 24 March 2023, which means that the Handelsbanken share will be traded ex-dividend on 23 March 2023, and that the dividend is then expected to be disbursed by Euroclear on 29 March 2023.

The Board is also proposing that the existing repurchase programme of a maximum of 120 million shares be extended for a further year. In addition, the Board proposes that the annual general meeting authorise the Board to be able to issue convertible debt instruments in the form of AT1 bonds, in order to adapt the Bank's capital structure to capital requirements prevailing at any time.

Five-year overview, Group

Consolidated income statement SEK m	2022	2021	2020	2019	2018
Net interest income	36,610	30,321	29,963	32,135	31,286
Net fee and commission income	11,103	11,458	9,670	10,697	10,247
Net gains/losses on financial transactions	1,111	1,699	1,217	1,299	908
Risk result – insurance	176	179	194	145	106
Other dividend income	17	2	53	113	218
Share of profit of associates and joint ventures	-13	63	18	32	0
Other income	1,246	555	137	143	1,005
Total income	**50,249**	**44,277**	**41,252**	**44,564**	**43,770**
Staff costs	-13,103	-12,452	-13,907	-13,549	-13,465
Other expenses	-6,543	-5,577	-5,245	-6,524	-6,712
Depreciation, amortisation and impairment of property, equipment and intangible assets	-1,650	-1,814	-1,775	-1,670	-713
Total expenses	**-21,296**	**-19,843**	**-20,927**	**-21,743**	**-20,890**
Profit before credit losses, risk tax and resolution fee	**28,953**	**24,434**	**20,325**	**22,821**	**22,880**
Net credit losses	-47	-43	-649	-1,045	-881
Gains/losses on disposal of property, equipment and intangible assets	24	14	5	20	14
Risk tax and resolution fee	-2,311	-930	-884		
Operating profit	**26,619**	**23,475**	**18,797**	**21,796**	**22,013**
Taxes	-5,429	-4,627	-4,240	-4,871	-4,656
Profit for the year from continuing operations	**21,189**	**18,848**	**14,557**	**16,925**	**17,357**
Profit for the year from discontinued operations, after tax	280	695	1,031		
Profit for the year	**21,470**	**19,543**	**15,588**	**16,925**	**17,357**
of which attributable to					
Shareholders in Svenska Handelsbanken AB	21,468	19,527	15,585	16,922	17,354
of which from continuing operations	*21,187*	*18,834*	*14,556*		
of which from discontinued operations	*281*	*693*	*1,029*		
Non-controlling interest	1	16	3	3	3
Earnings per share, total operations, SEK	10.84	9.86	7.87	8.65	8.93
after dilution	10.84	9.86	7.87	8.58	8.84
Earnings per share, continuing operations, SEK	10.7	9.51	7.35		
after dilution	10.7	9.51	7.35		
Earnings per share, discontinued operations, SEK	0.14	0.35	0.52		
after dilution	0.14	0.35	0.52		

The income statements for 2018 to 2019 have not been recalculated with regard to discontinued operations. In addition, nor have the comparative figures for these years been recalculated with regard to the transfer of the resolution fee from net interest income to the new line item Risk tax and resolution fee.

A 5-year overview for the parent company is shown on pages 216–217.

Consolidated statement of comprehensive income SEK m	**2022**	**2021**	**2020**	**2019**	**2018**
Profit for the year	21,470	19,543	15,588	16,925	17,357
Other comprehensive income					
Items that will not be reclassified to the income statement					
Defined benefit pension plans	3,049	6,820	1,523	4,262	-4,405
Equity instruments measured at fair value through other comprehensive income	41	62	-583	372	-188
Tax on items that will not be reclassified to the income statement	-642	-1,401	-256	-931	978
of which defined benefit pension plans	*-622*	*-1,398*	*-267*	*-910*	*977*
of which equity instruments measured at fair value through other comprehensive income	*-19*	*-3*	*11*	*-21*	*1*
Total items that will not be reclassified to the income statement	**2,448**	**5,481**	**684**	**3,703**	**-3,615**
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	-2,640	-1,970	-1,124	3,741	768
Debt instruments measured at fair value through other comprehensive income	-60	6	7	7	-12
Translation difference for the year	2,312	3,201	-4,269	1,072	-188
of which hedges of net investments in foreign operations	*-297*	*-910*	*848*	*-1,509*	*-850*
Tax on items that may subsequently be reclassified to the income statement	-15	595	93	-480	38
of which cash flow hedges	*544*	*406*	*274*	*-801*	*-159*
of which debt instruments measured at fair value through other comprehensive income	*6*	*-1*	*-1*	*-2*	*3*
of which hedges of net investments in foreign operations	*61*	*190*	*-180*	*323*	*194*
of which tax on translation difference	*-626*				
Total items that may subsequently be reclassified to the income statement	**-402**	**1,832**	**-5,293**	**4,340**	**606**
Total other comprehensive income	**2,046**	**7,313**	**-4,609**	**8,043**	**-3,009**
Total comprehensive income for the year	**23,516**	**26,856**	**10,979**	**24,968**	**14,348**
of which attributable to					
Shareholders in Svenska Handelsbanken AB	23,515	26,840	10,976	24,965	14,345
Non-controlling interest	1	16	3	3	3

Consolidated balance sheet SEK m	**2022**	**2021**	**2020**	**2019**	**2018**
Assets					
Cash and central banks	480,472	292,839	418,968	347,505	350,774
Loans to the public	2,315,818	2,163,135	2,269,612	2,292,603	2,189,092
Loans to other credit institutions	9,411	21,745	21,920	17,939	22,137
Interest-bearing securities	165,475	133,855	143,699	146,027	172,989
Assets held for sale	191,916	421,417	1,657	1	19
Other assets	290,624	313,773	279,432	265,592	243,163
Total assets	**3,453,716**	**3,346,764**	**3,135,288**	**3,069,667**	**2,978,174**
Liabilities and equity					
Deposits and borrowing from the public	1,325,061	1,286,637	1,229,763	1,117,825	1,008,487
Due to credit institutions	81,693	83,034	124,723	147,989	194,082
Issued securities	1,474,801	1,353,768	1,310,737	1,384,961	1,394,647
Subordinated liabilities	42,404	32,257	41,082	35,546	51,085
Liabilities held for sale	68,938	133,922			
Other liabilities	264,788	275,415	257,510	223,514	187,612
Equity	196,030	181,731	171,473	159,832	142,261
Total liabilities and equity	**3,453,716**	**3,346,764**	**3,135,288**	**3,069,667**	**2,978,174**

Key figures per year

Key figures for the Handelsbanken Group	2022	2021	2020	2019	2018
Profit before credit losses, risk tax and resolution fee, continuing operations, SEK m	28,953	24,434	20,326	22,821	22,880
Net credit losses, continuing operations, SEK m	-47	-43	-649	-1,045	-881
Operating profit, continuing operations, SEK m	26,619	23,475	18,797	21,796	22,013
Profit for the year, total operations, SEK m	21,470	19,543	15,588	16,925	17,357
Profit for the year, continuing operations, SEK m	21,189	18,848	14,557		
Profit for the year, discontinued operations, SEK m	280	695	1,031		
Total assets, SEK m	3,453,716	3,346,764	3,135,288	3,069,667	2,978,174
Equity, SEK m	196,030	181,731	171,473	159,832	142,261
Return on equity, total operations, %	12.5	11.8	10.0	11.9	12.8
Return on equity, continuing operations, %	12.3	11.4	9.3	11.9	12.8
Return on capital employed, %	0.60	0.58	0.47	0.55	0.58
Cost/income ratio, continuing operations, %	42.4	44.8	50,7	48.8	47.7
Credit loss ratio, total operations, %	0.00	0.00	0.03	0.04	0.04
Credit loss ratio, continuing operations, %	0.00	0.00	0.02	0.04	0.04
Earnings per share, total operations, SEK	10.84	9.86	7.87	8.65	8.93
after dilution	10.84	9.86	7.87	8.58	8.84
Earnings per share, continuing operations, SEK	10.7	9.51	7.35		
after dilution	10.7	9.51	7.35		
Earnings per share, discontinued operations, SEK	0.14	0.35	0.52		
after dilution	0.14	0.35	0.52		
Ordinary dividend per share, SEK	5.50[1]	5.00	4.10	-	5.50
Total dividend per share, SEK	8.00[1]	5.00	8.42	-	5.50
Adjusted equity per share, SEK	99.16	90.87	84.90	78.60	72.90
No. of shares as at 31 December, millions	1,980.0	1,980.0	1,980.0	1,980.0	1,944.2
of which outstanding	*1,980.0*	*1,980.0*	*1,980.0*	*1,980.0*	*1,944.2*
Average number of outstanding shares, millions	1,980.0	1,980.0	1,980.0	1,956.8	1,944.2
after dilution	1,980.0	1,980.0	1,980.0	1,976.9	1,974.5
Common equity tier 1 ratio, % according to CRR	19.6	19.4	20.3	18.5	16.8
Tier 1 ratio, % according to CRR	21.5	21.1	21.9	20.7	18.6
Total capital ratio, % according to CRR	23.8	23.3	24.3	23.2	21.0
Average number of employees, total operations	12,030	12,240	12,563	12,548	12,307
of which continuing operations	*10,954*	*11,039*	*11,354*		

For definitions of alternative performance measures, see page 265 and, for the calculation of these measures, see the Fact Book which is available at handelsbanken.com/ir.

[1] Dividend as recommended by the Board.

Quarterly performance

Quarterly performance for the Handelsbanken Group SEK m	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Interest income	27,151	18,314	12,122	9,820	9,058
Interest expenses	-16,521	-8,736	-3,733	-1,807	-1,323
Net interest income	**10,630**	**9,578**	**8,389**	**8,013**	**7,735**
Fee and commission income	3,069	3,040	3,075	3,215	3,427
Fee and commission expenses	-348	-310	-334	-304	-264
Net fee and commission income	**2,721**	**2,730**	**2,741**	**2,911**	**3,163**
Net gains/losses on financial transactions	547	471	-147	240	395
Risk result – insurance	13	81	41	41	29
Other dividend income	15	-14	15	1	1
Share of profit of associates and joint ventures	-2	27	-40	2	17
Other income	85	25	38	1,098	453
Total income	**14,007**	**12,897**	**11,040**	**12,305**	**11,793**
Staff costs	-3,483	-3,283	-3,164	-3,173	-3,145
Other expenses	-1.953	-1,425	-1,602	-1,563	-1,594
Depreciation, amortisation and impairment of property, equipment and intangible assets	-424	-413	-382	-431	-448
Total expenses	**-5,860**	**-5,121**	**-5,148**	**-5,167**	**-5,187**
Profit before credit losses, risk tax and resolution fee	**8,147**	**7,776**	**5,892**	**7,138**	**6,606**
Net credit losses	-54	69	-56	-6	-9
Gains/losses on disposal of property, equipment and intangible assets	0	6	4	14	4
Risk tax and resolution fee	-582	-576	-594	-559	-232
Operating profit	**7,510**	**7,277**	**5,246**	**6,586**	**6,369**
Taxes	-1,325	-1,718	-1,144	-1,242	-1,058
Profit for the year from continuing operations	**6,185**	**5,558**	**4,102**	**5,344**	**5,311**
Profit for the year from discontinued operations, after tax	-265	165	73	307	-75
Profit for the year	**5,921**	**5,723**	**4,176**	**5,650**	**5,236**
of which attributable to					
Shareholders in Svenska Handelsbanken AB	5,920	5,723	4,175	5,650	5,223
Non-controlling interest	0	0	0	1	13
Earnings per share, total operations, SEK	2.99	2.89	2.11	2.85	2.64
after dilution	2.99	2.89	2.11	2.85	2.64
Earnings per share, continuing operations, SEK	3.12	2.81	2.07	2.70	2.68
after dilution	3.12	2.81	2.07	2.70	2.68
Earnings per share, discontinued operations, SEK	-0.13	0.08	0.04	0.15	-0.04
after dilution	-0.13	0.08	0.04	0.15	-0.04

Segment reporting

Segment reporting 2022 SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	23,078	7,580	4,264	1,354	301	32		36,610
Net fee and commission income	8,471	807	695	147	771	213		11,103
Net gains/losses on financial transactions	78	248	91	21	1,131	-457		1,111
Risk result – insurance	155		21					176
Share of profit of associates and joint ventures						-13		-13
Other income	103	14	25	1	9	1,111		1,263
Total income	**31,884**	**8,649**	**5,096**	**1,523**	**2,212**	**885**		**50,249**
Staff costs	-4,041	-2,693	-1,028	-442	-1,143	-3,778	22	-13,103
Other expenses	-1,515	-789	-295	-94	-326	-3,525		-6,543
Internal purchased and sold services	-4,630	-1,076	-667	-241	-344	6,959		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-420	-313	-92	-54	-147	-601	-23	-1,650
Total expenses	**-10,607**	**-4,872**	**-2,082**	**-832**	**-1,959**	**-944**	**-1**	**-21,296**
Profit before credit losses, risk tax and resolution fee	**21,278**	**3,778**	**3,014**	**691**	**253**	**-60**	**-1**	**28,953**
Net credit losses	135	-55	-152	0	-13	38		-47
Gains/losses on disposal of property, equipment and intangible assets	10	10	6	-	0	-2		24
Risk tax and resolution fee	-1,659		-359	-81	-33	-180		-2,311
Operating profit	**19,764**	**3,733**	**2,509**	**610**	**206**	**-203**	**-1**	**26,619**
Profit allocation	374	49	69	0	-531	39		
Operating profit after profit allocation	**20,138**	**3,781**	**2,578**	**610**	**-324**	**-164**	**-1**	**26,619**
Internal income	1,727	52	-3,838	-453	615	1,897		
C/I ratio, %	32.9	56.0	40.3	54.6	116.5			42.4
Credit loss ratio, %	-0.01	0.01	0.04	0.00	0.06			0.00
Assets	2,711,810	505,113	321,450	128,633	48,680	2,688,331	-2,950,301	3,453,716
Liabilities	2,603,652	484,408	301,089	124,999	46,607	2,673,717	-2,976,786	3,257,686
Allocated capital	108,158	20,705	20,361	3,634	2,073	14,614	26,485	196,030
Return on allocated capital, %	15.5	14.9	10.4	14.4	-11.5			12,3
The year's investments in non-financial non-current assets	277	137	111	6	21	662		1,214
The year's investments in associates and joint ventures						123		123
Average number of employees	3,907	2,481	763	357	585	2,861		10,954

Applied principles for segment reporting and a description of the items shown in the Other and Adjustments and eliminations columns are explained further in note G46.

The 'Other' column in the table above includes Assets, Liabilities, Allocated capital and The year's investments in non-financial non-current assets attributable to the disposal group Finland.

Segment reporting 2021 SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,880	5,452	3,867	1,076	245	801		30,321
Net fee and commission income	8,800	751	656	224	786	241		11,458
Net gains/losses on financial transactions	480	189	55	32	1,185	-242		1,699
Risk result – insurance	168		11					179
Share of profit of associates and joint ventures						63		63
Other income	471	0	26	0	9	51		557
Total income	**28,799**	**6,392**	**4,615**	**1,332**	**2,225**	**914**		**44,277**
Staff costs	-4,035	-2,467	-908	-395	-1,211	-3,267	-169	-12,452
Other expenses	-1,216	-1,045	-195	-76	-361	-2,684		-5,577
Internal purchased and sold services	-4,289	-912	-510	-176	-317	6,204		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-358	-316	-84	-50	-233	-726	-47	-1,814
Total expenses	**-9,898**	**-4,740**	**-1,697**	**-697**	**-2,122**	**-473**	**-216**	**-19,843**
Profit before credit losses, risk tax and resolution fee	**18,901**	**1,652**	**2,918**	**635**	**103**	**441**	**-216**	**24,434**
Net credit losses	15	95	-150	-5	11	-9		-43
Gains/losses on disposal of property, equipment and intangible assets	9	9	6	-	-10	0		14
Risk tax and resolution fee	-696		-167	-31	-22	-14		-930
Operating profit	**18,229**	**1,756**	**2,607**	**599**	**82**	**418**	**-216**	**23,475**
Profit allocation	296	46	54	1	-434	37		
Operating profit after profit allocation	**18,525**	**1,802**	**2,661**	**600**	**-352**	**455**	**-216**	**23,475**
Internal income	-345	-961	-1,447	-401	-362	3,516		
C/I ratio, %	34.0	73.6	36.3	52.3	118.5			44.8
Credit loss ratio, %	0.00	-0.04	0.06	0.01	-0.01			0.00
Assets	2,598,396	488,025	294,510	111,145	94,050	2,535,178	-2,774,540	3,346,764
Liabilities	2,493,982	467,478	276,517	108,132	91,475	2,520,023	-2,792,574	3,165,033
Allocated capital	104,414	20,547	17,993	3,013	2,575	15,155	18,034	181,731
Return on allocated capital, %	14.8	7.0	11.4	16.7	-11.8			11.4
The year's investments in non-financial non-current assets	-77	77	29	2	138	528		697
The year's investments in associates and joint ventures						51		51
Average number of employees	3,899	2,509	742	337	647	2,905		11,039

The 'Other' column in the table above includes Assets, Liabilities, Allocated capital and the year's investments in non-financial non-current assets attributable to the disposal groups Denmark and Finland.

A reorganisation took place during Q1 2022, with the aim of creating an even more focused and customer-centric organisation. The largest effect from an accounting standpoint arose from the transfer of Savings & Pension from Capital Markets to Sweden, with the exception of the respective local Savings & Pension units which were transferred to Norway, Finland and Denmark. In addition, some central functions that currently work closely with Sweden were transferred from Other units to Sweden. Therefore, the comparative figures in the tables have been recalculated.

Handelsbanken Sweden

Quarterly performance Handelsbanken Sweden SEK m	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Total 2022	Total 2021	Change, %
Net interest income	6,860	6,373	5,048	4,797	23,078	18,880	22
Net fee and commission income	2,101	2,097	2,086	2,187	8,471	8,800	-4
Net gains/losses on financial transactions	109	86	-40	-77	78	480	-84
Risk result – insurance	14	60	41	40	155	168	-8
Other income	43	16	20	24	103	471	-78
Total income	**9,125**	**8,633**	**7,154**	**6,972**	**31,884**	**28,799**	**11**
Staff costs	-1,020	-1,010	-1,004	-1,007	-4,041	-4,035	0
Other expenses	-474	-354	-368	-319	-1,515	-1,216	25
Internal purchased and sold services	-1,197	-1,106	-1,146	-1,181	-4,630	-4,289	8
Depreciation, amortisation and impairment of property, equipment and intangible assets	-105	-103	-130	-82	-420	-358	17
Total expenses	**-2,797**	**-2,573**	**-2,649**	**-2,588**	**-10,607**	**-9,898**	**7**
Profit before credit losses, risk tax and resolution fee	**6,329**	**6,060**	**4,506**	**4,383**	**21,278**	**18,901**	**13**
Net credit losses	-2	21	-10	126	135	15	
Gains/losses on disposal of property, equipment and intangible assets	4	2	3	1	10	9	11
Risk tax and resolution fee	-417	-416	-445	-381	-1,659	-696	138
Operating profit	**5,914**	**5,667**	**4,053**	**4,130**	**19,764**	**18,229**	**8**
Profit allocation	98	90	87	99	374	296	26
Operating profit after profit allocation	**6,012**	**5,757**	**4,140**	**4,229**	**20,138**	**18,525**	**9**
Internal income	999	767	9	-48	1,727	-345	
C/I ratio, %	30.3	29.5	36.6	36.6	32.9	34.0	
Credit loss ratio, %	0.00	0.00	0.00	-0.02	-0.01	0.00	
Assets	2,711,810	2,689,517	2,670,204	2,643,779	2,711,810	2,598,396	4
Liabilities	2,603,652	2,586,122	2,570,597	2,541,356	2,603,652	2,493,982	4
Allocated capital	108,158	103,395	99,607	102,423	108,158	104,414	4
Return on allocated capital, %	17.7	17.7	13.3	13.1	15.5	14.8	
Average number of employees	3,996	4,004	3,836	3,791	3,907	3,899	0

Business volumes, Sweden **Average volumes,** SEK bn	2022	2021	Change, %
Loans to the public[1]	**1,577**	**1,473**	**7**
of which households	*976*	*937*	*4*
of which mortgage loans	*936*	*896*	*4*
of which corporates	*602*	*536*	*12*
of which mortgage loans	*399*	*373*	*7*
Deposits from the public	**875**	**796**	**10**
of which households	*480*	*439*	*9*
of which corporates	*395*	*357*	*11*

[1] Excluding loans to the National Debt Office.

FINANCIAL PERFORMANCE

Operating profit increased by 8% to SEK 19,764m (18,229). Adjusted for the risk tax, operating profit increased by 13%. Return on allocated capital was 15.5% (14.8). The C/I ratio improved to 32.9% (34.0).

Income increased by 11% to SEK 31,884m (28,799).

Expenses rose by 7% to SEK -10,607m (-9,898).

Net interest income rose by 22%, or SEK 4,198m, to SEK 23,078m (18,880). Higher business volumes had a SEK 1,568m positive impact on net interest income. The net amount of changed margins and funding costs was positive, totalling SEK 2,470m. The fee for the Swedish deposit guarantee scheme increased by SEK 80m to SEK -298m (-218). Other effects in net interest income contributed SEK 240m.

Net fee and commission income declined by SEK -329m, or 4%, to SEK 8,471m (8,800). Mutual fund commissions fell by SEK -293m, or 6%, to SEK 4,715m (5,008). Custody and other asset management commissions decreased by 1% to SEK 654m (658). Brokerage and other securities commissions decreased by 31%. Commission income from loans and deposits and from guarantees increased by 2%. Net payment commissions grew by 14% to SEK 1,256m (1,103).

Net gains/losses on financial transactions totalled SEK 78m (480). The lower figure can be explained by an increase in the realised capital contribution in Handelsbanken Liv's traditional insurance operations, which amounted to SEK -455m (-48).

Other income items totalled SEK 258m (639), with the period of comparison containing non-recurring income of SEK 386m relating to the sale of the card acquiring business.

Staff costs were virtually unchanged at SEK -4,041m (-4,035). The average number of employees grew marginally to 3,907 (3,899).

Other expense items rose by 12% to SEK -6,565m (-5,863), mainly due to increased IT investments and business development.

Credit losses consisted of net recoveries of SEK 135m (15). The credit loss ratio was -0.01% (0.00).

The risk tax was SEK -918m (-) and the resolution fee amounted to SEK -740m (-696).

BUSINESS DEVELOPMENT

Swedish Quality Index (SKI), in its major survey, found that Handelsbanken remained in the position of having the most satisfied customers among major banks. Among private customers, Handelsbanken received the score of 68.5, which can be compared with the scores of the other major Swedish banks, which were in the 63.1-66.5 range, and the sector average of 67.9. Among corporate customers, Handelsbanken received the score of 67.2, which can be compared with the scores of the other major Swedish banks, which were in the 61.9-67.9 range, and the sector average of 65.9.

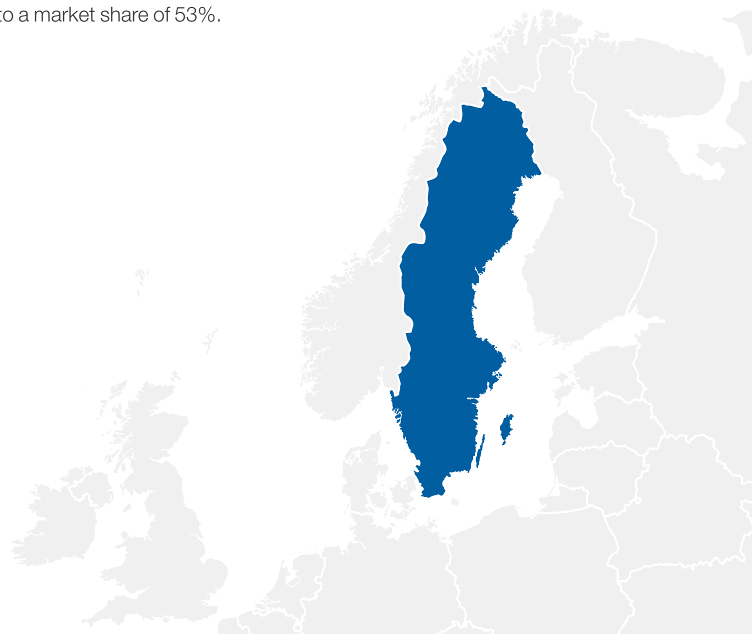
Customers named Handelsbanken Sweden's "Business Bank of the Year" and – for the 11th consecutive year – "Small Enterprise Bank" in this year's independent Finansbarometern survey.

The total average volume of lending grew by 7% to SEK 1,577bn (1,473). Household lending increased by 4% to SEK 976bn (937) and corporate lending increased by 12% to SEK 602bn (536).

The total average volume of deposits increased by 10% to SEK 875bn (796). Household deposits went up by 9% to SEK 480bn (439), while corporate deposits increased by 11% to SEK 395bn (357).

The Bank's share of the Swedish mutual fund market rose to 12.2% (12.0). The total volume of assets under management was SEK 741bn (833) at the end of the year.

In recent years, Handelsbanken has gained a significantly larger share of the net inflow to the Swedish mutual fund market relative to the Bank's share of the total outstanding volume. The net inflow in Handelsbanken's mutual funds during the year amounted to SEK 10.0bn (51.5), which corresponds to a market share of 53%.



Handelsbanken UK

Quarterly performance Handelsbanken UK SEK m	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Total 2022	Total 2021	Change, %
Net interest income	2,358	1,953	1,734	1,535	7,580	5,452	39
Net fee and commission income	196	202	208	201	807	751	7
Net gains/losses on financial transactions	70	66	61	51	248	189	31
Other income	14	0	0	0	14	0	
Total income	**2,637**	**2,222**	**2,003**	**1,787**	**8,649**	**6,392**	**35**
Staff costs	-675	-729	-643	-646	-2,693	-2,467	9
Other expenses	-230	-165	-170	-224	-789	-1,045	-24
Internal purchased and sold services	-280	-257	-273	-266	-1,076	-912	18
Depreciation, amortisation and impairment of property, equipment and intangible assets	-74	-89	-72	-78	-313	-316	-1
Total expenses	**-1,259**	**-1,242**	**-1,156**	**-1,215**	**-4,872**	**-4,740**	**3**
Profit before credit losses, risk tax and resolution fee	**1,379**	**980**	**847**	**572**	**3,778**	**1,652**	**129**
Net credit losses	-51	22	1	-27	-55	95	
Gains/losses on disposal of property, equipment and intangible assets	0	0	-	10	10	9	11
Operating profit	**1,328**	**1,002**	**847**	**556**	**3,733**	**1,756**	**113**
Profit allocation	15	12	12	10	49	46	7
Operating profit after profit allocation	**1,342**	**1,014**	**859**	**566**	**3,781**	**1,802**	**110**
Internal income	332	21	-109	-192	52	-961	
C/I ratio, %	47.5	55.6	57.4	67.6	56.0	73.6	
Credit loss ratio, %	0.08	-0.04	0.00	0.01	0.01	-0.04	
Assets	505,113	501,993	507,071	488,521	505,113	488,025	4
Liabilities	484,408	481,673	487,605	468,444	484,408	467,478	4
Allocated capital	20,705	20,320	19,466	20,077	20,705	20,547	1
Return on allocated capital, %	20.6	15.9	14.0	9.0	14.9	7.0	
Average number of employees	2,536	2,503	2,456	2,428	2,481	2,509	-1

Business volumes, UK **Average volumes,** GBP m	2022	2021	Change, %
Loans to the public	**19,896**	**20,766**	**-4**
of which households	*6,076*	*6,563*	*-7*
of which corporates	*13,820*	*14,203*	*-3*
Deposits from the public	**20,080**	**19,132**	**5**
of which households	*5,770*	*5,502*	*5*
of which corporates	*14,310*	*13,630*	*5*

FINANCIAL PERFORMANCE

Operating profit rose by 113%, or SEK 1,977m, to SEK 3,733m (1,756). Expressed in local currency, operating profit increased by 101%. Return on allocated capital improved to 14.9% (7.0). The C/I ratio improved to 56.0% (73.6).

Income increased by 35% to SEK 8,649m (6,392). Foreign exchange effects on income amounted to SEK 344m, and in local currency terms, income rose by 28%.

Expenses increased by 3% to SEK -4,872m (-4,740). Adjusted for foreign exchange effects of SEK -270m, expenses decreased in local currency terms by 3%.

Net interest income rose by 39%, or SEK 2,128m, to SEK 7,580m (5,452). Foreign exchange effects had a positive impact of SEK 291m on net interest income. In local currency terms, net interest income increased by 32%. The net amount of changed margins and funding costs increased net interest income by SEK 1,808m. Lower business volumes had an impact of SEK -12m. Other effects in net interest income contributed SEK 41m.

Net fee and commission income increased by 7% to SEK 807m (751). Foreign exchange effects made a positive contribution of SEK 42m. Expressed in local currency, net fee and commission income increased by 2%. Commission income from the fund management, custody account management and asset management business, including brokerage and advisory services, increased by 4% to SEK 420m (403).

Staff costs rose by 9% to SEK -2,693m (-2,467). Adjusted for foreign exchange effects, the increase in staff costs was 3% in local currency terms. The average number of employees fell by 1% to 2,481 (2,509).

Other expense items declined by 4% to SEK -2,178m (-2,273). Expressed in local currency, other expense items went down by 9%.

Credit losses totalled SEK -55m (95). The credit loss ratio was 0.01% (-0.04).

BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken – similar to the previous year – had the most satisfied customers among all UK banks in the survey. Private customers gave Handelsbanken an index score of 81.5, as compared with the sector average of 72.2. Corporate customers gave the Bank an index score of 78.8, as compared with the sector average of 65.9.

The total average volume of lending decreased by 4% to GBP 19.9bn (20.8). Household lending decreased by 7% to GBP 6.1bn (6.6), and corporate lending decreased by 3% to GBP 13.8bn (14.2).

The total average volume of deposits increased by 5% to GBP 20.1bn (19.1). Household deposits increased by 5% to GBP 5.8bn (5.5), and corporate deposits increased by 5% to GBP 14.3bn (13.6).

The volume of assets under management in Handelsbanken Wealth & Asset Management at the end of the period totalled GBP 4.1bn (4.4). Net new savings during the period totalled GBP -23m (93).

Handelsbanken Norway

Quarterly performance Handelsbanken Norway SEK m	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Total 2022	Total 2021	Change, %
Net interest income	1,091	1,042	1,070	1,061	4,264	3,867	10
Net fee and commission income	167	182	174	172	695	656	6
Net gains/losses on financial transactions	32	24	20	15	91	55	65
Risk result – insurance	-1	21	0	1	21	11	91
Other income	16	1	7	1	25	26	-4
Total income	**1,305**	**1,270**	**1,269**	**1,252**	**5,096**	**4,615**	**10**
Staff costs	-266	-264	-247	-251	-1,028	-908	13
Other expenses	-100	-58	-70	-67	-295	-195	51
Internal purchased and sold services	-198	-181	-149	-139	-667	-510	31
Depreciation, amortisation and impairment of property, equipment and intangible assets	-24	-23	-23	-22	-92	-84	10
Total expenses	**-588**	**-526**	**-488**	**-480**	**-2,082**	**-1,697**	**23**
Profit before credit losses, risk tax and resolution fee	**717**	**744**	**781**	**772**	**3,014**	**2,918**	**3**
Net credit losses	-13	27	-8	-158	-152	-150	1
Gains/losses on disposal of property, equipment and intangible assets	2	1	1	2	6	6	0
Risk tax and resolution fee	-90	-91	-95	-83	-359	-167	115
Operating profit	**615**	**683**	**679**	**532**	**2,509**	**2,607**	**-4**
Profit allocation	18	17	18	16	69	54	28
Operating profit after profit allocation	**632**	**700**	**697**	**549**	**2,578**	**2,661**	**-3**
Internal income	-1,604	-1,000	-654	-580	-3,838	-1,447	-165
C/I ratio, %	44.4	40.9	37.9	37.9	40.3	36.3	
Credit loss ratio, %	0.03	-0.01	0.01	0.15	0.04	0.06	
Assets	321,450	305,688	307,900	310,132	321,450	294,510	9
Liabilities	301,089	285,741	288,547	290,907	301,089	276,517	9
Allocated capital	20,361	19,947	19,353	19,225	20,361	17,993	13
Return on allocated capital, %	9.9	11.1	11.4	9.1	10.4	11.4	
Average number of employees	764	779	753	754	763	742	3

Business volumes, Norway **Average volumes,** NOK bn	2022	2021	Change, %
Loans to the public	**290.4**	**277.1**	**5**
of which households	*111.5*	*106.8*	*4*
of which corporates	*178.9*	*170.3*	*5*
Deposits from the public	**98.6**	**91.6**	**8**
of which households	*31.0*	*27.8*	*12*
of which corporates	*67.7*	*63.8*	*6*

FINANCIAL PERFORMANCE

Operating profit decreased by 4% to SEK 2,509m (2,607). Expressed in local currency, operating profit declined by 9%. Adjusted for the risk tax introduced in Sweden during the year and the effect on net interest income of the required notification period, operating profit expressed in local currency increased by 7%. Return on allocated capital went down to 10.4% (11.4). The C/I ratio was 40.3% (36.3).

Income grew by 10% to SEK 5,096m (4,615). Foreign exchange effects amounted to SEK 234m, and in local currency terms, income rose by 5%.

Expenses increased by 23% to SEK -2,082m (-1,697). Foreign exchange effects on expenses amounted to SEK -88m. In local currency terms, expenses increased by 16%; this was mainly attributable to increased IT investments focusing on improving digital customer meetings, especially for the private market.

Net interest income increased by 10% to SEK 4,264m (3,867). Foreign exchange effects amounted to SEK 192m, and in local currency terms, net interest income rose by 5%. Higher business volumes made a positive contribution of SEK 202m. The net amount of changed margins and funding costs increased net interest income by SEK 2m, which includes the negative effect of the required notification period, meaning a six-week delay before interest rates on lending can be changed for household customers, which amounted to SEK -280m (-33). Other effects increased net interest income by SEK 1m.

Net fee and commission income increased by 6% to SEK 695m (656). Foreign exchange effects amounted to SEK 37m, and in local currency terms, net fee and commission income rose by 1%. Commission income from the fund management, custody account management and asset management business, including brokerage and advisory services, decreased by 3% to SEK 377m (388). Net payment commissions rose by 33% to SEK 198m (149).

Net gains/losses on financial transactions totalled SEK 91m (55). Other income items totalled SEK 46m (37).

Staff costs rose by 13% to SEK -1,028m (-908). In local currency terms, the increase was 7%. The average number of employees increased by 3% to 763 (742).

Other expense items increased by 34% to SEK -1,054m (-789). In local currency terms, the increase was 27%.

Credit losses were SEK -152m (-150). The credit loss ratio was 0.04% (0.06).

The risk tax was SEK -174m (-) and the resolution fee amounted to SEK -185m (-167), of which foreign exchange effects were SEK -10m.

BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken again had more satisfied customers than the average for banks in Norway. Private customers gave Handelsbanken an index score of 74.8, as compared with the sector average of 69.5. Corporate customers gave the Bank an index score of 71.4, as compared with the sector average of 67.0.

The total average volume of lending increased by 5% to NOK 290.4bn (277.1). Household lending increased by 4% to NOK 111.5bn (106.8), and corporate lending increased by 5% to NOK 178.9bn (170.3).

The total average volume of deposits increased by 8% to NOK 98.6bn (91.6). Household deposits increased by 11% to NOK 31.0bn (27.8), and corporate deposits increased by 6% to NOK 67.7bn (63.8).

The net flow in the Bank's mutual funds in Norway during the period totalled SEK -3.2bn (2.0). The total volume of assets under management was SEK 35bn (41).

Handelsbanken the Netherlands

Quarterly performance Handelsbanken the Netherlands SEK m	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Total 2022	Total 2021	Change, %
Net interest income	410	325	316	303	1,354	1,076	26
Net fee and commission income	40	35	37	35	147	224	-34
Net gains/losses on financial transactions	3	4	4	10	21	32	-34
Other income	0	1	0	0	1	0	
Total income	**453**	**365**	**357**	**348**	**1,523**	**1,332**	**14**
Staff costs	-117	-109	-110	-106	-442	-395	12
Other expenses	-27	-22	-26	-19	-94	-76	24
Internal purchased and sold services	-71	-54	-64	-52	-241	-176	37
Depreciation, amortisation and impairment of property, equipment and intangible assets	-17	-13	-11	-13	-54	-50	8
Total expenses	**-233**	**-198**	**-211**	**-190**	**-832**	**-697**	**19**
Profit before credit losses, risk tax and resolution fee	**220**	**167**	**147**	**157**	**691**	**635**	**9**
Net credit losses	3	-3	-1	1	0	-5	-100
Risk tax and resolution fee	-19	-20	-18	-24	-81	-31	161
Operating profit	**204**	**144**	**127**	**135**	**610**	**599**	**2**
Profit allocation	0	0	0	0	0	1	-100
Operating profit after profit allocation	**205**	**144**	**126**	**135**	**610**	**600**	**2**
Internal income	-79	-130	-132	-112	-453	-401	-13
C/I ratio, %	51.4	54.2	59.1	54.6	54.6	52.3	
Credit loss ratio, %	-0.02	0.02	0.01	-0.01	0.00	0.01	
Assets	128,633	137,479	138,340	123,739	128,633	111,145	16
Liabilities	124,999	134,017	135,119	120,634	124,999	108,132	16
Allocated capital	3,634	3,462	3,221	3,105	3,634	3,013	21
Return on allocated capital, %	17.9	13.2	12.5	13.8	14.4	16.7	
Average number of employees	369	358	355	346	357	337	6

Business volumes, The Netherlands **Average volumes,** EUR m	2022	2021	Change, %
Loans to the public	**8,177**	**6,799**	**20**
of which households	*4,723*	*3,935*	*20*
of which corporates	*3,453*	*2,864*	*21*
Deposits from the public	**3,982**	**2,917**	**37**
of which households	*673*	*500*	*35*
of which corporates	*3,308*	*2,417*	*37*

FINANCIAL PERFORMANCE

Operating profit improved by 2% to SEK 610m (599). Expressed in local currency, operating profit declined by 3%. The decrease can be attributed to the Swedish risk tax introduced during the year and lower performance fees in asset management (Optimix). Adjusted for these items, operating profit increased by 19%. Return on allocated capital was 14.4% (16.7), and the C/I ratio was 54.6% (52.3).

Income grew by 14% to SEK 1,523m (1,332). Expressed in local currency, income growth was 9%.

Expenses rose by 19% to SEK -832m (-697). Expressed in local currency, expenses increased by 14%, mainly due to increased IT development and business growth.

Net interest income increased by 26% to SEK 1,354m (1,076). Foreign exchange effects amounted to SEK 50m, and in local currency terms, net interest income rose by 20%. Higher business volumes had a SEK 210m positive impact on net interest income. The net amount of changed margins and funding costs increased net interest income by SEK 14m. Other effects increased net interest income by SEK 5m.

Net fee and commission income declined by 34% to SEK 147m (224). Foreign exchange effects amounted to SEK 11m, and in local currency terms, net fee and commission income fell by 38%. Commission income from the fund management, custody account management and asset management business, including brokerage and advisory services, decreased by 30% to SEK 150m (215), which can be attributed to performance fees in Optimix declining to SEK 4m (81).

Staff costs rose by 12% to SEK -442m (-395), representing a 7% increase in local currency terms. The average number of employees grew by 6% to 357 (337).

Other expense items increased by 29% in total to SEK -389m (-302). In local currency terms, the equivalent increase was 23%, mainly attributable to increased IT development, higher expenses for the work to combat financial crime and business growth.

Credit losses totalled SEK 0m (-5). The credit loss ratio was 0.00% (0.01).

The risk tax was SEK -46m (-) and the resolution fee amounted to SEK -35m (-31), of which foreign exchange effects were SEK -2m.

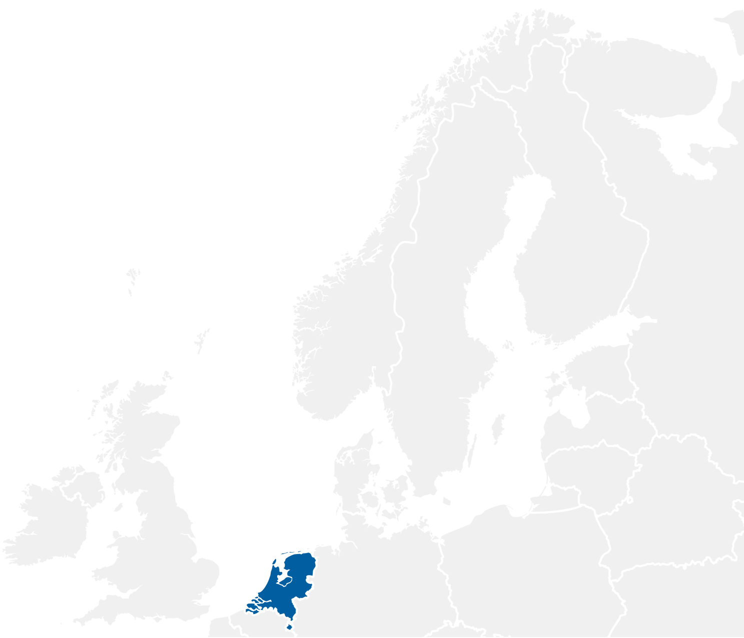
BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken had the most satisfied customers among all Dutch banks in the survey. Corporate customers gave Handelsbanken an index score of 76.5, as compared with the sector average of 65.2. Private customers gave the Bank an index score of 77.3, as compared with the sector average of 68.0.

The total average volume of lending increased by 20% to EUR 8.2bn (6.8). Household lending increased by 20% to EUR 4.7bn (3.9), and corporate lending increased by 21% to EUR 3.4bn (2.9).

The total average volume of deposits increased by 37% to EUR 4.0bn (2.9). Household deposits increased by 35% to EUR 0.7bn (0.5), and corporate deposits increased by 37% to EUR 3.3bn (2.4).

Assets under management at Optimix totalled EUR 1.9bn (2.0) at the end of the period, including the company's own mutual funds.



Handelsbanken Capital Markets

The Markets and Global Banking business areas. Markets offers products and services linked to risk management, securities, derivatives, research, debt capital markets, corporate finance and transaction banking. Global Banking consists of the international operations conducted from New York and Luxembourg, as well as Financial Infrastructure.

Quarterly performance Handelsbanken Capital Markets SEK m	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Total 2022	Total 2021	Change, %
Net interest income	105	59	73	64	301	245	23
Net fee and commission income	191	148	173	259	771	786	-2
Net gains/losses on financial transactions	289	317	214	311	1,131	1,185	-5
Other income	1	2	5	1	9	9	0
Total income	**586**	**526**	**465**	**635**	**2,212**	**2,225**	**-1**
Staff costs	-275	-289	-282	-297	-1,143	-1,211	-6
Other expenses	-97	-83	-72	-74	-326	-361	-10
Internal purchased and sold services	-78	-68	-120	-78	-344	-317	9
Depreciation, amortisation and impairment of property, equipment and intangible assets	-36	-36	-14	-61	-147	-233	-37
Total expenses	**-485**	**-476**	**-488**	**-510**	**-1,959**	**-2,122**	**-8**
Profit before credit losses, risk tax and resolution fee	**101**	**50**	**-23**	**125**	**253**	**103**	**146**
Net credit losses	-1	-7	-4	-1	-13	11	
Gains/losses on disposal of property, equipment and intangible assets	0	-	-	-	0	-10	
Risk tax and resolution fee	-8	-7	-7	-11	-33	-22	50
Operating profit	**92**	**35**	**-34**	**113**	**206**	**82**	**151**
Profit allocation	-142	-128	-126	-135	-531	-434	22
Operating profit after profit allocation	**-49**	**-93**	**-160**	**-22**	**-324**	**-352**	**-8**
Internal income	527	248	-39	-121	615	-362	
C/I ratio, %	109.2	119.6	144.0	102.0	116.5	118.5	
Credit loss ratio, %	0.02	0.13	0.07	0.00	0.06	-0.01	
Assets	48,680	109,030	129,373	111,929	48,680	94,050	-48
Liabilities	46,607	106,781	126,999	109,627	46,607	91,475	-49
Allocated capital	2,073	2,249	2,374	2,302	2,073	2,575	-19
Return on allocated capital, %	-7.5	-13.1	-21.5	-3.0	-11.5	-11.8	
Average number of employees	586	591	574	589	585	647	-10

FINANCIAL PERFORMANCE

Operating profit increased to SEK 206m (82), driven by a decrease in expenses.

Income was SEK 2,212m (2,225). Net fee and commission income declined by 2% to SEK 771m (786). Net gains/losses on financial transactions went down by 5% to SEK 1,131m (1,185), due mainly to the uncertainty and turbulence that followed in the wake of the geopolitical situation, including higher energy prices and rising inflation.

Expenses decreased by 8% to SEK -1,959m (-2,122).

Staff costs fell by 6% to SEK -1,143m (-1,211), due to a decrease in the number of employees. The average number of employees decreased by 10% to 585 (647).

Other expense items went down by 10% to SEK -817m (-911), chiefly due to the restructuring of international operations. Other parts of the segment also reported lower expenses.

The risk tax and resolution fee totalled SEK -33m (-22).

Credit losses were SEK -13m (11), and the credit loss ratio was 0.06% (-0.01).

BUSINESS DEVELOPMENT

During the year, the Bank arranged 115 (128) bond issues at a value of EUR 13.3bn (16.6); green and sustainability-linked bonds accounted for EUR 3.6bn (3.4) of this total, or 27% (20). There remained a substantial interest in sustainability-linked and green financing among customers within both capital markets and bank financing.

Other units not reported in the business segments

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

Quarterly performance **Other** SEK m	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Total 2022	Total 2021	Change, %
Net interest income	-195	-175	150	252	32	801	-96
Net fee and commission income	28	64	65	56	213	241	-12
Net gains/losses on financial transactions	45	-26	-405	-71	-457	-242	89
Share of profit of associates	-2	27	-40	2	-13	63	
Other income	25	-7	21	1,072	1,111	51	
Total income	**-100**	**-117**	**-210**	**1,312**	**885**	**914**	**-3**
Staff costs	-1,140	-875	-884	-879	-3,778	-3,267	16
Other expenses	-1,026	-742	-897	-860	-3,525	-2,684	31
Internal purchased and sold services	1,825	1,665	1,752	1,717	6,959	6,204	12
Depreciation, amortisation and impairment of property, equipment and intangible assets	-168	-141	-124	-168	-601	-726	-17
Total expenses	**-508**	**-94**	**-152**	**-190**	**-944**	**-473**	**100**
Profit before credit losses, risk tax and resolution fee	**-608**	**-212**	**-362**	**1,122**	**-60**	**441**	
Net credit losses	10	9	-33	52	38	-9	
Gains/losses on disposal of property, equipment and intangible assets	-6	3	1	0	-2	0	
Risk tax and resolution fee	-49	-42	-29	-60	-180	-14	
Operating profit	**-652**	**-242**	**-422**	**1,113**	**-203**	**418**	
Profit allocation	10	10	10	9	39	37	5
Operating profit after profit allocation	**-642**	**-232**	**-413**	**1,123**	**-164**	**455**	
Internal income	-175	94	925	1,053	1,897	3,516	-46
Assets	2,688,331	2,956,875	2,877,851	2,663,459	2,688,331	2,535,178	6
Liabilities	2,673,717	2,942,649	2,863,910	2,649,101	2,673,717	2,520,023	6
Allocated capital	14,614	14,226	13,941	14,358	14,614	15,155	-4
Average number of employees	2,923	2,870	2,817	2,836	2,861	2,905	-2

FINANCIAL PERFORMANCE

Operating profit was SEK -203m (418).

Income decreased to SEK 885m (914). Net interest income totalled SEK 32m (801). The higher net interest income during the previous year can mainly be attributed to the fact that a lower proportion of the financing-related net interest income was allocated to the segments.

Real estate sales contributed to an increase in other income to SEK 1,111m (51).

Expenses totalled SEK -944m (-473). The increase was mainly due to higher payroll tax on pensions in Q4 due to not exercising the option of claiming reimbursement, and a higher preliminary provision for Oktogonen, amounting to SEK -249m (-48).

Depreciation, amortisation and impairment of property, equipment and intangible assets decreased by 17% to SEK -601m (-726), mainly due to the impairment of IT systems during the period of comparison.

The average number of employees fell by 2% to 2,861 (2,905), with the number of employees at the IT department totalling 1,877 (1,921).

The Handelsbanken share and shareholders

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

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

STOCK EXCHANGE TRADING

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

DIVIDEND

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

At the ordinary Annual General Meeting on 23 March 2022, the shareholders resolved to approve the Board's proposal of a dividend amounting to SEK 5.00 per share.

The Board proposes that the 2023 AGM resolve on an ordinary dividend of SEK 5.50 per share (5.00), and a special dividend of SEK 2.50 per share (-). The complete proposal on share dividends is presented on page 209.

CREATING SHAREHOLDER VALUE

As at 31 December 2022, Handelsbanken's market capitalisation was SEK 209bn (194). The market capitalisation thus increased by SEK 15bn (30) during the year, while the Bank also distributed SEK 9.9bn in dividends. In the past five-year period, Handelsbanken has paid SEK 52bn in dividends, while the market capitalisation has fallen by SEK 9bn.

Handelsbanken's shares	2022	2021	2020	2019	2018
Earnings per share, total operations, SEK	10.84	9.86	7.87	8.65	8.93
after dilution	10.84	9.86	7.87	8.58	8.84
Earnings per share, continuing operations, SEK	10.70	9.51	7.35		
after dilution	10.70	9.51	7.35		
Earnings per share, discontinued operations, SEK	0.14	0.35	0.52		
after dilution	0.14	0.35	0.52		
Ordinary dividend per share, SEK	5.50[1]	5.00	4.10	-	5.50
Total dividend per share, SEK	8.00[1]	5.00	8.42	-	5.50
Dividend growth, ordinary dividend, %	10[1]	22	-	-	0
Price of class A share, 31 December, SEK	105.10	97.86	82.60	100.90	98.30
Price of class B share, 31 December, SEK	122.20	107.80	92.20	103.40	101.20
Highest share price during year, SEK	106.45	107.35	112.30	106.75	118.30
Lowest share price during year, SEK	84.46	82.10	72.12	82.66	95.28
Share price performance, %	7	18	-18	3	-12
Total return, %	13	29	-18	8	-6
Dividend yield, %	5.2[1]	5.1	5.0	-	5.6
Adjusted equity per share, SEK	99.16	90.87	84.90	78.60	72.90
Stock exchange price/equity, %	106	108	97	128	135
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	4,249,523	4,150,923	5,225,498	4,039,413	3,950,419
Class B	107,544	105,539	120,754	51,217	45,415
P/E ratio	9.7	9.9	10.5	11.7	11.0
Market capitalisation, SEKbn	209	194	164	200	191
No. of converted shares from the convertible subordinated loan issued in 2014, millions	-	-	-	35.8	
No. of shares as at 31 December, millions	1,980.0	1,980.0	1,980.0	1,980.0	1,944.2
Holding of repurchased own shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	-	-	-
Number of outstanding shares as at 31 December, millions	1,980.0	1,980.0	1,980.0	1,980.0	1,944.2
Dilution effect, end of period, millions	0.0	0.0	0.0	0.0	32.7
Number of outstanding shares after dilution, millions	1,980.0	1,980.0	1,980.0	1,980.0	1,976.9
Average number of outstanding shares, millions	1,980.0	1,980.0	1,980.0	1,956.8	1,944.2
after dilution	1,980.0	1,980.0	1,980.0	1,976.9	1,974.5

[1] Dividend as recommended by the Board.

SHARE PRICE PERFORMANCE

The Swedish stock market (OMX Stockholm 30 index) went down by 16% during the year. The Stockholm stock exchange's bank index was down 2%. Handelsbanken's class A shares closed at SEK 105.1, an increase of 7%. Including dividends, the total return was 12.5%.

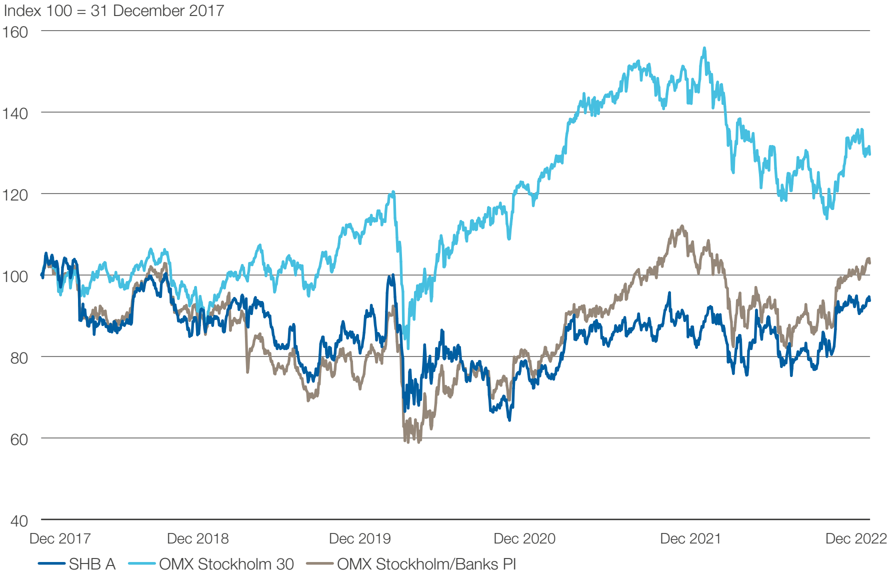
REPURCHASE OF SHARES

At the AGM in March 2022, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2023. This mandate was not used in 2022.

OWNERSHIP STRUCTURE

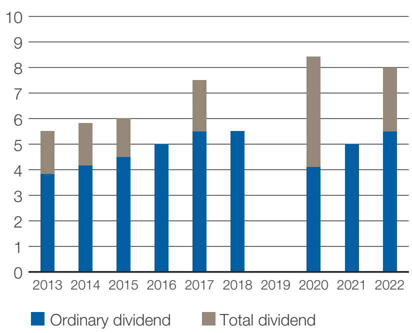
Handelsbanken has over 160,000 shareholders. Just over two thirds of these owned fewer than 1,001 shares. Almost 2% of the shareholders owned more than 20,001 shares each, and together they held 90% of the share capital.

Five-year share price performance



The largest Swedish shareholders 31 December 2022	**Number shares**	**% of votes**	**% of capital**
Industrivärden	221,200,000	11.4	11.2
Oktogonen Foundation	161,475,141	8.3	8.2
Lundberg-gruppen	84,335,000	4.3	4.3
Handelsbanken's fund company	48,054,980	2.5	2.4
Swedbank Robur Fonder	27,907,957	1.4	1.4
Nordea Fonder	25,782,114	1.3	1.3
Didner & Gerge Fonder	18,700,000	1.0	0.9
Folksam	15,264,610	0.8	0.8
Avanza Fonder	13,869,670	0.7	0.7
SPP Fonder	13,823,116	0.7	0.7
J. Wallanders & T. Hedelius stiftelse,T. Browaldhs stiftelse	13,000,000	0.7	0.7
SEB Fonder	12,925,327	0.7	0.7
Skandia	12,595,081	0.6	0.6
Länsförsäkringar Fondförvaltning	10,954,804	0.6	0.6
AFA Försäkring	10,334,862	0.5	0.5

Share dividends in the past 10 years



2022 according to Board proposal. A 3:1 stock split was carried out in May 2015. Historical dividends have been adjusted for this.

Shareholdings per shareholder 31 December 2022			Shareholdings			
Number of shares		**Shareholders Number**	**Number of Class A shares**	**Number Class B shares**	**% of share capital**	**% of votes**
1–500	shares	94,784	10,124,236	4,033,008	0.7	0.5
501–1,000	shares	21,347	13,106,856	3,510,239	0.8	0.7
1,001–5,000	shares	32,815	67,268,659	10,007,984	3.9	3.5
5,001–20,000	shares	9,828	84,376,291	7,974,691	4.7	4.4
20,001–	shares	2,468	1,769,901,123	9,725,407	89.9	90.9
Total		**161,242**	**1,944,777,165**	**35,251,329**	**100.0**	**100.0**

Shares divided into share classes 31 December 2022 **Share class**	**Number**	**% of capital**	**% of votes**	**Average prices/ repurchased amount**	**Share capital**
Class A	1,944,777,165	98.22	99.82	-	3,014,404,606
Class B	35,251,329	1.78	0.18	-	54,639,560
Total	**1,980,028,494**	**100.00**	**100.00**	**-**	**3,069,044,166**

Sustainability Report

This is Handelsbanken's statutory Sustainability Report for 2022. The report contains the sustainability information required under the Annual Accounts Act and, unless otherwise stated, the information herein refers to the entire Group. Any restrictions in the reporting are clearly stated. The statutory sustainability report focuses on Handelsbanken's most material sustainability topics, which have been grouped into three areas: financing, savings and investments, and advisory services. There is also a section on Handelsbanken as a responsible company. This section touches on, for example, the Bank's role and actions as an employer, its climate strategies and its work to combat financial crime.

A PART OF THE GLOBAL COMMUNITY

Handelsbanken is involved in numerous initiatives and collaborations which, together with continuous dialogue with stakeholders, guide the Bank's ongoing sustainability work.

Handelsbanken endorses the following initiatives to underline its ambition to contribute to sustainable development.

Signatory of:

Banking operations are regulated by law, and are governed by an extensive framework of statutes and regulations. Handelsbanken also has several internal policies, guidelines and frameworks that govern its sustainability work.

- Policy for sustainability
- Policy for ethical standards
- Policy against corruption
- Guidelines regarding the environment and climate change
- Policy for shareholder engagement and responsible investment – Handelsbanken Fonder
- Framework for gender equality, diversity and inclusivity.

Read more on page 3 of the Sustainability Factbook 2022.

Handelsbanken reports on its sustainability work in line with the following international frameworks:

Method of calculation for measuring greenhouse gas emissions:

The Handelsbanken share is included on the following sustainability indices, among others:

- ECPI
- Ethibel Sustainability Index
- FTSE4Good
- OMX Stockholm 30 ESG Responsible Index
- SIX SWEDEN ESG Index
- STOXX Global ESG Leaders.

Handelsbanken was included in the Sustainability Yearbook 2023 as a "Sustainability Yearbook Member".

The Sustainable Development Goals where Handelsbanken considers itself able to have the greatest impact are:

Contents

Sustainability at Handelsbanken

The Bank's business opportunities and successes are dependent on the Bank gaining the trust and confidence of customers, employees, the general public, investors and public authorities. A condition for this trust is that the Bank's operations follow high ethical standards and that we take responsibility for our actions. The constant development of our sustainability work is important for future generations and for confidence in, and the stability of, the financial system.

A SUSTAINABLE BUSINESS MODEL

Handelsbanken has a long-term perspective for its business, and sustainability is deeply embedded in both the corporate culture and the working methods. Sustainability does not only include environmental or social issues, it is integrated into all parts of Handelsbankens business and organisation, in each of the markets where Handelsbanken operates. Handelsbanken aims to contribute to sustainable development through its business operations, products and services.

Handelsbanken's way of banking is based on trust and respect for the individual. Connecting with customers is central to this – the Bank aims to support its customers through all stages of their lives, basing its business on their needs and preferences. The Bank's sustainability strategy, like many other aspects of Handelsbanken's work, is applied through a decentralised way of working, characterised by a focus on low risks and with a long-term commitment to its customers. The Bank has identified a growing demand for products and services that not only concern economy and finance, but also support to the transition to a sustainable society. Consequently, Handelsbanken's business operations must be characterised by a sense of long-term responsibility, whether these relate to financing, savings and investments, or advisory services. For Handelsbanken, the concept of 'responsibility' in this respect refers to solutions that, over time, benefit people, society and the planet.

Direct and indirect engagement

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

Banking operations in themselves have a relatively minor direct impact on the environment and climate. Nonetheless, striving to constantly reduce the Bank's own impact is important – for both employees and customers. Looking for ways to improve energy efficiency, reducing paper consumption and cutting back on travel by air and car – focusing instead on solutions for remote meetings – help to reduce the Bank's direct negative impact. Digital solutions also help the Bank and its customers to reduce their respective climate footprints.

A sustainable society requires a robust financial system that cannot be abused. For this reason, the fight against money laundering and terrorist financing is a key component of the 2030 Agenda and the Sustainable Development Goals. Handelsbanken regards work to prevent financial crime as a fundamental principle for secure, sound banking operations.

Customer-centric approach

Handelsbanken always focuses on the customer, and emphasises the importance of being close to the customer and the communities in which the Bank operates. Handelsbanken's greatest impact on sustainable development, whether in a positive or negative direction, lies in its business operations: through financing customers' projects and businesses, and being entrusted to manage customers' assets. On issues such as the climate, environment, biodiversity, human rights and inclusivity, the Bank has the greatest chance to make a positive difference by supporting customers through their sustainable transition. By helping our customers – whether large companies, SMEs or private customers – to be more sustainable, Handelsbanken itself becomes more sustainable. Handelsbanken thus works actively to support and accelerate its customers' sustainable development. This takes the form of dialogue and advice, within the framework of financing, in discussions regarding savings and by building close

Handelsbanken's sustainability goals

Handelsbanken's business model facilitates responsible banking operations. By developing and offering its customers sustainable products within its core operations: financing, savings and investments, and advisory services, the Bank can work to maximise positive impact, minimise negative impact and in doing so promote a more sustainable society. The sustainability goals apply throughout the Handelsbanken Group. However, business areas and subsidiaries may work in different ways to achieve them, and be at different stages in their work.

Handelsbanken has adopted an ambitious schedule, as the Bank is convinced that a rapid, organised transition with the aim of limiting global warming to close to 1.5°C is best for customers, society, and thus also for Handelsbanken. The Bank's goals are not just a question of taking responsibility for sustainability issues, but are also meant to create opportunities for the Bank and its customers in the sustainable transition that society stands poised to take. The Bank's transition plan places the Bank in a larger context, whereby customers and society as a whole must also play active roles. Effective climate work cannot be achieved by acting alone: climate change is a global problem requiring co-operation and cross-border solutions.

The Bank has formulated goals within financing, investment and advisory services.

- Financing – By 2025, 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition.
- Investments – The investment portfolios shall be in line with the goals and transition pathway of the Paris Agreement, achieve net-zero emissions of greenhouse gases by 2040 at the latest, and increase the funds' contributions to the 2030 Agenda.
- Advisory services – By 2023, through business development and training initiatives, in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women.

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

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

In addition to these specific goals, the Bank must act responsibly in everything it does, from being a responsible taxpayer, countering financial crime and upholding human rights, to being a financially stable bank and safeguarding customers' personal data and their financial health.

relationships with customers. A relevant, concrete example is energy efficiency, which is one of the most effective ways to make a difference, both financially and environmentally.

Handelsbanken offers both corporate and private customers favourable terms for green financing, while for companies and housing co-operative associations, the Bank can partner with trusted collaborators to provide advisory services to identify energy efficiency improvements.

Approach to risk

Financial strength and stability help Handelsbanken to avoid becoming a burden on society. Handelsbanken has a low risk tolerance, which has helped the Bank keep credit losses at a low level. Instead, the Bank can positively contribute by being financially stable and a responsible taxpayer under all economic conditions. The desire to prevent and mitigate risks applies just as much in Handelsbanken's sustainability work. Handelsbanken is well aware that social and environmental matters can significantly increase credit risk, investment risk and reputational risk. Sustainability risks are thus integrated into normal processes and procedures.

The Bank as an employer

Handelsbanken's role as an attractive and responsible employer is based on a fundamental belief in the willingness and ability of people to make the right decisions. Leaders and employees have a shared responsibility to see opportunities in one another's differences and to treat each other with respect. Gender equality, diversity and an inclusive corporate culture are therefore core values at Handelsbanken.

How does Handelsbanken intend to achieve its sustainability goals?

The primary means to achieve the climate goal will be the continued widespread integration of a climate-related perspective into the Bank's lending and advisory services to customers. With additional goals related to sustainable financing, the Bank will support customers via products and advisory services aiming for reduced emissions and greater energy efficiency. The reduction in emissions is not expected to be linear over time, and in the short term, the reported emissions may rise. As the Bank continues to develop its products and services, and these make their full impact over time, reported emissions are expected to decrease at the rate required to achieve the goal. The Bank's goals are also expected to be supported by reduced emissions from the energy systems in the Bank's home markets, together with regulations that promote energy efficiency. Handelsbanken's goal also entails the Bank minimising its direct environmental impact by constantly and systematically developing its environmental activities. This will be achieved by boosting resource efficiency and

Financing

Material topics

- Responsible lending
- Responsible financing
- Sustainable loan and financing products

Goal

- By 2025, 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition.
- Within property-related lending, reduce emissions of greenhouse gases by 36 per cent per square metre financed by 2030.

Outcome

- The proportion of green, sustainable or social financing amounts to 4.8 per cent of the Bank's funding volume.
- Green loans SEK 63.7 billion (28.1), of which green mortgages SEK 31.8 billion (8.7).
- Approved assets in green registry SEK 67.5 billion (17.0).
- Sustainability-linked loans SEK 59.0 billion, of which drawn SEK 14.6 billion.
- Green bonds issued volume EUR 1,750 million (1,000).

Savings & investments

Material topics

- Responsible investments
- Active ownership
- Sustainable savings and investments products

Goal

- Net-zero greenhouse gas emissions in the investment portfolios by 2040 (at the latest).
- Increase the funds' contribution to the 2030 Agenda for Sustainable Development.

Outcome

- Carbon intensity in the funds 50.2 tCO_2e/SEKm (49.2).
- Investments in climate-related solutions have been expanded to also include environmental solutions. The outcome was 22.7 per cent of assets under management.
- Sustainable investments have been aligned with the SFDR. The outcome was 43.2 per cent of assets under management.
- A total of 421 (331) engagement dialogues have been carried out with companies.

Advisory services

Material topics

- Responsible advisory services
- Gender-equal advisory services
- Help customers make sustainable choices

Goal

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

Outcome

- A total of 3,499 employees are licensed by SwedSec or through an equivalent advisory service qualification.
- Just over 1,500 employees have completed training in gender-equal pensions, gender-equal savings and gender-equal advisory services.
- Gender-equal advisory services were integrated into the advisory services that are used by Swedish and Norwegian branch operations.

Corporate responsibility

Material topics

Responsible banking

- Counteract financial crime
- Minimise impact on the environment and climate
- Privacy and confidentiality

Attractive employer

- Sustainable working situation
- Leadership and development
- Gender equality and diversity
- Salaries and remuneration

Goal

- Zero tolerance of financial crime.
- Net-zero emissions of greenhouse gases as soon as possible and by 2040 at the latest.
- Minimise the Bank's direct environmental impact.
- A balanced gender representation among employees, whereby women and men are each represented to at least 40 per cent – whether in professional roles, areas, units or countries.

Outcome

- 92 per cent of employees have completed training in anti-corruption, prevention of money laundering and terrorist financing.
- Since 2013, the Bank has reduced its emissions by 48 per cent.
- 43 per cent (41) of managers are female.
- Approximately only 1 per cent of the Group's employees are eligible to receive performance-based variable remuneration.

recycling, for example, and by taking environmental impact into account in our purchasing and business travel, and will be followed up via key metrics.

Handelsbanken's goal of 20 per cent sustainable financing[1] is an ambitious and visionary goal intended to support the Bank's goal of net-zero emissions, accelerate product development and business development, reduce sustainability risks and compliance risks, and improve the Bank's knowledge development. The goal aims to progress the Bank from its current starting point of a low, but quickly growing, proportion of green financing, to integrating environmental, climate and social aspects more broadly into its financing business.

The Bank has chosen to extend the goal to 20 per cent in order to highlight its ambition of both volume growth in its current offering of green loans[2] and a broad application of incentives for a sustainable transition through credit terms, known as sustainability-linked financing. Sustainable financing will thus be expanded beyond loans that can already be classed as green, as well as to loans with terms that aim to support larger customer groups with focus on transition. Activating as many of the Bank's customers as possible, regardless of how much progress they have made with their transition, is critical to supporting the climate transition on a broader scale, and to reaching the Bank's net-zero emissions goal. The expectation is that the goal will be achieved by increasing both green and sustainability-linked financing, with a particular focus on mortgages and properties. The market for sustainable finance is undergoing rapid development, as are the regulations and reporting requirements and standards that govern companies work with climate-related issues. In order for Handelsbanken to support its customers' sustainable transition and take advantage of the opportunities that the transition offers follows the bank develops and adapts both itself and its goals accordingly. This goal encompasses several forms of financing related to sustainability. Market conditions may change, as well as best practice in reporting and regulations that govern the property market's climate work and the bank may therefore choose to adjust its goal and the scope of what is included in it based on what happens in the outside world.

There are several different approaches that can be taken to achieving the goal of net-zero emissions from the investment portfolios. By only investing in sectors with an inherent low carbon footprint, the goal could be achieved relatively quickly. But this is not the way to make a real-world impact. A complete transformation is required if global climate goals are to be achieved, above all in sectors with historically high emissions. All companies need to reduce their emissions – and as a long-term investor, Handelsbanken wants to make broad investments in sectors that drive society forward, and use its influence to encourage companies to reduce their emissions and increase their contribution to the 2030 Agenda.

In order to achieve the gender-equal savings goal and help more customers achieve financial security, thus moving towards a more gender-equal economy, the Bank's method is to educate and spread knowledge about gender-equal finances, analyse completed advisory sessions and follow up with the business operations. The Bank also supports individual development within the area of personal finances by launching tools and aids which visualise and simplify the decisions customers make in their savings.

MATERIALITY AND IMPACT ANALYSIS

To be a responsible bank, Handelsbanken must first understand what material impacts it has on the wider world through its activities and business relationships. The starting point is the three areas in which Handelsbanken has set specific sustainability goals, i.e. financing, savings and investments, and advisory services. In addition to these three areas, consideration has been given to how the Bank acts responsibly, such as its efforts to combat financial crime and its actions as an employer.

In the materiality analysis, the Bank has identified, assessed and prioritised the actual and potential impacts, taking into account economic, environmental and social perspectives, including the effects on human rights. Important factors going into the analysis were the environment and climate, human rights and biodiversity.

Using the results of the materiality analysis, the Bank defines the most material sustainability topics to be focused on, reported and communicated within financing, savings and investments, advisory services and corporate social responsibility.

Materiality analysis 2022

Handelsbanken updated its materiality analysis in 2022 to align with the requirements set out in GRI Standards 2021. Consideration has also been given to the materiality analysis requirements presented in the draft European Sustainability Reporting Standards (ESRS 2) in April 2022. The materiality analysis thus constitutes the first stage in the ongoing process of identifying, assessing and evaluating material sustainability topics on the basis of impact and consequence, as required by both GRI 2021 and the draft ESRS. At the time of the analysis, GRI's sector-specific standards were yet to be completed, meaning that the business environment analysis was instead based on the SASB (Sustainability Accounting Standard Board) and MSCI materiality maps.

A large number of experts from Handelsbanken's various business areas and home markets, including the Bank's Chief Sustainability and Climate Officer, who is also part of the Bank's executive management, took part in the work. Participants participated on the basis of professional roles, as representatives of the Bank, and as sustainability experts. Support and guidance were also provided by external sustainability experts. Important starting points for discussions on the material topics have been the specific areas of human rights, environment and climate, and biodiversity, and how these are included and addressed in the questions.

The first stage consisted of a review of Handelsbanken's previous materiality analyses and the business environment. From these, a list of material topics was created, forming the basis for the ongoing work.

The second stage involved the identification and analysis of these material topics' respective impacts, from a financial, economic, environmental and social (including human rights) perspective. The financial perspective was included as part of the adaptation to ESRS, while the economic, environmental and social perspectives were included in according with the requirements of GRI 2021. An assessment and analysis was also undertaken of how Handelsbanken could have a negative impact by causing, contributing to or being directly linked to an impact, mainly from a financing and investment perspective, but also through internal processes, procedures and work methods.

The different types of impact were analysed in terms of:

- actual/potential
- positive/negative
- direct/indirect
- intentional/unintentional
- short-term/long-term
- reversible/irreversible.

In the third stage, an assessment was made of how significant an impact each respective topic has on the wider world, after which a final prioritisation was decided by the Bank's Chief Sustainability and Climate Officer, together with employees in the Group Sustainability department.

While this work was undertaken, the Bank's Sustainability Council, on which a large proportion of executive management sits, was informed of the sustainability topics identified in the materiality analysis. The Bank's Board also had the opportunity to evaluate the materiality analysis as part of the approval process surrounding the reporting in the Annual and Sustainability Report. The final result was verified and approved by the Bank's Chief Sustainability and Climate Officer.

The outcome of the materiality analysis is presented on page 39. Compared to the previous materiality analysis in 2021, four material topics have been reformulated, one topic has been removed and one topic has been added. For example, the topic 'Inform and educate customers' has been reformulated to 'Help the customer make sustainable choices', in order to better describe the impact the Bank has through customer meetings. The topic about the Bank's social responsibility has been removed as it was not sufficiently defined, and was considered to have been covered in several of the existing topics. The topic 'Active ownership', in the savings and investments area, has been added, as it is deemed to have a high chance of affecting the activities of the companies Handelsbanken invests in in areas such as the climate, human rights and biodiversity.

[1] The denominator for calculating the goal is the financing volume, consisting of the Bank's loans to the public and revolving credit facilities for large companies. The numerator is green financing, including green mortgages, social financing, sustainability-linked loans for large companies (both utilised and unutilised) and sustainability-linked loans for properties (retail market).

[2] Criteria for green loans according to the Bank's Green Bond Framework handelsbanken.com/handelsbankens-green-bonds, aligned with the 2021 ICMA Green Bond Principles and adapted to, but not fully aligned with, the EU taxonomy.

Stakeholder dialogue

Many private individuals, organisations and companies affect, and are affected by, how Handelsbanken runs its business. In order to ensure that the Bank develops its sustainability work, and continues being a responsible bank that meets stakeholders' expectations and other external requirements, stakeholder dialogues are held regularly. These take place in different contexts, such as customer meetings and surveys, investor meetings, industry forums, supplier follow-up and in dialogues with non-profit organisations, staff and trade unions. Through these dialogues, the Bank is better able to understand the expectations and requirements that our stakeholders place on the Bank, and its business operations are to be conducted and developed. This helps the Bank to make well-founded decisions and constitutes important input into the prioritisation of the sustainability work in different business areas and home markets.

Stakeholders

Handelsbanken's principal stakeholders are customers, employees, owners and investors, trade unions, and the community at large, including special interest organisations, public authorities and legislators. The Bank's main stakeholder groups have been identified based on the fact that Handelsbanken's operations materially affect them, or are materially affected by them. Handelsbanken also maintains continual dialogues with other stakeholders, such as equity research analysts, trade associations, sustainability analysts, non-profit organisations, international organisations, municipalities and county councils, suppliers, press and media, students, schools and universities. For Handelsbanken, corporate social responsibility means living up to the expectations of these stakeholders and acting so as to maintain their trust in the Bank.

Customers

The most important dialogue occurs in the customer meetings that take place every day. They can be face-to-face at a branch, over the phone, at digital meeting places or on social media. Customer surveys are also carried out continually in order to gain a better understanding of the customers' expectations of Handelsbanken and its sustainability work. Within investment advisory services, sustainability preferences are a standing item on the agenda, and the Bank has seen that 67 per cent of customers in Sweden state that sustainability is fairly important or very important to them when choosing where to invest their savings.

Employees

The Bank's employees are a key stakeholder group. Without the right employees, it makes no difference how good our products or services are. By participating in their unit's annual business planning process, each individual employee can join, contribute to and influence the way the business is run.

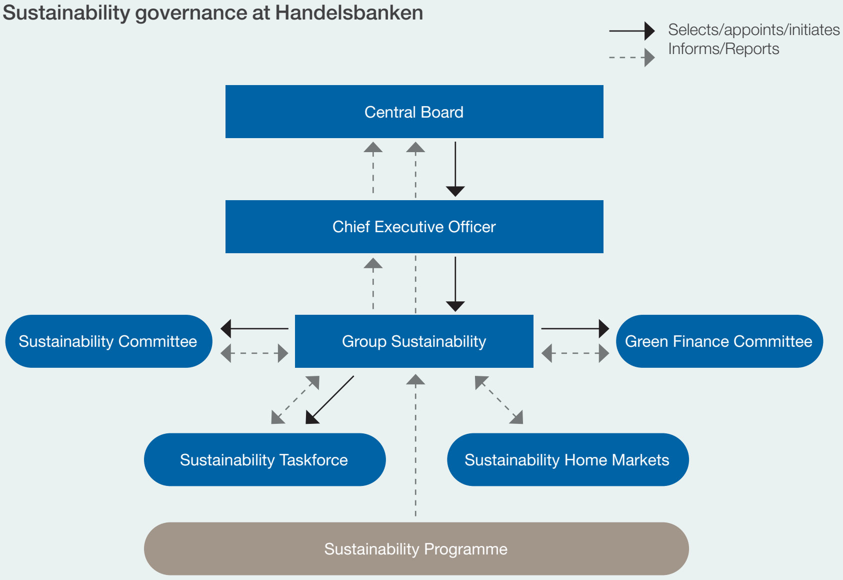
Owners and investors

The shareholders ultimately determine how Handelsbanken is governed. Shareholders' right to decide on matters concerning the company's affairs are exercised at shareholders' meetings. In the past five years, shareholders corresponding to more than 50 per cent of the votes have been represented. The Bank provides investors, analysts, rating agencies and other capital market players with information regarding Handelsbanken's operations, sustainability work and financial performance. The Bank's management, together with Investor Relations, has had numerous meetings with the Bank's equity and debt investors. On several occasions, the Bank's Chief Sustainability and Climate Officer or Deputy Sustainability and Climate Officer have participated in the meetings, in order to present and answer questions about the Bank's sustainability work.

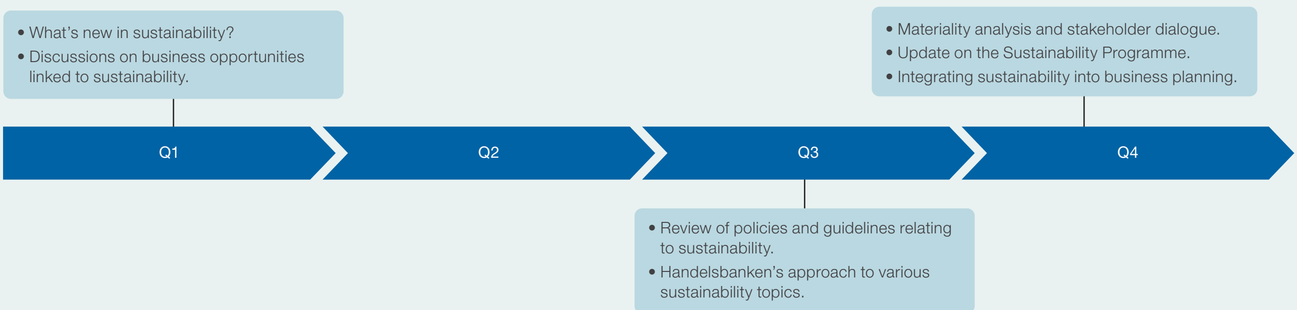
Stakeholder model

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

Sustainability governance at Handelsbanken



The Sustainability Committee's work in 2022



Trade unions

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

Society

Handelsbanken has an ongoing dialogue with stakeholders including supervisory authorities, central banks, regulatory bodies, as well as governments and parliaments in Sweden, the EU and the rest of the world. For example, representatives from Handelsbanken participated at the Stockholm+50 summit convened by the UN. The Bank also maintains contact with several non-governmental organisations (NGOs). During the year, the Bank has had multiple ongoing dialogues, responded to questions and participated in discussions and seminars, to ensure that it remains abreast of the latest developments in sustainability and is up to date with important viewpoints.

Sustainability analysts

Around 30 investment banks have research analysts who regularly monitor Handelsbanken and its share. In recent years, many of these investment banks have supplemented their traditional company evaluation with an additional evaluation focusing on sustainability. Independent research firms that concentrate solely on sustainability are also becoming more prominent, whereby analysts evaluate many dimensions of the Bank's sustainability work. These evaluations often take the form of extensive questionnaires, but also include dialogues with individual analysts. During the year, Handelsbanken responded to around twenty enquiries, surveys and analyses from various international actors.

Suppliers

Handelsbanken purchases goods and services from numerous suppliers. With the Bank's Supplier Code of Conduct as a starting point, a continuous dialogue is maintained with the most prominent suppliers, with sustainability issues being a central aspect. One result of these dialogues is that the Bank motivates and engages employees, while also improving both its own and its' suppliers' sustainability work.

SUSTAINABILITY ORGANISATION

Handelsbanken's sustainability work is decentralised and carried out wherever the Bank's business and operational decisions are made. The work is co-ordinated by a Group-wide specialist function headed by Handelsbanken's Chief Sustainability and Climate Officer, who reports directly to the Chief Executive Officer and is part of the Bank's executive management. The functional responsibility for sustainability work within the Handelsbanken Group is delegated to the Bank's Chief Sustainability and Climate Officer by the Chief Executive Officer.

The role of the Board and executive management

Handelsbanken's Board has adopted a policy for sustainability in the Handelsbanken Group, supplemented by guidelines from the Chief Executive Officer in a number of key sustainability areas.

The Chief Sustainability and Climate Officer must follow up and report to the Chief Executive Officer and the Board on the Bank's overall sustainability activities every quarter, including matters of urgency to the organisation, and performance in relation to the sustainability goals that have been adopted. These reports also describe any significant deviations and, where necessary, actions taken as regards Handelsbanken's sustainability work. No significant deviations were reported to the Board during the year, but examples of matters that were discussed from a strategic perspective include the exclusion of certain sectors from the Bank's funds and conflicting issues that have emerged in the energy sector. In the third quarter, an in-depth training course was held for the Board and executive management on the global causes and consequences of climate change. The Board has also been kept up to date on the forthcoming sustainability regulations to be introduced as part of the EU's European Green Deal.

Co-ordination across the Handelsbanken Group

The Chief Sustainability and Climate Officer is also the Chair of Handelsbanken's Sustainability Committee, which was formed in 2010. The Sustainability Committee analyses the sustainability work undertaken by the Group and, where necessary, takes on a co-ordinating role. Potential problems and business opportunities are highlighted, and pre-emptive plans of action are established. Decision-makers from both the business operations and central departments make up the Sustainability Committee. Several of the members are also part of the Bank's executive management. The Sustainability Committee convenes at least three times per year, or more often if necessary.

The process for approving new and amended products and services is based on the Bank's policy for products and services and adheres to a checklist describing the product's characteristics, risks and other relevant information. The process is also intended to ensure that sustainability topics are taken into account.

In order to ensure that the Bank makes the best use of its capacity for innovation, and that all units across all parts of the Bank work together, there are additional working groups with a remit relating to sustainability. One example is the Green Finance Committee (GFC), which is responsible for determining technical criteria for green loans, and for approving assets for inclusion in Handelsbanken's portfolio of green assets. In its assessment, the Committee considers areas such as life-cycle analysis, positive effects on the climate, powers of resistance and scientific targets. Another example is the committees within Handelsbanken Fonder which prepare matters for decision by the fund company's Chief Executive regarding methodology development, selection criteria, and whether companies meet the requirements to qualify as being in transition.

There are also cross-regional teams with sustainability managers for different geographical markets, which are called Sustainability Home Markets. Both Norway and the UK have dedicated sustainability departments, and in Norway, the Head of Sustainability is part of the management team for Handelsbanken Norway.

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

HANDELSBANKEN AND THE SUSTAINABLE DEVELOPMENT GOALS

Handelsbanken's Sustainability Committee has analysed the 17 Sustainable Development Goals and their 169 targets to determine the focus of the Bank's operations, and how it can integrate them in the business within the framework of the Bank's material topics. The analysis was made in 2016 and was based on the degree of influence, both indirect and direct, identified risks and opportunities, and the Bank's most material sustainability topics. Based on the results of the analysis, Handelsbanken elected to focus on the following six goals: Gender equality, Decent work and economic growth, Industry, innovation and infrastructure, Sustainable cities and communities, Climate action, and Peace, justice and strong institutions.

For all these goals, Handelsbanken can contribute through its own operations and through business relations. The importance of gender equality, decent work conditions and children's rights are a natural part of the Bank's own operations. Handelsbanken wants to help highlight and accelerate its progress in the communities it serves and the companies it does business with.

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

The 17 Sustainable Development Goals and the 169 related targets represent the agenda for achieving a sustainable future by 2030. Handelsbanken's business can contribute to all 17 goals in the long term, and although the Bank has the greatest impact on the six goals named above, it applies all of the goals in its operations.

SUSTAINABILITY RISKS

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

Sustainability risks span many areas, such as the environment and climate, human rights, working conditions, financial crime, information and IT security, and corporate governance issues. Sustainability risks are also inherent to other types of risks, such as credit risk and financial risks, as well as compliance risks. More information on our sustainability risks can be found in the Pillar 3 reporting, pages 85–95.

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

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

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

Financing

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

Goal achievement
The proportion of green, sustainable or social financing amounts to 4.8 per cent of the Bank's funding volume.

Material topics
- Responsible lending
- Responsible financing
- Responsible loan and financing products

Why are these topics of material importance to Handelsbanken?
Our approach protects the individual customer from running into financial difficulties due to excessive debt. This benefits the Bank, the customer and society at large. The sustainability requirements that the Bank applies to our lending gives the Bank opportunities to contribute towards a greater respect for environmental and climate-related issues, biodiversity and human rights.

Of the Bank's total loans to the public, 83 per cent is financing of the property sector. This means that the Bank's greatest opportunities for increased positive impact and decreased negative impact in terms of sustainability topics are mainly within financing of the construction and property sector. Handelsbanken strives to support all customer groups in their sustainable development. This requires the continued development of more sustainable and competitive financing products. In addition to the establishment of ambitious development plans for new products, particularly in the construction and property sectors, the Bank will also be doing the same for other sectors in its home markets, based on local conditions in terms of customers and regulations.

Policy documents
- Policy for sustainability
- Credit policy
- Guidelines for business relations as regards, among other things, human rights, working conditions and environmental and climate-related concerns
- Sector framework - Fossil energy

Other reporting
- Sustainability Factbook 2022
- Transition plan towards net-zero
- Climate Change report – next steps
- Green Bond Framework
- Green Bond Impact report

Sustainable Development Goals


RESPONSIBLE LENDING
Handelsbanken's lending is based on an assessment of the individual customer's repayment capacity. This assessment ensures that credits are not granted to customers with excessive debt, which could lead to them being unable to repay their loans. This level of attention benefits the Bank, the customer and society at large. Sustainability is a vital aspect of the Bank's credit policy. The policy states that the Bank's lending must be responsible and that high ethical standards are a critical factor. Handelsbanken also determines the types of risk that should be taken into account and assessed in the credit process, with the aid of Group-wide instructions. An analysis of financial, social and environmental sustainability in the customer's business must always be taken into account, and sustainability risks are integrated into the analysis of the customer's repayment capacity. In the assessment, the Bank factors in the impact from and on areas such as the environment and climate, human rights, basic principles regarding working conditions, corruption and bribery. Climate-related risks are a focus area in this assessment – both physical and transitional risks.

The Bank's assessment creates an understanding of the customer's need for transition, and how Handelsbanken can support their work in the future to reduce the risks in their business. The Bank's work to help real estate customers enhance their energy efficiency is a concrete example of how we work with sustainability when granting credit. One aim of this is to reduce the risks relating to the probable future minimum requirements for energy efficiency.

Handelsbanken also excludes controversial sectors under established guidelines for business relations, such as coal mining and other fossil fuel extraction.

RESPONSIBLE FINANCING
The International Energy Agency (IEA) writes in its September 2022 'Tracking Report' for buildings that, in 2021, the operation of buildings accounted for 30 per cent of global final energy consumption and 27 per cent of total energy sector emissions. If steel, cement and aluminium are also included, final energy consumption amounts to 34 per cent. The report states the energy consumption increased in 2021, whereas it would need to more than halve by 2030 in order to align with the net-zero scenario for 2050.

The Bank's impact analysis states that our opportunities for increased positive impact and decreased negative impact in terms of the environment and climate are mainly within the construction and property sector. Handelsbanken has good opportunities to support these customers in their sustainability work and, together with them, push development in line with national and local regulations towards achieving the Paris Agreement, the Sustainable Development Goals and the Bank's own transition plan.

For several years the Bank has offered green and sustainability-linked financing as well as advisory services in green market financing to a number of sectors. The sectors affected, primarily by green loan financing, are construction and real estate, focusing on reduced energy consumption, although green loan financing also includes assets within forestry, renewable energy, environmentally friendly transport, waste management and water management. These areas are crucial for a transition in line with the Paris Agreement, where a renewable energy system, decreased negative impact on biodiversity and reduced climate impact from the construction and property sector will be vital.

In the markets where Handelsbanken mainly operates, the majority of its lending is property related, meaning that the impact analysis as regards reducing energy consumption is relevant for the whole Bank. Of the Bank's total lending at 31 December 2022, 83 per cent is financing of the property sector. Customers are private individuals, housing co-operative associations, small- and medium-sized companies and large real estate companies. All customer segments can benefit from a product range that promotes a sustainable transition.

Exposure to climate-related risks
Handelsbanken has successively stepped up its environmental guidelines year by year with regard to the fossil-fuel sector, with the aim of clarifying that the Bank is aware of, and acts on, risks associated with the extraction and consumption of fossil fuels among the companies we have business relationships with. One consequence of this

is that the Bank has reduced its lending to the fossil fuel sector over time. Since 2017, this lending has decreased by 95 per cent, to SEK 316 million, corresponding to 0.01 per cent of total loans to the public.

A substantial part of the Bank's lending is to the property sector. Properties are potentially associated with climate-related risks, as they can be exposed to both physical climate risks and transition risks. There are opportunities for increased business volumes when the Bank finances customers' investments relating to climate change mitigation and adaptation. As regards climate-related risks, the Bank has intensified work in recent years to improve its capacity to assess potential risks of all sizes, particularly those associated with properties. One part of this work has been analyses of property-specific risk for coastal properties in Sweden, looking at mean sea level rise, as well as flooding risk for properties in Stockholm in the event of extreme sea level rise. These analyses were based on externally calculated climate scenarios provided by the Swedish Meteorological and Hydrological Institute (SMHI).

The European Commission has presented a proposal for revision of the Energy Performance of Buildings Directive. The proposal involves the introduction of Minimum Energy Performance Standards (MEPS) for existing buildings. If the proposal were to be adopted, this would impact the Bank's customers and thereby also the Bank. The Bank is following developments surrounding the proposal, and measures and reports key metrics linked to energy efficiency and its customers' properties in its TCFD report.

More information on the Bank's stricter requirements relating to the fossil fuel sector, as well as the results of analyses, are presented in the Bank's climate report for its lending business, available from handelsbanken.com/sustainability.

Developments in 2022

The escalating energy crisis means that energy efficiency improvements have very high priority among Handelsbanken's customers. A survey which was carried out in Sweden in collaboration with Kantar Sifo during the third quarter shows that 20 per cent of the customers questioned are considering investing in energy-saving measures within the next six months in order to reduce their living costs. There is also a significant interest in achieving environmental certifications in conjunction with renovations of existing buildings, as this can lead to an increase in value, or increase attractiveness as a landlord, and also, in the longer term, provide an opportunity to adapt to future regulations.

During 2022, Handelsbanken initiated a collaboration with an external technology consultancy company which offers the Bank's real estate customers advice and analysis of climate risks, energy consumption measures and other sustainability aspects relating to their properties. The measures that the customer is advised to invest in can then be financed by Handelsbanken.

There is an increasing demand for loan products that take the environment and climate into consideration as these products create value for customers. At present, Handelsbanken finds that the demand for green, sustainability-linked loans exceeds the supply in the bond market. Sustainability-linked loans are the most requested loan products among the Bank's largest corporate customers. The Bank is also seeing that the climate, now with an increased focus on scope 3 (the value chain), remains the sustainability aspect to which loans – both in the fund market and lending market – are linked. Social aspects are also becoming increasingly common, particularly within lending.

The interest for thematic funding has continued to increase in 2022. Handelsbanken is seeing a general slowdown in the bond market in terms of volume, but a percentage increase in thematic funding in relation to the total volume. Green bonds remain the most common form of funding, although interest in sustainability-linked bonds is increasing.

Handelsbanken's green bonds

Handelsbanken established its first Green Bond Framework in 2018 and has since issued two bonds within this framework – one in 2018, and one in 2020. In order to develop the green offering, the Bank's Green Bond Framework was updated in 2022. In August 2022, a third green bond was issued within the updated framework. All of the issues attracted a great deal of interest from the market and were heavily over-subscribed.

Handelsbanken's updated framework for green bonds is based on the Green Bond Principles 2021, which are guidelines developed by the International Capital Market Association (ICMA) that have been adjusted in order to comply with the EU taxonomy criteria. An independent evaluation has been performed by CICERO Shades of Green.

The capital raised through the issue of Handelsbanken's green bond is used for lending to clearly definable investments that lead to low carbon dioxide emissions and a climate-sustainable future. Examples of this are clean transport, sustainable forest management, green buildings, renewable energy and sustainable water management. In May 2022, for the fourth time, the Bank reported the environmental impact of its green bond by publishing a Green Bond Impact Report.

CASE – Sustainability-linked financing with environmental and social factors

Handelsbanken Capital Markets act as advisors to customers, particularly within the property sector, where the Bank helps to create a sustainability-linked framework for bonds with a focus on environmental and social factors.

This provides our customers with a unique opportunity to highlight their intentions to achieve ambitious sustainability goals and continued sustainable growth, covering all ESG factors.

Green assets

Handelsbanken has built up a green registry, consisting of credits that finance green projects and that comply with the requirements and criteria stipulated in Handelsbanken's green bond framework. At the time of the first issue in 2018, the assets in the green registry totalled approximately SEK 10 billion. At the end of 2022, the volume had increased to SEK 67.5 billion.

SUSTAINABLE LOAN AND FINANCING PRODUCTS

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

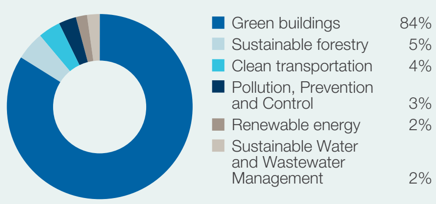
We offer green loans and sustainability-linked loans to large companies in all of our home markets, and also to smaller companies in Sweden. Common features of green loans and sustainability-linked loans are that they focus on customers' sustainability work going forward. This gives the customer an opportunity to communicate regarding their sustainability work and lower the company's financial costs via the lower margins that are often in the loan terms for sustainable financing.

Handelsbanken offers several types of green lending products. To ensure that the environment and climate are taken into consideration when a green loan is used for financing, we have developed technical criteria that must be satisfied by all green loan products.

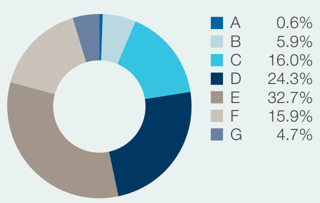
Offerings to corporate customers

Green loans to companies and housing co-operative associations include financing of buildings, renewable energy, sustainable forest management, water management, waste management,

Breakdown of green assets according the the Bank's green framework



Breakdown of energy classes in real estate-related lending in Sweden[1]



[1] Exposure-weighted amount for properties with energy class. For more information, see page 4 of the Sustainability Factbook.

environmental transport, climate change adaptations, energy-efficiency measures, and investments aimed at retaining biodiversity. In Sweden, green energy loans are available to private individuals, companies and housing co-operative associations, and are intended to finance investments in energy efficiency improvements in properties, such as solar panels, ventilation, geothermal heating solutions and electric vehicle charging stations.

In order to help customers review different types of investments linked to these improvements, a partnership with an external service provider was initiated during the year. Given the relatively high pace in the construction of new properties, including green builds, green loan commitments and green construction credit have become a more attractive loan alternative in Sweden, and these can later be refinanced via green loans.

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

For customers who do not require green financing for a specific project or investment but who have clear, ambitious sustainability efforts, Handelsbanken can offer sustainability-linked loans providing the customer with an incentive to improve within predetermined sustainability targets. These targets may either be an ESG rating, externally quantifiable targets such as Science-Based Targets, or company-specific targets such as carbon reduction, energy efficiency, recycling rate or sustainable purchases. During 2022, Handelsbanken plc in the UK expanded its sustainable finance offering for large corporate customers from sustainability-linked loans to also include green loans, which, in turn, include loans related to water and marine life, as well as loans linked to social criteria.

For companies wanting to finance electric-powered vehicles, electric-powered carriers and buses, corporate customers have been able to include their vehicle fleet of electric-powered cars since 2022. Green financing for electric vehicles was launched in the UK during the year.

Offerings to private customers

The majority of new builds in Sweden are energy-efficient constructions, and the demand for energy-efficient homes has increased significantly among the Bank's private customers. Handelsbanken has a positive view of this development, and wishes to encourage it by offering more favourable terms for mortgage loans, known as green mortgage loans. All customers in Sweden living in an energy-efficient home with energy class A or B according to the Swedish National Board of Housing, Building and Planning, has had their mortgage converted to a green mortgage during the year, incurring 0.10 percentage points lower interest. The purpose is to reward customers who have chosen energy-efficient homes, and also to incentivise other customers to make their properties more energy efficient. This action is one of many activities aimed at achieving the Bank's goal of 20 per cent green and sustainability-linked financing.

To assist customers in their climate transition and to highlight advantages and possibilities in relation to reduced energy consumption, Handelsbanken has created an advisory web page offering tips and advice on measures aimed at improving energy efficiency. In Sweden, the Bank also recently initiated an external collaboration to provide customers with an advantageous offer for the purchase of solar panels and electric vehicle charging stations. This investment can be financed using green energy loans. The purpose of this packaging is to give customers the support and solutions to make energy efficiency improvements more easily.

Product development and business development

Adaptation to national and local regulations is of major importance in product development and customer collaboration. This is also well-aligned with Handelsbanken's decentralised working methods, local presence and regional conditions. Extensive product development work has taken place in all our home markets in 2022, and processes and product development are adapted to differing geographical markets as necessary. In 2022 Handelsbanken has:

- introduced a central co-ordinating function for product development to ensure better knowledge sharing
- developed tools to support advisory discussions about, and the assessment of, sustainability work by SMEs
- invited customers and stakeholders to provide feedback and "benchmarking" for products and advisory services
- initiated external collaborations to develop advisory tools – mainly for SMEs but also for private customers
- trained employees in products and advisory services, for example, with films explaining sustainable financing is addressed and included in customer meetings
- increased engagement in various stakeholder groups such as trade associations
- engaged in business development activities internally and with external partners to facilitate the collection of sustainability data from customers.

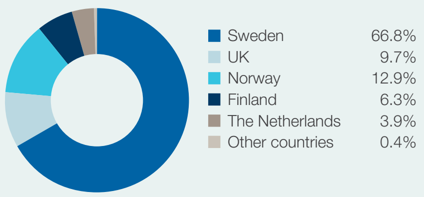
GOAL ACHIEVEMENT

Handelsbanken still has some way to go to achieve its established sustainability goal within financing. The Bank is aware that the set goal is ambitious, and that the product development and business development required to achieve the goal will have a larger impact the closer the Bank gets to the finish line. Handelsbanken believes there is value to be found in setting a challenging long-term goal, that necessitates innovation and the broad integration of sustainability, instead of choosing a goal based solely on expected volume growth in the current offering.

During 2022, Handelsbanken has taken several steps towards its goal to have, by 2025, 20 per cent of the Bank's financing volume consisting of green financing, social financing or financing that contributes to a sustainable, measurable transition by the borrower – including rewarding customers that currently live energy efficiently by converting their mortgages to green mortgages. The Bank has also initiated partnerships with other companies to offer packaged solutions and advisory services to customers aimed at facilitating energy efficiency improvements, energy source choices and the climate transition. Both these activities have contributed to increasing the proportion of green and sustainable financing at the Bank. In the coming years, the Bank will continue to improve and expand its product range within both green financing and sustainability-linked financing, creating further incentives for both private and corporate customers to become more energy efficient, above all in terms of their housing and properties.

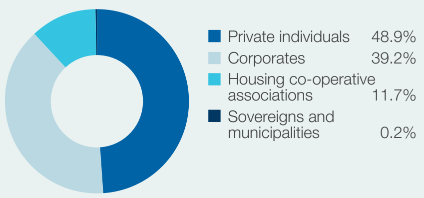
Loans to the public – by sector 31 December 2022	SEK bn	Proportion of total lending, %
Private individuals	1,209	48.9
of which mortgage loans	*1,018*	*41.2*
Housing co-operative associations	289	11.7
Property management	734	29.7
Manufacturing	37	1.5
Retail	41	1.6
Hotel and restaurant	6	0.3
Sea transport	3	0.1
Other transport and communication	10	0.4
Construction	21	0.8
Electricity, gas and water	16	0.7
Agriculture, hunting and forestry	22	0.9
Other services	22	0.9
Holding, investment and insurance companies	39	1.6
Other corporate lending	18	0.7
Sovereigns and municipalities	5	0.2
Total	**2,469**	**100.0**

Loans to the public 2022 – Geographical breakdown



Total: SEK 2,469 billion

Loans to the public 2022 – Sector breakdown



Total: SEK 2,469 billion

Savings and investments

Goal
Handelsbanken aims to reach net-zero greenhouse gas emissions[1] from its investment portfolios by 2040, and increase its contribution to the 2030 Agenda for Sustainable Development.

Goal achievement
- Carbon intensity in the funds 50.2 tCO_2e/SEKm (49.2).
- Investments in climate-related solutions have been expanded to also include environmental solutions, with an outcome of 22.7 per cent of assets under management.
- Sustainable investments have been aligned with the SFDR, with an outcome of 43.2 per cent of assets under management.
- 421 (331) engagement dialogues have been carried out.

Material topics
- Responsible investments
- Active ownership
- Sustainable savings and investments products

Why are these topics of material importance to Handelsbanken?
Handelsbanken is convinced that investments in responsible, sustainable business models that respect the limitations of the planet are essential for generating financial value for our customers.

Handelsbanken wants to make broad investments in sectors that drive society forward, and to use its influence to encourage companies to move in a more sustainable direction.

According to a customer survey carried out by SKI EPSI, 61 per cent of private customers and 67 per cent of corporate customers of Handelsbanken in Sweden state that their demands for sustainability will increase in the future. It is therefore important that the Bank can offer products that comply with the guidelines for ethical standards and sustainability in order to meet the growing demand from its customers.

Policy documents
- Policy for sustainability and guidelines for business relations
- Handelsbanken Fonder Policy for Shareholder Engagement and Responsible Investment
- Handelsbanken Liv Policy for sustainability
- Handelsbanken Liv Policy for responsible investment
- Optimix Responsible Investment Policy
- Handelsbanken Wealth & Asset Management Sustainable Investment Policy

Other reporting
- Handelsbanken Fonder Sustainability and Stewardship Report
- Handelsbanken Fonder Climate Report
- Handelsbanken Fonder Voting Report
- Nordic Swan Ecolabelled mutual funds' sustainability reports
- Handelsbanken Fonder Annual Report
- Handelsbanken Liv Climate Report
- Handelsbanken Liv Annual Report
- Sustainable Insurance – PSI report, Handelsbanken Liv
- Handelsbanken Wealth & Asset Management Sustainable Impact Report

Sustainable Development Goals
THE GLOBAL GOALS
For Sustainable Development

RESPONSIBLE INVESTMENTS
As a part of the financial system and as manager of its customers' savings, Handelsbanken plays an important role in facilitating society's transition to sustainable development. To achieve this, Handelsbanken and its subsidiaries have set a number of challenging sustainability goals. Below, we describe how the various subsidiaries within the Savings & Pensions business area work with responsible investments, active ownership and product development. The focus is on the subsidiary with the greatest impact, Handelsbanken Fonder, which is responsible for about 87.5 per cent of the total assets under management at Handelsbanken.

HANDELSBANKEN FONDER
Handelsbanken Fonder AB is a fund management company with just over 100 mutual funds. The company offers active and passive, equity, fixed income and allocation management. The fund company has been permitted to conduct fund management since 1991.

Organisational structure and governance
The Chief Executive of Handelsbanken Fonder is responsible for sustainability-related policies and strategies. The sustainability work is led by the Head of Sustainability, who is responsible for the development of policies, strategies, and methods and tools related to sustainability. The CIOs are responsible for integrating sustainability into their respective areas, in line with policies and strategies, and for ensuring that the sustainability analysis is part of the portfolio management.

Handelsbanken Fonder has the following committees which prepare various matters for decision by the CEO:
- Credit Rating Committee
- Corporate Governance Committee
- Sustainability Committee, which:
  - prepares decisions on the assessment of companies in relation to exclusion requirements
  - prepares decisions on the assessment of companies where indications of severe and systematic violations of international norms have been reported
  - prepares decisions on companies that meet the fund company's criteria for qualification as a company in transition
  - prepares supporting documentation for the development of methods for analysing and assessing selection criteria.

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

Vision and sustainability goals
Handelsbanken Fonder's vision is to create financial wealth and planetary health through sustainable investments. In order to clarify the way to achieving this, the fund management company has set sustainability goals in two main areas:
- Paris-aligned investment portfolios
- Increase the contribution to the 2030 Agenda

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

PARIS-ALIGNED INVESTMENT PORTFOLIOS

From an investment perspective, the climate transition is tied to both risks and opportunities. Handelsbanken Fonder therefore works both to reduce the funds' climate footprint and climate-related risks, and to direct investments towards companies that contribute to solutions in the climate transition. The first overarching sustainability goal is therefore to achieve net-zero greenhouse gas emissions in the investment portfolios by 2040. The fund management company has two interim targets on the way to this goal:

- 50 per cent reduction in the funds' carbon intensity by 2030
- doubling of investments in environmental and climate-related solutions by 2030.

The special report by the UN's Intergovernmental Panel on Climate Change, the IPCC[1], states that a 50 per cent reduction in carbon emissions is a vital precondition if global warming is to be limited to 1.5 degrees.

There are several different approaches to achieving the goal of net-zero emissions from the fund management company's investment portfolios. By only investing in sectors with an inherent low carbon footprint, the goal could be achieved relatively quickly. However, this is not the way to make a real-world impact. A complete transformation is required if global climate goals are to be achieved, especially in sectors with historically high levels of emissions. All companies have to reduce their carbon emissions – and as a long-term investor, Handelsbanken Fonder has to join them on this journey. The fund company therefore wants to make broad investments in sectors that drive society forward, and use its influence to encourage companies to reduce their emissions.

Pushing companies to reduce their emissions is only one part of reducing emissions in society. The other part is about investing in environment and climate solutions. By investing in companies that develop products and services that help in the climate transition, participating in new issue of shares and IPOs, and by investing in different sustainable bonds, Handelsbanken Fonder ensures that environmental and climate-related solutions – and the companies behind them – can grow.

INCREASE THE CONTRIBUTION TO THE 2030 AGENDA

Handelsbanken Fonder's second overarching sustainability goal – to increase the funds' contribution to the 2030 Agenda – focuses on the overall objectives of the Sustainable Development Goals, which countries around the globe have agreed on achieving by 2030. It is largely a matter of fulfilling basic human rights and needs – such as the right to education and healthcare, access to clean water, financial inclusion, gender equality and inclusion. It is also about protecting and managing ecosystems, biodiversity and natural resources sustainably. In order to increase the funds' contribution to the 2030 Agenda, the fund management company has set the following two interim targets:

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

To promote and accelerate the efforts to achieving the 17 Sustainable Development Goals and the 169 targets by 2030, extensive investments and political reforms will be required. Handelsbanken Fonder works actively to contribute to and be a part of these necessary investments. As with its work on climate-related matters, Handelsbanken Fonder is convinced that investing in solutions is an important part of the work to reach the goals set out in the 2030 Agenda for Sustainable Development. The fund company believes that identifying and investing in companies that can deliver relevant solutions to the challenges the world is currently facing is a considerable opportunity in terms of investment, as the fund company believes the winners of the future will be among these companies.

However, a challenge in this respect is the access to data regarding how well certain companies are contributing to the Sustainable Development Goals. The funds' investment universe is large, and the fund company has invested in numerous smaller companies all over the world, and the data for some of these may not always be comprehensive or entirely accurate. Throughout 2022, the fund company has worked to further develop its analysis of companies' contributions to the Sustainable Development Goals, both through its own research analysis and with the assistance of external data providers. This work has also been important in being able to define what is considered to be a sustainable investment and to report this in accordance with the EU's Sustainable Finance Disclosure Regulation (SFDR).

Another way of contributing to the goals of the 2030 Agenda for Sustainable Development is by engaging with companies and encouraging them to move in the right direction. The fund company's engagement activities have included dialogues with companies, active ownership and collaboration in investor networks. As well as general strategic sustainability topics, dialogues with companies cover specific aspects of a company's risks, opportunities and engagement in matters related to sustainable development. Through its active ownership, Handelsbanken Fonder engages with companies through its participation in nomination committees and voting at shareholders' meetings. Networking and collaboration with other shareholders and stakeholders contribute to shared learning, enhancements and breakthroughs in the engagement process. In 2022, Handelsbanken Fonder has worked to restructure and improve transparency in how the fund company prioritises, carries out and measures the results of its dialogues.

FOLLOW-UP OF GOALS

The purpose of quantitative goals is to be able to measure results and provide stakeholders with the ability to monitor developments. Handelsbanken Fonder reports its results in relation to the goals at least once a year, in accordance with its commitments under the Net Zero Asset Managers initiative (NZAM). In addition, regular follow-up activities are undertaken in the fund company's Sustainability Risk Forum, which monitors the funds' sustainability performance.

Outcome 2022

Carbon intensity in the mutual funds

Handelsbanken Fonder's total carbon intensity went up slightly in 2022 compared to 2021.[2] Looking at scope 1+2, the intensity increased by 9.5 per cent measured in SEK. If scope 3 is included, the total carbon intensity increased by

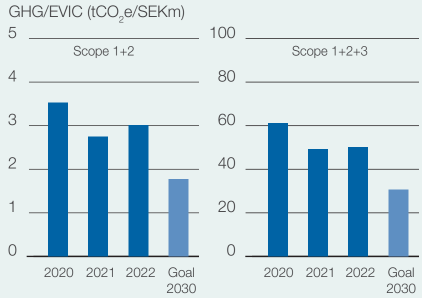
The funds' progress towards the goals

Measuring emissions

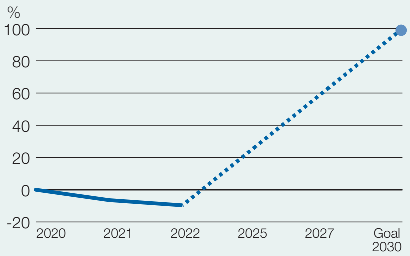
The direct and indirect impact of the company's emissions are divided into three different scopes.

- **Scope 1:** Direct emissions, sources of emissions owned or controlled by the company.
- **Scope 2:** Indirect emissions from the consumption of electricity, heating or steam.
- **Scope 3:** Other indairect emissions, such as emissions produced by the manufacturing activities of sub-contractors and emissions generated during use of the product, transportation with vehicles not directly owned by the company, outsourced operations, waste management and energy consumption not covered by scope 2.

Carbon intensity

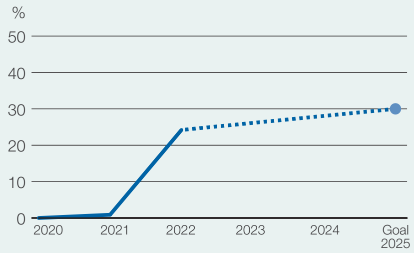


Total change in percentage of investments in climate-related solutions



Change in percentage of investments in climate-related solutions. Proportion at year-end 2022: 11.2%.
Increase required (will not be a linear increase year by year).
Goal: 100%.

Total change in percentage of sustainable investments



Change in percentage of sustainable investments. Proportion at year-end 2022: 43.2%.
Increase required (will not be a linear increase year by year).
Goal: 30%.

[1] Global Warming of 1.5°C. See the full report here: ipcc.ch/sr15/.

[2] In the Group's Annual and Sustainability Report for 2021, the calculations of some outcomes were inaccurate. For updated figures, please refer to the Sustainability Factbook 2022.

2.1 per cent. Further details on what the exact drivers of this change are will be presented in the fund management company's Climate Report, as well as the Sustainability and Stewardship Report published in 2023.

The fund company works actively on its climate impact, means such as direct dialogues – focusing on the companies that report the largest emissions. Measuring carbon intensity is a complex process, and the results can be affected by a number of different parameters. The view of the fund company is therefore that it is more appropriate to look at the general long-term direction rather than at specific figures.

Handelsbanken Fonder measures emissions in relation to the EVIC (Enterprise Value Including Cash), a value that is largely determined by the market value of the holdings. This means that carbon intensity can therefore rise or fall depending on how the market values a company, even if the absolute emissions remain unchanged. The fund company considers both direct and indirect emissions in the companies' value chains, i.e. scope 1, 2 and 3. It can be challenging to also include scope 3, as the companies in many cases do not report data on these emissions, instead estimates are being used. This is why sustainability reporting, in the context of the fund company's engagement activities, and the fund company advocates for companies to measure and report their emissions to a greater extent than presently.

In the short term there are several factors of uncertainty when carbon intensity is calculated for the funds. However, this is no reason to avoid reporting the full picture with regard to emissions. Instead, the goal is to report as transparently as possible, and to report on the methods and metrics used. In the long term, Handelsbanken Fonder is convinced that its choice of investments and its engagement activities will lead the fund company in the right direction towards net-zero emissions.

Disclosures regarding carbon intensity are based primarily on information provided by the ESG data provider, ISS ESG. The disclosures present a snapshot of the portfolio's carbon footprint and the calculations are not exhaustive. For further information on calculation methods, see the Sustainability Factbook, page 6.

Environmental and climate-related solutions in the mutual funds

The percentage of climate-related solutions for 2022 decreased slightly during the year, from 11.6 per cent to 11.2 per cent of assets under management.[1] In order to align with the SFDR, Handelsbanken Fonder adjusted the scope of the goal in 2022 to also include environmental solutions. If environmental and climate-related solutions are combined, the total proportion amounts to 22.7 per cent of assets under management for 2022. The fund company will report the aggregate amount for both environmental and climate-related solutions from now on. Handelsbanken Fonder is convinced that the companies responsible for developing solutions to the world's environmental and climate-related challenges will also be the companies best equipped to manage the transition to a low-carbon world.

Sustainable investments in the mutual funds

During the year, the proportion of sustainable investments of assets under management increased by just over 23 per cent.[1] The increase can be partially explained by Handelsbanken Fonder's product strategy of working actively to develop funds that promote the fund company's vision and make concrete contributions to the fund company's established sustainability goals. Two additional funds focusing on sustainable investments were added during the year. Another explanation is that the proportion of assets invested in sustainable bonds has also increased, while the market as a whole decreased during the year. In order to align with the SFDR, Handelsbanken Fonder adjusted the definition of sustainable investments during 2022, which had a marginal impact on the outcome. According to the previous calculation model, the proportion in 2022 was 42.1 per cent of assets under management, while the outcome according to the new SFDR-aligned model is 43.2 per cent. Further information can be found in the Sustainability Factbook.

Engagement activites in the mutual funds

During the year, Handelsbanken Fonder further developed its methodology, expanded its resources and the scope of reporting and transparency for the fund company's dialogue activities.

The number of direct dialogues grew from 23 to 197 in 2022. The increase was mainly due to the inclusion of "proactive" dialogues in addition to "reactive". Proactive dialogues with companies aim to support the ongoing development of the companies' sustainability efforts, and include questions regarding the company's management of sustainability risks, efforts to prevent negative impacts, and contributions to sustainable development.

In addition to its own direct dialogues, in 2022 the fund company participated in collaborative engagements together with other investors, aimed at 224 companies. Within the framework of investor networks and statements supported by Handelsbanken Fonder, 2,123 companies have been contacted during the year.

Through active ownership, the fund company has also exercised an influence over companies by participating in 70 nomination committees ahead of annual general meetings in 2022, and voted at 1,163 shareholders' meetings.

SUSTAINABILITY IN FUND MANAGEMENT

Together with financial criteria, ESG factors are integrated into Handelsbanken Fonder's analysis and investment decisions. The purpose of the sustainability analysis is both to identify risks in companies' business models and to find companies at the forefront of the transition to sustainable development. The approach varies depending on the asset class and asset management strategy, but the work is based on the following three methods: Inclusion of companies, exclusion of companies and active stewardship.

Inclusion

Handelsbanken Fonder applies a long-term investment horizon and works in different ways to identify and invest in companies with sustainable operations – or whose products and services promote sustainable development – in accordance with the goals of the 2030 Agenda and the Paris Agreement. Under the heading Outcome 2022, a more detailed description is given on how the work to include investments in environmental and climate-related solutions and sustainable investments has progressed during the year.

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

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

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

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

Index funds aligned with the Paris Agreement

Since 2021, seven index funds track Paris Aligned Benchmarks (PAB). These indexes have been structured to be in line with the emissions reductions required to achieve the goals of the Paris Agreement. The transition to these indexes is one step in the process of reducing the emission intensity of the portfolios, and a key milestone on the way to net-zero emissions. At year-end, total assets managed in these funds were SEK 94.9 billion, corresponding to 11.9 per cent of assets under management.

[1] In the Group's Annual and Sustainability Report for 2021, the calculations of some outcomes were inaccurate. For updated figures, please refer to the Sustainability Factbook 2022.

Paris Aligned Benchmarks – selection process

Investing in companies in transition

Handelsbanken Fonder wants to be part of the transition to a world with low carbon emissions. Companies that make the transition from fossil energy production to renewable energy production play an important part in actually reducing overall carbon emissions. A certain degree of exposure to the fossil fuel sector can therefore be accepted if a company meets the fund company's requirements to qualify as a company in transition. This applies to most of the funds, and relates to companies in power generation, transmission and distribution of electricity.

Handelsbanken Fonder's Sustainability Committee prepares supporting documentation for the Chief Executive, who then decides whether a company meets the requirements established for qualification as a company in transition. Currently, 17 companies have qualified, meaning that the fund company's actively managed equity funds and fixed-income funds, its actively managed allocation funds and some passively managed funds can invest in these companies.

The index funds that track Paris-aligned Benchmarks are also able to invest in companies in transition, but this is determined by clear quantitative rules as part of the index methodology. Three companies are currently recognised as companies in transition and are thus approved for investment by these funds.

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

Sustainable bonds

Sustainable bonds are one way of injecting capital to finance a company's sustainability initiatives, and the availability of various types of sustainable bonds on the bond market continues to grow. Handelsbanken Fonder's active fixed-income management has been monitoring this trend closely, and is a major investor in green, social and sustainable bonds.

During the year, for example, fixed-income management has invested in a social bond to support Ukrainian refugees. The bond is issued by a European development bank with a focus on social issues and the funding will be used exclusively to help meet the refugees' most urgent needs.

At the end of 2022, holdings of green, sustainable and social bonds amounted to SEK 49.7 billion.

Fixed-income management is also investing in sustainability-linked bonds (SLBs). These are bonds that facilitate the responsible financing of a company's transition, using predefined sustainability targets that the company is required to meet, together with the ongoing reporting of its progress.

In 2022, Handelsbanken Fonder developed a process to be able to assess how well an issuer's SLBs meet the requirements for sustainable investment as described in the SFDR.

Exclusion[1]

In general, Handelsbanken Fonder excludes investments that are at odds with the fund company's role as a responsible investor, as well as companies deemed to have sustainability risks that cannot be managed through engagement efforts and dialogue. The fund company also excludes companies with products and services that significantly risk having an adverse impact on the world, the society or various stakeholders, or that represent an increased sustainability risk in the companies' value chains.

For this reason, all funds exclude companies that manufacture or distribute prohibited weapons and nuclear weapons. In addition to this, Handelsbanken Fonder applies further exclusion criteria to 99.4 per cent of the fund volume.[2] This means that companies whose turnover to more than five per cent derives from controversial sectors, or sectors with business models produce a significant increase in sustainability risk, are excluded. See the table on page 51. Companies that violate international norms and conventions in areas such as human rights, the environment, labour rights or anti-corruption and anti-briberyare are also excluded.

For equity funds and fixed-income funds, the requirements in the table on page 51 apply when deciding to exclude companies and sectors. The allocation funds have the same requirements for funds they invest in, irrespective of whether these are Handelsbanken Fonder's own funds or funds managed by external fund managers.

[1] According to the Swedish Investment Fund Association's definition of 'exclusion', no more than five per cent of turnover in the company where the investment is made may derive from operations related to such products or services. The five per cent limit applies as in many sectors, it is difficult to secure zero tolerance at all stages. It can be difficult to establish the exact turnover related to a specific sector, which means that the external ESG analysis the fund management company rely on is permitted to estimate the turnover level. This may lead to the level being either under-estimated or over-estimated compared to the actual situation. One example is that the fund company excludes companies within the media, hotel and telecommunication sectors where more than five per cent of turnover derives from the distribution of pornography.

[2] The following ETFs do not currently actively apply the fund management company's exclusion criteria in full due to their investment universe. In XACT OMXC25 (UCITS ETF) there are direct investments in alcohol, and in XACT Bull (ETF), XACT Bull 2 (ETF), XACT Bear (ETF), XACT Bear 2 (ETF) there are investments through OMXS30's derivative exposure to tobacco and commercial gambling.

Companies in transition – decision-making process

Limits for exclusion

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

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

A handful of ETFs are exempt from the limits presented in the table. These ETFs do not currently apply the fund management company's exclusion criteria in full due to their investment universe. In XACT OMXC25 (UCITS ETF) there are direct investments in alcohol, and in XACT Bull (ETF), XACT Bull 2 (ETF), XACT Bear (ETF), XACT Bear 2 (ETF) there are investments through OMXS30's derivative exposure to tobacco and commercial gambling. For further information, refer to the respective fund's prospectus.

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

CASE – Transition challenges

The transition to renewable energy and electrification will mean that the demand for critical minerals such as lithium, nickel and rare-earth elements will accelerate. At the same time, there is a limited supply, and there are also sustainability risks associated with geopolitical factors, human rights and environmental impact. Given the aim to invest in environmental and climate solutions, Handelsbanken Fonder needs to understand and take into account the risks and opportunities that the transition entails across the entire value chain. In order to raise awareness about these matters, a trip to Australia was organised, as this is one of the countries that has a rich supply of these minerals. There, portfolio managers met both company representatives and a number of stakeholders, including politicians, representatives of the Indigenous population, research scientists and investors. More than 35 meetings were held in three different regions, including site visits at a mine and a conversion facility.

Follow-up and control

The fund company's risk control function has daily monitoring activities to ensure that the funds follow its rules regarding the exclusion of companies that do not meet the criteria set by the fund company. This also applies to companies that systematically and severely violate international norms and conventions and do not have a plan to rectify the situation.

Stewardship

As a major investor and owner, Handelsbanken Fonder has a responsibility and an opportunity to influence companies to act responsibly and run their operations in a sustainable manner. The responsibility also extends to encouraging other members of the wider asset management community to advance their sustainability work. This is done in a number of ways, for example through different types of dialogues, participation in investor networks and statements, as well as voting at shareholders' meetings and participating in nomination committees when relevant.

Direct dialogues and collaborative engagements

Dialogues with companies are held either directly between the fund company's asset manager/sustainability specialists and the company invested in, or in collaboration with other investors. Dialogues cover strategic sustainability topics at a general level, such as demands for clearer objectives, or for a greater degree of transparency regarding the sustainability work carried out by the companies. They can also cover more specific issues relating to environmental impact, human rights, or labour rights.

In 2022, Handelsbanken Fonder held direct dialogues with 197 companies. In addition to dialogues with a particular focus on sustainability aspects, the asset managers maintain regular and close contact with the companies invested in, meet the senior management teams and visit the businesses – initiatives which largely concentrate on the companies' sustainability work. The allocation management team also holds ongoing dialogues with fund management companies and asset managers, aimed at influencing their investment activities to move in a more sustainable direction.

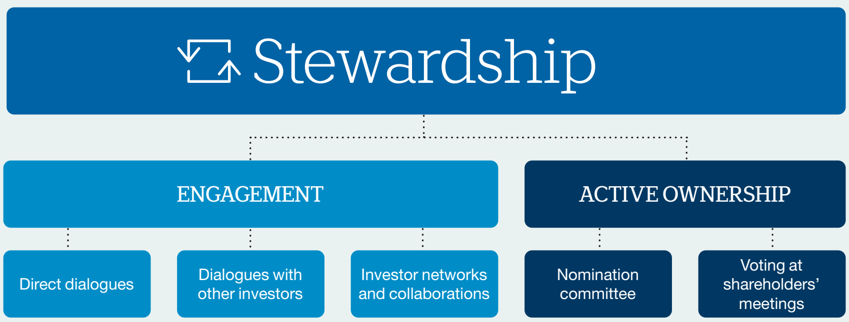
There is a benefit to collaborative engagements, as multiple investors together represent a larger ownership share, sending a clear signal to the companies that the issues need to be taken seriously. Collaborative engagements together with other investors focus on specific themes, such as human rights or climate impact. A total of 224 companies have been addressed in 2022.

During the year, Handelsbanken Fonder has further developed the reporting of the fund company's engagement activites.

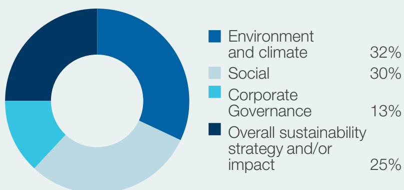
Investor networks, collaborations and statements

Handelsbanken Fonder actively participates in investor networks and collaborations to assist the asset management sector's development of its sustainability work. Participation in networks is also a key part of the fund company's own learning and development process. The networks and investor initiatives that Handelsbanken Fonder has joined most recently include: The UN's PRI

Stewardship



Breakdown of topics addressed in direct dialogues and collaborative engagements



initiative Advance, which focuses specifically on promoting human rights; the Global Impact Investing Network; the Investors Integrity Forum; and Tobacco Free Portfolios.

Handelsbanken Fonder also frequently supports investor statements directed at companies and other decision-makers, to pressure them to raise their sustainability ambitions in a number of different ways. The fund company supported and signed statements in areas relating to the climate and human rights during the year.

Within the framework of investor networks, collaborations and statements supported by Handelsbanken Fonder, 2,123 companies have been contacted during 2022.

For more information, please visit handelsbankenfonder.se.

Active ownership

An important aspect of the asset manager's role is pushing for active and responsible corporate governance in the companies held by the mutual funds. As a shareholder, Handelsbanken Fonder can exert an influence over companies through active ownership in both its actively and passively managed funds. Two of the most direct ways to exercise this influence are through representation on nomination committees and voting at shareholders' meetings. The basis for this work is the fund company's Policy for Shareholder Engagement and Responsible Investment, Guidelines for nomination committees, Voting policy and relevant sector regulations from the Swedish Investment Fund Association, the Swedish Code of Conduct for fund management companies, and the Guidelines for fund management companies' shareholder engagement.

Nomination committee work

The most direct impact Handelsbanken Fonder can have in its role as a shareholder is by serving on nomination committees. This is why the fund company accepts offers to sit on nomination committees, provided that the holding is not deemed to be too small, and that the fund management company is ranked as a substantial owner relative to the others. Handelsbanken Fonder recognises that nomination committees have a crucial role to play in corporate governance and also provide an opportunity to influence the composition of the board. The fund company's guidelines for nomination committee work are sent to companies that offer a seat on their committee. The guidelines describe focal points, namely:

- the required expertise and composition of the board
- the importance of relevant sustainability expertise to the company's operations
- diversity and gender equality on boards.

For many years, Handelsbanken Fonder has worked towards the set goals to ensure a balanced gender distribution in the nomination committee group, which has had positive results. Handelsbanken Fonder appointed women to 73 per cent of the nomination committees it served on during the period leading up to the AGM season in 2022. The aim is to contribute to the creation of more gender-neutral boards over time.

Ahead of annual general meetings in 2022, Handelsbanken Fonder participated in 70 nomination committees. The proportion of women on the boards proposed by these committees increased slightly, from an average of 36.5 per cent in 2021 to 37 per cent in 2022. Handelsbanken Fonder will sit on almost 70 nomination committees for 2023. The focus will continue to be on achieving more gender-equal boards in the nomination committee work leading up to 2023.

Shareholders' meetings

Handelsbanken Fonder invests in a significant number of companies spread over numerous geographical markets. By voting at shareholders' meetings, Handelsbanken Fonder can influence the direction these companies take in relevant matters. In general, the fund company votes at shareholders' meetings in companies where its holdings exceed 0.5 per cent, or when an issue of particular importance is raised.

EXAMPLES OF THEMATIC ENGAGEMENT DIALOGUES:

Sustainalytics Modern Slavery

It is estimated that 40 million people are living in modern slavery today, and many studies indicate that companies can do much more in this area. Handelsbanken Fonder works with other investors against modern slavery through collaborative engagements run by Sustainalytics. This work focuses on 20 companies in the construction and clothing industries, whereby we attempt to influence the companies to adopt strategies for living wages, freedom of association and fair negotiation, and to ensure they have robust due diligence processes to identify risks along the entire supply chain.

FAIRR Working Conditions

Human rights and labour rights go hand in hand. The effects of Covid-19 on the global protein value chains have revealed major problems in working conditions on many levels, including supply chain disruption, reputational risk, fines, criminal investigations and legal processes by employees. A failure to protect workers at all stages affects meat producers and their global business. This collaboration, run by FAIRR, aims to combat labour risks in the global protein value chains and is directed at seven of the world's largest producers of animal protein. The collaboration encourages them to strengthen working norms and corporate practice along the entire supply chain, but particularly within three areas: health and safety, fair working conditions and the right to employee representation.

FAIRR Biodiversity Engagement

Protecting biodiversity is critical to upholding the ecosystems that the world depends on. The FAIRR Biodiversity Engagement collaboration aims to improve both the flawed management of animal waste and food pollutants by encouraging companies to use manure in a sustainable way, preventing pollution. This investor collaboration is aimed at ten of the world's largest pork and poultry producers, and two fertiliser companies.

EXAMPLES OF INVESTOR STATEMENTS:

Increased climate ambitions

Handelsbanken Fonder has signed the "UN Treaty on Plastics Pollution" statement, which the WWF and the Ellen MacArthur Foundation were involved in initiating. The statement encourages UN member states to create a treaty based on a circular economy, in order to reduce plastics pollution worldwide. The statement called for an ambitious common trading standard for all countries, pushing for the transition to a circular economy for plastics on a large scale. In March 2022, the United Nations Environment Assembly (UNEA) reached an agreement with 175 member states on a resolution to stop plastics pollution and to create a legally binding treaty by no later than the end of 2024. The statement has now progressed to the formation of a coalition of companies, the Business Coalition for a Global Plastics Treaty.

In 2022, Handelsbanken Fonder participated alongside other investors in CDP's annual Non-Disclosure Campaign, which aims to push for more corporate transparency – particularly with regard to climate change, deforestation and water security. During the year, Handelsbanken Fonder has also participated in CDP's campaign to encourage companies to set and report on Science Based Targets, thereby challenging the companies to set 1.5°C-aligned, science-based goals for reducing emissions and to achieve net-zero emissions before 2050.

Human rights

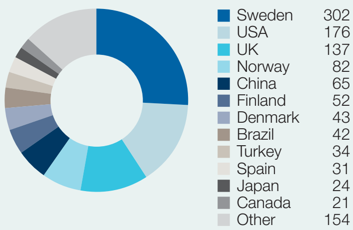
Handelsbanken Fonder has signed the "Living wages in EU CSDDD" statement, led by Fairphone, which encourages members of the European Parliament, the European Commission and member states to ensure that living wages and income are respected as a human right in the final due diligence directive for corporate sustainability (EU Corporate Sustainability Due Diligence Directive, EU CSDDD), and that the definition of a living wage is not watered down.

Nomination committees and shareholders' meetings

Active ownership	2022	2021	2020	2019	2018
Nomination committees	**70**	**47**	**41**	**34**	**36**
Number of nomination committee places where we have appointed women	73%	79%	71%	65%	63%
Shareholders' meetings[1]	**1,163**	**1,019**	**647**	**813**	**382**
Of which Swedish companies	302	338	238	224	158
Of which non-Swedish companies	861	681	409	589	224

[1] On 1 April 2020, the funds previously managed by Xact Kapitalförvaltning were transferred to Handelsbanken Fonder AB. The total for 2018 includes Handelsbanken Luxembourg. The mutual fund business in Luxembourg was wound up in December 2018.

Voting at shareholders' meetings



Reporting of class actions

Year	Total compensation in USD	Number of settlements
2022	1,073,869	38
2021	379,507	25
2020	879,456	13
2019	3,760,000	8
2018	18,717	4

In 2022, Handelsbanken Fonder voted at 1,163 ordinary and extraordinary shareholders' meetings, in 44 countries. Votes were cast either in person at the meetings or through proxies via electronic voting. Via proxy voting, the fund company is able to reach a larger amount companies and geographical markets.

Voting on sustainability issues

In principle, Handelsbanken Fonder supports shareholder proposals that promote corporate sustainability and greater transparency in the disclosure and reporting of the companies' climate impact, and their work with human rights and labour rights. In 2022, Handelsbanken Fonder voted at 378 shareholders' meetings at which sustainability was on the agenda. In total, the fund company voted on 256 shareholder proposals. The fund company voted in favour of 120 of the shareholder proposals, and against 136 of them. A complete voting report is available at handelsbankenfonder.se.

Incentive programmes

It is increasingly common that companies wish to set up equity incentive plans for senior management. In general, Handelsbanken Fonder is in favour of management having the same incentives as other shareholders, but views it as important that such programmes are transparent regarding both its goals and achievement, and remuneration levels. Together with other institutional owners, the fund company demands a certain level of transparency in the design of these programmes, and has, as part of the Institutionella Ägares Förening – IÄF (Institutional Owners Association for Regulatory Issues in the Stock Market), prepared a document with guidelines for how these programmes should be presented. Handelsbanken Fonder receives many enquiries from companies about these programmes before they are presented at the shareholders' meeting, and has detailed discussions about them. Ahead of the 2022 AGM season, the fund company held 22 dialogues on the subject. In addition, several other incentive programmes were analysed prior to a vote.

Class action and litigation

It happens that companies the fund company has invested in commit crimes or breach regulations, such as fraud or contravention of marketplace rules. Such violations may result in legal proceedings being brought against the company, often as a class action. These are often resolved through a settlement, with the company being compelled to compensate shareholders for losses incurred. Settlements may also include demands, for example in the form of changes to the board of directors, new or amended internal rules, or control activities. In order for Handelsbanken Fonder to safeguard the rights of the fund unit holders in such proceedings, two law firms are engaged to monitor the companies' actions and future processes. In 2022, our funds received USD 1,073,869 in class actions in the USA. The amount derived from 38 different settlements and was paid out to 16 of the mutual funds.

EU classification of funds

In accordance with the Sustainable Finance Disclosure Regulation, SFDR, Handelsbanken Fonder reports its funds in the following manner:[1]

The fund has sustainable investment as its objective (Article 9)

Mutual funds that have sustainable investments as a goal invest in companies whose products and services are deemed to make a direct positive contribution to fulfilling one or more of the Sustainable Development Goals in the 2030 Agenda for Sustainable Development.

Five of the funds are reported as Article 9 funds, with total assets under management of SEK 54.7 billion, corresponding to 6.8 per cent of assets under management. These types of mutual fund are also referred to as dark green funds.

Given the uncertainty surrounding the interpretation of the SFDR, Handelsbanken Fonder has chosen to adopt a conservative approach and report its Paris-aligned index funds as article 8 instead of article 9.3 as of year-end 2022.

The fund promotes environmental and social characteristics (Article 8)

The fund promotes environmental and social characteristics through its investments, but does not have sustainable investments as its objective. This means that the fund considers the environment and climate, as well as human rights, labour rights and non-discrimination.

89 of the funds are reported as Article 8 funds, with total assets under management of SEK 736 billion, corresponding to 91.9 per cent of assets under management. These types of mutual fund are also referred to as light green funds.

Sustainability risks are integrated into investment decisions (Article 6)

Sustainability risks are integrated into investment decisions, without the fund promoting environmental and social characteristics, or having sustainable investments as its objective. Sustainability risks are primarily managed through stewardship, in the form of dialogues and active ownership. The fund also considers Principle Adverse Impacts (PAI) on sustainability factors.

Three of the funds are reported as this type of Article 6 fund, with total assets under management of SEK 4 billion, corresponding to 0.5 per cent of assets under management.

Sustainability risks are not integrated into investment decisions (Article 6)

Due to the fund's investment strategy, sustainability risks are not integrated into investment decisions. Examples of such funds are those that invest only in derivatives and liquid funds.

Six of the funds are reported as this type of Article 6 fund, with total assets under management of SEK 5.7 billion, corresponding to 0.7 per cent of assets under management.

EVENTS DURING THE YEAR

Exiting investments in Russia

Russia's invasion of Ukraine has resulted in untold human suffering – and has had huge consequences for society and the global economy, the full extent of which not yet being possible to ascertain. Following Russia's violation of international law, Handelsbanken Fonder resolved to divest all direct exposure to the Russian market. The starting point has been that Handelsbanken Fonder invests in companies – not countries; however, in this situation, it became clear that companies were greatly affected by the countries in which they operated. Geopolitical risk is becoming increasingly more relevant from an investment and sustainability perspective.

[1] The regulations in this area are subject to ongoing development and clarification from the European Commission and the European supervisory authorities, including the Swedish Financial Supervisory Authority. Handelsbanken Fonder is following this development carefully such that it can take the necessary measures as agreed.

Handelsbanken Fonder began gradually reducing its holdings in Russian securities as far back as in autumn 2021. At year-end 2022, only a few shareholdings remain, and these are valued at a price "near zero". The final exposures will be divested as soon as the market conditions and regulations allow, with the ambition of minimising customer losses. However, the Russian stock exchange remained closed to foreign investors at year-end 2022, preventing Handelsbanken Fonder from action for the time being.

Stakeholder dialogue about weapons and military equipment
Handelsbanken Fonder, similarly to the wider Handelsbanken organisation, supports every country's right to defend itself with force. This has been addressed and once again underlined as a consequence of Russia's military invasion of Ukraine and the EU's forthcoming social taxonomy. Handelsbanken Fonder has met many stakeholders in the sector throughout the year, and has also held customer dialogues and organised customer surveys in order to proactively and responsively listen to and take notice of what stakeholders and customers expect of the fund company.

Large emitters
Dialogue is one of the main tools used in the efforts to achieve the climate goal of a 50 per cent reduction of the funds' carbon intensity by 2030. During the year, priority has been given to engaging in dialogue with the holdings that account for the largest proportion of the actively managed funds' carbon intensity, primarily in the cases where it is assessed that the company could be more ambitious and transparent. The expectation has been that companies should have good control of their climate work, that they set and realise science-based targets in regards to reducing their environmental impact in line with the Paris Agreement and, finally, transparency in their reporting. Handelsbanken Fonder engages in climate dialogues, both on its own and in collaboration with others, such as Climate Action 100+. In 2022, the fund company contacted and engaged independently in direct dialogues with 61 companies related to reducing emissions.

Biodiversity
During the year, Handelsbanken Fonder has taken additional measures to improve its knowledge and co-operation with other stakeholders in the field of biodiversity. The fund company is an active participant in many investor coalitions exploring how biodiversity can be systematically integrated into analyses, and is also involved in dialogue initiatives addressing biodiversity. The fund company has also participated at conferences and round tables focusing on biodiversity. Prior to the UN Biodiversity Conference, COP15, in December 2022, both Handelsbanken Fonder and Handelsbanken signed an investor statement to highlight the importance of biodiversity and the development of a global framework for biodiversity. The fund company will work actively with the systematic follow up of this in relation to companies with high risks linked to biodiversity through their operations. In 2022, the fund company contacted and engaged independently in direct dialogues with 26 companies related to biodiversity.

Human rights
Many of the major events and changes that have been at the fore of the agenda during the year have clear links to human rights. Russia's invasion of Ukraine and the tense geopolitical climate, energy security issues, the climate transition and digitalisation of society all, in their own way, actualise issues surrounding corporate responsibility for human rights along the entire value chain in conflict zones and high-risk areas. During the year, Handelsbanken Fonder has independently, and through collaborations and initiatives with other investors, such as the Investor Alliance for Human Rights, held dialogues with companies in sectors with elevated risks in relation to human rights. The fund company has clarified that it expects companies to operate in accordance the UN Guiding Principles on Business and Human Rights, and that they ensure transparency in their reporting. In 2022, the fund company contacted and engaged independently in direct dialogues with 34 companies related to human rights.

EU Action Plan on Sustainable Finance
During the year, Handelsbanken Fonder has continued its work with, and adaptation to, SFDR Level 2 regulations and the EU taxonomy (environmental objectives 1 and 2, climate change mitigation and climate change adaptation).

Measurement methods for engagement activities
In many respects, engagement is qualitative work rather than quantitative. At the same time, Handelsbanken Fonder believes that this is the area where a major difference can be made. Being able to quantify the results of the work is therefore central to the fund company's ambition to channel resources to the places they can have the largest impact. One of the most important areas of focus during the year has thus been to develop methods that enable progress measurements to be made, and to categorise what is considered an engagement activity with a positive outcome. Additional expertise within engagement has strengthened the fund company's sustainability department during the year. This is an important step forward in the work towards the interim target of increasing engagement activities with a positive outcome yearly until 2025.

Engagement in allocation management
In allocation management, engagement dialogue aims to encourage other fund companies to further bolster their sustainability efforts, so that their work falls in line with Handelsbanken Fonder's exclusion criteria for companies, resulting in a broader range of funds available for investment. The allocation management team has, for example, been involved in dialogue regarding the development of a newly started external global fund with a clear focus on sustainability. The vision for this new fund is to identify companies helping to solve issues related to the climate transition. The fund has a distinct investment process and strategy, which has produced positive results in other management assignments. The transparent, unambiguous focus on sustainability has also contributed to the fund company's fund portfolios investing in it.

New funds 2022
Handelsbanken Latinamerika Impact Tema
Handelsbanken Fonder has refined its methods for impact investing during the year. Consequently, the fund company was able to launch an impact fund in 2022, Handelsbanken Latinamerika Impact Tema. This means that an even greater degree of activity can be directed towards identifying and investing in companies whose operations, products or services have, or can be expected to have, a quantifiable positive impact on one or more of the Sustainable Development Goals. In 2022, the fund company had its own direct dialogues with 90 companies on impact topics, i.e. how the companies work to increase their positive impact on sustainable development in line with the 2030 Agenda through their product range and/or business model. Dialogues on positive impact are an important tool within the framework of the fund company's impact investing.

Handelsbanken Hållbar Global High Yield
During the spring, a new actively managed fixed-income fund was launched, Handelsbanken Hållbar Global High Yield. The fund invests in green and/or social bonds where the funding is used for projects and activities aimed at promoting the work on issues related to sustainability and the environment, or in bonds from issuers who support a sustainable development in line with the Sustainable Development Goals.

Handelsbanken Nanocap Sverige
During 2022 Handelsbanken also launched Nanocap Sverige, an actively managed equity fund that invests in the smallest companies on the stock exchange, and in unlisted companies, mainly in the Swedish market. Part of the role of a fund manager for small companies is to allocate capital to the areas where it is deemed to provide the greatest benefit and thus contribute to creating more profitable companies and generating good returns. Active ownership and engagement are therefore an important part of the fund's management. The fund often invests in companies that are at the very start of their sustainability journey, which enables the fund company to become involved in supporting the company in its continued development.

Nordic Swan Ecolabelled mutual funds
During the year, the fund company has been analysing the new, stricter criteria for Nordic Swan Ecolabelled funds that come into effect at the beginning of 2023. Among other things, these criteria entail stricter requirements in areas such as climate, the integration of the EU taxonomy in the sustainability analysis and requirements relating to biodiversity. Read more at svanen.se/en/funds/save-in-funds.

At year-end, Handelsbanken Fonder offers ten Nordic Swan Ecolabelled mutual funds with a total value of SEK 115.6 billion, equivalent to 14.4 per cent of total assets under management.

Company visits

After the lifting of pandemic restrictions, Handelsbanken Fonder's portfolio managers have once again been able to meet the companies they have invested in and visit them in person. This is an important element of the company research carried out prior to making investment decisions, regular follow-ups and engagement activities. Several site visits have been carried out at companies to follow up the progress made in areas related to human rights and labour rights, as well as developments for the the local communities affected.

Awards

Handelsbanken Asset Management came in first place in the "External Asset Manager" category in Kantar SIFO Prospera's 2022 survey – the fourth consecutive year it achieved this ranking. The survey considers 13 different categories, one of which is 'Sustainable investments'.

Looking forward

Handelsbanken Fonder will continue working with its established sustainability goals. Human rights and biodiversity are two areas, in addition to climate issues, that will require a broader and deeper approach, primarily through direct dialogues. The active dialogue with customers and stakeholders will continue, in order to constantly ensure that the fund company's sustainability efforts are in line with their expectations. The fund company is also continuing to follow and monitor the continuous developments and clarifications of the SFDR.

Above all, strenuous efforts within asset management continue to be made on a daily basis towards Handelsbanken Fonder's vision to create financial wealth and planetary health.

HANDELSBANKEN LIV

Handelsbanken Liv is Handelsbanken's life insurance company and is a wholly owned subsidiary. The life insurance company's insurance policies are distributed through Handelsbanken's branch offices in Sweden, and the vision is to contribute towards greater security in life and a richer future. Handelsbanken Liv has assets under management of approximately SEK 230 billion and employs around 100 people.

SUSTAINABILITY GOALS FOR HANDELSBANKEN LIV

Handelsbanken Liv's sustainability goals aim to promote sustainable development, for both future generations and our planet. The goals are divided into three areas: environment, social responsibility and business ethics.

Investments for a climate-neutral future

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

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

Handelsbanken Liv is on track to reach its interim targets of reducing the climate footprint from its own operations by 25 per cent, and increasing the range of funds with climate-related and environmental solutions by 15 per cent by 2025. The goal to only offer funds that exclude fossil fuels was reached in 2021.

Gender-equal pensions

The overarching social sustainability goal is to ensure long-term financial security for all of our customers, and in particular to contribute to a reduced income disparity between men and women upon retirement, in line with Handelsbanken's goal of gender-equal advisory services. Interim targets to be achieved by 2025 for achieving financial independence through gender-equal pensions are:

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

A number of activities and training initiatives have been undertaken to take further steps towards these targets. To name just one example, 91 per cent of the company's managers have now completed an internal training course on gender equality and diversity.

Sustainable purchases and external fund suppliers

The overarching sustainability goal regarding business ethics includes the evaluation of suppliers and partners to ensure that they meet sustainability criteria. As soon as possible, and by 2025 at the latest, Handelsbanken Liv will ensure that external fund suppliers whose funds are offered in its insurance solutions actively work to achieve the climate goal of the Paris Agreement, and contribute to investments that support the 2030 Agenda for Sustainable Development. Interim targets in this area, to be achieved by 2025, are:

- Handelsbanken Liv's procurement and outsourced operations are sustainable.
- Only offer funds from suppliers committed to the Paris Agreement.
- Only offer funds from suppliers that actively contribute to the 2030 Agenda.

During the year, Handelsbanken Liv has continued to evaluate suppliers and partners and to set requirements in terms of sustainability. All new suppliers follow the requirements established as regards sustainable operations, and all that remains is to review existing supplier arrangements.

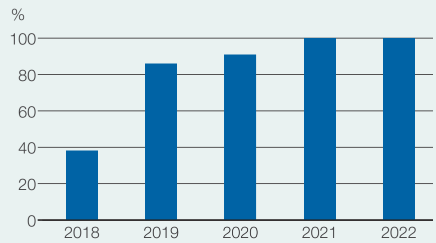
Funds and fund management companies are evaluated on an annual basis in accordance with the company's guidelines for the fund selection process. These evaluations involve the analysis and assessment of the fund management companies' and asset managers' compliance with adopted sustainability commitments, including that the fund management company is working towards a transition in line with the Paris Agreement and supports the 2030 Agenda. Handelsbanken Liv's procurement processes for external suppliers follow adopted sustainability ambitions, and no deviations have been identified that conflict with the Group's code of conduct. Handelsbanken Liv therefore concludes that the interim target of only offering funds from suppliers committed to the Paris Agreement, and the interim target of only offering funds from suppliers that actively contribute to the 2030 Agenda were achieved in 2022.

Outcome emission intensity

Since 2016, Handelsbanken Liv has monitored the emission intensity of its investments, i.e. the greenhouse gas emissions generated by the companies invested in by the funds in the portfolio. Handelsbanken Liv has chosen to report emission intensity in line with Insurance Sweden's recommendations, meaning that it is expressed as a weighted average value. Emission intensity is calculated using emissions data taken from ISS Ethix, which includes both direct and indirect emissions (Scopes 1 and 2).

In 2022, Handelsbanken Liv has reduced the emission intensity of the assets under management in funds and mixed funds linked to unit-linked insurance and traditional insurance in Sweden. The portfolio-weighted emission intensity has decreased by 13 per cent, from 7.8 tCO_2e/SEKm in 2021 to 6.8 tCO_2e/SEKm in 2022. The explanation for the decrease is the continued integration of sustainability requirements within asset management, and Handelsbanken Fonder's work to integrate sustainability into investment decisions. Investments in green bonds in traditional insurance amounted to SEK 1.3 billion, corresponding to 24 per cent of the total portfolio. In addition, Handelsbanken Liv has maintained a low exposure to fossil fuel-intensive sectors: 4.5 per cent (4.3) of assets.

Proportion of unit-linked insurance funds that exclude fossil fuels[1]



[1] The offered funds exclude companies that derive more than five per cent of sales from the extraction or distribution of fossil fuels (oil, gas and coal). For Arctic oil drilling, extraction of oil sands and coal mining, zero tolerance is applied (0 per cent). An exemption can be made from the principle of excluding fossil fuels for a period of time on the condition that the company operates in the energy sector and fulfils the definition of a company in transition, although not if turnover derives from any of the business areas in which zero tolerance applies for exclusion.

An in-depth look at the company's environmental and climate-related work is published annually in Handelsbanken Liv's climate report, which is prepared according to TCFD recommendations.

Business intelligence and engagement analysis

Handelsbanken Liv's investments are affected by physical climate-related risks, transition risks and other dispersion effects in the economy. The strategy for investments and the fund selection process are therefore grounded in a comprehensive sustainability analysis that integrates ESG topics. They focus on harnessing the opportunities that arise through the transition to a sustainable economy, while avoiding risks relating to sustainability and a lack of power to act.

As part of its risk management, Handelsbanken Liv has signed up to co-operation initiatives within the sector, such as the UN's Principles for Sustainable Insurance (PSI) and the Tobacco Free Portfolios pledge. The company also participates in committees and collaborations organised by the Insurance Sweden trade association, aiming to create established standards and to arrange collective engagement work. In 2022, Handelsbanken Liv was the world's first insurance company to back the Fossil Fuel Non-Proliferation Treaty, a global initiative exhorting nation states to produce and ratify a binding agreement phasing out fossil fuel-based energy. Handelsbanken Liv and Handelsbanken also took part in Stockholm+50, an international meeting convened by the United Nations General Assembly, discussing what actions could be taken to encourage more players to come together and step up the progress of the climate transition.

Work with responsible investment

Sustainability work at Handelsbanken Liv is integrated into the company's processes and governance model. With product governance and follow-up, sustainability must be taken into consideration in both product development and in an annual evaluation of the insurance products' target groups, sustainability goals and product attributes. This work is undertaken by Handelsbanken Liv's product committee, which convenes on at least a quarterly basis. The committee includes executive officers, who make recommendations on matters to be decided on by the Chief Executive. The product committee has two sub-committees, a fund selection committee that handles the selection and evaluation of funds and fund companies that can be chosen within unit-linked insurance, and an investment committee that deals with investments within the framework of traditional insurance. Each committee follows guidelines that stipulate the direction of its work and defines the process for investment decisions, as well as how sustainability risks are to be integrated. Handelsbanken Liv also has a co-ordinating climate team, working on environmental and climate-related issues.

Handelsbanken Liv identifies sustainability risks through climate analysis, dialogue with fund management companies it works with, business intelligence and the business's own sustainability knowledge. The most material climate-related risks and opportunities linked to the insurance operations are found in the investment offering. Handelsbanken Liv uses three methods in its approach to combating climate change:

- Exclusion: reduce exposure to carbon-intensive sectors in the company's investments, primarily by excluding investments in companies that extract or process fossil fuels.
- Inclusion: increase investment in funds that facilitate a sustainable transition and that have climate goals based on empirical evidence, such as Paris Aligned Benchmarks (PAB) or Science Based Targets (SBTi).
- Engagement: engage with our fund providers and push them to work actively and systematically with their climate impact.

Sustainable products in pensions and insurance

Handelsbanken Liv has a fund selection process explaining the choice and evaluation of funds and fund management companies, which also describes the basic sustainability criteria. These criteria are based on policies and guidelines that govern the work with responsible investment. Examples of sustainability characteristics that can be assessed in the choice and evaluation of funds are:

- The fund has a low emission intensity (the fund's emission intensity can be a maximum of 50 per cent compared with the corresponding market-weighted index).
- The emission intensity of the fund is decreasing annually by at least 7 per cent, to align with the goals of the Paris Agreement, and to achieve net-zero emissions of greenhouse gases by 2040.
- The principle of Do No Significant Harm (DNSH) is followed, i.e. the fund's focus on a sustainability objective (e.g. reduction of fossil fuels) is not detrimental to other sustainability objectives.
- The fund is classified according to the SFDR, by promoting positive environmental or social characteristics (Article 8) or has sustainable investments as its objective (Article 9).

Looking forward

Handelsbanken Liv will continue to follow accepted practice to ensure that assets under management are aligned with the Paris Agreement. Engagement work will be intensified, with the aim of reducing the risk of extreme climate events arising from other investors' ongoing financial support for fossil fuel extraction. In addition, Handelsbanken Liv will continue to develop the model for calculating the effect of a global price for carbon emissions. The company will also advance its work in accordance with its updated fund strategy, entailing a broadening of the investment scope for customers, within the framework of their insurance, to invest in funds that invest in companies contributing to a positive climate transition. Another important area is the ongoing digitalisation of processes, in order to reduce paper-based distribution.

Handelsbanken Liv intends to review and develop its sustainability goals in the coming years. The growing availability of data and models for scenario analysis also allows for the continued refinement of processes and the company's strategies.

OPTIMIX

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

All of the funds in Optimix Investment Funds and Add Value Fund are classed as Article 8 (light green) under the SFDR. The funds aim to promote environmental or social aspects by excluding companies exposed to controversial operations. Optimix excludes companies that do not respect criteria for the environment, human rights, working conditions and anti-corruption. Optimix mainly monitors negative consequences, known as Principal Adverse Impacts, on sustainability factors when making investment decisions.

Optimix is a signatory to the Principles for Responsible Investment (PRI) and manages its investments in accordance with these principles and the UN's Global Compact.

In 2022, Optimix entered into an agreement with Clarity AI on the provision of sustainability data linked to Principal Adverse Impacts according to the SFDR and the EU taxonomy. Total assets under management in the six Article 8 funds amount to EUR 489.3 million.

In 2018, Optimix introduced sustainability mandates for its discretionary portfolio management services. The purpose is to promote investments with environmental aspects, such as reduced emissions and improved energy efficiency over time. A sustainability mandate also entails investments in investment products which, under Optimix's policy for responsible investments, combine inclusion and exclusion. The sustainability mandate for all risk profiles means that at least half of the portfolio is comprised of sustainable investments according to Articles 8 and 9 of the SFDR. Optimix continues to see a strong inflow to these sustainability mandates. Total assets under management for the sustainability mandates amount to EUR 219.5 million.

As of August 2022, Optimix takes the sustainability preferences of both new and existing customers into account. By taking a personal approach to each customer's requirements for their financial goals and risks, as well as sustainability, Optimix can ensure the best solution for every respective customer. This will result in more satisfied customers.

In 2023, Optimix began to report the sustainability characteristics of its investment solutions, in terms of Principal Adverse Impacts according to both the SFDR and the EU taxonomy. Optimix is continuing its work to fulfil the goals of the Paris Agreement and Handelsbanken's Group-wide goal of net-zero emissions from its investment portfolios by 2040.

HANDELSBANKEN WEALTH & ASSET MANAGEMENT LTD

Handelsbanken Wealth & Asset Management Limited (formerly Heartwood Wealth Management Limited) has been a wholly owned subsidiary of Handelsbanken since 2013. It has been owned by Handelsbanken plc since 2018 and is responsible for asset management operations on behalf of Handelsbanken plc's customers.

Handelsbanken Wealth & Asset Management offers four global, sustainable multi-asset funds designed for different customer profiles in terms of risk appetite and financial return targets. The long-term goal shared by each of the funds is a return in excess of inflation, while also influencing companies to find solutions to sustainability challenges.

Choice of investments

The funds exclude companies whose main business is in sectors such as tobacco, alcohol, military equipment, pornography or gambling. Investments are excluded if more than 5 per cent, or USD 500 million, of turnover derives from these sectors (zero tolerance for tobacco producers, and less than 15 per cent of sales revenues). Investments are also assessed relative to other negative sustainability factors.

This is the fundamental approach to the selection and exclusion of certain sectors and business operations, but the funds also take a more active role in finding interesting sustainable investments, and the fund managers actively search for opportunities to invest in companies that can exhibit sound management of ESG factors.

- Examples of environmental factors are climate change, waste management, use of water and pollution.
- Examples of social factors are impact on society, working conditions, social care and human rights.
- Examples of governance factors are corporate accountability, diversity on boards of directors, equitable salary structure and business ethics norms.

With this as a foundation, the funds aim to include investment products that invest in companies with positive sustainability factors, and in companies that can display proof of a commitment to improve.

Another very important – and growing – part of the funds' investments is impact investing. These are investments with the objective of providing a financial return by solving a specific problem, focusing on one or more of the Sustainable Development Goals. This could be a case of building social housing, contributing to renewable energy production, or research aiming to find biotechnical solutions to difficult-to-treat illnesses and health problems.

Regarding specific investments in the funds, 2022 has been a strong year for renewable energy, particularly given the prevailing energy crisis. As a result, many of the funds' positions in renewable energy, focusing on both production and storage, have enjoyed a period of very positive performance. The managers have since reduced these positions, in order to invest the returns into other important areas. Other important performances in 2022 came from new innovative investments, such as positions in areas like biodiversity and carbon credits.

Due diligence

The fund managers have a strict structure for due diligence and for the process of identifying and analysing potential fund holdings, from both an investment and sustainability perspective. The managers analyse companies and other funds in the context of their own frameworks and approaches to sustainable investments. The overall assessment includes scrutiny of the investment goals and underlying fund holdings, in order to ensure that the investments, in principle, are aligned with Handelsbanken Wealth & Asset Management's policy for sustainable investments. The assessment is a continual process – it is regularly revisited after initially being carried out it is regularly revisited following the initial investment.

The fund managers also have a number of trusted external data providers to help with their investment research. These external experts produce reports showing the investments' income exposure in relation to controversial sectors such as alcohol, pornography, weapons and defence, and tobacco. They also analyse how well different countries are performing in ESG terms, and assign an ESG rating to each country (which is a significant benefit when assessing potential investments in government bonds). The external experts also provide data showing the true ESG weighting in sustainable investments compared with various standard stock market indices.

The fund managers also believe that support from peers is an important factor in the positive performance of the funds. Handelsbanken Wealth & Asset Management is a member of the UK Sustainable Investment and Finance Association (UKSIF). UKSIF's goal is to unite investors involved in sustainable financing and to support its members in the work to expand, improve and promote the sector. As a member of UKSIF, Handelsbanken Wealth & Asset Management is part of a financial sector organisation that can gather forces to influence adaptation to the Sustainable Development Goals in a positive direction, and share its collective knowledge.

Supervision

A Sustainable Investment Committee, which includes external members, convenes once per quarter and provides oversight of the fund managers' processes. The Committee is responsible for undertaking an independent review of the Sustainable Investment Policy, and for ensuring that the funds' selected investment instruments remain in line with the sustainability goals. In addition, the Authorised Corporate Director for the sustainable funds – Handelsbanken ACD Limited – supervises this review process.

Contributions to reaching the sustainability goals

Handelsbanken Wealth & Asset Management supports the Group's sustainability goals and will continue to develop further business plans in a direction that contributes to achieving those goals. Work on the Group's sustainability goals in the future will involve, among other things, developing investment strategies aligned with the Paris Agreement, in accordance with Science Based Target initiative (SBTi) recommendations. Such development tallies well with the long-term management strategy and the intention of the sustainable funds to make a genuine difference. It will be achieved by giving companies an incentive to take responsibility via the process for sustainable investments, and through adaptation to the Sustainable Development Goals. In addition to climate-oriented principles, Handelsbanken Wealth & Asset Management has also committed to increasing its investments' contribution to the 2030 Agenda. The funds currently have investments within the framework of several of the SDGs, from Clean Water and Sanitation to Industry, Innovation and Infrastructure.

Advisory services

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

Goal achievement
Six business development initiatives in advisory services were carried out during the year in Sweden. Two new training courses on gender-equal advisory services were launched during the year.

Material topics
- Responsible advisory services
- Helping customers make sustainable choices
- Gender equality in advisory services

Why are these topics of importance to Handelsbanken?
Handelsbanken's success depends on the trust of its customers. This confidence is earned by acting responsibly when the Bank meets its customers and gives them advice on, for example, mortgage loans, day-to-day finances, corporate finance and investments.

Between 40 and 50 per cent of the Bank's private customers – depending on the market – are female. It is important to Handelsbanken to provide opportunities to all its customers to improve their financial security and freedom. For instance, by giving more prominence to gender equality in the development of advisory services, the Bank can improve knowledge and spread awareness of the informed choices customers can make to strengthen their financial independence and security in the best possible way. In doing so, Handelsbanken can contribute to reducing the savings gap between women and men.

Policy documents
- Policy for sustainability
- Policy for ethical standards

Other reporting
- Sustainability Factbook 2022
- The savings gap – What are we doing about it?

Sustainable Development Goals
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

RESPONSIBLE ADVISORY SERVICES
When offering advisory services in relation to granting credit, investments and in insurance mediation, Handelsbanken always considers the customer's overall situation and financial circumstances. Based on this, the Bank can provide guidance on financing or investments adapted to each customer's requirements. Handelsbanken focuses on the customer's needs – not individual products or services.

The information the Bank provides to customers must be clear, factual and easy to understand, and the terms and conditions for the Bank's services must be clear and not change arbitrarily. When providing investment advice, the Bank adapts its proposal to the customer's goals, interests, savings horizon and attitude to risk. The Bank considers it essential for the customer to understand the risk associated with each type of financial instrument, and also to have the knowledge and experience needed to invest in the product or service selected. In the Bank's investment advisory services, customer sustainability preferences are discussed, and the customer is informed about Handelsbanken's sustainability work.

The regulations for financial advisory services and insurance mediation require that all employees who provide customers with advice concerning investments and insurance have relevant, up-to-date skills. The Bank has broad expertise in this area and complies with the regulatory requirements from the EU and local supervisory authorities in all of the markets where the Bank offers advisory services. Handelsbanken has more than 3,400 employees licensed to provide investment advice, such as the SwedSec licence for advisory services on financial instruments. This licence requires holders to take a refresher course on an annual basis. Employees who provide investment advice as part of their day-to-day work are also required to attain Handelsbanken's Basic certification for advisors.

According to customer surveys undertaken on behalf of the Bank in Sweden by SKI in 2022, the most common advisory services for private customers focus on advice about loans. During 2022, the Bank has improved advisory availability for private customers with questions about mortgages. Customers are able to talk to an advisor who knows the local market, even if the meeting takes place online or by phone, and meetings outside office hours can be arranged for customers who prefer this.

Availability and inclusivity
Handelsbanken strives to provide all customers – even those with a disability or language difficulty, for example – with equal access to information and services, no matter their prior financial knowledge. The available information is easy to read, hear, see and understand whether provided in print, by telephone, online or in videos or meetings. Availability is a cornerstone in all the Bank's development work. Handelsbanken's work is based on internationally recognised standards, as well as our own guidelines. The Bank's membership in the International Association of Accessibility Professionals (IAAP) enables it to expand its knowledge and create even better conditions for everyone who visits its digital meeting places. Handelsbanken also sees that this membership provides opportunities to share its experiences of working for increased availability.

HELPING CUSTOMERS MAKE SUSTAINABLE CHOICES
Developing the Bank's advisory services with the help of digital technology is not just a matter of strengthening Handelsbanken's offering to individual customers. It is also a way to take responsibility for acting sustainably in the long term. By always strengthening the Bank's advisory services and making them more accessible, this increases the chances of the Bank's customers being able to make relevant "green" choices, helping the Bank to achieve its overarching climate goal. This could refer to quickly being able to offer meetings with sustainability experts, developing advisory tools and training, or developing green products.

The Bank has noted growing demand among larger corporate customers regarding the adaptation of financing frameworks to the EU taxonomy. Extended reporting requirements regarding sustainability data has put clear demands on the Bank's customers. Handelsbanken puts great emphasis on analysing and guiding its customers regarding these proposals and regulations, as this allows for a better offering of relevant financing alternatives.

Handelsbanken also takes an active role in advisory services for green bonds, and has been involved in developing many green financing frameworks for Nordic issuers.

Equity research

Analysis of environmental, social and governance issues is a prioritised area in the Bank's strategy for its global equity research department. Continuous dialogue is undertaken with the companies the Bank covers, with some of the focus areas discussed in 2022 being the EU Taxonomy, energy consumption, sustainability risks in the supply chain and biodiversity. As part of the work to integrate sustainability issues into the research process, the research department also collects sustainability data and key metrics in a sustainability database, which is accessible to customers. The goal is that the analysis of key sustainability issues becomes a natural part of the Bank's equity research, making skills development in these matters a high priority for all employees in the equity research department. All analysts also produce sustainability analyses of the listed Nordic companies the Bank covers.

During the year, the Bank's sustainability analysts have published 28 in-depth reports and commentaries on a variety of sustainability topics, an increase of 22 per cent over the previous year. Moreover, five panel discussions were arranged with invited companies and experts during the year, focusing on themes such as energy, biodiversity and climate change adaptation.

Advisory services in forestry and farming

Forests play a significant role in the health of the climate and in natural biodiversity. Handelsbanken has a comprehensive offering to customers who own forest land or agricultural property in Sweden. The Bank has a high level of sector expertise in the Forestry and farming business area, as its employees have backgrounds stretching from forest management, forestry and agronomy to business administration and law. It also co-operates closely with other advisory companies within, for example, corporate law, siviculture and tax-related matters. Sustainability issues have long been highly relevant to forestry and farming companies, as these matters often have a direct effect on the profitability of their operations. For private forest owners, production targets and environmental goals have correlated since the early 1990s thanks to the Swedish Forestry Act, while for farming companies an increased focus on biodiversity, new technological initiatives, growing techniques and advisory services on the efficient use of input goods, have reduced the environmental impact.

During 2022, the Bank followed up the sustainability training project held last year in this business area. As a consequence, dialogue on sustainability topics has become a natural part of the interaction with customers. This experience has given employees in the business area the ability to emphasise important sustainability aspects in dialogue with the customer, and advisors have expanded their knowledge of the opportunities and threats surrounding sustainability for forestry and farming.

The Bank's 'Skog och lantbruk' newsletter shines a light on relevant current events in the sector, such as research and new technologies, and these solutions often contribute to the transition towards a more sustainable society. Since this customer group is particularly interested in green energy investments, customer activities were arranged in 2022 together with local branches focusing on this.

The 'Tillväxt' customer magazine highlights good examples of customers who have made changes to their operations through investments linked to, for example, the Climate Leap initiative. The hope is that this will inspire more customers to make similar investments. In tandem with this increased interest, many broad communications initiatives directed at our Swedish customers have also been carried out, such as the nationwide digital broadcasts of "Studio Forestry and Farming" and "Sector Analysis Forestry".

During the year, the Bank has continued to take part in the Swedish Bankers' Association's discussions on the interpretation of the taxonomy regulations for the forestry sector, and how these will affect green financing in the future.

GENDER-EQUAL ADVISORY SERVICES

Handelsbanken's sustainability goal for gender-equal advisory services is that the Group, by the end of 2023, through business development and training initiatives, will in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women. By making financial services available to more people, and increasing women's financial independence, the Bank increases its customers' financial stability and contributes to the Gender equality SDG.

The gap between men's and women's savings is primarily due to causes unrelated to the Bank's advisory services, such as the labour market. In many cases, women are paid less and work part time to a higher degree, affecting their incomes and their ability to save. In order to achieve the gender-equal savings goal and help more customers achieve financial security, thus moving towards a more gender-equal economy, the Bank's method for working with gender-equal advisory services is:

- educate and boost knowledge about financial gender equality
- analyse the advisory services and follow up with the operational side of the business
- support individual development within the area of personal finances by launching tools and aids which facilitate and simplify savings and investments

Handelsbanken's operations should offer advisory services that aim to ensure long-term financial stability for all customers, regardless of gender. During the year, the Bank has continued to follow up advisory services and savings started via digital guides. The results show that, on average, women save SEK 1,080 less per month in mutual funds than men. Generally speaking, women and men have different attitudes towards savings. Handelsbanken's follow-up indicates that more women than men have met us during the year for investment advice: 53 per cent compared to 47 per cent. The digital savings guides have also been used more by women than men, at 53 per cent and 47 per cent, respectively. The total amounts saved are also lower. The risk attitude, and the manner in which capital is invested, vary between men and women savers. Medium risk is the most common risk level for our customers' savings, but the second most common for men is medium/high risk, whereas for women it is medium/low risk. The results of the follow-up also show that men own a larger percentage of the assets under management in active equity funds at the Bank's Swedish fund management company. Men own 55 per cent, compared with the 45 per cent owned by women. Women, on the other hand, own a greater percentage of the assets under management in our mixed funds – 57.5 per cent compared with 42.5 per cent.

Business intelligence

There are many reasons to actively promote gender equality. At the root of the matter, it is about fairness and human rights.

Statistics from Eurostat – "Gender pay gaps in the European Union" and "Gender pay gap in the UK" show that the pay gap between men and women in Handelsbanken's home markets was between just over 11 per cent (Sweden) and 15

CASE – Sustainability analysis for a million savings customers

In 2022, Handelsbanken made it possible for its customers to use either their computer or mobile phone to view an analysis of their savings – based on sector or geography, for example – plus selected sustainability indicators that provide customers with a quick, simple overview of their own savings. This provides a way for customers to view their carbon footprint, the proportion of their savings that excludes fossil fuels, and the EU classification of the mutual funds. This arrangement ties in well with the results of a customer survey undertaken by SKI in Sweden in 2022, which found that the environment and climate constituted the most important topic within sustainability among respondents.

per cent (UK) in 2020. An OECD report from 2021 shows that the pension gap between women and men (lower average pension, expressed as a percentage, for women compared with the corresponding figure for men at 65 years of age) in the same markets was just over 40 per cent (the UK) and just over 26 per cent (Norway).

Customer surveys

This year's survey by Swedish Quality Index on savings shows that few respondents use their own savings to compensate for the shortfall in their pension arising from part-time work and parental leave. Just over 11 per cent state that they have extra savings to compensate for choices made during their working life that adversely affect their pension. The survey also indicates that 23 per cent would like to resolve this issue, or to receive advice on compensation savings. There is thus a substantial amount of interest among the savers questioned, but very few have taken action to make up the shortfall in their pension. More than a fifth of customers, 21 per cent, also states that they would like to review the risk level in their savings. An increase of four percentage points compared to last year's figure. The increased interest can be linked to the changed economic outlook many households are coming to terms with, with higher prices and rising interest rates. Surveys also indicate that more people are saving up a buffer for unforeseen expenses than before, and that they are uncertain regarding their knowledge of savings issues. In order to help customers predict the long-term effects of all the choices – big or small – that they make with regard to their finances, Handelsbanken continued its educational initiatives and business development activities during the year.

Training to improve knowledge and expertise

A large part of the work relating to gender-equal advisory services is aimed at strengthening advisors' capacity to help the Bank's customers make well-informed decisions when it comes to their savings. In order to boost expertise among the Bank's employees on how investment choices impact financial equality, the Bank has launched two tailored training courses for advisors in Sweden. 'Gender-equal savings' aims to highlight savings behaviour and risk appetite in savings, while 'Gender-equal advisory services' highlights gender equality aspects in day-to-day financial decisions. These courses have now been completed by around 80 per cent of the Bank's 1,720 active advisors in Sweden with both a SwedSec licence and Handelsbanken's basic certification for advisors.

Gender equality starts in the wallet

In November 2022, Handelsbanken published its report "The savings gap – What are we doing about it?" to spread the message that gender equality often starts in the wallet. In the report, the Bank's advisors and experts were interviewed and shared facts and tips about personal finances, as well as highlighting some common pitfalls. The report also describes the efforts the Bank has made so far to reduce the savings gap and to create better conditions for women's savings.

Sector-wide collaboration

During the year, Handelsbanken has joined the Gender-equal savings working group, which is part of the Swedish Financial Supervisory Authority's public education project. The Bank has also been active in lecture sessions at universities and colleges to spread knowledge about finances and gender-equal savings to students.

Business development during the year

In 2022, the Bank has developed the advisory tool used in Sweden and Norway, ensuring that advisors are provided with the necessary support to discuss gender equality in finances with the Bank's customers. The Bank has also launched a tool on its website to visualise the pension gap that arises when comparing part-time with full-time work, called the part-time calculator. The aim is to highlight the financial consequences of part-time work. The tool calculates the different pension amounts arising from part-time and full-time work, and also shows how much would be required in monthly savings to compensate for the difference. The part-time calculator can be found on the section on gender-equal finances on the Bank's Swedish website, which aims to increase knowledge regarding gender equality in day-to-day financial decisions.

CUSTOMER SATISFACTION

Handelsbanken strives to build a trusting, long-term relationship with every customer. All important business decisions should be made as close to the customer as possible. This contributes to better meetings, better decisions and more satisfied customers. In everything we do, our aim is to create the best possible conditions for successful customer meetings. If Handelsbanken gains the trust of its customers, it becomes their natural choice.

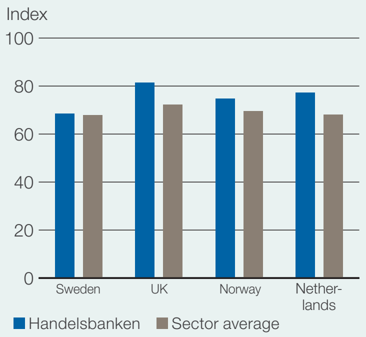
Customer satisfaction is important at Handelsbanken, and is measured by the Bank on a regular basis via its own surveys and external, independent studies. Every year, EPSI Rating, which includes the Swedish Quality Index, carries out independent surveys of customer satisfaction in the Nordic region and the rest of Europe.

This year's surveys show that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all its home markets.

Managing customer complaints

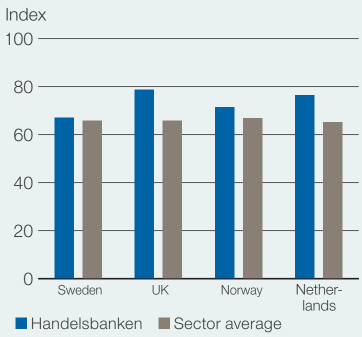
For Handelsbanken, it is important that customers who lodge complaints are very satisfied with how their complaints are managed. The Bank attaches great importance to handling comments and complaints in a manner that inspires trust. Customer complaints must be dealt with properly, thoroughly and as efficiently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

Customer satisfaction, private customers 2022



Source: SKI/EPSI 2022

Customer satisfaction, corporate customers 2022



Source: SKI/EPSI 2022

Corporate responsibility

Goal

Handelsbanken's climate goal is net-zero emissions of greenhouse gases as soon as possible and by 2040 at the latest. This includes lending, leasing, and investments, as well as the Bank's own operations such as energy consumption and business travel. Within property financing, Handelsbanken will reduce emissions of greenhouse gases by 36 per cent per square metre financed by the year 2030 – starting from the base year 2021.

Handelsbanken must act responsibly in everything we do, must not be used as a conduit for financial crime, and must respect human rights.

Handelsbanken's objective is to have a balanced gender representation among employees, whereby women and men are each represented to at least 40 per cent, in all parts of the Bank – whether in professional roles, areas, units or countries. The Bank aims to attract, recruit, develop and retain employees of different backgrounds and perspectives.

Goal achievement

The climate goal includes the Bank's own direct emissions. Since 2013, the Bank has reduced its emissions by 48 per cent. Improving knowledge and awareness among employees is one of many ways the Bank works to combat all forms of financial crime, with 92 per cent of the Bank's employees completing training courses on the subject. The Bank has achieved its overall goal for the Group of an even gender distribution, in terms of both overall share of female employees, 49 per cent, and share of female managers at the Bank, 43 per cent.

Material topics

Responsible banking
- Minimise impact on the environment and climate
- Counteract financial crime
- Privacy and confidentiality

Attractive employer
- Sustainable working life
- Leadership and development
- Gender equality and diversity
- Salaries and remuneration

Why are these topics of material importance to Handelsbanken?

By fulfilling its undertakings as a responsible bank, Handelsbanken can make a positive difference for customers, employees and the communities in which the Bank operates.

The Bank should reflect the diversity in the community, and utilise and respect each employee's competency, experience and value in the best possible way, so that they can develop as individuals and in their professional roles.

Policy documents

- Policy for ethical standards
- Policy on measures against financial crime
- Policy against corruption
- Guidelines for managing taxes
- Guidelines on bribery and improper influence
- Guidelines for information security and data privacy
- Framework for gender equality, diversity and inclusivity
- Guidelines for work environment
- Risk Tolerance Statement of Financial Crime
- Supplier Code of Conduct

Other reporting

- Sustainability Factbook 2022
- Net-Zero Banking Alliance target setting
- Net Zero transition plan
- Climate change progress report 2022

Sustainable Development Goals

RESPONSIBLE BANKING

Handelsbanken upholds good business ethics and works systematically to take into account new requirements and expectations, as well as to integrate new regulations into its daily operations. Handelsbanken is not allied to any political parties. The Bank does not provide any financial support to any political party, nor does it make any other type of political donation.

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

Imposition of administrative fines

Banking operations are governed by extensive laws and regulations. If a bank does not comply with them, the responsible supervisory authorities can decide on administrative fines and, in the worst case, revoke the banking licence. Administrative fines may be imposed on banks for breaches such as corruption, product or service information or labelling that fails to meet applicable requirements, or non-compliance with laws or regulations in the social or economic spheres.

During the year, the Bank received one (1) injunction to pay an administrative fine from the Swedish Financial Supervisory Authority, amounting to SEK 1.8 million, due to the Bank having infringed the prohibition on market manipulation in the Swedish Market Abuse Regulation. The Bank accepted the injunction and has paid the fine.

Policy for ethical standards

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

Policy for sustainability

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

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

Modern slavery and human trafficking
Handelsbanken does not accept any form of child labour, slave labour or human trafficking. It works to prevent them from occurring in the Group's supply chain and in other companies with which Handelsbanken has business relationships. The UK Modern Slavery Act 2015 requires that certain organisations annually state the actions that they have taken to ensure that modern slavery and human trafficking are absent from their supply chains or in their operations. As well as mandatory training for all employees in the UK, internal instructions and procedures are in place so that employees know what to do if they are faced with or suspect a case of modern slavery or human trafficking.

More information and a statement on the Modern Slavery Act 2015 is available at handelsbanken.co.uk.

Selection of policy documents established by the Board:
- Policy on governance and steering documents
- Credit policy
- Policy for operational risks
- Capital policy
- Financial policy
- Communication policy
- Policy for sustainability
- Policy for ethical standards
- Policy against corruption
- Policy for management of conflicts of interest
- Policy for remuneration
- Policy for suitability assessment
- Policy for risk control
- Policy for compliance
- Policy on measures against financial crime
- Policy for complaints management.

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

Selection of guidelines established by the Bank's Chief Executive Officer:
- Guidelines regarding the environment and climate change
- Guidelines regarding human rights and working conditions
- Guidelines regarding business relations with the weapons and defence industry
- Guidelines regarding business relations in forestry and farming
- Guidelines regarding the tobacco industry
- Guidelines for managing taxes.

A selection of policy documents that the boards of Handelsbanken's subsidiaries have decided on:
- Policy for shareholder engagement and responsible investment at Handelsbanken Fonder
- Policy for responsible investment at Handelsbanken Liv
- Policy for sustainability at Handelsbanken Liv
- Policy for sustainability at Stadshypotek
- Policy against corruption at Stadshypotek.

Selection of guidelines in the HR area:
- Guidelines on alcohol, drugs and gambling
- Guidelines for the prevention of victimisation and harassment
- Guidelines on bribery and improper influence
- Framework for gender equality, diversity and inclusivity
- Guidelines on the work environment.

CLIMATE AND THE ENVIRONMENT
Climate change is one of the greatest challenges of our age. Handelsbanken works actively to halt and counteract its own negative impact on the environment, as well as to redirect financial flows to benefit low emissions of greenhouse gases, environmental improvements, and climate-related adaptations.

Minimise impact on the environment and climate
In accordance with the Paris Agreement, emissions linked to the Bank's own operations must be reduced over time. Systematic environmental work is continually under way at Handelsbanken aimed at steadily reducing the environmental impact of the business. This is monitored using an array of key metrics that show how the work is progressing. Handelsbanken's goal is to actively work to minimise its direct environmental impact by constantly developing its environmental activities. This will be achieved by boosting resource efficiency and recycling, for example, and by taking environmental impact into account in our purchasing and business travel. One concrete example of this work is the Bank's company car guidelines, stipulating that company cars that are neither electrically powered nor plug-in hybrids may only be selected in exceptional cases.

Energy and carbon dioxide
The Bank's direct impact derives mainly from energy consumption, business travel and transport as well as use of resources such as paper. In 2022, carbon dioxide emissions from Handelsbanken's operations totalled 9,759 tonnes. Since 2017 Handelsbanken has climate compensated at an amount equivalent to its reported emissions.

Reported emissions increased by 16 per cent during the year, corresponding to 1,336 tonnes. Relaxations to Covid-19 restrictions have led to more business travel and increasing scope 3 emissions, but levels are lower than before the pandemic due to changing travel habits. The reporting for 2022 includes new emissions sources, and compared with the previous year's reporting in which these sources were not included, emissions have increased by approximately 4,100 tonnes.

Since 2013, the Bank has reduced its emissions by 48 per cent. The Bank's electricity consumption decreased by 15.6 per cent in 2022 compared with the previous year. The proportion of renewable electricity in the markets where the Bank has its primary operations is 100 per cent.

During 2022, the Bank changed its systems support for environmental reporting. Now, the same provider is used as for the Bank's financial accounting.

Environmental work during the year
Throughout Handelsbanken, changes are constantly being made which, overall, are reducing environmental and climate impact.

Examples of actions carried out by the Bank during the year:
- Used computers and screens are reused or recycled as part of a supplier's programme. This was equivalent to 684 tonnes of emissions avoided in 2022.
- Follow-up of Handelsbanken Liv's direct emissions includes the measurement of the number and percentage of paper mailings. In 2022, the number of paper mailings decreased by 10 per cent. The percentage of digital mailings was 74 per cent (73).
- The areas of the Bank's Stockholm premises that use gas have switched to 100 per cent biogas.
- The installation of solar cell panels has commenced at the Bank's Södergarn conference facility. The solar panels are expected to produce 70 MWh per year. In addition, an oil-fired boiler for peak flow at the facility has been replaced by a geothermal heating pump.

CASE – Handelsbanken's work for biodiversity

Handelsbanken's impact and dependency on biodiversity is mainly indirect, through the Bank's financing and investments. In order to be able to measure and contribute to positive change, Handelsbanken collaborates with different societal stakeholders in its work on biodiversity. The Mistra research project BIOPATH, in which Handelsbanken is a lead partner, brings together influential partners from the business community with research specialists in economics and ecology, among other areas, aiming to stop and reverse the loss of biodiversity. New and existing approaches must be mapped, evaluated and developed, so that biodiversity can be integrated into financial decision-making. The Bank is also a member of Business@Biodiversity Sweden, a platform for knowledge sharing, training and exchanging experiences.

- Based on decisions made in 2021, in 2022 the Bank began to use recycled plastic in charge cards, and eliminated discounts on fossil-based fuels and customer bonuses on gambling transactions.

Carbon offset

Handelsbanken works constantly to minimise the emissions generated by our operations. Since some measures take time to implement and the effects are not always easy to verify, the Bank also compensates for the reported carbon dioxide emissions generated by its operations through CDM (Clean Development Mechanism), which is a UN-run carbon offset scheme verified as beneficial for the climate. The projects are certified based on the Gold Standard, a certification endorsed by more than 80 non-governmental organisations (NGOs) that ensures the projects contribute to long-term sustainable development. The Bank strives to select projects with high additionality, which means that the projects would not have been implemented without financing comprising carbon offset. As an extension of this work, the Bank also invests in negative emission certificates, strengthening the market and innovation surrounding negative emissions, i.e. permanent or long-term carbon capture. The Bank purchases these via the Puro.earth platform. The platform builds on a common standard for guaranteeing long-term carbon capture and storage with projects that are quantifiable, verifiable and scalable.

Biodiversity

Biodiversity is the backbone of all life on earth. A great abundance of variation, with various types of ecosystems and species, is the foundation of the ecological processes we depend on. These facilitate everything from producing food, clean water and new medicines to extracting natural resources we can use to build successful business models.

The accelerating loss of biodiversity is an ongoing threat to the current and future economy and welfare. Habit loss and degradation are two of the main causes of biodiversity decline. A further cause is climate change, which both affects and is affected by the loss of biodiversity. The extent to which the oceans and forests can retain their ability to absorb carbon dioxide is crucial to halting climate change. And at the same time, high biodiversity can ease the effects of the climate change that is already occurring by protecting against storms, fires, etc.

The SDGs for oceans and marine resources, and ecosystems and biodiversity, are key to reversing this trend. The EU's strategy for biodiversity aims to bring about a recovery in diversity by 2030.

Robust climate action benefits biodiversity. Handelsbanken aims to use its experience from climate reporting, and responsible financing and investments, to help to turn the biodiversity trend.

CLIMATE STRATEGY

In 2022, the Bank has also calculated its total financed emissions linked to its real estate-related lending, strengthened its environmental and climate guidelines with more stringent requirements regarding lending to companies involved in the extraction of fossil fuels, and significantly increased its green lending. In addition, the Bank published a sector framework for fossil fuels towards the end of the year, describing which activities in the sector could be deemed consistent with the 1.5°C target and the transition that this target requires. The purpose of the framework is to support the work of aligning the Bank's operations with the 1.5°C target.

Handelsbanken's climate strategy rests on four pillars:

1) Scientific targets
2) Measure and report
3) Support customers
4) Responsibility and collaboration

Scientific targets

Handelsbanken's climate goal is net-zero emissions of greenhouse gases by 2040 at the latest. The climate goal applies to the entire Group and covers lending, leasing and investments, as well as direct emissions from Handelsbanken's own operations, such as energy consumption and business travel. In accordance with the Bank's commitment to the Net Zero Banking Alliance (NZBA), the Bank set its first interim target for 2030. See page 72 for more information. The reduction target is to reduce greenhouse gas emissions linked to the Bank's real estate financing (CO_2e/m^2) by 36 per cent from a 2021 baseline by 2030. The target encompasses approximately 80 per cent of the Bank's lending to the public. The target is science based according to accepted calculation models and aligned with the objective to keep the global mean temperature increase below 1.5°C. In 2023, Handelsbanken will further expand the scope of targets to include more high-emission sectors.

Handelsbanken has adopted an ambitious timeline, as the Bank is convinced that a rapid, and orderly transition with the aim of limiting global warming to close to 1.5°C is best for the Banks's customers, the community in which we operate and thus also for Handelsbanken. To ensure that the net zero target and accompanying interim targets are in line with science, the Bank has committed to set emissions reduction targets in accordance with the methods from the Science Based Targets initiative (SBTi). The Bank's objective is to set climate targets for the lending operations in line with the SBTi criteria, and for these to be validated during 2023

The targets will primarily be achieved by supporting customers via products and advisory services for reduced emissions and greater energy efficiency. The reduction in emissions is not expected to be linear over time, and in the short term, the reported emissions may rise. As the Bank continues to develop its products and services, and these make their full impact over time, reported emissions are expected to decrease at the rate required to achieve the goal.

The Bank notes, however, that it is not operating in isolation, and that climate change is a global problem requiring co-operation and global solutions. If the goals of the Paris Agreement are to be attained, ambitious climate policies at the global, regional and local levels will be needed to support these.

For more information about the targets, see the separate reporting at handelsbanken.com/sustainability.

Measure and report

Measurement, reporting and transparency are central tenets of Handelsbanken's climate strategy.

The Bank is seeing a steadily increasing interest as well as increased requirements on how the financial industry manages risks and opportunities related to climate change. To meet the demand for greater insight into these matters, Handelsbanken publishes climate reports covering the Bank's lending, mutual funds, and pensions and insurance. All three reports are prepared in line with the global recommendations of the Task Force on Climate-related Financial Disclosures. Work on calculating emissions from the loan portfolio continued in 2022, and during the year, emissions linked to the Bank's total property financing were calculated. In the coming year, the scope of emission calculations will be expanded to include a greater proportion of the portfolio and more sectors. To ensure transparency and comparability of calculations of the Bank's financed emissions, Handelsbanken has joined the Partnership for Carbon Accounting Financials (PCAF), which provides methodologies for such calculations.

Support customers

Handelsbanken aims to work alongside its customers on their journey towards net-zero emissions of greenhouse gases. Central to this is the Bank's development of products and services that contribute to such reductions. In order to steer its work and build momentum, the Bank has published a target for our financing operations – by 2025, at least 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition, such as a reduction of emissions. During the year, the Bank's work to achieve its target has been ongoing, through the continued development of products and services with sustainability-related features for both private and corporate customers. With an increasing focus on energy issues due to the current energy crisis, the Bank is seeing a growing interest in energy efficiency and climate adaptation among its customers. In order to meet customers' needs and help them to transition, the Bank's website offers tips and advice on measures aimed at improving energy efficiency, and the Bank also offers advisory services to the construction and real estate sector focused on reduced energy consumption, as well as financing for such measures.

Responsibility and collaboration

Climate change is a global problem requiring global solutions and co-operation. This is why Handelsbanken has endorsed the Principles for Responsible Banking (PRB) and the Principles for Responsible Investment (PRI) for several years.

No sector can solve the climate crisis on its own, and if the financial sector is to properly fulfil its role in the transition, ambitious global climate policies will be needed. There are examples of such policies at regional and national level, especially within the EU, but from a global perspective, current climate policies mean that the targets of the Paris Agreement will not be achieved. In an attempt to help shape political action to address climate change, Handelsbanken joined a number of other companies in signing an open letter to participants at COP27. The letter was co-ordinated by the global "We Mean Business" collective and urges governments to maintain their undertaking and renew their plans to limit the global temperature increase to 1.5°C.

To promote transparency and comparability between banks' reporting of financed emissions, Handelsbanken was involved in setting up a Nordic working group through the Partnership for Carbon Accounting Financials (PCAF). The working group's objective is to ascertain common calculation methods for the Nordic market, and to be a channel for improved data quality. For more information regarding PCAF, see page 72.

THE EU ACTION PLAN FOR FINANCING SUSTAINABLE GROWTH

Major investments are required by society in order to achieve the 17 SDGs and the Paris Agreement. To hasten progress, the EU has drawn up an action plan for financing sustainable growth. The plan intends to redirect capital flows towards a more sustainable economy, integrate sustainability into risk management, and promote transparency and a long-term approach across the financial markets and the wider economy. Examples of new and forthcoming regulations included in the action plan are the Taxonomy Regulation, the Disclosure Regulation and the Corporate Sustainability Reporting Directive. Handelsbanken supports the EU's action plan on financing sustainable growth, is monitoring developments carefully, and is working actively to include the various parts of the plan in its business and operations.

The new regulations imply an increased need for transparency and reporting, and therefore access to relevant, reliable data. Handelsbanken views this trend positively, as increased transparency creates better insight into the Bank's operations and makes it easier for customers and investors to make well-informed, sustainable choices. To support the business operations in these matters, Handelsbanken created a programme in 2021 that enable it to follow up and communicate on its own sustainability goals, as well as reporting according to regulations, requirements from public authorities and external obligations. In 2022, work in the project included identifying the Group's data requirements, and collecting and making available the relevant data to meet the new requirements for transparency.

Taxonomy reporting

One of the core aspects of the EU's action plan on financing sustainable growth is the taxonomy, which serves a means of classifying what activities are viewed as environmentally sustainable. The EU taxonomy is a joint framework that entails information requirements at company and product level, to make it easier for investors to identify environmentally sustainable investments. For Handelsbanken, the EU taxonomy serves as one of several tools for evaluating environmental sustainability in the Bank's business and operations.

Through its operations, Handelsbanken is to actively push for a transition to a greenhouse gas-neutral economy, in line with the Paris Agreement and the 1.5°C target. The strategy for the Bank's climate work is set out in our sustainability goals (see page 38), including the climate goal of net-zero greenhouse gas emissions by 2040. Handelsbanken's climate goal can only be achieved by supporting customers in their transition, and in co-operation with the Bank's stakeholders. Also central to this is the development of products and services that contribute to the transition, focusing on both private individuals and SMEs.

In 2022, further steps were taken in the climate work, with a transition plan describing how to achieve the climate goal. Since the real estate sector makes up a significant part of the exposure in the Bank's credit portfolio, Handelsbanken is setting a target of reducing greenhouse gas emissions linked to property financing by 36 per cent per square metre by 2030. One example of how the taxonomy affected business development in 2022 is the fact that Handelsbanken updated its financing framework for green bonds and further adapted it to the EU taxonomy, providing greater opportunities to finance more projects that will lead to higher energy efficiency and more climate change adaptation.

Starting from 2021, under the Non-Financial Reporting Directive (NFRD), public interest entities with more than 500 employees must report in accordance with the EU Taxonomy Regulation 2020/852. In their statutory sustainability reporting for 2021, financial institutions must disclose the proportion of their assets exposed to taxonomy-eligible economic activities. Handelsbanken's taxonomy reporting for 2022 is provided below. The definitions of the various asset classes in the taxonomy reporting are based on the (EU) 2021/4987 delegated act and the (EU) 2021/451 regulations for financial reporting.

Description of methodologies used in reporting

Non-financial undertakings under NFRD requirements have in 2022, in their mandatory taxonomy reporting in the annual reports for 2021, presented eligibility as a percentage of turnover and capital expenditure. Thus, for the first time, these undertakings can be assessed for taxonomy eligibility and together with eligible exposures to financial undertakings, household exposures with real estate collateral and motor vehicle loans they represent the taxonomy eligible assets on the balance sheet of the bank. Household exposures with real estate collateral and motor vehicle exposures are deemed to be taxonomy eligible. In addition, product specific loans to households for the installation of solar panels are regarded as building renovation loans and are considered taxonomy eligible. Other types of household exposures are presently not considered to be taxonomy eligible.

The number of undertakings publishing key performance indicators according to NFRD in 2022 was lower than expected, especially regarding the share of capital expenditure, thus the bank will apply the share of turnover in eligibility reporting. In 2023, the availability of information is expected to increase, and a more detailed accounting can and will be made.

No estimates are allowed in the mandatory reporting and thus exposures to undertakings not required to report may not be included in the calculation of eligible assets on the balance sheet of the bank. Exposures to non-reporting undertakings within the EU and to non-financial undertakings outside the EU are therefore not assessed for taxonomy eligibility. In 2022 it was decided by the EU that power generation using fossil gas and nuclear power is taxonomy eligible and regarded as a transitional activity if fulfilling certain criteria. The delegated act specifies detailed criteria and includes separate reporting requirements for financial and non-financial undertakings. For the bank to assess the eligibility of these assets more information is required, which is expected to be available after the date when the regulation is entering into force on 1 January 2023. The bank is expected to have low exposures connected to the prescribed economic activities.

The reporting is based on prudential consolidation determined in accordance with CRR, see note G52. The life insurance undertaking of the bank is not included in the consolidation but included according to the equity method, see note G1. The life insurance undertaking is not required to report according to NFRD and its economic activities are not included in the EU taxonomy. The assets representing the life insurance undertaking are per 2022 reported under corporations not required to report NFRD.

Assets on the balance sheet are reported according to the taxonomy using data from internal systems of the bank. Exposures from source systems in the bank are collected in a system for credit data used for capital adequacy reporting and tables in the annual report. Information on undertakings required to report according NFRD and their reported eligibility is collected from an external provider. Information on the NFRD-requirement is compared to information in internal systems of the bank. The information used is of good quality, has no known flaws and is used in other reporting. As no official list of public interest entities was available at the time of reporting, no other entities have been included. Eligibility reporting of financial institutions is collected manually from published annual reports.

In the extended, voluntary taxonomy reporting the estimated proportion of taxonomy eligible assets is presented, please refer to the Sustainability Factbook, page 5.

Taxonomy reporting 2022

Assets, mandatory taxonomy eligibility reporting	Assets on the balance sheet (SEK m)	Proportion of covered assets (%)	Proportion of total assets (%)
Taxonomy eligible assets	1,285,372	50.3	39.7
Of which NFRD financial corporations	10,561	0.4	0.3
Of which NFRD non-financial corporations[1]	14,846	0.6	0.5
Of which household exposures collaterised by immovable property and motor vehicles	1,259,964	49.3	38.9
Of which regional and local governments	0	0.0	0.0
Taxonomy non-eligible assets	*109,122*	*4.3*	*3.4*
Of which NFRD financial corporations	14,575	0.6	0.5
Of which NFRD non-financial corporations[1]	53,592	2.1	1.7
Of which household exposures	36,985	1.4	1.1
Of which regional and local governments	3,970	0.2	0.1
Corporations not subject to NFRD	*1,113,044*	*43.6*	*34.4*
Of which collaterised by immovable property	608,780	23.8	18.8
Of which non-EU counterparties	349,727	13.7	10.8
Derivatives, hedge accounting	*21,346*	*0.8*	*0.7*
On demand interbank loans	*1,340*	*0.1*	*0.0*
Cash and cash-related assets	*29*	*0.0*	*0.0*
Other assets	*25,105*	*1.0*	*0.8*
Total Covered assets	**2,555,357**	**100**	**78.9**
Sovereigns, central governments and supranationals	*37,520*		*1.2*
Central banks	*614,024*		*19.0*
Trading book	*30,812*		*1.0*
Total assets	**3,237,713**		**100.0**

[1] Based on turnover KPI.

COUNTERACT FINANCIAL CRIME

Handelsbanken regards the prevention of financial crime as a fundamental principle for secure, sound banking operations. Steps to prevent all types of financial crime have top priority. Handelsbanken has undertaken to comply with the applicable laws and regulations regarding money laundering, terrorist financing, international sanctions and corruption in the countries where the Bank operates, in order to prevent the Bank's infrastructure being used for illegal activities. The Bank has an open, active dialogue with the authorities that supervise its operations and regularly monitor the Bank's work on preventing and counteracting financial crime.

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

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

As well as deviations identified by the branch, automated monitoring is also regularly used to screen for suspicious transactions and behaviour.

If suspected cases of financial crime are identified in the monitoring, they are reported to the relevant authority. Suspicious transactions in terms of money laundering/terrorist financing (SAR[1]) must be reported to the local financial police without delay. A suspicious activity report must be drawn up even if there is only a low degree of suspicion; thus, no proof of an actual money laundering or terrorist financing crime is needed. The duty to report also applies to cases where the Bank has refused to execute transactions due to suspected money laundering/terrorist financing. A report may relate to one or more private individuals/ companies, and to one or more transactions.

If there is strong suspicion of money laundering or fraud, the Bank ends the customer relationship, or implements product restrictions in order to prevent continued use of the Bank's channels and products for such activities. In order to prevent fraud that risks affecting the Bank's customers, such as investment or romance fraud, Handelsbanken continuously works to keep its customers abreast of the prevailing risks.

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

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

Recent years have seen a growth in social engineering, increasingly aimed at elderly people, whose bank and response codes are being stolen. The profits from the crimes fund ever more violent criminal operations. In addition to investments in the control environment to identify unauthorised transactions, Handelsbanken also collaborates with the Swedish Police's national fraud centre (NBC) and the Ministry of Finance's forum against fraud.

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

[1] SAR = Suspicious activity reporting.

CONFLICTS OF INTEREST, CORRUPTION, BRIBERY AND IMPROPER INFLUENCE

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

Handelsbanken's work methods are characterised by respect and high ethical standards. It is important that we combat risks in all ways possible and uphold confidence in the Bank's operations. Handelsbanken aims to work proactively to prevent all types of criminal activity, such as corruption and other financial crime. Handelsbanken has a policy against corruption, in which the Bank's view is stated. Employees must never be involved in activities that could involve bribery or other improper influence.

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

There have been zero (0) confirmed incidents of corruption, legal proceedings regarding corruption launched against the Bank or its employees, disciplinary measures or dismissals of employees, or termination of contracts with partners as a result of corruption during the year. The Bank encourages all its employees to report confirmed or suspected fraud or other irregularities. The Bank believes it is essential to act and take action when something is not right. Handelsbanken has an external whistleblower system which can be accessed by all employees and consultants to anonymously report fraud.

Risk analyses are undertaken on a regular basis with the aim of preventing and identifying corruption. No material risks were identified in the annual assessment of risk regarding bribery and corruption among the Bank's employees and partners. The assessment covered all units within the Bank, equivalent to 100 per cent, including international branches and subsidiaries. In addition, the general risk assessment regarding money laundering and terrorist financing also examines the risk of corruption-related crime by the Bank's customers as a predicate offence to money laundering. The risk of corruption is assessed to be higher than normal when customers operate in countries or sectors where corruption is more common.

Handelsbanken's employees must annually complete a mandatory training course on matters relating to corruption and other financial crime. The course highlights the Bank's Policy against corruption, Policy for ethical standards and its guidelines on bribery and improper influence. It touches on what corruption, bribery and improper influence are, and provides examples of appropriate and inappropriate behaviour. The members of Handelsbanken's Central Board and the Boards of subsidiaries must complete a more in-depth course covering the same areas.

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

PRIVACY AND CONFIDENTIALITY – INFORMATION SECURITY AND IT SECURITY

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

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

The Chief Executive Officer establishes guidelines for information security and data privacy at Handelsbanken. All employees of the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. Information security work is undertaken in accordance with the ISO 27001 international standard. Handelsbanken's Information Security Management System (ISMS), as well as its organisation for information security, Group IT Risk Management and four processes within IT production are ISO 27001 certified and are reviewed annually. 2022 was the first year that the Bank recertified itself according to ISO 27001, and according to the auditor, the results were very satisfactory.

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

During the year, 16 incidents (19) relating to customer privacy or poor management of customer data were reported. None of the reports was received via government authorities. A total of 15 were complaints received from customers which were found to be substantiated by the Head of Security, while one was identified internally and involved the exposure of a handful of customers' data. All cases have been managed with the parties concerned. This data does not include cases under the General Data Protection Regulation (GDPR), introduced in May 2018.

The Bank's management system for information security is based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation which counts many of the largest companies in the world as members. Our security efforts are pursued systematically, and are process-driven. Risk analyses employ the ISF's Information Risk Analysis Methodology (IRAM2), as well as others.

The conditions for security are constantly changing. Thus, Handelsbanken continuously evaluates and makes decisions on new potential threats in this area. Continuously following up events which occur both within and outside operations makes it easier to take the right action at the right time. To this end, the Bank participates and collaborates in international forums. For several years, Handelsbanken has been a 'listed team' in the Trusted Introducer community (a European network for IT security) and a full member of the Forum of Incident Response and Security Teams (FIRST). Handelsbanken is also part of the Swedish Bankers' Association's security committee and a newly established forum under the leadership of the National Cyber Security Centre (NCSC), which has replaced FIDI Finans. The aim is for information to be shared among the government, the business community and other relevant organisations in Sweden regarding aspects of security in the financial sector.

The Covid-19 pandemic has entailed a permanent change, and has led to a greater degree of remote working. As a result, the existing security instructions for working remotely have been supplemented.

The escalating geopolitical situation with the war in Ukraine has been an eye-opener for the whole of Swedish society in terms of operating under heightened preparedness. An important component for establishing resistance in order to manage increasing threats and an unsafe environment is that IT changes, including security updates, work as normal to secure technical environments and to prevent a technical debt, while security surveillance is taking place as usual to identify and act on identified risks, threats and cyberattacks.

ECONOMIC VALUE CREATION

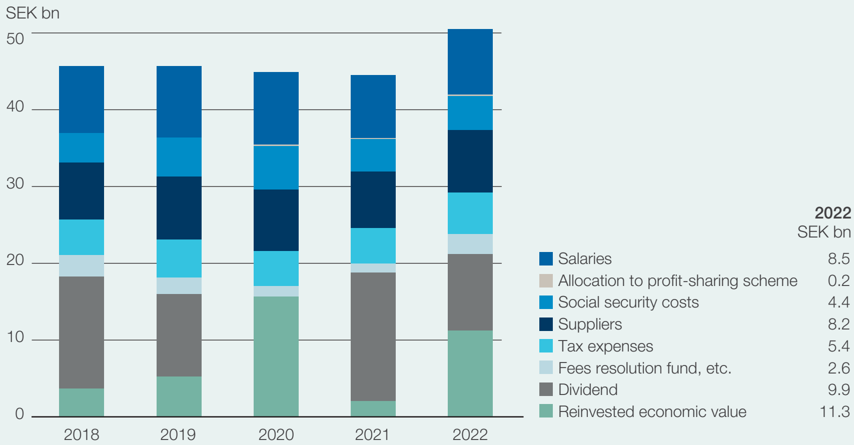
With a prudent and careful approach to running a bank, the Bank can support its customers in all financial situations. By sharing knowledge, the Bank can help improve its customers' financial health and capabilities. The Bank's decentralised ways of working, with trust and respect for individuals, permeates the Bank's corporate culture, regardless of where operations take place. The Bank's staff have great responsibility and authority to make decisions in all kinds of matters that concern our customers.

It is also vital that a bank makes a profit. Not only does the profit generate tax revenue for the community and a return for shareholders, but any surplus can be reinvested in the business. In this way, economic value can be created and Handelsbanken can grow and meet customers' future needs, such as for loans. In the same way as a manufacturing company must have sustainability in focus when processing its raw materials, Handelsbanken must have a sustainability perspective when managing money – in other words when the Bank invests customers' savings and provides financing.

Taxes and distributed economic value

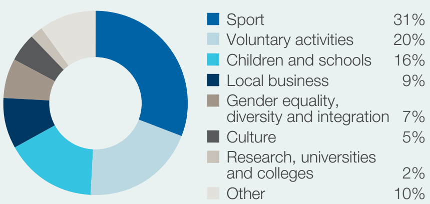
Handelsbanken wishes to provide transparent financial reporting about the distribution of the economic value generated by our operations. The Bank pays and reports taxes based on inter-

Distribution of economic value

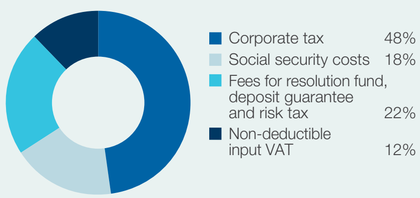


The figures for 2022 and 2021 refer to continuing operations (Finland and Denmark are excluded).
The preliminary allocation to the Oktogonen profit-sharing scheme made in 2018 and reversed in the first quarter of 2019, is not shown in the above diagram.

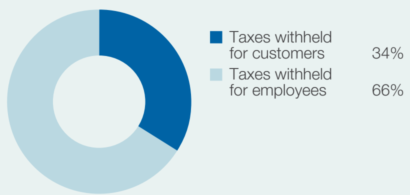
Local initiatives and activities



Corporate tax and charges 2022, SEK 12,420m



Taxes withheld for customers and employees 2022, SEK 7,726m



national and local laws and regulations in the countries where we operate. Handelsbanken complies with the OECD Transfer Pricing Guidelines, meaning that the Group's earnings are taxed where value is created. The Bank also prepares a country-by-country report showing the Group's earnings and tax in the countries where our operations are run. The Bank's operations in Luxembourg are not subject to local tax regimes, which allows for lower tax rates. The Bank's international branch in Luxembourg conducts real operations with profits from local business operations for which the Bank is taxed locally in accordance with the normal local tax regulations.

GUIDELINES FOR MANAGING TAXES

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

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

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

The Bank's own tax management

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

Products and services

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

Customers

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

Suppliers and business partners

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

Investments

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

ECONOMIC RESEARCH AND EDUCATION

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

Together, these foundations are the most important source of funding for economic research in Sweden. In 2022, 177 grants (154) were awarded for a total of SEK 231 million (203).

At the end of 2022, the foundations' combined capital was SEK 8,994 million (9,930).

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

SUPPLIERS

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

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

Handelsbanken has also implemented a tool for monitoring major suppliers' key metrics. If negative changes to either financial or sustainability key metrics are detected, the agreement owner is notified with details of the supplier concerned and the nature of the change.

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

ATTRACTIVE EMPLOYER

Handelsbanken's values and strong corporate culture are vital to the Bank's success. The Bank's idea is based on trust and respect for individuals, both customers and employees. The Bank's decentralised way of working creates commitment and gives every employee both responsibility and opportunities to make an impact on the Bank's operations. Handelsbanken believes that it is healthy for people to meet other people, to collaborate, develop, build relationships and find solutions together. With this structure, better conditions for achieving the Bank's overall goal are also created.

SUSTAINABLE WORKING LIFE

Handelsbanken keeps a steady focus on issues concerning employees' health and work environment, in order to create a sustainable working life for all the Bank's employees. The overall goal for health and the work environment is that everyone should feel good, develop and perform at optimal capacity.

A good, inclusive work environment promotes employees' health and well-being, which is a prerequisite for the Bank's long-term profitability. All employees at Handelsbanken should feel respected and secure at their workplace, and thus no form of victimisation, discrimination or harassment, including sexual harassment, is accepted.

In accordance with the Bank's Group-wide work environment guidelines, the systematic work environment efforts proceed from a joint process, based on a number of health factors with the Bank's culture and values as their starting point. This work is being carried out based on local legislation and regulations for every country where the Bank has its operations and the prevailing work environment; all employees are included.

Together with their teams and trade union representative or employee representative, each manager is responsible for performing regular work environment surveys, based on the Bank's health factors. In 2022, the work environment survey was updated and now includes two new categories – engagement and inclusion – in order to clarify the link between a sustainable working life, engagement and inclusion. The survey carried out his year shows that 92 per cent of employees give positive responses to questions regarding their work environment.

Starting with a joint discussion on the results of the work environment survey and risk assessment, an annual activity plan is formulated. Identified activities for maintaining and developing a good, inclusive work environment and counteracting risks of illness are regularly followed up in the work environment plan, which is a part of the annual business plan.

Every country regularly monitors its systematic work environment efforts in a joint health and safety forum comprising employer and employee representatives. Examples of topics followed up are the result of work environment surveys at aggregated level, sickness absence, and reported work-related injuries and workplace incidents. Identified risks are managed through tailored improvements.

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

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

In 2022, external staff turnover was 7.3 per cent for the Group, while the sickness absence rate for employees in the Bank's home markets was 2.9 per cent.

CONTINUOUS DEVELOPMENT

Handelsbanken's strength is derived from the combined expertise of its employees. When employees develop, the Bank develops. Handelsbanken has an established structure for developing our operations and our staff, with the customer and their business as the starting point. The structure is called the Wheel, and one aspect of it is that all employees take part in their unit's business planning process, which includes setting goals and scheduling activities. Each employee then has an individual planning and performance review, which results in an individual action plan.

In dialogue with their line manager, each employee should be given the conditions to develop their expertise to align with customers' needs and preferences, based on policies and regulations, and changes in the business environment. As support, we have a competency mapping tool which can be used in the preparations for performance reviews between employees and managers. An important part of development is on-the-job learning, and that the Bank's employees take responsibility for their own development and the advancement of the business.

In 2022, a number of mandatory training programmes were held for all employees in the Group:

- Financial crime, preventative measures against money laundering, terrorist financing and related crime such as tax evasion and fraud
- General Data Protection Regulation (GDPR)
- Physical security and cybersecurity

For example, in Sweden, courses on market manipulation is mandatory for all employees.

Sustainability training

The Sustainability in the financial industry training course works as a starting point for training different professionals in the banking, financial and insurance industries about sustainability. The overall goal of the course is to build up knowledge and awareness of the activities required to achieve a transition to a sustainable future. The course includes sections on international and European initiatives and regulations, climate risks, the EU taxonomy and Disclosure Regulation, and on rules relating to advisory services and product oversight governance. At Handelsbanken, the course is mandatory for all employees and consultants with an assignment of longer than six months. The course was launched in 2021, and was completed by 80 per cent of all new employees in 2022. In addition, in Sweden, 3,388 advisors have taken a sustainability refresher course. The subjects included were 'new from the EU', 'the circular economy', and 'sustainable lending'.

GENDER EQUALITY, DIVERSITY AND INCLUSION

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

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

Handelsbanken endeavours to reflect the diversity of the places where the Bank operates, and to achieve and maintain a balanced gender representation in all parts of the Bank – whether professional roles, areas, units or countries. Through an inclusive culture, the Bank can best harness the advantages inherent to gender equality and diversity. In this year's work environment survey, 97 per cent of employees responded positively to questions on inclusivity. During the year, the Bank in Sweden joined the Diversity Charter Sweden network in order to put even greater focus on how we can work to ensure greater diversity at our workplaces. During the year, the Bank in the UK had a sharp focus on diversity and inclusion, with a number of inclusion-related training courses being offered to employees and managers. Just over 600 people completed the course, and of those who completed the evaluation, 96 per cent stated that the content was relevant to them. 93 per cent stated that the course inspired them to take a new approach.

In order for the Bank to achieve its goals in terms of gender equality, diversity and inclusion, it emphasises the following areas: management succession planning and recruitment, competency development, health and work environment, work-life balance and gender-equal salaries. All areas are followed up on the basis of several key figures.

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

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

The Bank has achieved its overall goal for the Group of an even gender distribution, in terms of both overall share of female employees, 49 per cent (49), and share of female managers at the Bank, 43 per cent (41). In Sweden as well, the Bank achieved its overall goal of an even gender distribution, in terms of both overall share of female employees, 52 per cent (52), and share of female managers at the Bank, 52 per cent (50).

A few years ago, the Bank signed the Women in Finance Charter in the UK, an initiative from HM Treasury (the UK Ministry of Finance), entailing a commitment to work towards a more gender-balanced financial sector. By 2026, Handelsbanken UK aims for 40 per cent of managers to be women. In 2022, the proportion of women managers in the UK was 28 per cent (26).

REMUNERATION AND BENEFITS

Handelsbanken aims to be an attractive employer and offers competitive terms of employment for all employees – temporary as well as permanent. In 2021, the proportion of permanent employees was 96 per cent (93). In addition to the benefits stipulated by law, regulations, collective bargaining agreements and other local agreements, the Bank offers benefits that promote its view of long-term employment, gender equality and profit sharing.

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

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

Benefits and pensions

Handelsbanken offers various types of competitive benefits, for both permanent and temporary employees of the Group; these differ between the countries.

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

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

The Bank offers an allowance for various wellbeing and leisure activities, and also organises healthy living initiatives aiming to help the Bank's employees to feel good, develop and perform at optimal capacity.

Other forms of benefits offered include insurance and company cars. For more information on the Bank's requirements regarding company cars, see page 62.

Pensions are part of the total remuneration to employees of Handelsbanken. The pension terms in the countries where the Bank conducts its operations must be competitive and comply with each country's legislation and regulations.

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

Equal pay

The Bank works actively and systematically to ensure equal pay and to rectify unwarranted pay differentials between women and men throughout the Bank, both in Sweden and in our home markets. This work takes place on a continuous basis in recruitment and in the salary review process. In Sweden, this work has been performed for several years in co-operation with the trade unions. Each year, salaries are mapped by the Bank to act on any differentials that have arisen.

Oktogonen – the Bank's profit-sharing scheme

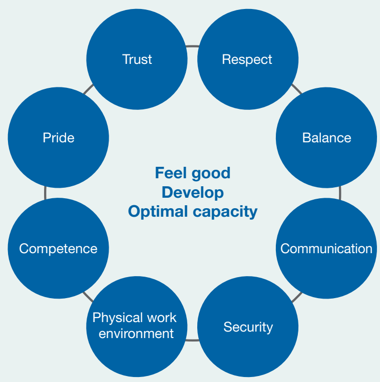
Handelsbanken's goal is to have higher profitability than the average of peer competitors in its home markets. Oktogonen is Handelsbanken's scheme for collective profit-sharing, based on a common corporate goal where all employees contribute to the success of the Bank.

Allocations to the profit-sharing scheme are subject to Handelsbanken achieving its corporate

The Wheel - the relationship between the operations and the employees

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

Health and the work environment at Handelsbanken



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

EMPLOYEE CONDUCT

The following are extracts from codes of conduct included in the Bank's policies and guidelines which refer to employees.

Handelsbanken's employees

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

goal. An allocation is made following the Board's overall assessment of the Bank's performance.

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

RELATIONSHIPS WITH TRADE UNIONS

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

All employees in Luxembourg, Norway and Sweden, comprising 76 per cent (74) of the Bank's employees, are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective bargaining agreement. In addition to collective bargaining agreements, there are other types of agreements with local employees' organisations, such as works councils in the UK and the Netherlands.

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

EUROPEAN WORKS COUNCIL

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

INITIATIVES AND COLLABORATIONS

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

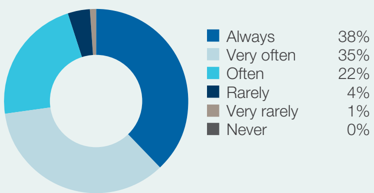
For other initiatives and collaborations in which Handelsbanken participates or which it supports, further information can be found on pages 14–15 of the Sustainability Factbook 2022.

A PART OF THE LOCAL COMMUNITY

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

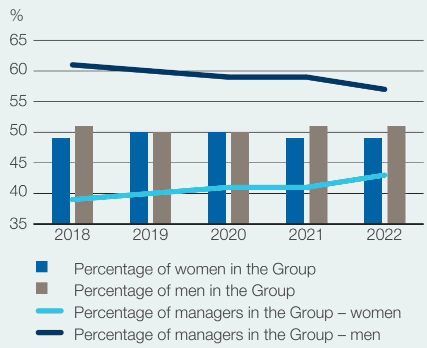
Concrete examples of sustainability work are the branches' involvement in various initiatives

Results of the work environment survey – I am proud to work at Handelsbanken[1]

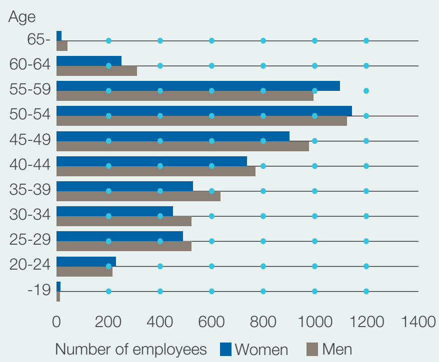


[1] Group total, 2022.

Gender breakdown



Age and gender breakdown 2022



and activities carried out by local associations and charities.

Many branches encourage their employees to volunteer, and make allowances for this. A popular activity is contributing financial knowledge in school and university courses. For example, Handelsbanken has taken part in a number of courses organised by Young Shareholders (Unga Aktiesparare), together with the Swedish Financial Supervisory Authority and other organisations.

The branches also help young business owners, offer to act as mentors and support various sports clubs and associations. In 2022, our home markets reported a total of 403 branch-driven initiatives and activities.

COLLABORATIONS ON CHILDREN'S RIGHTS

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

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

GLOBAL COMPACT

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

NET-ZERO BANKING ALLIANCE (NZBA)

The Net-Zero Banking Alliance (NZBA) is an international industry-led alliance convened by the UN, representing more than 40 per cent of global banking assets. Members of the Alliance are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. Handelsbanken joined NZBA as one of the founding signatories in April 2021, and by doing so committed to publicly disclose both long-term and interim targets to support meeting the temperature goals of the Paris Agreement.

As part of the Bank's commitment to the NZBA and the first round of target setting, Handelsbanken has set an interim target for the Bank's real estate lending portfolio, representing 82 per cent of the Bank's lending. The Bank has initially opted to focus on its real estate lending portfolio, due to its predominant exposure towards this sector. Over time, the scope of our targets will increase to cover more sectors in accordance with the NZBA guidelines.

PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF)

Partnership for Carbon Accounting Financials (PCAF) is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. The harmonised accounting approach provides financial institutions with the starting point required to set science-based targets and align their portfolio with the Paris Agreement. PCAF enables transparency and accountability and has developed an open-source global GHG accounting standard for financial institutions.

Handelsbanken signed up to PCAF in October 2021 and published its first disclosures of financed emissions from its lending portfolio using the PCAF methodology in December 2021. In October 2022, the Bank reported on the financed emissions that derive from our real estate lending portfolio, representing 82 per cent of the Bank's total loans to the public. In the coming year, Handelsbanken will work to further increase the scope of the financed emissions calculations to cover more sectors and asset classes.

In order to aid collaboration, transparency and comparison between banks, PCAF, together with Handelsbanken and other Nordic banks, has set up a Nordic working group. At time of commencement, the group consisted of 27 financial institutions across the Nordic region. Its purpose is to find common ground on Nordic market methodologies and to serve as a common channel and voice for data improvements. Handelsbanken has been appointed chair of the Nordic working group for the first year.

THE SCIENCE BASED TARGETS INITIATIVE (SBTI)

The SBTi was formed by the CDP, UN Global Compact, World Resources Institute (WRI) and World Wildlife Fund (WWF) in 2015 to provide science-based methodologies to support companies across the world in their work to reduce greenhouse gas emissions, with the objective of preventing the worst effects of climate change. Handelsbanken signed up to the SBTi in 2021. This means that the Bank has committed to set emissions reduction targets using methodologies provided by SBTi. In order to ensure that our emissions targets are based on a solid scientific foundation, the Bank will seek validation from SBTi.

During the year, the Bank has carried out cross-functional work in order to set emissions targets that align with SBTi methodology. In October, the Bank published its first emissions targets for the lending portfolio, and in the coming years the scope of the targets will increase. Handelsbanken's ambition is to have set climate targets for all our business operations as required by SBTi and for these to be validated during 2023.

TCFD – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The recommendations are based on four core elements:

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

Handelsbanken endorses the TCFD's recommendations. Since 2018, Handelsbanken Fonder and Handelsbanken Liv have published annual climate reports in line with the recommendations. In the area of credits, the Bank published its first climate report in line with the recommendations in 2021, and this was followed up with extended reporting in 2022. The work on climate reporting is cross-functional and includes, among others, Group Risk Control, Group Credits, Group Finance and Group Sustainability. The work is supported by external experts on climate change and scenario analysis and focuses on the Bank's property exposure in Sweden.

All reports are available on the Bank's website, handelsbanken.com/sustainability.

PRINCIPLES FOR RESPONSIBLE BANKING (PRB)

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

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

In February 2021, Handelsbanken published three sustainability goals within the framework of PRB. The goals were set following an impact analysis which aimed to clarify the Bank's opportunities for increased positive impact and decreased negative impact from its operations.

Handelsbanken's goals

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

The impact analysis is carried out continuously in order to remain up-to-date with current developments within banking operations, as well as with external events, and to be in line with, and contribute to, the Paris Agreement and the Sustainable Development Goals. Transition is key to collaboration with our customers.

Climate analysis has become an increasingly important part of the financing goal analysis, which leads to synergy between the Bank's PRB-related work and its membership of the UN guidelines for emissions targets (NZBA). Product development has intensified in order to increase the pace of volume growth.

Handelsbanken Fonder has continued its work on the sustainability goals. During the year, the fund management company has strengthened its efforts related to the engagement work goal by more clearly defining what is deemed to be an engagement activity with a positive result, and to be able to show the breadth of our engagement through dialogue. There is constant development and improvement of data in order to measure progress, particularly regarding climate data. The fund management company's provider of climate data has developed a new method for calculating emission intensity. This change is deemed to provide a more accurate picture of companies' actual Scope 3 emissions, and thereby a better picture of the emission intensity within the Bank's mutual funds.

Within advisory services, the Bank has been focusing on training and knowledge about financial gender equality for staff advisors, as well as private customers. The Bank has also provided customers with opportunities for personal development and learning within the area of personal finances by launching tools and aids which help build awareness of economic shortcomings, and facilitate compensation savings.

The Sustainability Factbook 2022 contains key metrics demonstrating the Bank's journey towards its sustainability goals.

Governance and transparency

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

The ongoing assessment of which financing products and volumes are used to calculate the responsible financing goal is undertaken by the Bank's Green Finance Committee (GFC) – an internal expert committee which assesses the financing products' structure and possibilities to contribute to the transition. The assessment criteria are reviewed on an ongoing basis in step with the development and market practice, and with an understanding that conditions vary depending on the market.

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

The Bank's Self-Assessment Template is included in Handelsbanken's Sustainability Factbook 2022 at handelsbanken.com/sustainability.

Corporate Governance Report

Handelsbanken is a Swedish public limited company whose shares are listed on Nasdaq Stockholm. Here the Board submits its Corporate Governance Report for 2022. Handelsbanken applies the Swedish Corporate Governance Code with no deviations.

CONTENTS

Corporate governance at Handelsbanken

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

At the heart of corporate governance are the goals and steering documents issued by the Board and the Chief Executive Officer (CEO). Handelsbanken's corporate culture, work method and remuneration system are also important for ensuring effective corporate governance, as is the ability to manage any risks that arise in the business operations.

Risk management is described in detail in a separate risk section in the annual report, note G2 on pages 110–149, in the Bank's Pillar 3 report, and also briefly in this Corporate Governance Report.

THE BANK'S GOALS, MISSION AND CULTURE

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

Handelsbanken creates value through unique customer meetings. Through faith in the individual, a strong local commitment and a decentralised way of working, the Bank creates long-term customer relationships. By running the Bank in a responsible and sustainable manner and with stable finances, Handelsbanken earns confidence from customers, shareholders and the wider world. Satisfied customers, income growing at a faster rate than expenses, and a low risk tolerance create sustainable profitability and the capacity to grow the Bank's business and customer offerings, regardless of the prevailing business and economic climate.

Handelsbanken always considers the situation of the individual customer, regardless of which customer segment the customer belongs to, which channel the customer chooses when dealing with the Bank, or which product the customer needs. Handelsbanken always strives for long-term customer profitability, and the customer's needs determine what business should be done with the customer, not the products that currently generate the highest profitability. The customer decides which distribution channel is best suited to the situation.

The overall customer responsibility always lies with the branch closest to the customer's geographical location.

Handelsbanken's decentralised approach means that each part of the business operations bears full responsibility for its business, based on the allocation of responsibilities and the directions established in the steering documents. The Bank's approach is characterised by trust and respect for customers and employees alike. Handelsbanken aims to develop the competency and skills of its employees and create the conditions to encourage long-term employment relations. All operations within the Group observe high ethical standards.

Handelsbanken's remuneration system is fit for purpose and consistent with the Bank's corporate goals and corporate culture.

APPLICATION OF THE SWEDISH CORPORATE GOVERNANCE CODE

Handelsbanken applies the Swedish Corporate Governance Code with no deviations. The code is available on the Swedish Corporate Governance Board's website, bolagsstyrning.se.

REGULATIONS

The operations of Swedish banks are regulated by law, and banking operations may only be run with a licence from the Swedish Financial Supervisory Authority. The regulations for banking operations are extensive.

The most pertinent of these include:

- The Swedish Companies Act
- The Swedish Banking and Financing Business Act
- The Swedish Securities Market Act
- Regulation (EU) No 575/2013 of the European Parliament and of the Council
- The Swedish Credit Institutions and Securities Companies (Special Supervision) Act
- The Swedish Money Laundering and Terrorist Financing (Prevention) Act
- Extensive regulation of mutual fund and insurance operations

The Swedish Financial Supervisory Authority's regulations include regulations and general guidelines on governance, risk management and control in credit institutions and regulations regarding securities and insurance business.

A list of the central regulations is available on the Swedish Financial Supervisory Authority's website.

Handelsbanken's main principle is that operations outside Sweden are subject both to Swedish regulations and to the host country's regulations, if these are stricter or require deviations from Swedish rules.

The Swedish Financial Supervisory Authority supervises the Bank's operations in Sweden and in all countries where the Bank runs branches, in other words, when the foreign operation is part of the Swedish legal entity Svenska Handelsbanken AB. The supervisory work is co-ordinated in a supervisory college for Handelsbanken, led by the Swedish Financial Supervisory Authority. Equivalent authorities in other countries exercise limited supervision over the branches' operations. They do, however, fully supervise the subsidiaries within the respective countries.

The Swedish Financial Supervisory Authority requires reporting on various matters such as the Bank's organisation, decision-making structure and internal control. The Swedish Financial Supervisory Authority's work also includes systematic on-site inspections of various parts of the Bank. The purpose of this is to follow up the Bank's actual compliance with the terms and conditions of granted licences and other detailed regulations.

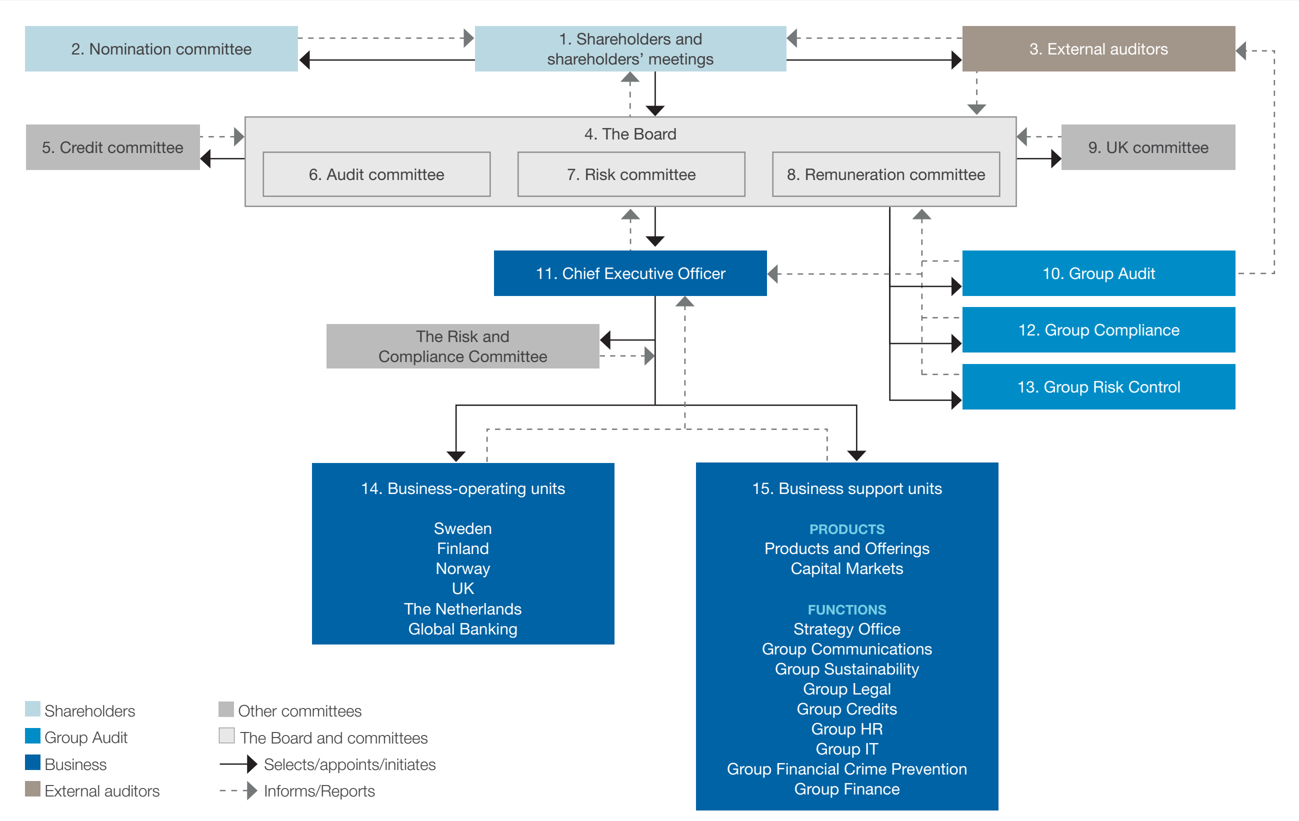
More information

More information about Handelsbanken's corporate governance is available at handelsbanken.com. The site includes the following information:

- Previous corporate governance reports from 2008 onwards
- Articles of Association
- Information about the nomination committee
- Minutes from shareholders' meetings from 2012 onwards.

Corporate governance structure

Corporate governance at Handelsbanken – an overview



Corporate governance at Handelsbanken – an overview
The diagram provides a summary of corporate governance at Handelsbanken. The shareholders take decisions at the shareholders' meeting. For certain questions, the shareholders' decisions are prepared by the nomination committee. The shareholders appoint a board, which in turn appoints a CEO to manage the day-to-day operations. The Board (referred to within Handelsbanken as the Central Board) organises within itself various committees. The CEO was supported in governing the Bank during 2022 by the executive management. The current executive management is described on page 91. Within the Bank, there are also business-operating and business support units that report directly to the CEO. In addition, the shareholders exercise control through auditors appointed by the AGM.

1. SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders exercise their right to decide on matters concerning Handelsbanken at shareholders' meetings, which are the Bank's highest decision-making body. Every year, an annual general meeting (AGM) is held, which among other things appoints the Board, the Chairman of the Board and auditors.

2. NOMINATION COMMITTEE

The nomination committee's task is to prepare and submit proposals to the AGM regarding the appointment of the Chairman and other members of the Board and fees to the Chairman and other members of the Board. As prescribed by the Swedish Corporate Governance Code, the nomination committee also submits proposals regarding the appointment of auditors and fees to the auditors. The AGM decides how the nomination committee will be appointed.

3. EXTERNAL AUDITORS

The auditors are appointed by the AGM for the period until the end of the following year's AGM. The auditors are accountable to the shareholders. They carry out an audit and submit an audit report covering matters such as the annual report, including this Corporate Governance Report, and the administration of the Board and the CEO. In addition, the auditors report orally and in writing to the Board's audit committee concerning how their audit was conducted and their assessment of the Bank's administrative order and internal control. The auditors also submit a summary report of their audit to the Board as a whole.

4. THE BOARD

The Board is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its shareholders. The Board must continuously assess the Bank's financial situation and ensure that the Bank is organised in such a way that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The Board establishes policies and instructions on how this is to be executed, and establishes rules of procedure for the Board and also an instruction for the CEO.

These central steering documents state how responsibility and authority are allocated among the Board as a whole, the committees, the Chairman of the Board and the CEO. The appointments made by the Board include the CEO, Executive Vice Presidents, the Chief Risk Officer, the Chief Compliance Officer and Chief Audit Executive, and the Board also stipulates the employment terms for these persons. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the results of this evaluation.

5. CREDIT COMMITTEE
The Board has set up a credit committee which decides on credit cases where the amount exceeds the decision limit that the Board has delegated to another unit. However, cases of special importance and credits to Board members and certain persons in managerial positions are decided upon by the Board as a whole.

6. AUDIT COMMITTEE
The Board's audit committee monitors the Bank's financial reporting by examining important accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management with regard to financial reporting, as well as the external auditors' impartiality and independence. As prescribed by the Swedish Corporate Governance Code, the committee also evaluates the audit activities and submits a recommendation to the nomination committee in the matter of the appointment of auditors. The committee also receives reports from the Bank's internal and external auditors.

7. RISK COMMITTEE
The Board's risk committee monitors the effectiveness of the Handelsbanken Group's risk control and risk management. The committee prepares decisions regarding the Bank's risk strategy, risk tolerance, etc., and examines reports from Group Compliance and Group Risk Control. The committee also makes decisions independently, including decisions on the significant parts of the Bank's risk classification and estimation processes linked to the IRB approach.

8. REMUNERATION COMMITTEE
The Board's remuneration committee evaluates the employment conditions for the Bank's executive officers in the light of prevailing market terms. The committee's tasks also include preparing the Board's proposals to the AGM concerning guidelines for remuneration to executive officers, monitoring and evaluating the application of these guidelines, and preparing the Board's decisions on remuneration and other terms of employment for executive officers, as well as for the Chief Audit Executive. The committee also makes an assessment of Handelsbanken's remuneration policy and remuneration system.

9. UK COMMITTEE
The Board's UK committee facilitates the structured, continuous follow-up of the operations in Handelsbanken plc. Members of the Board and selected members of executive management participate in this committee.

10. GROUP AUDIT
Group Audit (internal audit) performs an independent, impartial audit of the operations and financial reporting of the Group. A key task for Group Audit is to assess and verify processes for risk management, internal control and corporate governance. The Chief Audit Executive is appointed by the Board and reports regularly to the audit committee, orally and in writing, and also submits an annual summary report to the whole Board.

11. CHIEF EXECUTIVE OFFICER
The CEO is appointed by the Board to lead Handelsbanken's day-to-day operations. In addition to instructions from the Board, the CEO is obliged to comply with the provisions of the Swedish Companies Act and a number of other statutes concerning, among other things, the Bank's accounting, management of funds and operational control.

12. GROUP COMPLIANCE
Group Compliance is responsible for monitoring and checking compliance, providing advice and support on measures to be taken by the business in order to ensure compliance, and for the reporting of material deficiencies and risks. The Chief Compliance Officer reports directly to the CEO and is the Head of Group Compliance. Group Compliance is independent and organisationally separated from the functions and areas to be monitored and controlled. The Chief Compliance Officer reports regularly to the CEO on matters regarding compliance, as well as quarterly to the risk committee and the Board.

13. GROUP RISK CONTROL
Group Risk Control has the responsibility for risk control in the Group and is responsible for monitoring and reporting all the Group's material risks at an aggregate level. This responsibility comprises credit and market risks (interest rate, exchange rate, equity price and commodity price risk), operational risk and liquidity risks, as well as risks associated with the Group's remuneration system. The Chief Risk Officer reports directly to the CEO, acts independently, and is separate from the operations under review. The Chief Risk Officer reports continually to the CEO and on a regular basis to the risk committee and the Board.

14. BUSINESS-OPERATING UNITS
Handelsbanken operates in several countries. Each country has a Country General Manager, who has the overall responsibility for the Bank's business operations in the country in question. This responsibility includes a distribution responsibility for products and services, as well as a customer responsibility.

15. BUSINESS SUPPORT UNITS
Handelsbanken has a number of business support units with Group-wide responsibility.

PRODUCT
Product managers constitute central business support for a given product area. Product responsibility includes, according to a Group-wide approval process, developing, managing and phasing out products and services, as well as co-ordinating and supporting the distribution of the products and services.

FUNCTION
Function managers have Group-wide responsibility for a given area. Function responsibility includes ensuring that work within the area functions well and is run in accordance with internal and external rules and regulations. The responsibility also includes providing guidance and support relating to the area.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholder rights

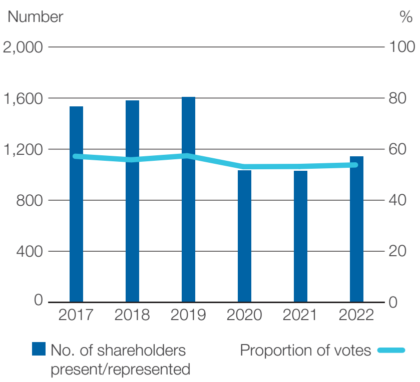
At the end of 2022, Handelsbanken had just over 161,000 shareholders. Shareholders' right to decide on matters concerning the company's affairs are exercised at regular shareholders' meetings, the annual general meeting and extraordinary general meetings. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represented more than 98 per cent of all outstanding shares at the end of 2022. Class A shares and class B shares entitle holders to the same proportion of the profit. Each class A share entitles the holder to one vote, while each class B share entitles the holder to one-tenth of a vote. Handelsbanken's Articles of Association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than ten per cent of the total number of votes in the Bank.

A shareholder wishing to have a matter considered by the AGM must submit a written request to the Board, in time for the matter to be included in the notice of the meeting. The Bank's website, handelsbanken.com, contains information as to when this request must have reached the Board.

At the AGM, the Bank's shareholders make various decisions of major importance to the Bank's governance. Shareholders' decisions include:

- adopting the income statement and balance sheet
- appropriation of profits
- discharge from liability for the Board and the CEO for the past financial year
- how many members should be on the Board of the Bank, who these members should be, and who should be the Bank's auditors
- determining fees to Board members and auditors
- principles for remuneration to executive officers.

Attendance at AGMs 2017–2022



The shareholders at a shareholders' meeting can also make decisions on the Bank's Articles of Association. The Articles of Association constitute the fundamental governing document for the Bank. They specify which operations the Bank is to conduct, the limits on the amount of share capital, the right of shareholders to participate at shareholders' meetings and the items to be presented at the AGM. The Articles of Association also state that the number of board members must be at least eight and at most 15. They are elected for one year at a time. Handelsbanken's Articles of Association contain no stipulation regarding the appointment and discharging of board members nor concerning amendments to the Articles of Association.

Information in preparation for meetings is published at handelsbanken.com. Minutes of previous meetings are also available in both Swedish and English.

Major shareholders

At the end of 2022, the holdings of one shareholder represented more than ten per cent of the votes: AB Industrivärden, with 11.4 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 35.

Annual General Meeting 2022

The Annual General Meeting took place on 23 March 2022.

1,145 shareholders were represented at the meeting via postal voting. They represented approximately 52.6 per cent of all votes in the Bank, on par with the figure for the 2021 AGM. Due to the prevailing circumstances related to Covid-19, just two members of the Board were present. The chairman of the meeting was lawyer Sven Unger.

The decisions made by the shareholders at the meeting included:

- A dividend of SEK 5.00 per share, with the remaining amount at the disposal of the meeting to be carried forward.
- Authorisation for the Board to decide on acquisition of not more than 120 million shares in the Bank, as well as divestment of shares.
- The Board is to consist of ten members, excluding deputy members.
- The re-election of nine Board members and the election of one new Board member, Hélène Barnekow, for the period until the conclusion of the next AGM.
- The election of Pär Boman as Chairman of the Board.
- Fees to be paid to the Board members: SEK 3,640,000 to the Chairman of the Board, SEK 1,040,000 to the Deputy Chair, and SEK 745,000 to the other Board members. Fees to be paid for committee work to each member of the respective committee: SEK 440,000 for the credit committee, SEK 440,000 for the UK committee, SEK 140,000 for the remuneration committee, SEK 440,000 for the risk committee and SEK 440,000 for the audit committee. It was decided that the fee to the chairperson of the risk committee would be SEK 545,000, the fee to the chairpersons of the credit committee and the UK committee would be SEK 495,000, and that the fee to the chairperson of the audit committee would be SEK 545,000. Board members who are employees of Handelsbanken shall not receive a fee.
- The AGM appointed PricewaterhouseCoopers AB (re-election) and Ernst & Young AB (re-election) to serve as auditors until the end of the AGM to be held in 2023.

The shareholders at the meeting also adopted guidelines for remuneration and other terms of employment for executive officers, as proposed by the Board, which are presented on page 86.

Auditors

Johan Rippe has been an authorised public accountant since 1999 and is auditor-in-charge for PricewaterhouseCoopers AB at Handelsbanken. Mr Rippe is also an auditor for Stena and Axel Johnson, among others. He is also a member of the Board for PricewaterhouseCoopers AB's Swedish operations. Mr Rippe was born in 1968.

Åsa Lundvall has been an authorised public accountant since 2002. She is auditor-in-charge for Ernst & Young AB at Handelsbanken. She is also an auditor for Dustin, Rejlers and Storskogen, among others. Ms Lundvall was born in 1970.

NOMINATION COMMITTEE

The shareholders at the 2022 AGM resolved to establish an instruction for how the nomination committee is to be appointed. According to the decision, the instruction will apply until it is amended by a future AGM. The instruction states that the nomination committee shall comprise five members: the Chairman of the Board and one representative from each of the Bank's four largest shareholders on 31 August the year before the AGM is held.

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the Chairman of the Board's task to contact the largest owners, so that they will appoint one representative each to sit on the nomination committee, together with the Chairman. The 2023 nomination committee comprises:

Representative	Shareholders	Voting power as a %, 31 August 2022
Helena Stjernholm, Chair	Industrivärden	11.3
Maria Sjöstedt	Oktogonen Foundation	9.4
Louise Lindh	Lundberg ownership group	4.3
Anders Algotsson	AFA Försäkring	0.5
Pär Boman, Board Chairman		

Information on the composition of the nomination committee has been available at handelsbanken.com since 22 September 2022.

The nomination committee's task in preparation for the AGM on 22 March 2023 is to submit proposals for the election of a chairman of the AGM, the Chairman of the Board and other members of the Board, the fees to the Chairman and other members of the Board, and remuneration for committee work. In addition, the Handelsbanken Board has decided that proposals regarding the election of and fees to auditors be made by the nomination committee.

In its work, the nomination committee takes into account the Board's diversity policy. The policy stipulates that to promote independent opinions and critical questioning, it is desirable that the Board should be characterised by appropriate diversity in terms of, for example, age, gender, geographical origin, and educational and professional background. When formulating its proposal to the annual general meeting, the nomination committee considers relevant parts of the Board's policy regarding the suitability assessment of Board members and the Chief Executive Officer. In compiling the proposal, the nomination committee also considers the evaluation of the Board carried out by the Chairman of the Board.

THE BOARD

After the shareholders at the 2022 AGM had appointed Pär Boman to be Chairman of the Board, Fredrik Lundberg was appointed as Deputy Chair at the first Board meeting immediately after the AGM. At the same time, the Board appointed members of the credit committee, audit committee, risk committee, remuneration committee and UK committee. Information about the Board is shown on pages 88–90.

Composition of the Board

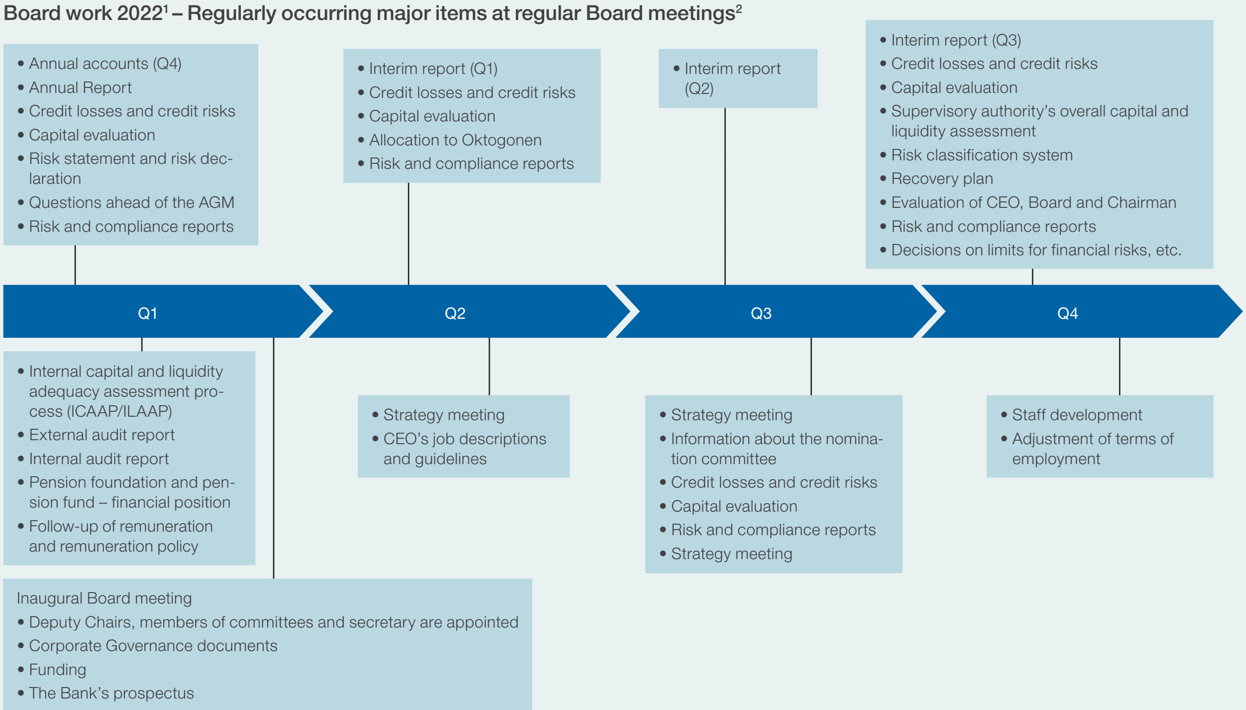
Since the 2022 AGM, the Board has been composed of ten elected members. When the Board is to be elected, the nomination committee proposes members. Starting from the date of the 2020 AGM, the Board has also included two members and two deputy members who are employee representatives, in accordance with applicable legislation.

The Board members have broad and extensive experience from the business community. Several are, or have been, chief executive officers of major companies, and most of them are also board members of major companies. Several members have worked on the Bank's Board for a long time and are very familiar with the Bank's operations. The nomination committee's proposals at previous AGMs, including their reasons, are available at handelsbanken.com.

Suitability assessments of individual Board members are undertaken, and of the Board as a whole. The suitability assessment of the Board is carried out at least annually, as well as prior to changes in the composition of the Board, or when it is otherwise deemed necessary. This ensures that the Board has the knowledge, skills and experience required to fulfil its duties, which include establishing strategies and risk tolerances, understanding and challenging decisions and proposals by executive management on the basis of their consequences.

The proportion of women on the Board of the Bank since the 2022 AGM is 50 per cent of the

Board work 2022[1] – Regularly occurring major items at regular Board meetings[2]



[1] The committees' meetings are not presented in the chart.
[2] At Board meetings, the business situation is regularly addressed, while the utilisation of market risk limits, liquidity and funding are discussed on a quarterly basis.

elected members, and the proportion with a different geographical origin than the country where Handelsbanken is domiciled is 20 per cent.

Independence of Board members

The Swedish Corporate Governance Code stipulates that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of those of the company's shareholders that control ten per cent or more of the shares and votes in the Bank. The composition of the Board fulfils the Code's requirements for independence.

Regulations governing the Board's work

The fundamental rules regarding the distribution of tasks among the Board, the Board committees, the Chairman, the CEO and Group Audit are in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, and are expressed in the Board's rules of procedure, as well as in its instructions to the CEO and to the Chief Audit Executive.

Chairman of the Board

The Board's rules of procedure state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the Bank's operations, and that new members receive appropriate introduction and training. The Chairman must be available to the CEO as an advisor and discussion partner, but must also prepare the Board's evaluation of the CEO's work.

The Chairman's duties include being chairman of the credit committee, remuneration committee and UK committee, as well as being a member of the audit and risk committees. The Chairman is responsible for ensuring that the Board's work is evaluated annually. The 2022 Board evaluation was performed by means of a survey and through discussions between the Chairman and each member. The Chairman informed the Board of the outcome of the evaluation and led a Board discussion on this. The Chairman also informed the nomination committee about the Board evaluation. The board evalutation has not led to any other specific measures. The Chairman is responsible for maintaining contact with the major shareholders concerning ownership matters.

There is no other regular division of work for the Board except as concerns the committees.

The Board's work in 2022

During the year, the Board had 15 meetings, including two extended strategy meetings.

The figure on page 79 gives an overview of the Board's work in 2022, including regularly occurring major items at ordinary Board meetings. Moreover, during the year the Board has received reports on the Bank's work relating to money laundering and information security, as well as on the Bank's overall sustainability work, including climate risks and performance in terms of the adopted sustainability goals. In addition, matters discussed at remuneration, risk and audit committee meetings are reported at the next Board meeting.

Committee work

Credit committee

The credit committee consisted of the Chairman of the Board (Pär Boman, who also chairs the credit committee), the Deputy Chair (Fredrik Lundberg), the CEO (Carina Åkerström), the Chief Credit Officer (Robert Radway, as of 16 February 2022), and five Board members appointed by the Board (Jon Fredrik Baksaas, Stina Bergfors, Hans Biörck, Ulf Riese and Arja Taaveniku).

The credit committee normally holds one meeting every month to take decisions on credit cases that exceed a set limit and that are not decided on by the whole Board due to the importance of these cases or legal requirements. The Country General Managers and County Managers, and the Head of Handelsbanken Global Banking presented cases to the credit committee from their own units in 2022 and participated when other cases were presented, with the objective of providing them with a good picture of the Board's approach to risk. Credit cases that are decided upon by the whole Board are presented by the Chief Credit Officer. If a delay in the credit decision would inconvenience the Bank or the borrower, the credit instructions allow the CEO and the Chief Credit Officer to decide on credit cases during the interval between credit committee meetings.

In 2022, the credit committee had 11 meetings.

Audit committee

The audit committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Jon Fredrik Baksaas, Hans Biörck and Ulf Riese). The latter members are independent of major shareholders, and of the Bank and its management. Jon Fredrik Baksaas was appointed to chair the committee.

In 2022, the audit committee had seven meetings.

Risk committee

The risk committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Ulf Riese, Kerstin Hessius and Hans Biörck). The latter members are independent of major shareholders, and of the Bank and its management. Kerstin Hessius was appointed to chair the committee.

In 2022, the risk committee had nine meetings.

Remuneration committee

The remuneration committee comprised the Chairman of the Board (Pär Boman, who also chairs the committee) and two Board members appointed by the Board (Jon Fredrik Baksaas and Hans Biörck). The latter two are independent of the Bank, its management, and major shareholders.

In 2022, the remuneration committee had eight meetings.

UK committee

The UK committee comprised the Chairman of the Board, (Pär Boman, also chair of the committee), the CEO (Carina Åkerström), the Chief Financial Officer, CFO (Carl Cederschiöld) and a member appointed by the Board (Ulf Riese).

In 2022, the UK committee had five meetings.

THE BANK'S MANAGEMENT

Chief Executive Officer

Carina Åkerström has been President and Chief Executive Officer since March 2019. She was born in 1962, is a Master of Laws, and has worked at Handelsbanken since 1986. In 2008, Carina Åkerström became a member of the executive management as Executive Vice President and Head of Regional Bank Eastern Sweden. In 2010, she was appointed Head of Regional Bank Stockholm. Carina Åkerström was appointed Deputy President in 2016, while retaining her position as Head of Regional Bank Stockholm. With the exception of her positions as Chairman of the Swedish Bankers' Association (entailing an assignment as board member in the European Banking Federation), and board member in World Childhood Foundation, Carina Åkerström has no significant assignments outside Handelsbanken. Her shareholdings in the Bank and those of close relatives are 48,400 shares, as well as 33,348 shares held indirectly via the Oktogonen profit-sharing scheme. Neither the CEO nor her close relatives has any material shareholdings or other ownership interests in companies with which the Bank has significant business relations.

Executive management

In 2022, Handelsbanken's executive management consisted of the Chief Executive Officer

Summary of focus areas in the Board's committees (excluding the credit committee)

Committee	Members	Duties	Other focus areas in 2022
Audit committee	Jon Fredrik Baksaas (Chair) Pär Boman Ulf Riese Hans Biörck	The work of the audit committee includes the following: • monitoring the financial reporting, as well as the effectiveness of the Bank's internal control, internal audit and risk management systems in relation to financial reporting • providing recommendations and proposals concerning the financial reporting • preparing the Board's decision regarding an audit plan for the work of Group Audit and taking into account reports from Group Audit • having regular contact with the external auditors. These auditors report to the committee on significant matters that have emerged from the statutory audit • keeping up to date with the audit of the annual report and consolidated accounts and the Swedish Supervisory Board of Public Accountants' quality control • assisting the nomination committee in the matter of proposing auditors and thereafter submitting a recommendation regarding the election of auditors • informing the Board of the results of the audit and of the manner in which the audit has contributed to the reliability of the financial reports • monitoring and verifying the external auditors' impartiality and independence, with a particular focus on whether the auditors provide any services other than auditing to the company. All interim reports and year-end reports are reviewed by the audit committee. Items are presented by the CEO, the CFO, the Chief Audit Executive and the persons with main responsibility from the audit companies appointed by the AGM. The members of the committee can also ask questions to the Chief Audit Executive and external auditors when members of Bank management are not present. **The Board's report on internal control regarding financial reporting can be found on page 87.**	During the year, the audit committee has engaged in its usual work relating to financial reporting, auditing, etc. In this context, the committee has also had reason to discuss the prevailing economic conditions and their effects on Handelsbanken's operations, as well as organisational changes and operational changes at the Bank.
Risk committee	Kerstin Hessius (Chair) Pär Boman Ulf Riese Hans Biörck	The work of the risk committee includes the following: • processing reports from the Chief Risk Officer (CRO) and Chief Compliance Officer • preparing the Board's decisions regarding the establishment of the internal capital adequacy and liquidity adequacy assessment • processing the validation and evaluation of the internal risk classification system • preparing the Board's decisions regarding risk tolerance and risk strategy • processing the evaluation of the risk calculation methods used for limiting financial risks, calculating capital requirements and calculating economic capital • preparing the Board's decisions regarding the establishment of Handelsbanken's recovery plan. The CRO and Chief Compliance Officer present their reports to the risk committee. The members of the committee can also ask questions to the CRO and Chief Compliance Officer when members of Bank management are not present. The Bank's CEO, CFO, Chief Credit Officer and Chief Legal Officer also attend meetings of the risk committee. **The framework for control is described on page 82.**	During the year, the risk committee has regularly addressed matters relating to risk tolerance, including credit risk, counterparty risk and liquidity risk, as well as the development of the Bank's IRB models. In addition, the committee has discussed risk and compliance issues tied to, among other things, IT security and anti-money laundering work. The committee has also discussed the economic conditions and their effects on the Bank's business operations and its risks.
Remuneration committee	Pär Boman (Chair) Jon Fredrik Baksaas Hans Biörck	The tasks of the remuneration committee include making an independent assessment of Handelsbanken's remuneration policy and remuneration system. In addition, the remuneration committee prepares matters regarding remuneration to be decided on by the Board and the AGM. After the shareholders at the AGM have decided on guidelines for remuneration to executive officers, the Board decides on remuneration to these officers and the heads of the control functions: Group Audit, Group Risk Control and Group Compliance. Each year, the remuneration committee evaluates Handelsbanken's guidelines as well as its remuneration structures and levels in accordance with the Swedish Corporate Governance Code. A statement from the committee in this regard is published on handelsbanken.com prior to the AGM. **The Board's remuneration report is available at handelsbanken.com.**	The remuneration committee has engaged in its usual work concerning matters relating to remuneration. In addition, the committee has addressed several cases involving the appointment of senior managers.
UK committee	Pär Boman (Chair) Carina Åkerström Carl Cederschiöld Ulf Riese	Every quarter, the committee for UK operations receives information about the performance and position of the UK operations, and every year, information about the business plan for the UK operations etc.	The UK committee has followed the operations of Handelsbanken plc, in terms of its financial reporting, its business situation, and risk and compliance matters.

together with the Chief Financial Officer, Chief Information Officer, Chief Credit Officer, Chief Human Resources Officer, Chief Communications Officer, Head of Capital Markets, Chief Sustainability and Climate Officer, Chief Strategy Officer, Head of Group Products and Offerings and Chief Risk Officer, as well as the Country General Manager of Sweden, the Country General Manager of Norway and the Chief Executive Officer of Handelsbanken plc. The Chief Legal Officer and Chief Compliance Officer are co-opted to executive management, as is the Executive Vice President responsible for the divestment of the Bank's operations in Denmark and Finland. The current executive management is described on page 91. Executive management is a forum for addressing Group-wide issues and other matters of significance from a Group perspective. Before decisions are made on such matters by the CEO or other officers, these are, as a general rule, discussed by executive management.

Decision-making process

As a general rule, responsibilities and powers of authority at Handelsbanken under the CEO have been assigned to individual members of staff, rather than groups or committees. However, collective decisions are made, in the form of credit decisions made in credit committees and the national boards. It is required that the members are unanimous regarding these decisions.

The Risk and Compliance Committee

The Risk and Compliance Committee[1] has been set up by the CEO for follow-up of risk management within several areas and for in-depth discussions regarding the Bank's overall risk situation prior to such matters being addressed by the risk committee and the Board. As well as the Chief Executive Officer, the Risk and Compliance Committee includes the Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Strategy Officer, Chief Credit Officer, Chief Information Officer, Head of Financial Crime Prevention, Head of Group Capital Markets, Head of Group Products and Offerings and Chief Legal Officer.

Operational structure

Handelsbanken's overall organisational structure follows a geographical governance model. The Bank has long employed decentralised working methods, with important business decisions made locally close to the customer.

Customer responsibility is geographical, meaning that all of the Group's customers are affiliated with a physical branch, regardless of which products or services the customer needs, or which channels the customer chooses.

The Handelsbanken Group's home markets are Sweden, Norway, the UK and the Netherlands, but the Group also has business operations in other markets. Outside Sweden, operations are mainly run via international branches, except in the UK, where the Bank has a subsidiary for its British operations. The operations in each country are led by a Country General Manager.

In 2021, the decision was made to initiate a process to divest the operations in Denmark and Finland. The Bank announced in June 2022 the sale of its Danish operations to Jyske Bank A/S. The transfer was finalised during the fourth quarter.

FRAMEWORK FOR CONTROL

Organisational requirements on the operations

Responsibility for ensuring that the appropriate procedures, systems and processes are in place such that the operations can be run in accordance with external and internal rules regarding internal control, risk control and regulatory compliance in each respective unit has been delegated by the CEO to managers who report directly to the CEO. In turn, these managers may delegate operational responsibility for meeting these requirements to managers who report to them. Among other things, this responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, internal control, risk control and compliance are integral parts of managers' responsibility at all levels in the Bank.

Handelsbanken has three lines of defence for risk management, follow-up and internal control of the Bank's risks: The business operations and the units that support the business operations constitute the first line of defence, with responsibility for managing and restricting the risks facing the business in accordance with external and internal rules. The control functions Group Risk Control and Group Compliance comprise the second line of defence, and monitor and control the Group's risks, the work of the business operations, and compliance with applicable rules and regulations. The third line of defence is Group Audit, which examines all of the Bank's operations, including risk management, the work of the control functions and corporate governance.

Group Compliance

Group Compliance is an independent control function that identifies, measures, analyses and reports on compliance risks within the Group. This also includes checking and assessing the suitability and effectiveness of the procedures in place and actions taken to minimise the risk of non-compliance with applicable rules. Another important duty is to provide advice and support about compliance to employees, the CEO and Board, and continually inform the units concerned about the risks which may arise in the operations due to inadequate compliance. Group Compliance also monitors the risk level relative to the risk tolerance defined by the Board, and is responsible for the Group's contacts with public authorities regarding supervision of the Group's licensed operations.

The function also includes specifically defined roles such as the Appointed Officer according to the applicable money laundering and terrorist financing regulations, and the Data Protection Officer (DPO) according to the applicable regulations on data protection and personal data processing.

The Chief Compliance Officer is appointed by the Board and reports directly and regularly to the CEO on matters regarding compliance in the Group, as well as quarterly to the risk committee and the Board.

Group Risk Control

Group Risk Control is an independent control function that identifies, measures, analyses and reports all the Group's material risks. This includes monitoring and checking the Group's risk management and assessing that Handelsbanken's risk management framework is fit-for-purpose and efficient. Group Risk Control also checks that the risks and risk management comply with the Bank's risk strategy, and fall within the risk tolerance thresholds established by the Board.

The Chief Risk Officer is appointed by the Board and reports directly and regularly to the CEO. The Chief Risk Officer also reports regularly to the Board's risk committee, and quarterly to the Board as a whole.

A more detailed description of the Bank's risk management and control is contained in note G2 on pages 110–149, and also in the Bank's Pillar 3 Report.

Group Audit

Group Audit is the Board's controlling body. The Chief Audit Executive is appointed by and reports to the Board.

Group Audit is tasked with performing an independent, impartial audit of the operations and financial reporting of the Group. This includes assessing and verifying processes for risk management, internal control and corporate governance. Their assignment is based on a policy established by the Board and is performed on the basis of a risk-based methodology in accordance with internationally accepted standards issued by the Institute of Internal Auditors (IIA). The planned auditing activities are documented every year in an audit plan which is established by the Board. Group Audit's conclusions, the actions to be taken and their status are reported regularly to the audit committee and every year to the Board as a whole. The Chief Audit Executive is also a recipient of reports made via Handelsbanken's separate system for whistleblowing.

Group Audit is regularly subject to independent external quality reviews. In addition, the Bank's external auditors perform an annual quality review of the work of Group Audit.

POLICY DOCUMENTS

The following is a brief summary of a selection of the policy documents which the Board of Handelsbanken has established and which apply at the time this annual report is published.

Policy on governance and steering documents

The purpose of the policy is to clarify the basic foundations of the Handelsbanken Group's

1 Up until 3 July 2022, the matters were dealt with in the former Risk Forum.

corporate governance. The policy addresses the overall organisational structure, illustrating its goals and corporate culture, as well as the steering documents and forms of responsibility that constitute the basis for governance within the Group. The policy also illustrates the basic foundations for risk management and the follow-up of risks.

Credit policy
The credit policy describes the Bank's risk tolerance and risk strategy for credit risk, as well as how such risks are to be followed up. Handelsbanken has a low tolerance of credit risks and strives to maintain its historically low level of credit losses compared to other banks.

Policy for risk control
The policy for risk control presents basic principles for the Bank's independent risk control function. The risk control function must verify that all material risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions, and must also supervise and monitor the Group's risk management. In addition, the function must identify risks arising as a result of deficiencies in the Group's risk management. The risk control function must also verify that every business unit monitors all its material risks in an efficient manner.

Policy for operational risk
The policy for operational risk describes the Bank's tolerance of operational risks and provides comprehensive guidance on the management of such risks. Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. Legal risks, as well as IT risks and information security risks, are also included. Handelsbanken has a low tolerance of operational risks and, as far as possible, must endeavour to prevent these risks and to reduce the losses in this area.

Capital policy
The purpose of the capital policy is to ensure that the Group's supply of capital is satisfactory. The Group must at all times be well capitalised in relation to risk, and fulfil the goals established by the Board and the capital adequacy requirements established by supervisory authorities, even in situations of financial stress (see the section on risk in note G2 on pages 110–149). Handelsbanken's capital situation must also justify a continued high rating from the most important rating agencies.

Financial policy
Through this policy, the Board establishes the framework for financial operations in Handelsbanken. This includes the general establishment of measurement methods for financial risks. 'Financial risks' here refers to market risks and liquidity risks. Market risks are in turn divided into interest rate risks, equity price risks, foreign exchange risks and commodity price risks.

Financial risks shall only occur as a natural part of customer business, in connection with Handelsbanken's funding and liquidity management, and in its role as a market maker. The purpose of the Group's funding and liquidity management is to ensure that Handelsbanken is able to meet its payment obligations in the short and long term. The Group's funding must be well diversified in terms of markets, currencies and maturities. Handelsbanken must have an adequate liquidity reserve to be able to continue its operations for predetermined periods of time, without new funding in the financial markets. This requirement must also be fulfilled in times of financial strain.

Communication policy
The policy states that Handelsbanken's communication must be correct, factual, clear and comprehensible, and be characterised by transparency, accessibility and speed. It must also contribute to strengthening Handelsbanken's brand and the trust of its customers, other market actors and society in general. External communication to the financial markets and other external recipients must be relevant, reliable, correct, clear, up to date and otherwise in line with the rules of the stock exchange and other applicable regulations. Information is to be made public as soon as possible and simultaneously to the stock market, investors, analysts, news services and other media. At press conferences and the like, the media and analysts should normally be given the opportunity to obtain information at the same time.

Policy for sustainability
The policy establishes the strategy for Handelsbanken's sustainability work with regard to the Bank's relationships with customers, actions as an employer and social actor, and relationships with owners and investors. The Bank aims to integrate financial, social and environmental sustainability into all its operations, which means that the Group is to run financially sound, sustainable operations. This entails safeguarding human rights and employees' rights, and not being complicit in breaches of these. Gender equality, diversity and an inclusive corporate culture should be a part of Handelsbanken's fundamental values. Handelsbanken endeavours to minimise negative impact on the environment, and to increase positive impact. In its operations and in accordance with the Group's sustainability goals, the Bank shall actively push for a greenhouse gas-neutral economy, in line with the Paris Agreement and the 1.5°C target. Handelsbanken does not accept corruption, money laundering or terrorist financing, and conflicts of interest must be managed.

The policy is available at handelsbanken.com.

Policy for ethical standards
The policy stipulates that employees of Handelsbanken must conduct themselves in a manner that upholds confidence in Handelsbanken. All operations in the Group must be characterised by high ethical standards. Financial advice must be based on the customer's requirements. In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's immediate superior. There must be no discrimination on grounds such as gender, religion, ethnic background or any other basis. The policy on ethical standards also describes how employees who suspect fraud or other irregularities should act. As a supplement to the paths for reporting provided by the Compliance and Group Audit functions, Handelsbanken also has an established whistleblower system, through which reports may be submitted anonymously.

The policy is available at handelsbanken.com.

Policy for management of conflicts of interest
The policy aims to ensure that conflicts of interest are managed correctly at the Bank. Conflicts of interest are a natural part of a business operation, which means that these types of conflicts may arise within the Group's operations. It is the responsibility of all heads of units to continuously identify potential conflicts of interest in their operations. If a conflict of interest relative to a customer is identified, the first priority is for the manager responsible to ensure that the customer's interests are not adversely affected. If this is not possible, the customer must be informed of the conflict of interest.

The policy is available at handelsbanken.com.

Policy against corruption
The policy against corruption establishes the importance of preventing and never accepting corruption, and of always taking action where there is suspicion of corruption. Corruption encompasses actions such as the giving and taking of bribes, breach of trust, and abusing one's position to achieve an improper advantage for personal gain or another person's benefit.

Employees of the Group must carry out their responsibilities in all their activities at the Group and their external assignments in a manner that upholds confidence in Handelsbanken. They must not, therefore, participate in actions that may involve bribery or any other improper influence. The same applies to all representatives of Handelsbanken.

The policy is available at handelsbanken.com.

Policy for remuneration

The policy stipulates that Handelsbanken's remuneration system must be fit-for-purpose and consistent with the Bank's business objectives and business culture, which are based on sound, sustainable operations, in which employees observe high ethical standards, and good administrative order and regulatory compliance. Remuneration must also be structured in a manner that promotes a healthy and efficient management of sustainability risks. Handelsbanken takes a long-term view of its staff's employment. Remuneration must be on market terms, enabling Handelsbanken to attract, recruit, retain and develop skilled staff, and ensuring good management succession, thus contributing to the achievement of the Handelsbanken Group's corporate goal.

Handelsbanken has a low risk tolerance in general. This is reflected in the company's view of remuneration. Handelsbanken considers that fixed remuneration contributes to healthy operations. This is therefore the main principle. Fixed remuneration is comprised primarily of a basic salary, customary employee benefits and pension.

Provisions for the Oktogonen collective profit-sharing scheme are classified as variable remuneration. Provisions are based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance.

Performance-based variable remuneration must be applied with great caution and is not offered to employees who, in their professional roles, can have a material impact on the Bank's risk profile.

In certain countries, Handelsbanken is party to collective bargaining agreements on general terms and conditions of employment and conditions for pensions. This policy does not affect rights and obligations under collective bargaining agreements; nor does it affect obligations under applicable contract law or labour law.

Group HR is responsible for verifying that remuneration in Handelsbanken is compliant with external and internal rules. The independent control functions monitor and analyse the remuneration system and report material risks and flaws to the Board's remuneration and risk committees.

A more detailed description of Handelsbanken's remuneration principles is shown on pages 85–86 and details about remuneration are shown in note G8 on pages 152–157.

Policies for suitability assessment

These two policies (one for Board members and the CEO, one for other officers) include general criteria for the suitability assessments required in advance of the appointment of members to Boards, as well as appointments to the positions of CEO, Executive Vice President, Chief Financial Officer, other positions in executive management, Country General Managers, heads of control functions and other executive officers at the Bank and the Bank's subsidiaries.

Policy for Group Audit

The policy stipulates that Group Audit must evaluate the efficiency and appropriateness of the Group's processes for risk management, internal governance and control. The Audit function must impartially and independently examine the Group's operations, accounts and governance process, ensure that material risks are identified and managed in a satisfactory manner, and ensure that material financial information is reliable, correct and delivered on time.

Policy for managing and reporting events of material significance

According to the policy, events of material significance must be reported to the Swedish Financial Supervisory Authority. This refers to events that may jeopardise the stability of the Bank or a subsidiary, or the protection of customers' assets.

Policy for the use of external auditors

The policy establishes that engaging the Bank's elected auditors for services other than auditing should be avoided when this can be done without inconvenience. A decision on this must be made by the Chief Audit Executive or, in the case of more extensive assignments, by the Board's audit committee. The policy is adopted by the Board's audit committee on behalf of the Board.

Policy for compliance

The policy establishes the principles for compliance applicable in the Group, and describes the duties of Group Compliance. Compliance refers to the observation of and compliance with external and internal rules and regulations, accepted market practice and standards that are together applicable to the Bank's licensed operations. Handelsbanken has a low tolerance of compliance risks. Group Compliance is to adopt a risk-based way of working to support and verify regulatory compliance and analyse deficiencies and risks relating to compliance.

Policy for complaints management

The policy states that all customer complaints must be dealt with promptly, while considering all rules relevant to the subject of the complaint. Complaints must be taken very seriously and regarded as an opportunity to correct a mistake or misunderstanding. The aim of the Bank's complaints management is that the person making the complaint must be very satisfied with the Bank's handling of it.

Policy for employees' transactions in financial instruments in the Handelsbanken Group

This policy serves as guidance for transactions in financial instruments executed by employees and contractors (other than Board members) in the Handelsbanken Group. The policy applies regardless of whether the transactions are undertaken for the individual's own account, or that of a closely related person, a customer or for the Bank. Any person who is covered by this policy is prohibited from carrying out transactions in financial instruments – or causing any other person, through advice or request, to carry out such transactions – that involve market abuse, or misuse or improper disclosure of confidential information.

Accounting policy

The accounting policy is applied by Handelsbanken's accounting function. The policy states that the consolidated accounts are to be prepared in accordance with IFRS, as adopted by the EU, plus additional standards in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. International units must prepare accounts in accordance not only with the Group's rules, but also with the regulations that apply in the country where they are required to maintain accounting records.

Policy for products and services

According to the policy, the Handelsbanken Group's range of products must maintain a high level of quality. This means that the products' function, and their associated costs and risks, must meet customers' needs, characteristics and goals, as well as being presented in such a way that customers are able to make well-founded decisions. A decision-making procedure must be in place for the approval of new and materially changed products. Before a product is rolled out, it must be subject to product testing, and no new or materially changed product may be rolled out until the resources are in place to manage the risks associated with the product. The products must have established target markets and the strategy for distribution of products must be appropriate in relation to the target market. Procedures must exist for monitoring the product, to ensure that it remains suitable for the established target market.

Policy on measures against financial crime

The policy on measures against financial crime is based on applicable regulatory frameworks concerning money laundering, terrorist financing, effective international sanctions and rules regarding violations of such sanctions, as well as obligations relating to the prevention of fraud. The policy also addresses the low risk tolerance, as set by the Board, in the aforementioned areas. Handelsbanken must not participate in transactions of which the employees do not understand the implications, or which may be suspected of being linked to criminal activities. The Group's work method is based on having a good knowledge of its customers, and an understanding of its customers' business operations, as well as the purpose and nature of the business relationship. Customer due diligence must be performed and maintained for as long as the customer relationship exists. Handelsbanken must also monitor and follow decisions on sanctions.

The policy is available at handelsbanken.com.

PRINCIPLES FOR REMUNERATION AT HANDELSBANKEN

The remuneration policy establishes the Bank's principles for remuneration to employees. In general, Handelsbanken has low tolerance of risk and holds the opinion that fixed remuneration contributes to healthy operations. This is, therefore, the main principle. The Bank's executive officers and employees who make decisions on credits or limits, or who work at the Bank's control functions, are paid fixed remuneration together with the possibility of further remuneration from the Oktogonen collective profit-sharing scheme. This also applies to employees who are assessed as having a material impact on the Bank's risk profile, called 'risk-takers' in the Bank.

The main principle of the remuneration policy is that remuneration is paid in the form of fixed remuneration. However, the policy allows for variable remuneration to be paid. The Board decides on the total amount.

A detailed description of fixed and variable remuneration at Handelsbanken is given here. Other information concerning remuneration paid by the Bank in accordance with the current regulations is presented in note G8 on pages 152–157, and in the Bank's Remuneration Report which is available at handelsbanken.com. This note also provides information about amounts for salaries, pensions and other benefits, and loans to executive officers.

Fixed remuneration

The Bank takes a long-term view of its staff's employment. Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and pension.

The main principle is that salaries are set locally in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

Salaries are based on factors known in advance: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, and being a cultural ambassador for the Bank.

In Sweden and certain other countries, the Bank is party to collective bargaining agreements on general terms and conditions of employment during the employment period and on terms and conditions of pensions after employees have reached retirement age. The aim of the Bank's policy on salaries is to increase the Bank's competitiveness and profitability, to enable the Bank to attract, recruit, retain and develop skilled staff, and to ensure good management succession planning. Good profitability and productivity performance at the Bank create the necessary conditions for salary growth for the Bank's employees.

Variable remuneration

The Oktogonen profit-sharing scheme covers all employees in the Handelsbanken Group. The provision is classified as variable remuneration and is based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance. Disbursements are mainly made in cash to the employees, or alternatively to a pension plan, a savings plan or a combination of the two.

Performance-based variable remuneration is applied with great caution and to a very limited extent. It is only offered to employees in the Capital Markets business area and in mutual fund and asset management operations. In these operations, performance-based variable remuneration may only be paid to employees at units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to credit risk, market risk or liquidity risk. One per cent of the Group's employees are eligible to receive performance-based variable remuneration. The total amount reserved for performance-based variable remuneration to employees in the Handelsbanken Group must not exceed 0.4 per cent of the Bank's common equity tier 1 capital during any given year. For 2022, a total of SEK 52m was allocated for performance-based variable remuneration, corresponding to approximately 0.5 per cent of total salaries and approximately 0.03 per cent of the Bank's common equity tier 1 capital.

Performance-based variable remuneration is based on Handelsbanken's factors for setting salaries and it must be designed so that it does not encourage unhealthy risk-taking. The financial result on which the performance-based variable remuneration is based is adjusted for risk and charged with the actual cost of the capital and liquidity required by the operations. Normally, performance-based variable remuneration is only paid in cash. In subsidiaries which run mutual fund operations and in Handelsbanken Wealth & Asset Management Ltd, the performance-based variable remuneration is entirely or partially paid out as mutual fund units.

The main rule for performance-based variable remuneration is that at least 40 per cent is to be deferred for at least four years. For particularly large amounts of performance-based variable remuneration, 60 per cent is deferred. Payment and the right of ownership to the variable remuneration do not accrue to the person with the entitlement until after the end of the deferment period. Deferred variable remuneration can be removed or reduced if losses, increased risks or increased expenses arise during the deferment period, or if payment is deemed to be unjustifiable in view of the Bank's financial situation. No employee may receive performance-based variable remuneration of more than 100 per cent of his/her fixed remuneration.

Handelsbanken complies with the Swedish Financial Supervisory Authority's regulations governing remuneration policies in credit institutions, investment firms and fund management companies, which include provisions for formulating and adopting remuneration policies.
The heads of the areas concerned, as well as the Chief Risk Officer and Chief Compliance Officer, take part in the remuneration commit-

tee's preparation and assessment of the Board's remuneration policy and the Bank's remuneration system.

Remuneration to executive officers

The shareholders at the AGM decide on guidelines for remuneration to the Chief Executive Officer, Executive Vice Presidents and other executive officers.

The Board decides on remuneration to the officers who are subject to the AGM's remuneration guidelines, a total of 15 individuals (as of 31 December 2022). The Board also decides on remuneration to the Chief Audit Executive, among others.

Executive officers in Handelsbanken are Board members, the CEO, Executive Vice Presidents, the Chief Risk Officer, Chief Compliance Officer and other members of executive management.

The guidelines adopted by the annual general meeting on 23 March 2022 are presented below.

Guidelines for remuneration to executive officers of Svenska Handelsbanken AB (publ)

These guidelines shall be applied to remuneration to the Group Chief Executive, members of Executive management, the Deputy Chief Executives, and the heads of Group Risk Control and Group Compliance (below referred to as "executive officers"). The guidelines shall also apply to any remuneration to members of the Board which is paid in addition to fees for assignment to the Board of the Bank.

The guidelines shall be applied to new agreements, and shall not affect remuneration previously decided for executive officers. The guidelines are not applicable to remuneration that is decided upon by the annual general meeting.

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

Handelsbanken's business strategy is presented in the Annual Report.

To contribute to the Bank's goal; remuneration must reflect a long-term view of employment at the Bank, and also be in keeping with the Bank's generally low risk tolerance.

Principles for remuneration to employees of Handelsbanken

Handelsbanken's principles for remuneration to employees are long-established. In the policy for remuneration in the Handelsbanken Group, the Board has established that the Bank's remuneration system must be consistent with the Bank's business objectives and business culture, which are based on sound, sustainable operations.

In addition, the remuneration policy states that fixed remuneration is fit-for-purpose for sound, sustainable operations, and is therefore applied as a basic principle. Variable remuneration is applied with great caution. Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, pension allocation and customary salary benefits (which can take the form of a car allowance, housing associated with the position, disability insurance, household assistance services, etc.). Salaries are based on factors known in advance, such as those set out in the remuneration policy.

Taking into account the above approach, an employee's total remuneration must be on market terms and gender-neutral, enabling Handelsbanken to attract, recruit, retain and develop skilled employees, and ensuring good management succession.

Remuneration to executive officers

In the preparation of the Board's proposals for these guidelines, Handelsbanken's remuneration policy and the above principles for remuneration to employees have been taken into account; this contributes to the Bank's business strategy, long-term interests and sustainability:

- The aggregated total remuneration shall be on market terms.
- Remuneration is paid in the form of a fixed cash salary, pension provision and customary benefits.
- The executive officers in question are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank.
- The retirement age is normally 65. Pension benefits are defined contribution, may correspond to a maximum of 35 per cent of the annual fixed cash salary, and may be payable in addition to pension plans under collective agreements. Other salary benefits may per year in total correspond to a maximum of 35 per cent of the annual fixed salary.
- The period of notice on the part of an executive officer is six months, and on the part of Handelsbanken a maximum of twelve months. If the Bank terminates the employment contract later than five years after the person becomes one of the Bank's executive officers, the period of notice is a maximum of twenty-four months. No other termination benefits are paid. Other time periods may apply due to collective agreements or labour legislation.

Concerning employment conditions that are subject to non-Swedish regulations: with regard to pension benefits and other benefits, the relevant adjustments may be made to comply with such mandatory regulations or fixed local practice. In doing this, the overall aims of these guidelines shall be fulfilled as far as possible.

Fees to members of the Board

Members of the Board who are elected by the general meeting shall in special circumstances be able to be compensated for services provided within their respective area of competence (including assignments to the board of another group company) which do not constitute services to the Board of the Bank. Such duties of service shall be handled in accordance with applicable internal rules and by due consideration of possible conflicts of interest. These services shall be compensated for by market-based remuneration. Information about any remuneration for such services shall be included in the annual report and the remuneration report.

Decision process

The Board has set up a remuneration committee. The committee's tasks include preparing the Board's proposals concerning guidelines for remuneration to executive officers. When the need for material changes arises – and at least every four years – the Board shall draw up a proposal for new guidelines and present it for a resolution at the annual general meeting. The guidelines shall apply until new guidelines have been adopted by the annual general meeting. The remuneration committee must also monitor and evaluate the application of the guidelines for remuneration for executive officers, as well as the prevailing structures and levels of remuneration at the Bank. All members of the remuneration committee are independent of the Bank and its management. The Group Chief Executive also attends the committee's meetings, although not when the committee is discussing and deciding upon remuneration-related matters that concern the Group Chief Executive herself.

Deviation from the guidelines

The Board may decide, temporarily, to deviate partly or wholly from the guidelines, if there are particular reasons for this in an individual case, and a deviation is necessary to satisfy the Bank's long-term interests and sustainability, or to ensure the Bank's financial viability. As stated above, preparing the Board's decisions in matters of remuneration is part of the remuneration committee's tasks, and this includes decisions regarding deviations from the guidelines.

The Board's report on internal control regarding financial reporting

The presentation of Handelsbanken's internal control process for financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and covers the following components: control environment, risk assessment, control activities, information and communication, and follow-up. The process was designed to ensure compliance with the Bank's principles for financial reporting and internal control, and to ensure that the financial reporting has been prepared pursuant to the law, applicable accounting standards, and other requirements related to listed companies.

Control environment

To ensure reliable financial reporting, Handelsbanken's internal control process for financial reporting is based on the control environment. The control environment is fundamental to other components of the process and has been described earlier in the corporate governance report: i.e. organisational structure, division of responsibilities, guidelines and policy documents. An important aspect of the control environment is that decision-making channels, powers of authority and responsibilities are clearly defined and communicated, and that policy documents and guidelines established by the Board and CEO provide clear guidance and are complied with.

Risk assessment

Risk assessment aims to identify, manage and follow up risks with the potential to affect the financial reporting. Group Finance is responsible for performing a risk assessment at Group level, in order to identify units for which the need for internal control is assessed as of material significance to minimise the risk of material error in the financial reporting. Units that Group Finance deems must be covered by the process are required to draw up general documentation of their processes for internal control regarding financial reporting. This general documentation must describe the processes that generate the unit's most significant balance sheet and profit and loss items, risks, procedures for preparing the accounts, and identified control activities. The identified control activities are carried out each quarter to ensure that the financial reporting is correct, in all material respects.

The self-evaluations carried out annually within the parent company and subsidiaries are an essential part of the Bank's total risk assessment. Risks in the financial reporting are part of this total analysis. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 110–149 and in the Bank's Pillar 3 report.

Control activities

Various control activities are incorporated in the entire financial reporting process.

Group Finance bears the overall responsibility for the financial reporting, the consolidated accounts and consolidated financial reports, and for financial and administrative control systems. The unit's responsibilities also include the Group's liquidity, the internal bank, own funds, tax analysis and Group-wide reporting to public authorities.

Group Finance has the overall responsibility for ensuring that a fit-for-purpose process is in place for reporting on internal control regarding the financial reporting. For the units that Group Finance has deemed must be covered by the process for internal control regarding financial reporting, control activities are identified which are aimed at preventing, detecting and correcting errors and deviations in the financial reporting. Group Finance has established a number of financial control activities linked to the general ledger and the process of preparing the accounts, which all finance departments within the parent company and subsidiaries are required to carry out in conjunction with every quarterly closing of accounts. These include, for example, the reconciliation and verification of reported amounts, and analyses of income statements and balance sheets. In addition to financial control activities, units selected by Group Finance are responsible for identifying and evaluating control activities within business process and systems that have a substantial impact on the income statement and balance sheet, with the aim of minimising the risk of material error in the financial reporting. Heads of accounting and control at the respective units are responsible for ensuring that the control activities in the financial reporting for their unit are fit-for-purpose – i.e. that they are designed to prevent, detect and correct errors and deviations – and are in compliance with internal guidelines and instructions. At each quarterly closing of accounts, the units certify to Group Finance that the control activities have been carried out, and that their balance sheets and income statements are correct. Based on Group Finance's follow-up of the units' reports, the CFO reports the status of the internal control of financial reporting to the audit committee at each quarterly closing of accounts.

The CFO is responsible for setting up and maintaining a valuation committee. The committee's role is to support the decision-making processes for valuation and reporting matters. The committee deals with the valuation of financial assets and liabilities, including derivatives at fair value and also financial guarantees. The valuations refer to both own holdings and holdings on behalf of others. The committee must ensure that the valuation complies with external regulations, internal guidelines and current market practices.

High information security is a precondition for good internal control of financial reporting. Thus there are regulations and guidelines to ensure availability, accuracy, confidentiality and traceability of information in the business systems.

Information and communication

The Bank has information and communication paths with the aim of achieving completeness and correctness in its financial reports. Group Finance must ensure that the staff concerned are aware of and have access to instructions of significance to the financial reporting. The Group's general accounting instructions and special procedures for producing financial reports, and the process for internal control regarding financial reporting, are communicated to the staff concerned via the Group's intranet. The system used for financial reporting encompasses the entire Group.

Follow-up

The respective accounting and financial departments at the Bank monitor and verify compliance with applicable rules in the form of internal steering documents which affect the financial reporting, as the responsibility for internal control is an integral part of the managerial responsibility.

If the Group does not meet its obligations under regulations, laws and other rules for operations that are subject to a licence, this could affect the Bank's financial reporting. Group Compliance is responsible for monitoring and controlling regulatory compliance with regard to the operations within the Bank that are subject to a licence. Group Compliance is described in more detail on pages 77 and 82.

Group Risk Control is responsible for identifying, checking and reporting risks of errors in the Bank's assumptions and assessments that form the basis of the Bank's financial reporting. Group Risk Control is described in more detail on pages 77 and 82.

Group Audit is assigned to examine internal governance and control, and to evaluate the reliability of the Group's financial reporting. Group Audit is described in more detail on pages 77 and 82.

As part of the quality control work for financial reporting, the Board has set up an audit committee. Among other responsibilities, the committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the effectiveness of the internal control, internal audit and the process for internal control regarding the financial reporting. The audit committee is described in more detail on page 77.

The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.

Board

Elected by the annual general meeting





Name	Pär Boman Chairman	Fredrik Lundberg Deputy Chairman	Jon Fredrik Baksaas Board Member	Hélène Barnekow Board Member	Stina Bergfors Board Member
Year elected	2006	2002	2003	2022	2021
Year of birth	1961	1951	1954	1964	1972
Nationality	Swedish	Swedish	Norwegian	Swedish	Swedish
Position and significant board assignments	Chairman of Svenska Cellulosa AB SCA and Essity AB • Deputy Chairman of AB Industrivärden • Board member Skanska AB.	President and CEO of L E Lundbergföretagen AB • Chairman of Holmen AB, Hufvudstaden AB, AB Industrivärden • Board member L E Lundbergföretagen AB, Skanska AB.	Chairman of DNV • Board member Telefonaktiebolaget LM Ericsson.	Board member GN Store Nord, Voyado and Schibsted ASA.	Board member H&M Hennes & Mauritz and Tele2.
Background	2006–2015 President and CEO of Handelsbanken.	President of L E Lundbergföretagen AB since 1981 • Active at Lundbergs since 1977.	2008–2016 GSM Association member, Chairman 2013–2016 • 2002–2015 Telenor Group, President and CEO • 1989–2002 Telenor Group, various positions within finance, financial control and management • 1988–1989 Aker AS • 1985–1988 Stolt Nielsen Seaway AS • 1979–1985 Det Norske Veritas, Norway and Japan.	2018–2022 CEO of Microsoft Sweden • 2014–2018 CEO and various management roles, Telia Sverige • 2009–2014 Various market leader roles, EMC Corporation (UK and USA) • 2001–2009 Various market leader roles, etc., Sony Ericsson Mobile Communications (USA, UK, Sweden) • 1999–2001 Market leader, Novo Nordisk (Denmark) • 1995–1999 Various management roles, Ericsson • 1993–1995 Market leader, Microsoft Corporation (Malta) • 1991–1993 Project manager/ consultant, DLF Sweden	2013–2018 Co-founder and CEO, other roles, United Screens • 2008–2013 Country Director, Google and Youtube • 2004–2007 CEO, other roles, Carat • 2000–2004 Director, other roles, OMD Worldwide • 1999–1999 Account Manager, TV3 Sweden, Modern Times Group.
Education	Engineer and Business/ Economics degree, PhD (Econ) h.c.	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Economics/ Business Administration and PED from IMD.	Graduate in Economics/ Business Administration.	Graduate in Economics/ Business Administration, PhD (Philosophy) h.c.
Remuneration 2022[1]	SEK 5,650,000	SEK 1,480,000	SEK 1,870,000	SEK 745,000	SEK 1,185,000
Credit committee Participation	Chairman 11/11	11/11	11/11	-	8/11[2]
Audit committee Participation	7/7	-	Chairman 7/7	-	-
Remuneration committee Participation	Chairman 8/8	-	8/8	-	-
Risk committee Participation	9/9	-	-	-	-
UK committee	Chairman 5/5	-	-	-	-
Board meetings Participation	Chairman 15/15	15/15	13/15	10/15[3]	15/15
Own shareholdings and those of immediate family	144,017, of which 29,017 in indirect holdings[4].	79,275,000	3,800	1,000	0
Dependent/ independent	Independent of the Bank and its management. Not independent of major shareholders (Deputy Chairman of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Chairman of AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.
Number of assignments[5] Actual number of assignments[7]	5[6] 14	4[6] 9	3 4	4 6	3 6

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2022 was SEK 18,115,000. Arja Taaveniku has also received SEK 872,633 in remuneration as Board member of Handelsbanken plc.
[2] Member of the committee since March 2022.
[3] Member of the Board as of 23 March 2022.
[4] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing scheme.
[5] Number of assignments based on Chap. 10, Section 8b of the Swedish Banking and Financing Business Act (2004:297), by which assignments in the same group or in companies in which the Bank has a qualifying holding may be counted as a single assignment. Assignments in organisations that are primarily non-commercial, including certain foundations and not-for-profit associations, are not included.
[6] Has permission from the Swedish Financial Supervisory Authority to hold an additional assignment as board member under Chap. 10, Section 8b, third paragraph of the Swedish Banking and Financing Business Act (2004:297).
[7] Number of assignments disregarding the basis of calculation stated in footnote 5.

Hans Biörck **Board Member**	**Kerstin Hessius** **Board Member**	**Ulf Riese** **Board Member**	**Arja Taaveniku** **Board Member**	**Carina Åkerström** **Board Member**
2018	2016	2020	2020	2019
1951	1958	1959	1968	1962
Swedish	Swedish	Swedish	Swedish	Swedish
Chairman of Skanska AB and Trelleborg AB.	Board member Hemsö Fastighets AB.	-	Chairman of Svenska Handelsfastigheter AB, Polarn Holding AB and Polarn BidCo AB • Board member Dunelm plc, Handelsbanken plc.	President and CEO of Handelsbanken • Chairman of the Swedish Bankers' Association • Board member World Childhood Foundation.
2001–2011 Skanska, Executive Vice President and CFO • 1998–2001 Autoliv, CFO • 1997–1998 Self-employed • 1977–1997 Various positions in Esselte.	2004–2022 AP3 Third National Swedish Pension Fund, CEO • 2001–2004 Stockholm Stock Exchange, CEO • 1999–2000 Sveriges Riksbank, Deputy Governor of the central bank • 1998 Danske Bank, CEO, Asset Management • 1990–1997 ABN Amro Bank/ Alfred Berg • 1989–1990 Finanstidningen • 1986–1989 Swedish National Debt Office • 1985–1986 Sveriges Riksbank (central bank) • 1984–1985 Swedish Agency for Public Management.	Various positions at Handelsbanken • 2016–2018 Senior Advisor • 2007–2016 CFO • 2004–2007 Head of Handelsbanken Asset Management • 2004 Executive Vice President of Handelsbanken • Employed by Handelsbanken since 1983.	2015–2019 Chief Offer and Supply Chain Officer, Kingfisher plc, CEO of subsidiary of Kingfisher plc • 2012–2015 President and Chief Executive Officer, Ikano Group • 2005–2012 Global Business Area Director, IKEA Group • 1989–2005 Various positions within the IKEA Group.	2016–2019 Executive Vice President, Deputy President of Handelsbanken • 2010–2019 Executive Vice President, Head of Regional Bank Stockholm • 2008–2010 Executive Vice President, Head of Regional Bank Eastern Sweden • Employed by Handelsbanken since 1986.
Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Master of Laws.
SEK 2,205,000	SEK 1,290,000	SEK 2,505,000	SEK 1,185,000	SEK 0
11/11	-	11/11	11/11	11/11
7/7	-	6/7	-	-
8/8	-	-	-	-
9/9	Chairman 9/9	8/9	-	-
-	-	4/5	-	5/5
14/15	15/15	15/15	15/15	15/15
5,000	8,700	180,000	0	81,748, of which 33,348 in indirect holdings[4].
Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (CEO). Independent of major shareholders.
3	2	1	4	1
5	3	1	6	3

Board, cont.

Employee representatives




Name	Anna Hjelmberg Employee representative	Lena Renström Employee representative	Stefan Henricson Employee representative, Deputy member	Charlotte Uriz Employee representative, Deputy member
Year elected	2020	2020	2020	2020
Year of birth	1969	1965	1970	1972
Nationality	Swedish	Swedish	Swedish	Swedish
Position and significant board assignments	Chair of Financial Sector Union of Sweden's Handelsbanken union club.	Chair of Financial Sector Union of Sweden's Swedish branch operations union club.	Member of Financial Sector Union of Sweden's Swedish branch operations union club.	Chair of Akademikerföreningen (Association for graduate professionals) at Handelsbanken.
Background	Insurance officer at Handelsbanken Liv, union roles in the Handelsbanken Group.	Advisory services in Handelsbanken's branch operations.	Managerial and advisory services at branches and regional head offices at Handelsbanken.	Specialist, business and operations developer at Cash Management, Digital meeting places and Trading
Education	Economics Programme at upper secondary school.	Graduate in Economics/Business Administration.	Economics Programme at upper secondary school.	BA
Remuneration 2022[1]	SEK 0	SEK 0	SEK 0	SEK 0
Credit committee Participation	-	-	-	-
Audit committee Participation	-	-	-	-
Remuneration committee Participation	-	-	-	-
Risk committee Participation	-	-	-	-
UK committee	-	-	-	-
Board meetings Participation	15/15	15/15	14/15	14/15
Own shareholdings and those of immediate family	24,793, of which 24,793 in indirect holdings[2].	30,521, of which 30,521 in indirect holdings[2].	31,540, of which 31,540 in indirect holdings[2].	13,896, of which 13,896 in indirect holdings[2].
Dependent/ independent	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.
Number of assignments[3] **Actual number of assignments**[4]	1 5	1 2	1 5	1 2

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2022 was SEK 18,115,000.
[2] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing scheme.
[3] Number of assignments based on Chap. 10, Section 8b of the Swedish Banking and Financing Business Act (2004:297), by which assignments in the same group or in companies in which the Bank has a qualifying holding may be counted as a single assignment. Assignments in organisations that are primarily non-commercial, including certain foundations and not-for-profit associations, are not included.
[4] Number of assignments disregarding the basis of calculation stated in footnote 3.

Executive management

Executive management[1]

Name	Position	Year of birth	Employed	Shareholdings
Arild Andersen[2]	Country General Manager, Norway	1966	2002	Shareholdings[3] 0
Per Beckman[5]	Executive Vice President	1962	1993	Shareholdings[3] 16,403 of which 16,403 in indirect holdings[4]
Catharina Belfrage Sahlstrand[2]	Chief Sustainability and Climate Officer	1981	2013	Shareholdings[3] 4,694 of which 2,827 in indirect holdings[4]
Monika Bergström[2, 6]	Chief Compliance Officer	1962	2007	Shareholdings[3] 0
Carl Cederschiöld[7]	Chief Financial Officer	1973	1998	Shareholdings[3] 20,978 of which 14,578 in indirect holdings[4]
Magnus Ericson[8]	Chief Human Resources Officer	1968	1988	Shareholdings[3] 30,146 of which 28,146 in indirect holdings[4]
Mattias Forsberg	Chief Information Officer	1972	2020	Shareholdings[3] 0
Michael Green[2, 9]	Country General Manager, Sweden	1966	1994	Shareholdings[3] 91,473 of which 21,473 in indirect holdings[4]
Maria Hedin	Chief Risk Officer	1964	2010	Shareholdings[3] 5,406 of which 5,160 in indirect holdings[4]
Dan Lindwall	Head of Capital Markets	1965	2000	Shareholdings[3] 11,949 of which 11,949 in indirect holdings[4]
Martin Noréus	Chief Strategy Officer[10]	1974	2020	Shareholdings[3] 0
Anna Possne[2]	Head of Products and Offerings	1984	2008	Shareholdings[3] 7,872 of which 7,872 in indirect holdings[4]
Robert Radway[2]	Chief Credit Officer	1986	2010	Shareholdings[3] 6,533 of which 6,533 in indirect holdings[4]
Louise Sander	Chief Communications Officer	1969	2013	Shareholdings[3] 2,766 of which 1,996 in indirect holdings[4]
Mikael Sörensen[2]	Chief Executive Officer, Handelsbanken Plc (Country General Manager, UK)	1966	1994	Shareholdings[3] 1,985 of which 1,985 in indirect holdings[4]
Martin Wasteson[5]	Chief Legal Officer	1971	2012	Shareholdings[3] 2,679 of which 2,679 in indirect holdings[4]
Carina Åkerström	President and Chief Executive Officer	1962	1986	Shareholdings[3] 81,748 of which 33,348 in indirect holdings[4]

[1] Up until 28 February 2022, executive management comprised the following persons: Per Beckman, Carl Cederschiöld, Magnus Ericson, Mattias Forsberg, Michael Green, Maria Hedin, Dan Lindwall, Martin Noreus, Louise Sander, Martin Wasteson and Carina Åkerström.
[2] As of 1 March 2022.
[3] Direct shareholdings refer to own holdings or those of closely related persons.
[4] Refers to indirect shareholdings in Handelsbanken via the Oktogonen profit-sharing scheme.
[5] Co-opted member of executive management as of 1 March 2022, formerly ordinary member.
[6] Co-opted member of executive management as of 1 March 2022, acting Chief Compliance Officer until 26 April 2022.
[7] And Executive Vice President.
[8] Left executive management on 1 December 2022
[9] Ordinary member of executive management as of 1 March 2022, formerly co-opted member.
[10] Chief Compliance Officer until 26 February 2022.

Financial reports Group

CONTENTS

Income statement, Group

Group SEK m		2022	2021
Interest income	*Note G3*	67,407	35,832
of which interest income according to effective interest method and interest on derivatives in hedge accounting		*59,702*	*34,483*
Interest expenses	*Note G3*	-30,797	-5,511
Net interest income		**36,610**	**30,321**
Fee and commission income	*Note G4*	12,399	12,904
Fee and commission expenses	*Note G4*	-1,296	-1,446
Net fee and commission income		**11,103**	**11,458**
Net gains/losses on financial transactions	*Note G5*	1,111	1,699
Risk result – insurance	*Note G6*	176	179
Other dividend income		17	2
Share of profit of associates and joint ventures	*Note G20*	-13	63
Other income	*Note G7*	1,246	555
Total income		**50,249**	**44,277**
Staff costs	*Note G8*	-13,103	-12,452
Other expenses	*Note G9*	-6,543	-5,577
Depreciation, amortisation and impairment of property, equipment and intangible assets	*Note G25, G26*	-1,650	-1,814
Total expenses		**-21,296**	**-19,843**
Profit before credit losses, risk tax and resolution fee		**28,953**	**24,434**
Net credit losses	*Note G10*	-47	-43
Gains/losses on disposal of property, equipment and intangible assets	*Note G11*	24	14
Risk tax and resolution fee	*Note G12*	-2,311	-930
Operating profit		**26,619**	**23,475**
Taxes	*Note G35*	-5,429	-4,627
Profit for the year from continuing operations		**21,189**	**18,848**
Profit for the year from discontinued operations, after tax	*Note G14*	280	695
Profit for the year		**21,470**	**19,543**
attributable to			
Shareholders in Svenska Handelsbanken AB		21,468	19,527
of which from continuing operations		*21,187*	*18,834*
of which from discontinued operations		*281*	*693*
Non-controlling interest		1	16
Earnings per share, total operations, SEK	*Note G13*	10.84	9.86
after dilution	*Note G13*	10.84	9.86
Earnings per share, continuing operations, SEK	*Note G13*	10.7	9.51
after dilution	*Note G13*	10.7	9.51
Earnings per share, discontinued operations, SEK	*Note G13*	0.14	0.35
after dilution	*Note G13*	0.14	0.35

As of the first quarter of 2022, the resolution fee and risk tax are no longer reported under net interest income, but instead as a separate line item within operating profit. Therefore, the comparative Income figures in the tables have been recalculated.

Statement of comprehensive income, Group

Group SEK m	2022	2021
Profit for the year	21,470	19,543
Other comprehensive income		
Items that will not be reclassified to the income statement		
Defined benefit pension plans	3,049	6,820
Equity instruments measured at fair value through other comprehensive income	41	62
Tax on items that will not be reclassified to the income statement	-642	-1,401
of which defined benefit pension plans	*-622*	*-1,398*
of which equity instruments measured at fair value through other comprehensive income	*-19*	*-3*
Total items that will not be reclassified to the income statement	**2,448**	**5,481**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	-2,640	-1,970
Debt instruments measured at fair value through other comprehensive income	-60	6
Translation difference for the year	2,312	3,201
of which hedges of net investments in foreign operations	*-297*	*-910*
Tax on items that may subsequently be reclassified to the income statement	-15	595
of which cash flow hedges	*544*	*406*
of which debt instruments measured at fair value through other comprehensive income	*6*	*-1*
of which hedges of net investments in foreign operations	*61*	*190*
of which translation difference	*-626*	
Total items that may subsequently be reclassified to the income statement	**-402**	**1,832**
Total other comprehensive income	**2,046**	**7,313**
Total comprehensive income for the year	**23,516**	**26,856**
attributable to		
Shareholders in Svenska Handelsbanken AB	23,515	26,840
Non-controlling interest	1	16

The year's reclassifications to the income statement are presented in the Statement of changes in equity.

Balance sheet, Group

Group SEK m		2022	2021
ASSETS			
Cash and balances with central banks		475,868	291,584
Other loans to central banks	*Note G15*	4,604	1,255
Interest-bearing securities eligible as collateral with central banks	*Note G18*	132,778	100,538
Loans to other credit institutions	*Note G16*	9,411	21,745
Loans to the public	*Note G17*	2,315,818	2,163,135
Value change of interest-hedged item in portfolio hedge		-16,616	-1,900
Bonds and other interest-bearing securities	*Note G18*	32,697	33,317
Shares	*Note G19*	12,813	19,471
Investments in associates and joint ventures	*Note G20*	561	478
Assets where the customer bears the value change risk	*Note G21*	212,966	235,761
Derivative instruments	*Note G22*	36,261	28,508
Intangible assets	*Note G25*	8,402	8,302
Property and equipment	*Note G26*	4,914	5,272
Current tax assets		160	469
Deferred tax assets	*Note G35*	1,589	845
Pension assets	*Note G8*	12,875	8,766
Assets held for sale	*Note G14*	191,916	421,417
Other assets	*Note G27*	14,720	5,785
Prepaid expenses and accrued income	*Note G28*	1,979	2,016
Total assets	*Note G41*	**3,453,716**	**3,346,764**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note G29*	81,693	83,034
Deposits and borrowing from the public	*Note G30*	1,325,061	1,286,637
Liabilities where the customer bears the value change risk	*Note G31*	212,966	235,761
Issued securities	*Note G32*	1,474,801	1,353,768
Derivative instruments	*Note G22*	29,040	13,784
Short positions	*Note G33*	1,939	4,105
Insurance liabilities	*Note G34*	405	532
Current tax liabilities		217	108
Deferred tax liabilities	*Note G35*	5,614	5,276
Provisions	*Note G36*	591	1,026
Other liabilities	*Note G37*	10,451	11,304
Liabilities held for sale	*Note G14*	68,938	133,922
Accrued expenses and deferred income	*Note G38*	3,565	3,519
Subordinated liabilities	*Note G39*	42,404	32,257
Total liabilities	*Note G41*	**3,257,686**	**3,165,033**
Non-controlling interest		3	25
Share capital		3,069	3,069
Share premium reserve		8,758	8,758
Reserves	*Note G40*	17,891	15,845
Retained earnings		144,841	134,507
Profit for the year (attributable to shareholders of Svenska Handelsbanken AB)		21,468	19,527
Total equity		**196,030**	**181,731**
Total liabilities and equity		**3,453,716**	**3,346,764**

Statement of changes in equity, Group

Group 2022 SEK m	Share capital	Share premium reserve	Defined benefit pension plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl. profit for the year	Non-controlling interest	Total
Opening equity 2022	**3,069**	**8,758**	**11,313**	**1,789**	**158**	**2,585**	**154,034**	**25**	**181,731**
Profit for the year							21,468	1	21,470
Other comprehensive income			2,427	-2,096	-32	1,747		0	2,046
of which reclassification within equity					*-91*	*-615*			*-706*
Total comprehensive income for the year			**2,427**	**-2,096**	**-32**	**1,747**	**21,468**	**1**	**23,516**
Reclassified to retained earnings							706		706
Dividend							-9,900		-9,900
Share-based payment to employees at Handelsbanken plc[1]							25		25
Repurchased own shares[1]							-25		-25
Change in non-controlling interest								-23	-23
Closing equity 2022	**3,069**	**8,758**	**13,739**	**-307**	**126**	**4,332**	**166,309**	**3**	**196,030**

Group 2021 SEK m	Share capital	Share premium reserve	Defined benefit pension plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl. profit for the year	Non-controlling interest	Total
Opening equity 2021	**3,069**	**8,758**	**5,891**	**3,353**	**94**	**-806**	**151,105**	**9**	**171,473**
Profit for the year							19,527	16	19,543
Other comprehensive income			5,422	-1,564	64	3,391		0	7,313
of which reclassification within equity					*0*	*-67*			*-67*
Total comprehensive income for the year			**5,422**	**-1,564**	**64**	**3,391**	**19,527**	**16**	**26,856**
Reclassified to retained earnings							67		67
Dividend[2]							-16,666		-16,666
Share-based payment to employees at Handelsbanken plc[1]							37		37
Repurchased own shares[1]							-36		-36
Change in non-controlling interest								-	-
Closing equity 2021	**3,069**	**8,758**	**11,313**	**1,789**	**158**	**2,585**	**154,034**	**25**	**181,731**

[1] As of the 2020 earnings year, all employees at Handelsbanken plc are covered by a Share Incentive Plan ("SIP").

[2] Ordinary dividend of SEK 8,118m, special dividend of SEK 8,548m. The shareholders received an special dividend in the form of shares in AB Industrivärden, acquired by Svenska Handelsbanken AB from Svenska Handelsbankens Pensionsstiftelse, see note G50.

Cash flow statement, Group

Group SEK m	2022	2021
OPERATING ACTIVITIES		
Operating profit	26,619	23,475
Profit from discontinued operations, before tax	1,453	1,204
of which paid-in interest	*67,586*	*38,528*
of which paid-out interest	*-28,173*	*-7,257*
of which paid-in dividends	*46*	*61*
Adjustment from operating profit to investing activities	-333	-
of which to Divestment of operations and subsidiaries	*-751*	-
of which to Sales of shares	*418*	-
Adjustment for non-cash items in operating profit and profit for the year from discontinued operations		
Credit losses	284	80
Unrealised value changes	-2,200	363
Amortisation and impairment	4,305	2,118
Paid income tax	-6,419	-5,086
Changes in the assets and liabilities of operating activities		
Other loans to central banks	-31,157	19,863
Loans to other credit institutions	11,377	82
Loans to the public	-137,712	-142,370
Interest-bearing securities and shares	-27,502	9,621
Due to credit institutions	-863	-41,114
Deposits and borrowing from the public	33,708	170,994
Issued securities	121,034	43,031
Derivative instruments, net positions	7,453	-16,732
Short positions	-2,010	2,476
Claims and liabilities on investment banking settlements	-7,975	-567
Other	-28,360	-18,057
Cash flow from operating activities	**-38,298**	**49,381**
INVESTING ACTIVITIES		
Divestment of operations and subisidiaries	49,238	-
Acquisitions of and contributions to associates and joint ventures	-194	-83
Sales of shares	183	1
Acquisitions of property and equipment	-786	-1,194
Disposals of property and equipment	482	1,063
Acquisitions of intangible assets	-711	-539
Cash flow from investing activities	**48,212**	**-752**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-3,000	-10,130
Issued subordinated loans	11,845	-
Dividend paid	-9,900	-16,666
Cash flow from financing activities	**-1,055**	**-26,796**
of which changes in foreign exchange rates	-	*-320*
Cash flow for the year	**8,859**	**21,833**
Liquid funds at beginning of year	439,964	397,642
Cash flow from operating activities	-38,298	49,381
Cash flow from investing activities	48,212	-752
Cash flow from financing activities	-1,055	-26,796
Exchange difference on liquid funds	27,059	20,489
Liquid funds at end of year	**475,882**	**439,964**

The cash flow statement has been prepared in accordance with the indirect method, which means that operating profit and profit for the year from discontinued operations have been adjusted for transactions that did not entail paid-in or paid-out cash, such as depreciation/amortisation and credit losses. The statement of cash flows in the above table includes the discontinued operations in Denmark and Finland (see note G14).

Divestment of operations and subisidiaries SEK m	2022
Purchase price	
Total purchase price	51,782
Less liquid funds included in the transfer	-743
Claim on purchaser	-1,802
Payment received	**49,238**
Divested assets and liabilities	
Loans to other credit institutions	1,036
Loans to the public	99,598
Assets where the customer bears the value change risk	5,480
Other assets	608
Total assets	**106,722**
Due to credit institutions	374
Deposits and borrowing from the public	52,043
Liabilities where the customer bears the value change risk	5,480
Other liabilities	338
Total liabilities	**58,235**
Cash flow from operating activities	751

The purchase price in its entirety is received in the form of liquid funds.

Notes, Group

G1 Accounting policies and other bases for preparing the financial reports

CONTENTS

1. STATEMENT OF COMPLIANCE

Basis of accounting

The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. In addition, the accounting policies also adhere to the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority in FFFS 2008:25, Annual Reports in Credit Institutions and Securities Companies. RFR 1 Supplementary Accounting Rules for Groups, and statements from the Swedish Financial Reporting Board, are also applied in the consolidated accounts. The presentation currency is the Swedish krona and all figures are rounded to the nearest million kronor (SEK m) unless otherwise stated.

The parent company's accounting policies are shown in note P1.

Issuing and adoption of annual report and company information

Svenska Handelsbanken Aktiebolag's annual report and consolidated accounts for the period 1 January 2022–31 December 2022 were approved for issue by the Board and Chief Executive Officer on 20 February 2023 and will be presented for adoption by the AGM on 22 March 2023.

The parent company, Svenska Handelsbanken AB (publ), has its registered office in Stockholm at the address Kungsträdgårdsgatan 2, 106 70 Stockholm, Sweden. Handelsbanken is a credit institution that offers financial services and products in its home markets, Sweden, the UK, Norway and the Netherlands. The operations are described in more detail in the Administration report.

2. CHANGED ACCOUNTING POLICIES

Changes in IFRS

The changes in accounting regulations applicable from 1 January 2022 have not had any impact on the Group's accounts.

Other changes to accounting policies

As of 2022, the Bank pays risk tax to the Swedish government pursuant to the Act on Risk Tax for Credit Institutions (2021:1256). The expense for risk tax is presented together with the resolution fee as a separate item in the income statement, named Risk tax and resolution fee. In conjunction with this, the resolution fee – which was previously recognised in the income statement item Interest expenses under Net interest income – has thus been transferred to the income statement item Risk tax and resolution fee. The purpose of this is to present government fees of a similar nature as a separate item in the income statement. The comparative figures have been adjusted. For information of the changed presentation of the resolution fee, refer to note G3.

In other respects, the accounting policies and calculation methods applied by the Group during the financial year are consistent with the policies applied in the Annual and Sustainability Report for 2021.

3. CHANGES IN IFRS WHICH ARE YET TO BE APPLIED

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts, has been published by the IASB and adopted by the EU. This standard is to be applied to Handelsbanken's consolidated accounts as of the 2023 financial year. IFRS 17 entails a change in how insurance contracts are classified, measured and recognised. It also entails changes in disclosure requirements.

The main changes that IFRS 17 will entail for Handelsbanken are as follows:

- Traditional life insurance contracts will be classified in their entirety as insurance contracts, as they are assessed as including significant insurance risk. At present, the savings insurance components of these contracts are separated in accordance with the separation rules in IFRS 4 and reported according to IFRS 9. The effect of this changed accounting policy is an increase to the balance sheet item Insurance liabilities.
- The general approach will be applied when measuring the savings insurance components of traditional life insurance contracts. The premium allocation approach will be applied when measuring risk insurance contracts, risk insurance components and reinsurance contracts.
- The results of insurance contracts will be recognised in the income statement as a single line item named "Insurance result". The sub-items in Insurance result will be specified in a separate note. According to current policies, the results of insurance contracts are primarily reported under the separate items Risk result – insurance, Net fee and commission income and Net gains/losses on financial transactions.

Three different methods can be applied for the transition to IFRS 17. The Bank will apply the fully retrospective approach for risk insurance contracts and risk insurance components, meaning that the comparative figures for 2022 will be recalculated. For savings insurance components in traditional life insurance, the Bank will apply the fair value approach, as there is not sufficient reliable historical data available, given the time to have elapsed since the contracts were signed.

The quantitative effect of the transition to IFRS 17 amounts to approximately SEK -3 bn after taxes, which will reduce the Group's retained earnings at the start of the comparison year 2022 upon the transition to IFRS 17. Handelsbanken's assessment is that the new standard will not have any impact on the Bank's capital adequacy or large exposures, because the Bank's insurance operations are not included in the consolidated situation.

Section 14, Insurance operations, describes the Bank's accounting policies according to IFRS 17, which will be applied as of the 2023 financial year.

4. BASIS OF CONSOLIDATION

(IFRS 10 Consolidated Financial Statements, IFRS 3 Business Combinations)

Subsidiaries

All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. The Bank is deemed to have direct control of a company when it is exposed to, or is entitled to, variable returns from its holdings in the company and can affect the return by means of its influence over the company. As a rule, control exists if Handelsbanken owns more than 50 per cent of the voting power at shareholders' meetings or the equivalent.

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date, which is the date on which the controlling influence over the subsidiary is transferred to the parent company, and remain in the consolidated accounts until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's

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financial reports. Where the accounting policies applied for an individual subsidiary do not correspond to the policies applied in the Group, an adjustment is made to the consolidated accounts when consolidating the subsidiary.

In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the acquisition date. The cost of the business combination comprises the fair value of all assets provided as payment, issued equity instruments and any liabilities arising. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. Acquisition-related expenses are recognised when they arise.

Structured entities

A structured entity is a company formed to achieve a limited and well-defined purpose, where the voting rights are not the definitive factor in determining whether control exists. Handelsbanken's holdings in structured entities are restricted to holdings in mutual funds. Funds for which the Bank is asset manager and in which the Bank owns more than 50 per cent of the shares are consolidated. Ownership of between 20 per cent and 50 per cent is consolidated in certain cases if the circumstances indicate that the Bank has a controlling interest, for example if the fund has a broad management mandate and generates a high proportion of variable return. The Bank's holding in the fund is recognised at fair value in the balance sheet item Shares. The remainder of the fair value of the fund is consolidated and recognised under the items Assets and Liabilities where the customer bears the value change risk on the balance sheet.

5. ASSOCIATES AND JOINT VENTURES
(IAS 28 Investments in Associates and Joint Ventures)

Companies in which Handelsbanken has a significant influence are reported as associates. A significant influence entails the right to participate in decisions concerning the company's financial and operating strategies but does not give control over these. As a rule, a significant influence exists when the share of voting power in the company is at least 20 per cent and at most 50 per cent, or when contractual terms enable the Bank to exercise a significant influence. In a joint venture, the Bank exercises a joint controlling interest with one or more other parties. Associates and joint ventures are reported in the consolidated accounts in accordance with the equity method. This means that the holding is initially reported at cost. The carrying amount is increased or decreased to recognise the Group's share of the associate's or the joint venture's profits or losses after the date of acquisition. Any dividends from associates and joint ventures are deducted from the carrying amount of the holding. Shares of the profit of associates and joint ventures are reported as Share of profit of associates and joint ventures on a separate row in the Group's income statement.

6. ASSETS HELD FOR SALE AND ACCOUNTING OF DISCONTINUED OPERATIONS
(IFRS 5 Non-current Assets Held for Sale and Discontinued Operations)

Non-current assets or a group of assets, possibly with some directly associated liabilities, (disposal group) are classified as held for sale when the carrying amount will be mainly recovered through a sale and when a sale is highly probable. If an asset is classified as held for sale, special valuation principles are applied. These principles essentially mean that, with the exception of items such as financial assets and liabilities (see point 8), assets held for sale and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. Thus, property, plant and equipment or intangible assets held for sale are not depreciated or amortised. Any impairment losses and subsequent revaluations are recognised directly in the income statement. However, a gain is not reported to the extent that it exceeds previously recognised accumulated impairment. Assets and liabilities held for sale are reported as a separate item on the Group's balance sheet until the time of sale.

Independent operations of a material nature which can be clearly differentiated from the Group's other operations, and which have either been divested or are classified as held for sale using the policies described above, are recognised as discontinued operations. In recognition as a discontinued operation, the operation's profit is reported on a separate line in the income statement, separately from other profit/loss items. Profit or loss from discontinued operations comprises the profit or loss after tax of discontinued operations, the profit or loss after tax that arises when valuing the assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised gains/losses from the disposal of discontinued operations. For disclosures regarding assets and liabilities held for sale and discontinued operations, see note G14.

7. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES
(IAS 21 The Effects of Changes in Foreign Exchange Rates)

The consolidated accounts are presented in Swedish kronor, the Group's presentation currency. The functional currency for the Group's operations outside Sweden usually differs from the Group's presentation currency. The currency used in the economic environment where the operations are primarily conducted is regarded as the functional currency.

Translation of transactions in a currency other than the functional currency

Transactions in a currency other than the functional currency – foreign currency – are initially translated into the functional currency at the rate prevailing on the transaction date. Monetary items in foreign currencies and non-monetary items in foreign currencies that are measured at fair value are converted at the balance sheet date using the prevailing closing rate. Gains and losses arising from the currency translation are recognised in the income statement as foreign exchange effects under Net gains/losses on financial transactions.

Translation differences that have arisen from non-monetary items classified as measured at fair value through other comprehensive income are recognised as a component of Other comprehensive income and are accumulated in equity. Exchange differences arising when translating monetary items comprising part of a net investment in a foreign operation are recognised in the same way.

Translation of foreign operations to the Group's presentation currency

When translating the foreign entities' (including branches') balance sheets and income statements from the functional currency to the Group's presentation currency, the current method has been used. This means that assets and liabilities are translated at the closing day rate. Equity is translated at the rate applicable at the time of investment or earning. The income statement has been translated at the average annual rate. Translation differences are recognised as a component of Other comprehensive income and are included in the translation reserve in equity.

8. FINANCIAL INSTRUMENTS
(IFRS 9 Financial Instruments, IAS 32 Financial Instruments: Presentation)
Recognition and derecognition

Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date.

Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party. A financial liability is derecognised from the balance sheet when the obligation is fulfilled, ceases or is cancelled.

Measurement categories

Financial assets are allocated to one of the following measurement categories:

1. amortised cost
2. fair value through other comprehensive income
3. fair value through profit or loss
   a) mandatory
   b) fair value option.

The starting points for the classification of financial assets into the respective measurement categories is the company's business model for managing such assets and the asset's contractual terms. Financial liabilities are allocated to one of the following measurement categories:

1. amortised cost
2. fair value through profit or loss
   a) mandatory
   b) fair value option.

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As a general rule, financial liabilities are recognised at amortised cost. The exceptions are financial liabilities which are required to be measured at fair value through profit or loss, such as derivatives, and liabilities which, upon initial recognition, are irrevocably identified as being measured at fair value (fair value option).

Financial assets and liabilities recognised on the same row on the balance sheet may be classified in different measurement categories, see note G41.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For financial instruments at fair value through profit or loss, the transaction costs are recognised in the income statement on the acquisition date. For other financial instruments, the transaction costs are included in the acquisition cost.

Assessment of the business model for financial assets

The assessment of the business model for managing financial assets defines classification into measurement categories. For the purposes of the business model, Handelsbanken has divided its financial assets into portfolios on the basis of how they are managed, reported and evaluated by the Bank's management. When the business model is determined for the respective portfolio, the factors considered include established guidelines and objectives with a portfolio and how these are implemented in the operations, the risks which affect the performance of the portfolio and how the risks are managed, as well as the frequency, volume, reasons for and times of sales.

Assessment of financial assets' contractual terms

The assessment of whether contractual cash flows constitute solely payments of principal and interest is significant for the classification into measurement categories. For the purposes of this assessment, 'principal' is defined as the financial asset's fair value upon initial recognition. 'Interest' is defined as consideration for the time value of money, credit risk, other fundamental lending risks (such as liquidity risk) and costs (such as administrative expenses), as well as a profit margin. If the financial asset has contractual terms that could change the timing or amounts of the contractual cash flows, modify the consideration for the time value of money, cause leverage or entail extra costs for prepayment and extension, then the cash flows are assessed as not constituting solely payments of principal and interest.

Amortised cost

A financial asset is to be measured at amortised cost if both of the following conditions are met:

- The objective of the business model is to collect contractual cash flows.
- The contractual cash flows constitute solely payments of principal and interest.

Financial assets recognised in this measurement category consist of loans and holdings of interest-bearing securities. These assets are subject to impairment testing. Financial liabilities recognised in this measurement category consist primarily of liabilities due to credit institutions, deposits and borrowing from the public, and issued securities.

Amortised cost consists of the discounted present value of all future cash flows relating to the instrument where the discount rate is the instrument's effective interest rate at the time of acquisition. Interest and credit losses are recognised in the income statement items Net interest income and Credit losses, respectively. Early repayment charges for loans redeemed ahead of time, capital gains/losses generated from repurchases of the Bank's own issued securities, and foreign exchange effects are recognised in the income statement under Net gains/losses on financial transactions.

Fair value through other comprehensive income

A financial asset is to be measured at fair value through other comprehensive income if both of the following conditions are met:

- The objective of the business model is both to collect contractual cash flows and to sell the asset.
- The contractual cash flows constitute solely payments of principal and interest.

Holdings of interest-bearing securities in the Bank's liquidity portfolio which satisfy the above conditions are recognised in this measurement category. These assets are subject to impairment testing. Interest income is recognised under Net interest income. Foreign exchange effects and credit losses are recognised under Net gains/losses on financial transactions. Unrealised changes in value are recognised in other comprehensive income and reclassified to the income statement in conjunction with a sale, under the item Net gains/losses on financial transactions.

Upon initial recognition, equity instruments that are not held for trading may be irrevocably classified as measured at fair value through other comprehensive income. This valuation principle is applied for certain shareholdings in companies which engage in activities to support the Bank, such as participating interests in clearing organisations and infrastructure collaboration in the Bank's home markets. Subsequent changes in value, both realised and unrealised and including exchange gains/losses, are recognised in other comprehensive income. Realised changes in value are reclassified in equity to retained earnings, i.e. not to the income statement. Only dividend income from these holdings is recognised in the income statement.

Fair value through profit or loss, mandatory

If a financial asset does not meet the conditions for measurement at amortised cost or for measurement at fair value through other comprehensive income, measurement at fair value through profit or loss is mandatory. Financial assets and liabilities held for trading are always classified as measured at fair value through profit or loss, as are financial assets managed and evaluated on a fair value basis.

This measurement category mainly consists of listed shares, units in mutual funds, interest-bearing securities and derivatives. Interest, dividends, foreign exchange effects, and realised and unrealised changes in value are recognised under Net gains/losses on financial transactions. For the recognition of derivatives through hedge accounting, see section 11.

Fair value through profit or loss, fair value option

There is an option, at initial recognition, to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the asset.

There is a corresponding option to irrevocably designate, at initial recognition, a financial liability as measured at fair value through profit or loss if either of the following conditions is met:

- It eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the liability.
- A group of financial liabilities, or a group of both financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these instruments is provided internally to the Bank's management on that same basis.

This valuation principle has been applied to avoid inconsistencies when measuring assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis, such as liabilities resulting from unit-linked insurance contracts and certain holdings in the liquidity portfolio which are hedged with economic hedges. Unrealised and realised changes in value are recognised under Net gains/losses on financial transactions. Interest is recognised under Net interest income.

Reclassifications of financial instruments

As a general rule, financial assets are not reclassified after initial recognition. Reclassification is permitted in the rare case that the Bank changes the business model it applies for the management of a portfolio of financial assets. The reclassification of financial liabilities is not permitted after initial recognition.

Financial guarantees and loan commitments

Issued financial guarantees entail an obligation to reimburse the holder of a debt instrument (loan or interest-bearing security) for losses incurred in the event that a specified debtor fails to make a payment when due in accordance with the contractual terms, for example, a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as a liability under Accrued expenses and deferred income on the balance sheet. The guarantee is subsequently

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measured at the higher of the amortised premium or the provision for the expected loss. Premiums for issued financial guarantees are amortised under Net fee and commission income over the validity period of the guarantee. In addition, the total guaranteed amount relating to guarantees issued is reported off-balance as a contingent liability, see note G44.

Loan commitments are reported off-balance until the settlement date of the loan, see note G44. Fees received for loan commitments are accrued under net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled, in which case the fee is included in the loan's effective interest. Financial guarantees and irrevocable loan commitments are subject to impairment testing.

Compound financial instruments

A compound financial instrument consists of a derivative component known as an embedded derivative, and a non-derivative host contract. If the host contract in a compound financial instrument is a financial liability, an embedded derivative must be separated from the host contract and recognised as a derivative if all of the following terms are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The compound financial instrument is not measured at fair value through profit or loss. Consequently, derivatives embedded in financial liabilities measured at fair value through profit or loss are not recognised separately.

Separate recognition is applied, for example, to the embedded derivative in issues of equity-linked bonds and other structured products.

Embedded derivatives in financial assets are not recognised separately. Financial assets with embedded derivatives are regarded as a whole when assessing whether their contractual cash flows constitute solely payments of principal and interest.

The inherent value of the option to convert in issued convertible debt instruments is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible debt instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible debt instrument. The liability component is recognised at fair value on the balance sheet at the time of issue. After initial recognition, the liability component is recognised at amortised cost based on the original effective interest rate.

Repurchase transactions

Repurchase agreements, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a pre-determined price. Securities sold in a repo transaction (repurchase agreement) remain on the balance sheet during the life of the transaction, as the Group is exposed to the value change risk applying to the security during this period. The sold instrument is also reported off-balance as a pledged asset. Depending on the counterparty, payment received is recognised under Due to credit institutions or as Deposits and borrowing from the public. Securities bought in a repo transaction (reverse repurchase agreement) are accounted for in the corresponding way, i.e. they are not recognised on the balance sheet during the life of the transaction. Depending on the counterparty, the payment made is recognised under Other loans to central banks, Loans to other credit institutions or Loans to the public. Collateral received which is sold on under repurchase agreements is recognised off-balance as a commitment.

Securities loans

Lent securities remain on the balance sheet, as the Group is still exposed to the value change risk applying to the security, as well as being reported off-balance as pledged assets. Borrowed securities are not recognised on the balance sheet unless they are sold (known as short-selling). If they are sold, a value corresponding to the sold instrument's fair value is recognised as a liability. Borrowed securities which are lent to a third party are recognised off-balance as commitments.

Derivative instruments

All derivatives are recognised on the balance sheet at fair value. Derivatives with positive fair values are recognised on the assets side under Derivative instruments. Derivatives with negative fair values are recognised on the liabilities side under Derivative instruments. Realised and unrealised gains and losses on derivatives are recognised in the income statement under Net gains/losses on financial transactions. For the recognition of derivatives through hedge accounting, see section 11.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported at a net amount on the balance sheet if the Bank has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability. Further information about set-off of financial assets and liabilities is provided in note G24.

9. PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

(IFRS 13 Fair Value Measurement)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants.

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

When there is no reliable information about market prices for financial instruments, fair value is established using valuation models. The valuation models used are based on input data which essentially can be verified using market observations such as market interest rates and share prices. If necessary, an adjustment is made for other variables which a market participant would be expected to take into consideration when setting a price. The assumptions used in the valuation are based on market practice and are continuously reviewed by the risk control function, as well as being compared with the counterparty valuation.

Interest-bearing securities

Interest-bearing securities issued by governments and Swedish mortgage bonds are valued using current market prices. Corporate bonds are valued using valuation techniques based on market yields for the corresponding maturity adjusted for credit and liquidity risk. The values are regularly reviewed in order to ensure that they reflect the current market price. The reviews are mainly performed by obtaining prices from several independent price sources and by reconciliation with recently performed transactions in the same or equivalent instruments.

Shares

Shares listed on an active market are valued at market price. When valuing unlisted shares and participations, the choice of model is determined by what is deemed appropriate for the individual instrument. Holdings of unlisted shares mainly consist of shares in companies which engage in activities to support the Bank. In all material respects, unlisted shares are classified at fair value through other comprehensive income. In general, such holdings are valued at the Bank's share of the company's net asset value. For unlisted shares for which the company agreement regulates the price at which the shares can be divested, the holdings are valued at the predetermined divestment price.

Derivatives

Derivatives which are traded on an active market are valued at market price. Most of the Group's derivative contracts, including interest rate swaps and various types of linear currency derivatives, are valued using valuation models based on market

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rates and other market prices. The valuation of non-linear derivative contracts that are not actively traded is also based on a reasonable assumption of market-based input data such as volatility.

When performing model valuation for derivatives, in some cases there are differences between the transaction price and the value measured by a valuation model upon initial recognition. Such differences occur when the applied valuation model does not fully incorporate all the components that affect the value of the derivative. Unrealised results due to positive differences between the transaction price and the value measured by a valuation model (known as day 1 gains/losses) are comprised of the Bank's profit margin and compensation to cover, for example, the cost of capital and administrative expenses. Unrealised positive day 1 gains/losses are not recognised in profit/loss upon initial recognition, but are amortised over the life of the derivative.

Assets and liabilities where the customer bears the value change risk

Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk. Assets and liabilities where the customer bears the value change risk have essentially been classified at fair value through profit or loss.

10. CREDIT LOSSES (IFRS 9 Financial Instruments)

Expected credit losses

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as financial guarantees and irrevocable loan commitments, and are based on a model for the recognition of expected credit losses. This model stipulates that the provision must reflect a probability-weighted amount determined through the evaluation of a number of potential outcomes, with consideration given to all reasonable and verifiable information available on the reporting date without unreasonable expense or exertion. The assessment takes into account historical, current and future-oriented factors. The assets to be tested for impairment are divided into the following three stages, depending on the degree of credit impairment:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition.
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the claim is credit-impaired at the time of reporting.
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is credit impaired.

In Stage 1, provisions are to be recognised which correspond to the loss expected to occur within 12 months as a result of default. In Stage 2 and Stage 3, provisions are to be recognised corresponding to the loss expected to occur at some time during the whole of the remaining maturity of the asset as a result of default.

For agreements in Stage 1 and Stage 2, there is a Group-wide, central process using model-based calculation. The process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). For a detailed description of significant increases in credit risk, see the 'Credit risks' section of note G2. The provisions in the different impairment stages are calculated on an individual basis. Manual calculation is used for agreements in Stage 3, with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3. In conjunction with each reporting date, an assessment is made at agreement level as to whether an agreement will be subject to a model-based calculation or a manual calculation.

The calculations of expected credit losses are primarily affected by the risk parameters 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). Expected credit losses are determined by calculating PD, EAD and LGD up to the expected final maturity date of the agreement. The three risk parameters are multiplied and adjusted by the survival probability or, alternatively, the probability that a credit exposure has not defaulted or been repaid in advance. The estimated expected credit losses are then discounted back to the reporting date using the original effective interest rate and are totalled. Total credit losses in Stage 1 is calculated using the probability of default during the coming 12-month period. For Stage 2 and Stage 3, credit losses are calculated using the probability of default during the asset's remaining time to maturity.

Model-based calculation

The calculation of the expected credit losses takes into consideration at least three macroeconomic scenarios (one neutral, one positive and one negative scenario) with relevant macroeconomic risk factors, such as unemployment, key/central bank rates, GDP, inflation and property prices, by country. The various scenarios are used to adjust the risk parameters. Every macroeconomic scenario is assigned a probability, and the expected credit losses are obtained as a probability-weighted average of the expected credit losses for each scenario.

For additional information on the models used to calculate expected credit losses for agreements in Stage 1 and Stage 2, and for an explanation of concepts such as PD, EAD and LGD, expected maturity, significant increase in credit risk and macroeconomic information, see the 'Credit risks' section in note G2. For sensitivity analyses for expected credit losses, see note G10.

Manual calculation

Assets in Stage 3 are tested for impairment on an individual basis using a manual calculation. This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the regional and central credit departments.

Impairment testing is carried out when there are objective circumstances which indicate that the counterparty will not be able to fulfil its contractual obligations, according to the definition of default. Such objective circumstances could be, for example, late payment or non-payment, a change in the internal rating, or if the borrower enters bankruptcy.

Impairment testing involves an estimation of the future cash flows and the value of the collateral (including guarantees). Consideration is normally given to at least two forward-looking scenarios for expected cash flows, based on both the customer's repayment capacity and the value of the collateral. The outcome of these scenarios is probability-weighted and discounted with the loan's original effective interest rate. The scenarios used can take into account both macroeconomic and agreement-specific factors, depending on what is deemed to affect the individual counterparty's repayment capacity and the value of the collateral. The assessment takes into account the specific characteristics of the individual counterparty. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount.

Expert-based calculation

Expert-based calculation is carried out for credit losses, in order to incorporate the estimated impact of factors not deemed to have been considered in the model (Stage 1 and Stage 2), or which have not been considered in manual calculations (Stage 3). The model-based calculations are constructed with the ambition of making as accurate estimations as possible of the individual contributions to the overall provision requirement. However, it is very difficult to incorporate all of the particular characteristics that define an individual agreement into a general model. For this reason, a manual analysis is carried out of the agreements which give the largest contributions to the overall provision requirement. The manual analysis aims to apply expert knowledge about the individual credits to an assessment of whether the model-based or manual calculations need to be replaced with an expert-based calculation. An expert-based calculation may entail either a higher or lower provision requirement than the original calculation.

Expert-based calculation can also be carried out at a more aggregate level to adjust the model-based calculations for a sub-portfolio or similar. These adjustments are distributed proportionally over the agreements involved. An expert-based calculation may entail either a higher or lower provision requirement than the original calculation.

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Recognition and presentation of credit losses

- Financial assets measured at amortised cost are recognised on the balance sheet at their net amount, after the deduction of expected credit losses.
- Off-balance sheet items (financial guarantees and irrevocable loan commitments) are recognised at their nominal amounts. Provisions for expected credit losses on these instruments are recognised as a provision on the balance sheet.
- Financial assets at fair value through other comprehensive income are recognised at fair value on the balance sheet. Provisions for expected credit losses on these instruments are recognised in the fair value reserve in equity and do not, therefore, reduce the carrying amount of the instrument.
- For financial assets measured at amortised cost and off-balance sheet items, the period's credit losses (expected and actual) are recognised in the income statement under the item Credit losses. The item Credit losses consists of the period's provisions for expected credit losses, less reversals of previous provisions, as well as write-offs and recoveries during the period.
- For financial assets measured at fair value through other comprehensive income, the credit losses for the period (expected and actual) are recognised in the income statement under the item Net gains/losses on financial transactions.
- Write-offs consist of actual credit losses, less reversals of previous provisions for expected credit losses in Stage 3 and may refer to either the entirety or parts of a financial asset. Write-offs are recorded when there is deemed to be no realistic possibility of repayment. Following a write-off, the claim on the borrower and any guarantor normally remains and is thereafter, as a rule, subject to enforcement activities. Enforcement activities are not pursued in certain situations, such as when a trustee in bankruptcy has submitted their final accounts of the distribution of assets in conjunction with the bankruptcy, when a scheme of arrangement has been accepted or when a claim has been conceded in its entirety. Claims for which a concession is granted in conjunction with a restructuring of financial assets are always recognised as actual credit losses.
- Payments to the Bank in relation to written-off financial assets are recognised in income as recoveries.

Further information on credit losses is provided in note G10.

Default/Credit-impaired asset

The Bank's definition of default is identical to the definition applied in the Capital Requirements Regulation (CRR), entailing either that the counterparty is over 90 days overdue with a payment or that an assessment has been made that the counterparty will be unable to fulfil its contractual payment obligations. Such an assessment implies that it is deemed to be more likely that the borrower will be unable to pay than that they will be able to pay. The assessment is founded on all available information about the borrower's repayment capacity. Consideration is given to indicators of insolvency such as insufficient liquidity, late and cancelled payments, records of non-payment or other signs of impaired repayment capacity. Other signals may include the borrower entering into bankruptcy or the granting of a substantial forbearance measure entailing a decrease in the value of the Bank's claim on the borrower.

The probability of default is calculated before each reporting date and is incorporated in the assessment of whether there has been a significant increase in the credit risk since the initial recognition, as well as in the calculation of expected credit losses for financial assets in Stage 1 and Stage 2.

A credit-impaired financial asset, which is an exposure in Stage 3, is defined as an exposure in default. This means that the assessment for accounting purposes is consistent with the assessment used in the Group's credit risk management.

Interest

In Stage 1 and Stage 2, recognition of interest income attributable to items on the balance sheet is based on gross accounting, which means that the full amount of interest income is recognised under Net interest income.

In Stage 3, interest income is recognised net, that is, taking into account impairment. Interest rate effects arising due to discounting effects, attributable to the decrease of the period until the expected payment, result in a reversal of previously provisioned amounts and are recognised as interest income in accordance with the effective interest method.

Valuation of repossessed property and equipment to protect claims

Upon initial recognition, repossessed property and equipment is recognised at fair value on the balance sheet. Repossessed property and equipment (including repossessed lease assets) which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell. Repossessed property which is not expected to be divested in the near future is reported as investment properties at fair value through profit or loss. Unlisted shareholdings taken over to protect claims are normally recognised at fair value through profit or loss.

Modified financial assets

A loan is seen as modified when the terms and provisions which determine the cash flows are amended relative to those in the original agreement as the result of forbearance measures or commercial renegotiations. Forbearance measures refer to changes in terms and conditions in conjunction with restructurings or other financial relief measures. Such changes are implemented with the objective of securing repayment in full, or of maximising the repayment of the outstanding loan amount, from lenders experiencing, or facing, financial difficulties. Commercial renegotiations refer to changes to terms and conditions which are not related to a borrower's financial difficulties, such as changes in the cash flow for a loan arising due to changes in the market conditions for repayment or interest.

If the cash flows from a financial asset which is classified as measured at amortised cost have been modified, but the cash flows have not significantly changed, the modification does not normally cause the financial asset to be derecognised from the balance sheet. In such cases, the gross carrying amount is recalculated on the basis of the changed cash flows of the financial asset, and the adjustment amount is recognised in the income statement.

As there may be various reasons for carrying out a modification, there is no unconditional connection between modifications and assessed credit risk. When a financial asset is subject to forbearance measures and the asset remains on the balance sheet, it is classified in Stage 2 or Stage 3, based on the outcome of the assessment made when granting the forbearance measure. The assessment involves a check of whether a provision is required for credit loss, or other circumstance which results in classification in Stage 3.

If a financial asset is modified in a way that results in significantly changed cash flows, the modified financial asset is derecognised from the balance sheet and replaced with a new agreement. In such cases, the modification date constitutes the initial recognition date for the new agreement and this date is used thereafter for the calculation of expected credit losses and for the assessment of whether there has been a significant increase in the credit risk since the initial recognition.

For a description of the accounting treatment of modifications implemented due to the Interest Rate Benchmark Reform, see section 12 Interest Rate Benchmark Reform.

11. HEDGE ACCOUNTING
(IAS 39 Financial Instruments: Recognition and Measurement)

Handelsbanken has elected to continue to apply the hedge accounting rules in IAS 39, in accordance with the transitional rules in IFRS 9. The Group applies different methods for hedge accounting, depending on the purpose of the hedge. Derivatives – mainly interest rate swaps and cross-currency interest rate swaps – are used as hedging instruments. In addition, when hedging foreign exchange risks related to net investments in foreign operations, liabilities in the functional currency of the respective foreign operation are used as a hedging instrument. As part of the Group's hedging strategies, the value changes of a hedging instrument are sometimes divided into separate components and included in more than one hedge relationship. Therefore, one and the same hedging instrument can hedge different risks. Division of hedging instruments is only done if the hedged risks can clearly be identified, the efficiency can be reliably measured, and the total value change of the hedging instrument is included in any hedge relationship.

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Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to exposure to changes in market prices. Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. Hedged risks in hedging relationships at fair value comprise in all material aspects the interest rate risk on lending and borrowing at fixed interest rates. The hedging instruments in these hedging relationships consist of interest rate swaps. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial transactions. When portfolio hedging is applied, the value of the hedged item is reported as a separate line item in the balance sheet in conjunction with Loans to the public. When fair value hedges are terminated early, the accrued value change on the hedged item is amortised under Net gains/losses on financial transactions during the remaining time to maturity. When a fair value hedge is terminated early, and the hedged item no longer exists, the value change generated is reversed directly under Net gains/losses on financial transactions.

Cash flow hedges are applied to manage exposures to variations in cash flows relating to changes in the floating interest rates on lending and funding. The expected maturity for this type of lending and funding is normally much longer than the interest rate adjustment period, which is very short. Cash flow hedging is also used to hedge foreign exchange risk in future cash flows deriving from lending and funding. Foreign exchange risks deriving from intragroup monetary items can also be subject to this type of hedging, if they give rise to currency exposures which are not fully eliminated on consolidation. Derivatives which are hedging instruments in cash flow hedges are measured at fair value. If the derivative's value change is effective – that is, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the derivative's value change are recognised in the income statement under Net gains/losses on financial transactions. When a cash flow hedge is terminated early, the cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income is amortised under Net gains/losses on financial transactions during the period in which the hedged cash flows are expected to occur. If cash flow hedges are terminated early and the hedged cash flows are no longer expected to occur, the accumulated value change is reclassified in the hedge reserve to Net gains/losses on financial transactions.

Hedging of net investments in foreign units is applied to protect the Group from exchange differences due to operations abroad. Cross-currency interest rate swaps and loans in foreign currencies are used as hedging instruments. The hedged item in these hedges is made up of net investments in the form of direct investments, as well as claims on foreign operations that are not expected to be settled in the foreseeable future. Loans in foreign currency that hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange differences for such loans is recognised as a component of Other comprehensive income and in the translation reserve in equity. The effective part of changes in value in cross-currency interest rate swaps that hedge foreign exchange risk in claims on foreign operations is recognised in the same manner. The ineffective components of hedges of net investments in foreign operations are recognised in the income statement under Net gains/losses on financial transactions.

For more information, see note G23 Hedge accounting and the Interest Rate Benchmark Reform.

12. INTEREST RATE BENCHMARK REFORM (IAS 39 Financial Instruments: Recognition and Measurement, IFRS 9 Financial Instruments)

There are temporary exemptions from applying certain specific hedge accounting requirements for all hedging relationships directly affected by the Interest Rate Benchmark Reform. The purpose of the temporary exemptions is to prevent the break-up of otherwise effective hedging relationships solely due to the uncertainty brought about by the Interest Rate Benchmark Reform. A direct impact on the hedging relationship exists only if this causes uncertainty about the benchmark rate relating to the hedged risk and/or dates or amounts regarding cash flows from the hedged item or hedging instrument that are based on the benchmark rate. The uncertainty about the benchmark rate will persist until such time as a decision has been made about which rate will be the alternative interest rate, as well as about if and when the reform will be implemented, including a specification of the effects on individual contracts.

When modifications of financial assets and financial liabilities are implemented as a direct consequence of the Interest Rate Benchmark Reform, the modifications are recognised as a change in the effective interest. Any gains or losses arising due to the modification are thus not recognised. For the exemption to be applicable, a modification must have been directly necessitated by the Interest Rate Benchmark Reform, and the new basis for determining the cash flows must be economically equivalent to the previous basis. In addition, certain exemptions from hedge accounting requirements are permissible when existing reference rates in hedging relationships are replaced with alternative reference rates, as a means to ensure that hedging relationships do not need to be discontinued solely due to the Interest Rate Benchmark Reform.

For more information, see note G23 Hedge accounting and the Interest Rate Benchmark Reform.

13. LEASES (IFRS 16 Leasing)

The Bank as lessor

A lessor must classify all leases as either finance leases or operating leases. A finance lease substantially transfers all the risks and rewards incidental to legal ownership of the leased asset from the lessor to the lessee. Other leases are classified as operating leases. All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans on the balance sheet, initially for an amount corresponding to the net investment. Lease fees received are recognised on a continual basis as interest income or repayments.

Net investments in finance leases are subject to impairment testing in accordance with IFRS 9, in the same way as financial assets measured at amortised cost.

The Bank as lessee

At the commencement of a lease agreement, the lessee recognises a lease liability and right-of-use asset. The lease liability is initially recognised at the present value of future lease fees, discounted by the Bank's incremental borrowing rate. Lease fees included in the valuation of the lease liability are primarily comprised of fixed fees and variable index-linked charges. The right-of-use asset is initially recognised at cost, which corresponds to the original valuation of the lease liability, prepaid lease fees, any initial direct expenditure, and an estimation of future restoration costs. Restoration costs are only included in the cost of acquisition when these are an obligation under the terms of the lease.

In subsequent valuations of the lease liability, the carrying amount increases due to interest and decreases in accordance with lease payments made. In addition, the lease liability may increase or decrease in conjunction with reassessments of or amendments to the lease agreement. In subsequent valuations of the right-of-use asset, the asset is measured at cost less accumulated depreciation and any impairment, taking into account any revaluations of the lease liability. The right-of-use asset is depreciated over the term of the lease. Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. See the section on impairment testing under point 16.

The right-of-use assets are included in the Property and equipment balance sheet item, while the lease liability is included in the Other liabilities balance sheet item.

Lease agreements with a term of less than 12 months, or for which the underlying asset is of a low value, are recognised as an expense on a straight-line basis over the term of the lease, and are thus not included in lease liabilities and right-of-use assets.

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14. INSURANCE OPERATIONS
(IFRS 4 Insurance Contracts – Accounting policies applied up to and including 31 December 2022)
The Group's insurance operations are run through the subsidiary Handelsbanken Liv. Products consist mainly of legal life insurance in the form of traditional life insurance, unit-linked insurance and risk insurance contracts in the form of health insurance and waiver of premium.

Classification and unbundling of insurance contracts
Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. 'Insurance risk' refers to risk other than financial risk that is transferred from the contract's owner to the issuer. Contracts that do not transfer significant insurance risk are classified in their entirety as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are unbundled and recognised separately in accordance with the principles described below.

Accounting for insurance components in insurance contracts
Premium income and insurance claims paid for insurance contracts are recognised in the income statement as a net amount under the item Risk result – insurance. The change in the Group's insurance liability is also reported under this item.

Premiums received which have not yet been recognised as income are carried as a liability for paid-in premiums under Insurance liabilities on the balance sheet. The balance-sheet item Insurance liabilities also includes liabilities for sickness annuities, life annuities and other outstanding claims. The insurance liability is valued by discounting the expected future cash flows relating to insurance contracts entered into. The valuation is based on assumptions concerning interest, longevity, health and future charges. The assumptions concerning longevity vary depending on when the policy was taken out and take into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions regarding the beneficiaries' future health are based on internally accrued experience and vary depending on the product. Interest rate assumptions are based on current market rates and depend on the maturity of the liability. The Group's insurance liabilities are subject to regular review, at least annually, to ensure that the reported insurance liability is sufficient to cover expected future claims. If necessary, an additional provision is made. The difference is recognised in the income statement.

Accounting for investment contracts and financial components of insurance contracts
Incoming and outgoing payments referring to customers' savings capital originating in investment contracts and financial components of insurance contracts are recognised directly on the balance sheet as deposits and withdrawals.

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised on the balance sheet as borrowing from the public. These liabilities are valued at the higher of the guaranteed amount and the current value of the insurance contract. The guaranteed amount earns interest at the guarantee rate of interest and corresponds to the amortised cost of the insurance contract. The current value of the insurance contract is equal to the value of the assets managed on behalf of the policyholders, and earns interest with a return that is based on the total return for the assets with a deduction for any yield split. The yield split implies that the insurer is allocated a contracted part of the total return if this return exceeds the guaranteed return during the calendar year. The calculation is performed annually and is accumulated for each individual insurance contract. This means that the conditional bonus is reduced in those cases where the yield in an individual year is less than the guaranteed interest rate and vice versa. The share that accrues to the Group under the yield split model is reported as Fee and commission income. If the yield is less than the guaranteed yield per contract, the difference is recognised in the income statement under Net gains/losses on financial transactions.

Assets and liabilities arising from unit-linked insurance contracts are recognised at fair value on the balance sheet under the items Assets/Liabilities where the customer bears the value change risk, respectively.

Premium fees, asset fees and administrative charges for investment contracts and insurance contracts are recognised in the income statement under Fee and commission income. Acquisition costs are recognised directly in the income statement.

Reinsurance
The reinsurer's share of the Group's insurance liabilities is recognised under Other assets on the balance sheet.

(IFRS 17 Insurance Contracts – Accounting policies to be applied as of 1 January 2023)
Handelsbanken's insurance contracts are comprised of unit-linked insurance and portfolio bond insurance, risk insurance contracts (primarily in the form of disability insurance, waiver of premium insurance and death insurance), as well as traditional life insurance.

Classification
Insurance contracts can be comprised of risk insurance components, savings insurance components, or both. Classification as an insurance contract or an investment contract is determined by the specific insurance components (savings insurance components/risk insurance components) in the contract, as these have differing financial implications. The savings insurance components of traditional life insurance contracts, as well as risk insurance contracts and risk insurance components separated from combined traditional life insurance contracts, include significant insurance risk and are classified, measured and recognised as insurance contracts. Portfolio bond insurance and unit-linked insurance contracts are classified as investment contracts, as they do not include significant insurance risk, and are classified, recognised and measured according to IFRS 9.

Insurance contracts' level of aggregation
Handelsbanken has identified portfolios of insurance contracts on the basis of the insurance risks to which they expose the Group, and these are managed together. The portfolios have thereafter been grouped on the basis of estimated profitability and, as of the transition date, all are assessed as profitable. For savings insurance components of traditional life insurance contracts, only one portfolio and grouping have been identified, as a significant amount of time has elapsed since these contracts were signed and it is no longer possible to sign new contracts of this product type. For portfolios of risk insurance contracts and risk insurance components, each respective insurance product constitutes a separate grouping. The groupings of insurance products are, in turn, divided into sub-groupings, each of which is comprised of contracts signed in the same year.

Measurement of insurance contracts
The general approach
Handelsbanken will apply the general approach when measuring the savings insurance components of traditional life insurance contracts. The reason for this is that the tenors of the contracts in this portfolio are much longer than one year, and the high levels of guaranteed interest in the contracts mean that the non-conditional supplementary disbursements are not expected to comprise a material proportion of the total disbursements. The general approach is also applied for liabilities for incurred claims in risk insurance contracts and risk insurance components separated from combined traditional life insurance contracts.

The premium allocation approach
Handelsbanken will apply the premium allocation approach when measuring the liability for remaining coverage in risk insurance contracts and risk insurance components separated from combined traditional life insurance contracts. The reason for this is that the Bank assesses the tenors of all identified risk insurance contracts and risk insurance components as amounting to a maximum of one year.

Liability for remaining coverage – the general approach
The liability for remaining coverage is calculated via a present value calculation of the best estimation of future cash flows, a risk adjustment and a contractual service margin. At the time of the

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transition, Handelsbanken has not identified onerous contracts.

When estimating future cash flows, the primary considerations are assumptions of administrative expenses, the probability that contracted options will be utilised (transfer, repurchase and placement in a paid-up policy), mortality and financial market scenarios (government borrowing rate, yield and discounting).

The estimation of future cash flows and risk adjustment are discounted applying the discount rates at the balance sheet date. The discount rates are based on observable rates on interest rate swaps up to 10 years, adjusted for credit risk. The discount rates for maturities over 10 years are determined by extrapolating to a long-term interest rate level.

The Bank uses a cost of capital method to calculate the risk adjustment. It is calculated for all insurance contracts and is thereafter allocated to individual portfolios and groupings, which corresponds to a confidence level of approximately 85%.

In conjunction with the transition to IFRS 17, a contractual service margin for savings insurance components of traditional life insurance contracts arises, comprised of the difference between the fair value and present value of the best estimation of future cash flows and the risk adjustment at the time of the transition to IFRS 17. No new traditional life insurance contracts can be signed, and thus no further contractual service margin will arise after the transition to IFRS 17. The accounting of the contractual service margin is based on identified coverage units. Handelsbanken has assessed that the services rendered are undertaken on a straight-line basis over time, which is why such a dissolution pattern of the contractual service margin has been chosen. In order to take into account that contracts with high guaranteed benefits contribute more to the portfolio's overall contractual service margin, each insurance contact's contribution to the portfolio's dissolution is weighted according to the sum total of the expected guaranteed benefits.

Liability for remaining coverage – the premium allocation approach

The liability for remaining coverage is not discounted, but instead recognised at an amount corresponding to a proportional share of the received premium for the coverage that the Bank has not yet provided to the policyholder. Received premiums are recognised as income on a straight-line basis as the coverage is provided. At the time of the transition, Handelsbanken has not identified onerous contracts.

Liabilities for incurred claims

Liabilities for incurred claims are measured using the general approach and are recognised when the claims arise. The liabilities refer to both reported and unreported claims incurred up to the balance sheet date. The liabilities are calculated via a present value calculation of the best estimation of future cash flows and a risk adjustment. The same assumptions are applied to liabilities for incurred claims as for liabilities for remaining coverage, with the addition – where relevant – of an assumption of future illness and recovery. Claims with an expected settlement date within 12 months are not discounted.

Reinsurance contracts held

Handelsbanken applies the premium allocation approach on its reinsurance contracts held, as the maturities in the underlying insurance contracts does not exceed one year. This means that the premium paid for the stated reinsurance is recognised as an expense over the tenor of the reinsurance cover. The reinsurer's share of the Group's insurance liabilities is recognised under Other assets on the balance sheet.

Recognition of insurance contracts and reinsurance contracts held

The liability for remaining coverage and the liability for incurred claims are recognised under Insurance liabilities on the balance sheet. Assets and liabilities relating to reinsurance contracts held are recognised in the balance sheet items Other assets and Other liabilities, respectively.

The results of insurance contracts are recognised in the income statement as a single item named "Insurance result". The item includes insurance revenue, insurance service expenses, result from reinsurance contracts held, and insurance finance income and expenses. The sub-items in Insurance result are specified in a separate note. The return on the assets held on behalf of policyholders is recognised as a separate item. The sum total of the items Insurance result and Return on assets held on behalf of policyholders is recognised as Net insurance result in the income statement.

The effects of a changed discount rate on the present value of cash flows and the risk adjustment when measuring savings insurance components of traditional life insurance contracts, which are accumulated in a separate item in equity, are recognised in Other comprehensive income. Upon the transition to IFRS 17, the accumulated amount in Other comprehensive income will be zero.

Recognition and measurement of investment contracts

Portfolio bond insurance and unit-linked insurance contracts constitute investment contracts and are measured at fair value through profit or loss, as are investment assets linked to these contracts. These items are recognised on the balance sheet under Assets and Liabilities where the customer bears the value change risk, respectively.

Premium fees, asset fees and other administrative charges from investment contracts are recognised in the income statement under Fee and commission income. Acquisition costs are also recognised directly in the income statement. Changes in the values of assets and liabilities are recognised under Net gains/losses on financial transactions.

Methods applied for the transition to IFRS 17

Handelsbanken applies IFRS 17 retroactively on risk insurance contracts and risk insurance components.

For the savings insurance components of traditional life insurance contracts, the fair value method is applied. When there is no listed price for a portfolio of traditional life insurance contracts, fair value is established with the help of a measurement technique that, to the greatest extent possible, is based on observable parameters for calculating fair value. In order to determine the price that a market player would apply, an average of the guarantee rates observed by the Bank as being offered by insurance companies in the market for new traditional life insurance contracts has been used. This method also takes into account the market assumptions of profit and risk margins, as these are implicitly considered in the market's guarantee rates. The difference between the fair value and present value of the best estimation of future cash flows, as well as the risk adjustment, constitute a contractual service margin at the time of the transition to IFRS 17.

15. INTANGIBLE ASSETS (IAS 38 Intangible Assets)

Recognition in the balance sheet

An intangible asset is an identifiable, non-monetary asset without physical form. An intangible asset is only recognised on the balance sheet if the probable future economic benefits attributable to the asset will flow to the Group and if the acquisition cost can be reliably measured. This means that internally generated values in the form of goodwill, trademarks, customer databases and similar are not recognised as assets on the balance sheet.

Investments in software developed in-house are carried as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or software.

Agreements with suppliers that provide the Bank with a cloud service that involves access to the supplier's application, platform or infrastructure for the duration of the agreement comprise service contracts. Fees for a cloud service are charged to expenses on an ongoing basis for the duration of the contract. Any charges paid in advance are recognised as an asset, i.e. prepaid expenses. Fees for configuration and adaptations of a cloud service are charged to expenses when a supplier renders the services in question. When configuration and adaptations are an integral part of the cloud service and are undertaken by the supplier of the cloud service, or a sub-contractor to the supplier, the fee is charged to expenses on an ongoing basis for the duration of the agreement. Any charges paid in advance are recognised as prepaid expenses.

In the case of in-house development of new software, or development of existing software for new business operations, the expenditure incurred that can be reliably measured, is capitalised from the time when it is probable that economic benefit will arise. Expenditure arising from borrowing costs is capitalised from the date on which the decision was made to capitalise expenditure for the development of an intangible asset.

When accounting for business combinations, the acquisition price is allocated to the value of acquired identifiable assets, liabilities and contin-

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gent liabilities in the acquired business. These assets may also include intangible assets that would not have been recognised on the balance sheet if they had been acquired separately or internally generated. The part of the acquisition price in a business combination that cannot be allocated to identifiable assets and liabilities is recognised as goodwill.

Goodwill and intangible assets with an indefinite useful life

Goodwill and other intangible assets with an indefinite useful life are recorded at cost less any impairment losses. These assets are tested annually for impairment when preparing the annual report or when there is an indication that the asset is impaired. Impairment testing is performed by calculating the recoverable amount of the assets, i.e. the higher of the value in use and the fair value less costs to sell. As long as the recoverable amount exceeds the carrying amount, no impairment loss needs to be recognised. Impairment losses are recognised directly in the income statement.

Since it is not possible to differentiate between cash flows arising from goodwill and cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is followed up at business segment level. Material assessments and assumptions in the impairment testing of goodwill are described in note G25. Previously recognised impairment losses on goodwill are not reversed.

Intangible assets with a finite useful life

Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. Currently this means that customer relationships are amortised over 20 years and that internally developed software is normally amortised over five years. In certain infrastructure projects, the useful life is assessed to be more than five years. For these types of investment, the amortisation period is up to 15 years. Brand names which are subject to amortisation are amortised over five years. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are reviewed for impairment when there is an indication that the asset may be impaired. The impairment test is performed according to the same principles as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

16. PROPERTY AND EQUIPMENT
(IAS 16 Property, Plant and Equipment)

The Group's tangible non-current assets consist of property and equipment. With the exception of repossessed properties to protect claims, these assets are recorded at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are reviewed annually. The tangible assets that consist of components with different estimated useful lives are sub-divided into different categories with separate depreciation plans. Such depreciation of components is normally only applied for real property. Only components of the property whose acquisition costs are substantial in relation to the total acquisition cost are separately depreciated. The remaining parts of the real property (building structure) are depreciated as a whole over their expected useful life. Currently, the useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for permanent equipment, service facilities etc. in buildings 10 years. Personal computers and other IT equipment are usually depreciated over three years and investments in bank vaults and similar investments in premises over 10 years. Other equipment is normally depreciated over five years.

Impairment testing of property and equipment is carried out when there is an indication that the value of the asset may have decreased. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in the income statement. An impairment loss is reversed if there is an indication that there is no longer any impairment loss and there has been a change in the assumptions underpinning the estimated recoverable amount.

17. PROVISIONS
(IAS 37 Provisions, Contingent Liabilities and Contingent Assets)

Provisions consist of recognised expected negative outflows of resources from the Group and which are uncertain in terms of timing or amount. Provisions are reported when the Group, as a consequence of past events, has a legal or constructive obligation, and it is probable that an outflow of resources will be required to settle the obligation. For recognition it must be possible to estimate the amount reliably. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

Provisions are mainly reported for restructuring. Restructuring refers to major organisational changes, for example when employees receive termination benefits relating to early termination of employment, or branches are closed. In order for a provision to be reported, a restructuring plan must have been established and communicated so that a valid expectation has been created in those affected, that the enterprise will carry out the restructuring. A restructuring provision only includes the direct expenditures arising from the restructuring and which are not related to the future operations.

18. EQUITY

Equity comprises the components described here.

Share premium reserve

The share premium reserve comprises the options component of issued convertible debt instruments and the amount that in the issue of shares and conversion of convertible debt instruments exceeds the quotient value of the shares issued.

Defined benefit pension plans

The item Defined benefit pension plans is comprised of actuarial gains and losses on the pension obligation, as well as the return on plan assets that exceeds or falls below the return based on the discount rate.

Hedge reserve

Unrealised changes in the value of derivative instruments which comprise hedge instruments in cash flow hedges are reported in the hedge reserve.

Fair value reserve

Unrealised changes in the value of financial assets classified as measured at fair value through other comprehensive income are recognised in the fair value reserve. Furthermore, the fair value reserve includes provisions for expected credit losses on debt instruments classified as measured at fair value through other comprehensive income. Realised changes in the value of these debt instruments are reclassified from the fair value reserve to the income statement. Realised changes in the value of equity instruments classified as measured at fair value through other comprehensive income are reclassified from the fair value reserve to retained earnings.

Translation reserve

The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the presentation currency of the consolidated accounts. In addition, effective parts of hedges of net investments in foreign operations are recognised in the translation reserve.

Retained earnings including profit for the year

Retained earnings comprise the profits generated from the current and previous financial years. Dividends and repurchases of own shares are reported as deductions from retained earnings.

Realised gains/losses which are attributable to equity instruments classified as measured at fair value through other comprehensive income are reclassified from the fair value reserve to retained earnings.

Non-controlling interest

Non-controlling interest consists of the portion of the Group's net assets that is not directly or indirectly owned by holders of the parent company's ordinary shares. Non-controlling interest is recorded as a separate component of equity.

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19. INCOME

Net interest income

Interest income and interest expenses are recognised as Net interest income in the income statement, with the exception of interest flows deriving from financial instruments mandatorily measured at fair value through profit or loss, which are recognised under Net gains/losses on financial transactions, where the overall activity in the trading book is recognised.

Interest income and interest expenses for financial instruments at amortised cost are calculated and recognised by applying the effective interest method or, where considered appropriate, by applying a method that results in an amount constituting a reasonable estimate of the results of a calculation based on the effective interest method. Effective interest includes fees which are considered an integral part of the effective interest rate of a financial instrument (generally fees compensating for risk). The effective interest rate corresponds to the rate used to discount future contractual cash flows to the carrying amount of the financial asset or liability.

Net interest income also includes interest from derivative instruments recognised through hedge accounting and interest from derivatives in economic hedges, as these hedge items for which the interest flows are recognised under Net interest income.

In addition to interest income and interest expenses, net interest income includes fees for state deposit guarantees.

Net fee and commission income

Fee and commission is recognised at the point in time at which the performance obligation is satisfied, which corresponds to the transfer of control over the service to the customer. The total income is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time. Fee and commission income in the form of, for example, management fees in asset management, is usually recognised at the rate these services are performed. Fee and commission income in the form of, for example, brokerage, card fees or payment commissions, is generally recognised when the service has been performed, i.e. at a specific point in time. When the income includes variable reimbursement, such as a refund, bonus or performance-based element, the income is recognised only when it is highly probable that no repayment of the amount will take place. Lending fees not included in the effective interest are recognised as fee and commission income. Fee and commission expenses are transaction-based and directly related to transactions for which the income is recognised as Fee and commission income.

Other income

The item Other income is primarily comprised of rental income and capital gains/losses arising from the divestment of participating interests in subsidiaries, associates and joint ventures.

Net gains/losses on financial transactions

Net gains/losses on financial transactions includes all items with an impact on profit or loss that arise when measuring financial assets and liabilities at fair value through profit or loss, and when financial assets and liabilities are realised (with the exception of equity instruments classified as measured at fair value through other comprehensive income).

- Gains/losses on financial instruments at amortised cost consist of realised gains and losses on financial assets and liabilities classified as measured at amortised cost, such as early repayment charges for loans redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities.
- Gains/losses on financial instruments at fair value through other comprehensive income consist of realised gains and losses on interest-bearing securities classified as measured at fair value through other comprehensive income. Realised gains and losses are reclassified from other comprehensive income to Net gains/losses on financial transactions in conjunction with a divestment/sale. The item also includes credit losses (expected and actual) on these assets.
- Gains/losses on financial instruments measured at fair value through profit or loss, fair value option, consist of unrealised and realised changes in the value of financial assets and liabilities that upon initial recognition were identified as measured at fair value through profit or loss.
- Gains/losses on financial instruments measured at fair value through profit or loss, mandatory, consist of unrealised and realised changes in value, dividend income and interest (with the exception of interest deriving from derivatives used to hedge items for which the interest flow is recognised in net interest income) on financial assets and liabilities held for trading, or which are managed and evaluated on the basis of fair value.
- Fair value hedges consist of unrealised and realised changes in the value of hedging instruments, and the hedged risk component in financial assets and liabilities which constitute hedged items in fair value hedges. Ineffective portion of cash flow hedges consists of changes in the value of hedging instruments which do not correspond to future cash flows attributable to the hedged item.
- Gains/losses on the financial component in an insurance contract consist of the gain or loss arising if the return is less than the guaranteed interest.

Dividend

Dividends on shares measured at fair value through other comprehensive income are recognised in the income statement under the item Other dividend income. Dividends on shares measured at fair value through profit or loss are recognised in the income statement under the item Net gains/losses on financial transactions.

The recognition of Share of profit of associates and joint ventures is described in section 5.

20. EMPLOYEE BENEFITS (IAS 19 Employee Benefits)

Staff costs

Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

Accounting for pensions

Post-employment benefits consist of defined contribution plans and defined benefit plans. Benefit plans under which the Group pays fixed premiums into a separate legal entity, and subsequently has no legal or constructive obligations, are accounted for as defined contribution plans. The employee bears the value change risk until the funds are paid out. Premiums paid for defined contribution plans are recognised in the income statement as staff costs as they arise, by means of the employee rendering services to the company and the fees for these services falling due for payment.

Other post-employment benefit plans are accounted for as defined benefit plans. For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension obligation. For defined benefit plans, the present value of the pension commitment is recognised as a pension obligation. For the majority of defined benefit plans, the Group has kept plan assets, for the purpose of covering the obligation, separately in pension foundations and a pension fund. For defined benefit plans, the pension obligations minus the fair value of the plan assets are reported as a net liability on the balance sheet. Actual gains and losses on the pension obligation arising when the actual outcome deviates from assumptions are recognised in other comprehensive income, as is the difference between actual return and estimated interest income on the plan assets.

The pension cost for defined benefit plans is recognised in the income statement as a staff cost and is comprised of the following items:

- Cost of accrued pension rights for the year, referring to the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- Interest expenses on the pension obligation arising due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current corporate bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.

G1 Cont.

- Estimated interest income (yield) on the plan assets, for which the same interest rate is applied as when establishing the year's interest expenses on pension obligations.

Calculation of costs and obligations resulting from the Group's defined benefit plans depends on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 22 and in note G8.

21. TAXES
(IAS 12 Income Taxes)
The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's, or previous periods', taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are carried at nominal value. Tax is recognised in the income statement, in Other comprehensive income or directly in equity depending on where the underlying transaction is reported.

22. ESTIMATES AND MATERIAL ASSESSMENTS
In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected, in a number of cases, by estimates and assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessments and assumptions applied always reflect the management's best and fairest assessments and are continually subject to examination and validation.

The assessments and assumptions that have had a material impact on the financial reports are described below.

Estimates and material assessments concerning the following areas are provided in specific notes:

- financial instruments measured at fair value, see note G42, Fair value measurement of financial instruments
- impairment testing of goodwill, see note G25, Intangible assets
- claims in civil suits, see note G36, Provisions.

Actuarial calculation of defined benefit pension plans
Calculation of the Group's expense and obligations for defined benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of defined benefit obligations for employees in Sweden is based on DUS21, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend.

The discount rate is based on a number of first-class corporate bonds with varying maturities. For corporate bonds with maturities corresponding to the estimate average maturity of the pension obligation, this currently being 17 years, the discount rate is determined of the basis of market interest rates. Due to the fact that there are too few issuers of first-class corporate bonds with a maturity corresponding to that of the pension obligation, the Bank uses first-class corporate bonds with a shorter maturity as a supplementary basis to determine the discount rate. For these, the discount rate is determined on the basis of a yield curve. The yield curve is constructed as a spread over the Swedish swap curve. The spread, which is based on corporate bonds, excluding own issues, is applied to the swap curve. In this way, a yield curve is modelled and a 17-year yield can be derived from this.

Note G8 provides a sensitivity analysis of the Group's defined benefit obligation for all major actuarial assumptions. This shows how the obligation would have been affected by reasonably feasible changes in these assumptions.

Credit losses
The calculation of expected credit losses involves a number of assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty. Areas involving a high degree of assumptions and assessments are described below under the respective headings.

Future-oriented information in macroeconomic scenarios
Handelsbanken continuously monitors macroeconomic developments, with a particular focus on the home markets. Through this monitoring, the Bank develops the macroeconomic scenarios which form the basis for the future-oriented information used in the model-based calculation of expected credit losses. The capacity of the Bank's customers to fulfil their contractual payments varies in line with macroeconomic developments. Consequently, future macroeconomic developments have an impact on the Bank's view of the provision needed to cover expected losses. The calculation of the provision requirement for expected credit losses is based on the neutral scenario proposed by the Bank's macroeconomic research unit. As the losses may be more highly affected by a future deterioration of economic trends than by the equivalent improvement, the Bank uses at least two alternative scenarios to take into account the non-linear aspects of expected credit losses. These alternative scenarios represent conceivable developments, one significantly worse and one significantly better than the neutral scenario. The most significant macroeconomic risk factors have been selected on the basis of the Bank's loss history over the past decade, supplemented with experience-based assessments. These macroeconomic risk factors are then used as macroeconomic risk factors in the Bank's quantitative statistical models for forecasting migrations, defaults, loss rates and exposures. The macroeconomic risk factors include unemployment, key/central bank rates, GDP, inflation and property prices. The Bank's business model, to offer credit to customers with a high repayment capacity, means that the connection between the macroeconomic developments and the provision requirement is not always especially pronounced. For a detailed description of macroeconomic information, see the 'Credit risks' section of note G2 and for a sensitivity analysis, see note G10.

Significant increase in credit risk
The Bank makes an assessment at agreement level at the end of each reporting period as to whether there has been a significant increase in credit risk since initial recognition. For a detailed description of significant increases in credit risk, see the 'Credit risks' section of note G2.

Model-based calculation
The quantitative models which form the basis for the calculation of expected credit losses for agreements in Stage 1 and Stage 2 make use of several assumptions and assessments. One key assumption is that the quantifiable relationships between macroeconomic risk factors and risk parameters in historical data are representative of future events. The quantitative models applied are based on a history of approximately 10 years, although this history varies by product and region due to inconsistency in the availability of historical outcomes. The quantitative models have been constructed with the help of econometric models, applying the assumption that the observations are independently conditioned by the risk factors. This means that the risk parameters can be predicted without distortion. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' explanatory power in relation to individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are made to achieve a balance between simplicity, demonstrative ability and stability.

Manual and expert-based calculation
As a general rule, manual calculation is used for agreements in Stage 3. Expert-based calculation is carried out for model outcomes on agreements in Stage 1 and Stage 2, in order to incorporate the estimated impact of factors not deemed to have been considered in the model, as well as for manually assessed agreements in Stage 3. For more detailed descriptions of manual and expert-based calculation, see point 10 under the headings 'Manual calculation' and 'Expert-based calculation'.

G2 Risk and capital management

Handelsbanken's low risk tolerance is a central element of the Bank's business concept. The low risk tolerance, together with a decentralised way of working, stable finances, and accountability on sustainability issues, make up the foundation of Handelsbanken's long-term customer relationships.

The information in this note includes the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively, and which constitutes discontinued operations. The operations in Denmark were divested during Q4 2022 and are included in the comparative figures. See note G14.

RISK TOLERANCE

Handelsbanken has a low risk tolerance. The Bank's business model is centred on taking and managing credit risks in the branch operations in conjunction with the granting of credit. The focus is on establishing long-term relationships with customers with a good repayment capacity and strong financial position. The quality requirement must never be neglected in favour of higher credit volumes, higher prices or market share.

For the past few decades, Handelsbanken's credit loss ratio has been significantly lower than the average of other Nordic banks. The Bank's goal is always that no credit will lead to a loss. This approach governs how the branches grant credit and work with their credit portfolios. There is low tolerance of market risk and liquidity risk. Market risks only occur as part of customer business, in connection with the Bank's funding and liquidity management, and in its role as a market maker. Market risks also arise in the pension system.

The Bank's low tolerance of market risk has resulted in a comparatively low proportion of the Bank's earnings coming from net gains/losses on financial transactions. All funding and liquidity management is centralised to Group Treasury. Liquidity risk is limited by means of requirements on matching cash flows and satisfactory liquidity reserves of high quality.

Tolerance is also low for operational risk. As far as possible, the Bank endeavours to prevent these risks and to reduce the losses in this area.

The Bank has a low tolerance of compliance risks and, as far as possible, must prevent such risks. A risk is beyond risk tolerance if the Compliance function assesses the risk as being high or critical, and considers that there is no adequate action plan, or that there are material deviations from an action plan.

Sustainability risks are managed in line with Handelsbanken's low risk tolerance and within the framework of the risk types for which sustainability risks are an integrated part of the risk assessment. For more information about sustainability risks, see the Bank's Sustainability Report and Pillar 3 report.

RISK STRATEGY

The Bank's operations entail a variety of risks that are systematically identified, measured, managed and reported in all parts of the Group. Handelsbanken's restrictive approach to risk means that the Bank deliberately avoids high-risk transactions, even if the expected financial reward may be high at that time.

The risk strategy is founded on a strong risk culture that is sustainable in the long term and applies to all areas of the Group. The risk culture is an integral part of the Bank's work and is deeply rooted among all the Bank's employees. The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and for risk management. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations. However, the decentralised business model is combined with strong centralised controls. The low risk tolerance is also reflected in the view of remuneration. The main principle is that remuneration must be fixed since this contributes to the long-term perspective which is a central feature of Handelsbanken's business model. Employees whose professional activities have a material impact on the Bank's risk profile are not permitted to receive performance-based variable remuneration.

Lending has a strong local involvement, where the close customer relationship and local knowledge promote low credit risks. In addition, the Group must be well capitalised at all times in relation to the risks in the operations and hold liquid assets so that it can always meet its payment obligations when they fall due, including in situations of financial stress when funding is not possible in the financial markets. In this way, Handelsbanken aims for a business model which is not affected by fluctuations in the business cycle.

This restrictive approach to risk means that the Bank is a stable and long-term business partner for its customers, regardless of the market situation. It contributes both to good risk management and to sustaining a high service level even when operations and the markets where the Bank operates are subject to strain. The same principles for the Bank's approach to risk applies in all countries where the Bank operates.

RESILIENT RISK MANAGEMENT

The Bank has a strong capital and liquidity situation and maintains continuous access to the financial markets via its short-term and long-term funding programmes. The Bank also has a large and high-quality liquidity reserve, which provides a high degree of resistance to possible disruptions in the financial markets. Group Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of balances with central banks, government bonds and covered bonds. In addition, there is a comprehensive unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements for more than three years in a stressed scenario, entirely without access to new market funding. Operations can also be maintained for a considerable period of time even in an extreme situation when the foreign exchange markets are closed.

The Bank's capital situation remains strong. Good earnings and low credit losses during the year have contributed to this.

Handelsbanken's low tolerance of risk, good capitalisation and strong liquidity situation mean that the Bank stands in good stead. In its risk management, the Bank performs special stress tests, including the effects of climate change, and carefully monitors various indicators to follow up the market situation in order to be able to act at an early stage if the liquidity or capital situation were to deteriorate. The prevailing macroeconomic situation, which is a combination of lingering effects related to the pandemic, inflation, rising interest rates, a weaker business climate and geopolitical risks, is included in the stress tests and analysed from the Bank's perspective.

Russia's invasion of Ukraine heightened the risk of different types of cyberattack. The Bank's security department is monitoring developments and assesses the risk of various scenarios on an ongoing basis.

RISK ORGANISATION

Handelsbanken applies the three lines of defence principle for the management, follow-up and control of the Bank's risks. The business operations and the units that support the business operations constitute the first line of defence, with responsibility for managing and restricting the risks facing the business in accordance with internal and external rules. The control functions Group Risk Control and Group Compliance comprise the second line of defence, and monitor and control the Group's risks, the work of the business operations, and compliance with applicable rules and regulations. The third line of defence is Group

Figure AR:1 Credit losses as % of loans 2001–2022

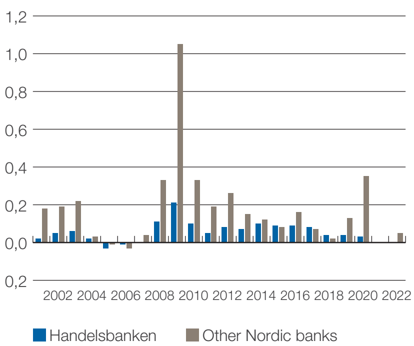
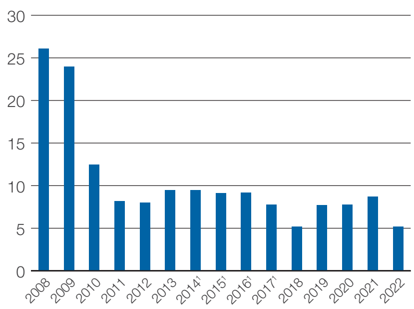


Figure AR:2 Net gains/losses on financial transactions as a proportion of profit 2008–2022



Source: Annual reports
[1] Excluding non-recurring items.

G2 Cont.

Figure AR:3 Risks at Handelsbanken

	Description
Credit risk	Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations. Credit risk also includes counterparty risk, i.e. the risk that a counterparty in a transaction defaults before the final settlement of the cash flows involved in the transaction.
Market risk	Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risk, equity price risk, foreign exchange risk and commodity price risk.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk as well as IT risks and information security risks (ICT risks).
Compliance risk	Compliance risk is defined as the risk of sanctions, material financial loss, or loss of reputation that the Bank may suffer as a result of the Bank not following external and internal rules and regulations, accepted market practice and standards that are together applicable to the Bank's licensed operations.
Remuneration risk	Remuneration risk is the risk of loss or other damage arising due to the remuneration system.
Insurance risk	Insurance risk is the risk in the outcome of an insurance that depends on the insured party's longevity or health.
Sustainability risk	Sustainability risk is the risk that the Bank fails to identify and manage risks related to the environment, the climate, social conditions and corporate governance in accordance with the policies, guidelines and assumptions in the area, which could ultimately have negative financial consequences for the Bank, or also damage the Bank's reputation.

Audit, which examines all of the Bank's operations, including risk management, the work of the control functions and corporate governance.

Handelsbanken's Board has overall responsibility for the Bank's risk management and establishes internal rules for this. The Board establishes policy documents and the CEO establishes guidelines describing how various risks should be managed and reported. For a more detailed description of the Bank's control framework, please refer to Handelsbanken's Corporate Governance Report on pages 74–91.

The Board has established a credit committee (composed of the CEO and the Chief Credit Officer, together with several Board members) to decide on certain credit cases, and a UK committee (composed of the Chairman of the Board, the CEO and selected members of the Board and executive management) to facilitate follow-up of the operations in the UK.

The Board has also established a risk committee, an audit committee and a remuneration committee, whose duties include preparing matters to be decided by the Board. The risk committee also makes decisions independently, including decisions on the significant parts of the Bank's risk classification and estimation processes linked to the IRB approach. The members of the risk committee, audit committee and remuneration committee are comprised entirely of Board members. In addition, the CEO has inaugurated a Risk and Compliance Committee[1] for follow-up of risk management within several areas and for in-depth discussions regarding the Bank's overall risk situation prior to such matters being addressed by the risk committee and the Board. For a more detailed description of the work of the committees and sub-committees, see Handelsbanken's Corporate Governance Report on pages 74–91. Moreover, there are further committees at the Bank, such as the CRO's Risk Committee and the CFO's Liquidity Committee, Capital Committee and Valuation Committee.

REPORTING AND MONITORING OF THE RISK AND CAPITAL SITUATION

In 2022, the CRO reported the Group's risks to the CEO, the Board's risk committee and the Board at least quarterly. The reports have also been presented to the Risk and Compliance Committee[1]. The Group risk reports include the CRO's assessment of the Group's material risks and an assessment of whether there are significant deficiencies in the operation to report and address. Where applicable, the reports also include proposed actions and a follow-up of previously reported risks and deficiencies. The Group risk reports include forward-looking risk assessments and must make possible an assessment of whether Handelsbanken is fulfilling the risk strategy and the risk tolerance decided by the Board. The Group risk reports are formulated in accordance with the Board's Policy for risk control. In addition to the aforementioned Group risk reports, Group Risk Control and the Group Credits report on both an ongoing and annual basis on the Bank's credit risk situation (including counterparty risks) and the IRB approach to the Bank's executive management, the CRO's Risk Committee, the CEO's Risk and Compliance Committee, the risk committee and the Central Board, as well as the boards of relevant subsidiaries. These reports include volume development and risk-reported credits (credits with heightened risk). The reports also include evaluation of the internal risk rating processes, the Bank's IRB models and the results of validations of these IRB models.

The risk committee, chaired by the CRO, met on 11 occasions in 2022. At meetings of the risk committee, the committee performs an in-depth follow-up of the Group's current risk situation, potential risks and actions for credit risks, financial risks, operational risk and risks in the insurance operations. Other types of risk are commented on where necessary. The recovery plan indicators are reported on at every meeting, with discussions taking place about potential measures to be taken, when necessary. In addition, limit utilisation for financial risks is subject to follow-up for the Group as a whole. The capital situation, utilisation of market risk limits and the liquidity situation are reported to the Board at least quarterly.

Limit utilisation for market risks and liquidity risks is compiled and checked on a daily basis by Group Risk Control. Exceeded limits are immediately reported to the person who makes the decision about the limits. The liquidity risk is summarised by Group Risk Control and reported daily to the CFO, weekly to the CEO and to the Board at every regular Board meeting. The liquidity committee, chaired by the Head of Group Treasury, acts in an advisory capacity to the CFO and meets before each regular Board meeting and on other occasions when necessary. At this committee meeting, reports are presented on the current liquidity situation, on results of stress tests, scenario analysis, and other information which is relevant for the assessment of the Group's liquidity situation.

Operational risks and incidents which have occurred are reported continuously by branches and units throughout the Group to Group Risk Control, where they are subsequently monitored. In turn, Group Risk Control reports operational risk and incidents which have occurred to the CEO, the Board's risk committee and the Board. Risks in the remuneration system are evaluated on an annual basis and reported to the Board's remuneration committee and risk committee. Operational risk reporting includes information regarding significant events, major losses, important proactive measures and an aggregated risk assessment at Group level. In addition, Group Risk Control monitors that the actions which have been decided are implemented.

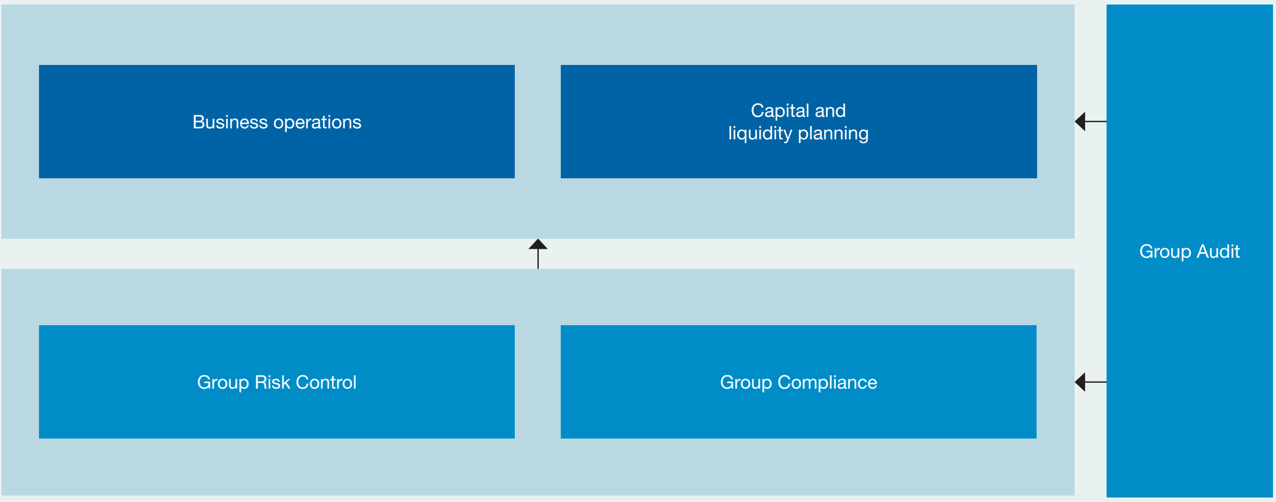
In 2022, the Chief Compliance Officer reported compliance risks at least quarterly to the CEO, the Board's risk committee and the Board. These reports included compliance risks linked to financial crime, as well as data protection risks. The reports have also been presented to the CEO's Risk and Compliance Committee.

The Bank's capital situation is reported weekly to the CFO and the CEO and at least quarterly to the Board. In cases where various thresholds are exceeded, or if the Head of Group Capital Management or the CFO deems it appropriate for some other reason, proposals for appropriate measures must be presented to the CEO. The capital situation in a medium- and long-term perspective is summarised quarterly by the capital committee. Group Capital Management performs a complete update of the capital forecast on a quarterly basis, or when there are significant changes at the Bank.

[1] Up until 4 July 2022 presented to the Risk Forum.

G2 Cont.

Figure AR:4 Handelsbanken's risk management and risk control



Business operations
The Bank is characterised by a clear allocation of responsibilities, where each part of the business operations bears full responsibility for its own business activities and its management of all risks. Those who know the customer and market conditions best are in the best position to assess the risk and can also act at an early stage if problems arise. Each branch and each profit centre is responsible for dealing with any problems that arise. This creates high levels of risk awareness and prudence in the business operations.

However, the decentralised credit decisions are conditional on a joint credit process, for which Group Credits is responsible. Group Credits prepares the credit limits which the Board or the credit committee set up by the Board decide on. Group Credits also ensures that credit assessments are consistent throughout the Group and that loans are granted in accordance with the credit policy decided by the Board.

Financial risks in the Bank's business operations mainly arise at Group Treasury, Handelsbanken Capital Markets, and Handelsbanken Liv, and are managed there. Handelsbanken has a decentralised business model, but all funding and liquidity risk management in the Group is centralised to Group Treasury. The market risks that arise to meet customers' demand for financial instruments with exposure to the fixed income, foreign exchange, equity or commodity markets are managed in Handelsbanken Capital Markets. Operational risk occurs in all of the Bank's operations, and the responsibility for managing operational risk is an integral part of managerial responsibility at all levels in Handelsbanken. The management of market risks, the management of the Bank's operational risk, and funding and liquidity management are all governed by policies established by the Board.

Stress tests – capital and liquidity planning
Handelsbanken holds capital and a liquidity reserve to ensure its survival during normal times and also after extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital requirement, combined with calculation of economic capital and stress tests. Liquidity planning ensures that the Group can always meet its payment obligations when they fall due, even in situations of financial stress when funding is not possible in the financial markets. Stress tests and scenario analyses identify the measures that need to be prepared or implemented to ensure a satisfactory liquidity situation and capitalisation at any given time, and which measures are needed to restore the Group's capital and liquidity in a recovery situation following a serious crisis.

Group Risk Control and Group Compliance
Group Risk Control at Handelsbanken is independent of the functions that are to be monitored. Group Risk Control verifies that all material risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions. Group Risk Control monitors and verifies the Group's risk management. It ensures that relevant internal rules, processes and procedures concerning risk management are followed, while also ensuring that the risks fall within the risk tolerance established by the Board, and that management has reliable information to use as a basis for managing risks in critical situations. Group Credit Risk Control must perform regular evaluations to ensure that the methods used to calculate the Bank's capital requirements are fit for purpose and in accordance with permissions granted by the Financial Supervisory Authority, and applicable regulations. Group Risk Control's responsibilities also include monitoring the limits for market, liquidity and counterparty risks, and operational risk, and evaluating breaches of these limits, and limits and mandates in the credit process. Group Risk Control must also evaluate the risk analysis performed in the operations for new and materially changed products and services, markets, processes and IT systems, and in conjunction with significant changes to the operations or organisation.

As business decisions become more decentralised, the need for monitoring of the risk and capital situation increases. Group Risk Control is therefore a natural and vital component of the Bank's business model. Group Risk Control is responsible for continuously reporting the current risk situation in the Group to the Bank's management and Board and for ensuring that risks are measured in an appropriate and consistent manner across the Group.

Risks relating to regulatory compliance are monitored and controlled by Group Compliance. The function also includes specifically defined roles such as the Appointed Officer for Controlling and Reporting Obligations according to the applicable money laundering and terrorist financing regulations, and the Data Protection Officer (DPO) according to the applicable regulations on data protection and personal data processing. Group Compliance is independent of the business operations and organisationally separate from the functions and areas which are subject to control. Group Compliance works actively for a high level of compliance and for the Bank's low risk tolerance of compliance risks to be fulfilled. Group Compliance identifies, monitors and controls risks and deficiencies related to regulatory compliance, and also provides recommendations, advice and support to the Bank's staff, management and units in matters concerning compliance, and reports to the management and Board on compliance issues. This includes the report from the Appointed Officer regarding compliance risks linked to financial crime, as well as the report from the DPO on data protection risks.

G2 Cont.

THE BOARD'S RISK DECLARATION AND RISK STATEMENT

The Board has decided on the following risk declaration and risk statement:

Risk declaration

Handelsbanken has satisfactory arrangements for risk management which are fit for purpose in relation to the Bank's business goal, overall risk profile and the risk strategy which the Board has decided for the operations.

Risk statement

Handelsbanken's business goal is to have higher profitability than the average of peer competitors in our home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors. Handelsbanken is a bank with a strong local connection and a decentralised way of working.

The Bank's overall risk profile is that risks are to be kept low. The Group must also be well capitalised at all times in relation to the risks, fulfil all requirements imposed by the authorities, and hold liquid assets so that it can meet its payment obligations, including in situations of financial stress in the short and long term. The risk strategy and Bank's overall risk profile support Handelsbanken's aim to have a business model that is independent of changes in the business cycle.

The Bank has, and will maintain, a low level of credit risk. This is achieved by such measures as its strong local connection and close customer relations. The quality of credits must never be neglected in favour of achieving higher volume or a higher margin. The Bank is selective when choosing customers with the requirement that borrowers have a good repayment capacity. As a consequence of this, the credit portfolio has a clear concentration on risk classes where the probability of loss is low. This consistent approach is reflected in the Bank's low credit losses over time. In 2022, credit losses were 0.00% (0.00) of lending.

To ensure that the Bank is well capitalised in relation to the risks and has a good liquidity situation, the Board stipulates the Bank's risk tolerance for capitalisation and liquidity. When the risk tolerance for capitalisation is decided, the capital measure is set partly in relation to the statutory requirements and partly in relation to Handelsbanken's assessed capital requirement based on the Bank's model for Economic Capital (EC), which encompasses all of the Group's risks in one single metric. The risk tolerance for the Bank's liquidity risk is decided on the one hand through requirements that the Bank under stressed circumstances must have a sufficiently large liquidity reserve in the form of liquid assets and assets which can be pledged, and also liquidity-generating measures to be able to continue its operations during determined time periods, and on the other hand through requirements regarding the accumulated net amount of incoming and outgoing cash flows in different time intervals.

The Board has determined that the common equity tier 1 ratio must, under normal circumstances, be between 1 and 3 percentage points above the total common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. With regard to the leverage ratio, this must exceed the total capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by at least 0.6 percentage points.

The Bank's assessment of the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at year-end 2022 was 14.5% (13.9), including the Swedish Financial Supervisory Authority's guidance of 1% within the framework of Pillar 2, Similarly, the Bank's assessment of the leverage ratio requirement was 3.45%, including the Swedish Financial Supervisory Authority's guidance of 0.45% within the framework of Pillar 2. The Board has also determined that the ratio between AFR (Available Financial Resources) and EC must exceed 120%.

At the end of 2022, the common equity tier 1 ratio was 19.6% (19.4) and the AFR/EC ratio was 413% (384). The Board has stipulated the goal that the Bank must have accumulated positive net cash flows over a period of at least one year, taking into account the liquidity reserve, and with the assumption that parts of the non-fixed-term deposits from households and companies disappear during the first month. With Handelsbanken's total liquidity reserve, including liquidity-generating measures, the liquidity requirement would be covered for over three years during such stressed conditions.

The Bank's risk profile is in accordance with the risk strategy established by the Board.

CREDIT RISK

Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.

CREDIT RISK STRATEGY

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with a local connection ensures high quality in credit decisions. The Bank is a relationship bank whose branches maintain regular contact with the customer. This gives the branch an in-depth knowledge of each individual customer and a continually updated picture of the customer's financial situation.

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers, which means it seeks customers with a high creditworthiness. The quality requirement is never neglected in favour of higher credit volumes or to achieve higher returns. The Bank also avoids participating in financing that involves complex customer constellations, complex and opaque transactions, or high ESG risks.

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. The assessment includes an analysis of the customer's financial position, as well as the risks to which the customer is exposed and which could affect the stability of the customer's financial position over time. Part of the risk analysis is the Bank's assessment of how the customer is affected by ESG risks, including climate risk – both physical risks and transition risks. One of the first steps in analysing the repayment capacity is determining which sector the customer belongs to. We have to understand the challenges and the risks that are specific to the sector in question before we can analyse our individual customer. A weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations. Credits must therefore normally be adequately secured.

The branch's local connection and close relationships with its customers enable the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly than would have been possible with a more centralised management of problem loans. The branch also has full financial responsibility for granting credits. Therefore, it addresses problems that arise when a customer has repayment difficulties and also bears any credit losses. If necessary, the local branch obtains support from the local credit department and central departments. The Bank's working methods make sure that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to this type of risk. This approach forms an important part of the Bank's culture. The work method and approach described are important reasons for the Bank reporting very low credit losses over a long period.

CREDIT ORGANISATION

In Handelsbanken's decentralised organisation, each branch responsible for customers has total credit responsibility. Customer and credit responsibility lies with the branch manager or with the

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employees at the local branch to whom the manager delegates this task.

In Handelsbanken's decentralised organisation, the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, at county or national level, in the Board's credit committee or by the Board. Credit decision documentation includes general and financial information regarding the borrower, and an assessment of their repayment capacity, loans and credit terms, as well as a valuation of collateral.

For national boards, the Board's credit committee and the Board, the credit decision refers to the total amount of the credit limit with possible headroom for unsecured credits. For borrowers whose total loans exceed SEK 5m, the credit decision is made in the form of a credit limit. In the case of loans to private individuals against collateral in the residential property, a limit requirement comes into play for amounts exceeding SEK 12m. For loans to housing co-operative associations against collateral in the residential property, a limit is required for amounts exceeding SEK 12m.

Credit limits granted are usually valid for a period of one year. However, certain circumstances allow for credit limits for housing co-operative associations to apply for up to a maximum of three years. When extending a credit limit, the decision procedure required is the same as for a new credit limit.

Branch managers and most branch staff have personal decision limits allowing them to decide on credits to the customers they manage.

For decisions on larger credit limits, there are decision-making bodies at county and national level, as well as at the central level. Each additional level of decision adds credit expertise. Each decision level has the right to reject credit limits both within their own decision level and also credit limits which would otherwise have been decided at a higher level. All persons throughout the decision process who are responsible for granting credits, regardless of level, must be in agreement in order to positively decide on a credit limit. If there is the slightest doubt among any of these persons, the credit application is rejected. The largest credits have been reviewed by Group Credits and decided by the Board or the credit committee set up by the Board. However, no credit application may be processed in the Bank without the recommendation of the branch manager who is responsible for the credit, with the exception of credit decisions made via automatic modelling. Automatic models used in such decisions require the approval of the CEO.

The decision procedure for credits and credit limits is illustrated in Figure AR:5 Credit process and decision levels at Handelsbanken. The figure also shows the percentage of credit limit decisions and amounts at the various decision levels.

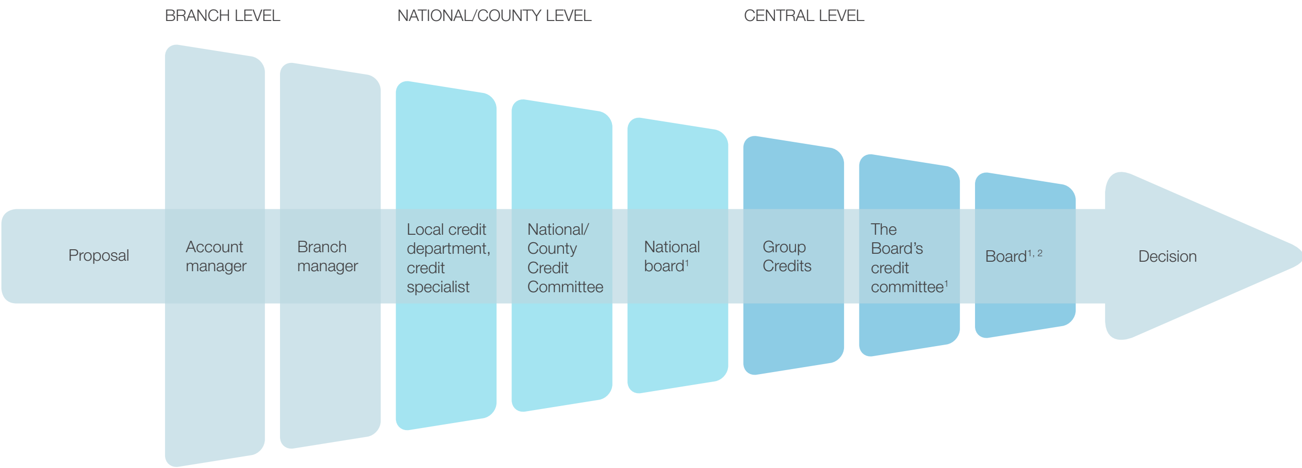
In Handelsbanken's decentralised organisation, where a large proportion of the credit and credit limit decisions are made by individual branches, a well-functioning review process is crucial for ensuring high-quality decision-making. The branch manager examines the quality of the staff's decisions and the local credit departments examine the quality of decisions made by branch managers.

The purpose of the quality review is to ensure that the Bank's credit policy and internal instructions are complied with, that credit quality is maintained, and that credit and credit limit decisions show that there is good credit judgement and a sound business approach. A corresponding quality review is also performed for credit limit decisions made at higher levels in the Bank. Credit limits granted by county or national credit committees and national boards are examined by Group Credits, which also prepares and examines credit limits decided by the Board or the credit committee set up by the Board.

Ecster

The subsidiary, Ecster AB, offers payment solutions to selected vendors located throughout Sweden. The nature of this type of financing requires that quick and correct credit decisions can be provided year-round, all hours of the day, meaning that the majority of the decisions are made via automatic models. Decisions which cannot be processed using these models are made manually, whereby the employees involved abide by individually determined credit limits. Decisions on larger credit limits are made by Ecster's credit committee or by its Board. For proposals regarding larger commitments when the customer is an existing Handelsbanken customer, the decision is made by the customer's branch or the relevant unit at the Bank.

Figure AR:5 Credit process and decision levels at Handelsbanken



Breakdown of limit decisions[3]

	Branch level	National/County level	Central level
Proportion of number of limits	70%	28%	2%
Proportion of limit amount	13%	33%	54%

[1] The decision refers to the total amount of the credit limit with possible headroom for unsecured credits.
[2] Decides only if the case is assessed to be of special or general interest and decides on credits to Board members and certain executive officers.
[3] Excluding sovereign and bank limits decided at central level.

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Table AR:6 Credit exposures, geographical breakdown

Credit exposures, geographical breakdown 2022 SEK m		Sweden	UK	Norway	Finland	The Netherlands	Other countries	Total
Balance sheet items								
Cash and balances with central banks		100,413	99,872	8,962	14	136,749	129,873	475,882
Other loans to central banks	*Note G15*	3,348	1,256	-	28,015	-	-	32,620
Loans to other credit institutions	*Note G16*	7,550	810	81	5	295	675	9,415
Loans to the public	*Note G17*	1,649,321	239,208	318,242	155,981	96,208	10,364	2,469,324
Interest-bearing securities eligible as collateral with central banks	*Note G18*	132,778	-	-	-	-	-	132,778
Bonds and other interest-bearing securities	*Note G18*	32,697	-	-	-	-	0	32,697
Derivative instruments	*Note G22*	36,112	-	-	-	50	99	36,261
Total		**1,962,219**	**341,145**	**327,285**	**184,015**	**233,302**	**141,011**	**3,188,977**
Off-balance sheet items								
Contingent liabilities	*Note G44*	338,750	48,511	66,178	34,619	2,694	29,337	520,089
of which guarantee commitments		*29,091*	*6,104*	*4,727*	*4,780*	*97*	*16,176*	*60,975*
of which obligations		*309,659*	*42,407*	*61,451*	*29,839*	*2,596*	*13,160*	*459,114*
Total		**338,750**	**48,511**	**66,178**	**34,619**	**2,694**	**29,337**	**520,089**
Total on and off-balance sheet items		**2,300,969**	**389,656**	**393,463**	**218,634**	**235,996**	**170,348**	**3,709,066**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Credit exposures, geographical breakdown 2021 SEK m		Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items									
Cash and balances with central banks		93,293	101,195	4,579	28,282	120,098	27,315	65,202	439,964
Other loans to central banks	*Note G15*	-	1,255	-	207	-	-	0	1,462
Loans to other credit institutions	*Note G16*	19,684	1,043	170	36	57	168	680	21,838
Loans to the public	*Note G17*	1,540,763	246,470	289,075	111,380	141,430	75,606	9,105	2,413,829
Interest-bearing securities eligible as collateral with central banks	*Note G18*	100,538	-	-	24	-	-	0	100,562
Bonds and other interest-bearing securities	*Note G18*	33,317	-	-	17	-	-	0	33,334
Derivative instruments	*Note G22*	28,416	-	-	37	-	7	58	28,518
Total		**1,816,011**	**349,963**	**293,824**	**139,983**	**261,585**	**103,096**	**75,045**	**3,039,507**
Off-balance sheet items									
Contingent liabilities	*Note G44*	350,973	48,922	59,932	31,938	33,633	5,819	27,056	558,273
of which guarantee commitments		*33,440*	*5,680*	*4,821*	*7,838*	*4,707*	*77*	*15,193*	*71,756*
of which obligations		*317,533*	*43,242*	*55,111*	*24,100*	*28,926*	*5,742*	*11,863*	*486,517*
Total		**350,973**	**48,922**	**59,932**	**31,938**	**33,633**	**5,819**	**27,056**	**558,273**
Total on and off-balance sheet items		**2,166,984**	**398,885**	**353,756**	**171,921**	**295,218**	**108,915**	**102,101**	**3,597,780**

Geographical breakdown refers to the country in which the exposures are reported.

Table AR:7 Loans to the public subject to impairment testing, geographical breakdown

Loans to the public Geographical breakdown 2022 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Sweden	1,592,592	55,507	2,341	-212	-362	-545	1,649,321
UK	222,246	16,063	1,210	-117	-144	-50	239,208
Norway	306,286	11,715	587	-71	-125	-150	318,242
Finland	147,996	7,093	1,502	-62	-77	-471	155,981
The Netherlands	95,390	825	12	-11	-4	-4	96,208
Other countries	10,203	146	64	-2	-10	-37	10,364
Total	**2,374,713**	**91,349**	**5,716**	**-475**	**-722**	**-1,257**	**2,469,324**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Loans to the public Geographical breakdown 2021 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Sweden	1,509,172	30,491	2,331	-173	-297	-761	1,540,763
UK	232,774	12,717	1,253	-60	-117	-97	246,470
Norway	275,208	12,975	1,567	-47	-109	-519	289,075
Denmark	108,295	2,982	424	-39	-95	-187	111,380
Finland	135,685	4,601	1,765	-65	-67	-489	141,430
The Netherlands	75,056	556	11	-10	-4	-3	75,606
Other countries	9,006	68	70	-1	-1	-37	9,105
Total	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**	**2,413,829**

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CREDIT PORTFOLIO

The Bank's credit portfolio is presented in this section based on the categorisation of balance sheet items. The section on Capital requirements for credit risks presents the credit portfolio based on CRR.

Based on the consolidated balance sheet, credits are categorised as loans to the public or loans to credit institutions, while off-balance sheet items are broken down by product type. 'Exposure' refers to the sum of items on and off the balance sheet. Loans to the public is the dominant item. See Table AR:6 Credit exposures, geographical breakdown.

Handelsbanken strives to maintain its historically low level of credit losses compared to other banks, thus contributing to the Bank's profitability target and retaining its sound financial position. Handelsbanken regularly evaluates the quality of the credit portfolio in order to identify and limit impairment requirements. In granting credits, the Bank never strives toward goals such as a predetermined volume or market share in particular sectors, and is instead selective when choosing its customers, adopting the mindset that credit customers must be of high quality. The demands on quality must never be neglected in favour of achieving a high credit volume. This is clearly stated in the Bank's credit policy, endorsed each year by the Board.

Following Russia's invasion of Ukraine and the consequent deterioration of the macroeconomic situation, in-depth analyses of the impact on the credit portfolio have been carried out during the year. These analyses do not indicate a significant immediate increase in credit risk, but do show a general rise in uncertainty, which is reflected in an increase of the model-based provisions in Stage 1 and Stage 2.

Based on various climate scenarios, the Bank has analysed physical climate risks in the credit portfolio's real estate exposures

Table AR:8 Loans to the public subject to impairment testing, broken down by sector and industry

Loans to the public **Breakdown by sector 2022** SEK m	Gross			Provisions			
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Private individuals	1,163,864	42,542	3,078	-161	-133	-568	1,208,622
of which mortgage loans	*983,183*	*33,865*	*1,162*	*-35*	*-32*	*-38*	*1,018,105*
of which other loans with property mortgages	*144,073*	*6,931*	*912*	*-38*	*-44*	*-90*	*151,744*
of which other loans, private individuals	*36,608*	*1,746*	*1,004*	*-88*	*-57*	*-440*	*38,773*
Housing co-operative associations	287,299	1,933	38	-9	-2	-8	289,251
of which mortgage loans	*262,117*	*955*	*11*	*-5*	*0*	*-6*	*263,072*
Property management	705,567	27,035	1,434	-109	-105	-124	733,698
Manufacturing	34,186	2,807	49	-30	-116	-26	36,870
Retail	39,858	649	104	-13	-10	-56	40,532
Hotel and restaurant	4,296	1,978	19	-5	-30	-7	6,251
Passenger and goods transport by sea	2,581	11	221	-2	-2	-77	2,732
Other transport and communication	8,599	1,088	36	-17	-36	-33	9,637
Construction	17,219	3,549	119	-65	-175	-72	20,575
Electricity, gas and water	15,331	968	4	-5	-2	-3	16,293
Agriculture, hunting and forestry	19,997	2,223	40	-25	-75	-14	22,146
Other services	21,030	577	180	-14	-7	-139	21,627
Holding, investment, insurance companies, mutual funds, etc.	32,820	5,748	34	-9	-14	-24	38,555
Sovereigns and municipalities	4,520	84	-	0	-1	-	4,603
of which the Swedish National Debt Office	*1,566*	-	-	-	-	-	*1,566*
Other corporate lending	17,546	157	360	-11	-14	-106	17,932
Total	**2,374,713**	**91,349**	**5,716**	**-475**	**-722**	**-1,257**	**2,469,324**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Loans to the public **Breakdown by sector 2021** SEK m	Gross			Provisions			
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Private individuals	1,219,581	16,838	3,057	-159	-107	-758	1,238,452
of which mortgage loans	*1,022,645*	*12,832*	*1,021*	*-30*	*-20*	*-52*	*1,036,396*
of which other loans with property mortgages	*154,163*	*2,677*	*911*	*-10*	*-7*	*-144*	*157,590*
of which other loans, private individuals	*42,773*	*1,329*	*1,125*	*-119*	*-80*	*-562*	*44,466*
Housing co-operative associations	266,467	931	22	-7	-2	-11	267,400
of which mortgage loans	*245,393*	*515*	*11*	*-3*	*0*	*-7*	*245,909*
Property management	643,423	32,704	1,734	-96	-207	-237	677,321
Manufacturing	21,106	1,735	65	-12	-13	-39	22,842
Retail	30,086	760	387	-19	-41	-94	31,079
Hotel and restaurant	3,933	4,986	59	-5	-137	-5	8,831
Passenger and goods transport by sea	2,369	604	1,205	-1	-8	-468	3,701
Other transport and communication	7,864	325	85	-10	-14	-63	8,187
Construction	17,873	852	135	-23	-16	-73	18,748
Electricity, gas and water	11,375	1,204	5	-4	-9	-3	12,568
Agriculture, hunting and forestry	22,029	979	73	-13	-11	-31	23,026
Other services	16,296	1,501	116	-20	-38	-91	17,764
Holding, investment, insurance companies, mutual funds, etc.	60,868	634	177	-16	-10	-125	61,528
Sovereigns and municipalities	7,305	89	-	-	-1	-	7,393
of which the Swedish National Debt Office	*2,173*	-	-	-	-	-	*2,173*
Other corporate lending	14,621	248	301	-10	-76	-95	14,989
Total	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**	**2,413,829**

G2 Cont.

in Sweden. The impact indicated by the analysis was very limited.

Collateral

The Bank's credit policy states that credits must normally have satisfactory collateral. A weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations.

The Bank's measures to limit its credit risk include the acceptance of collateral from customers. The primary means of reducing credit risk in the Bank are the pledging of immovable property, such as residential properties and other real estate, floating charges on assets, guarantees (including guarantor commitments) and the use of netting agreements (see the section on Counterparty risks for more information).

The basic principle applied in property finance is that credits must be covered by collateral in the form of properties. For exposures with properties as collateral, a loan-to-value (LTV) ratio is calculated by dividing the credit exposure by the market value of the collateral. The Bank follows internal recommendations and external regulations

Table AR:9 Loans to the public subject to impairment testing, geographical breakdown by sector

Loans to the public **Geographical breakdown by sector 2022** SEK m	Sweden	UK	Norway	Finland	The Netherlands	Other countries	Total
Private individuals	937,527	72,598	119,177	44,116	28,567	6,637	1,208,622
of which mortgage loans	*906,953*	*-*	*92,486*	*18,666*	*-*	*-*	*1,018,105*
of which other loans with property mortgages	*4,955*	*68,733*	*24,711*	*18,885*	*28,224*	*6,236*	*151,744*
of which other loans, private individuals	*25,619*	*3,865*	*1,980*	*6,565*	*343*	*401*	*38,773*
Housing co-operative associations	213,411	-	28,818	47,022	-	-	289,251
of which mortgage loans	*204,791*	*-*	*27,855*	*30,426*	*-*	*-*	*263,072*
Property management	323,824	147,982	142,876	51,322	66,665	1,029	733,698
Manufacturing	27,147	1,560	2,896	3,219	3	2,045	36,870
Retail	32,960	2,730	4,033	427	8	374	40,532
Hotel and restaurant	2,331	3,566	320	29	5	-	6,251
Passenger and goods transport by sea	2,305	7	152	268	-	-	2,732
Other transport and communication	6,035	439	1,941	672	549	1	9,637
Construction	8,346	1,955	9,588	650	31	5	20,575
Electricity, gas and water	9,407	310	2,945	3,520	111	-	16,293
Agriculture, hunting and forestry	20,303	1,394	274	158	-	17	22,146
Other services	13,737	4,193	2,795	795	64	43	21,627
Holding, investment, insurance companies, mutual funds etc.	34,799	2,350	605	644	153	4	38,555
Sovereigns and municipalities	1,249	-	295	3,010	-	49	4,603
of which the Swedish National Debt Office	*1,566*	*-*	*-*	*-*	*-*	*-*	*1,566*
Other corporate lending	15,940	124	1,527	129	52	160	17,932
Net loans to the public	**1,649,321**	**239,208**	**318,242**	**155,981**	**96,208**	**10,364**	**2,469,324**
of which total provisions for expected credit losses (Stage 1–3)	*-1,119*	*-311*	*-347*	*-609*	*-19*	*-49*	*-2,454*
Total loans to the public	**1,650,440**	**239,519**	**318,589**	**156,590**	**96,227**	**10,413**	**2,471,778**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Loans to the public **Geographical breakdown by sector 2021** SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	915,223	75,951	112,312	62,773	42,983	22,780	6,430	1,238,452
of which mortgage loans	*881,747*	*-*	*86,240*	*49,801*	*18,608*	*-*	*-*	*1,036,396*
of which other loans with property mortgages	*5,974*	*72,264*	*23,949*	*9,119*	*18,046*	*22,426*	*5,812*	*157,590*
of which other loans, private individuals	*27,502*	*3,687*	*2,123*	*3,853*	*6,329*	*354*	*618*	*44,466*
Housing co-operative associations	201,084	-	25,635	906	39,775	-	-	267,400
of which mortgage loans	*195,336*	*-*	*25,028*	*-*	*25,545*	*-*	*-*	*245,909*
Property management	278,288	149,495	127,276	23,834	46,112	51,460	856	677,321
Manufacturing	8,885	1,689	1,435	8,347	1,372	3	1,111	22,842
Retail	22,514	3,358	3,637	844	709	12	5	31,079
Hotel and restaurant	2,986	3,783	290	1,723	43	6	-	8,831
Passenger and goods transport by sea	1,613	15	1,206	3	864	-	-	3,701
Other transport and communication	4,459	1,281	968	321	592	565	1	8,187
Construction	6,943	2,146	7,204	1,869	570	16	-	18,748
Electricity, gas and water	5,543	290	3,946	48	2,638	103	-	12,568
Agriculture, hunting and forestry	20,884	1,469	274	229	150	8	12	23,026
Other services	8,113	4,682	2,676	1,508	715	68	2	17,764
Holding, investment, insurance companies, mutual funds etc.	47,702	2,058	1,320	8,527	881	547	493	61,528
Sovereigns and municipalities	3,446	-	286	0	3,661	-	-	7,393
of which the Swedish National Debt Office	*2,173*	*-*	*-*	*-*	*-*	*-*	*-*	*2,173*
Other corporate lending	13,080	253	610	448	365	38	195	14,989
Net loans to the public	**1,540,763**	**246,470**	**289,075**	**111,380**	**141,430**	**75,606**	**9,105**	**2,413,829**
of which total provisions for expected credit losses (Stage 1–3)	*-1,231*	*-274*	*-675*	*-321*	*-621*	*-17*	*-39*	*-3,178*
Total loans to the public	**1,541,994**	**246,744**	**289,750**	**111,701**	**142,051**	**75,623**	**9,144**	**2,417,007**

G2 Cont.

which limit the maximum amount of a loan for which the collateral is property. The value of collateral is reviewed on an annual basis, and is based on the estimated market value. If the market value is deemed to have declined and the value of the collateral has therefore diminished, reviews are carried out more often. The Bank's instructions regarding collateral have not required any changes as a result of the introduction of IFRS 9. Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value in the case of a sale in unfavourable circumstances in connection with insolvency.

For unsecured long-term credit commitments to companies, the Bank often enters into an agreement with the customer on special credit terms which allow the Bank to renegotiate or terminate the loan in the case of unfavourable performance.

In special circumstances, the Bank may buy credit derivatives or financial guarantees to hedge the credit risk in claims, but this is not part of the Bank's normal lending process.

A minor part of loans to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities with a special agreement that the security will be resold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

Only collateral used in the calculation of the capital requirement for credit risk is specified in the tables below.

Table AR:10 Credit exposures, breakdown by type of collateral

Credit exposures, Breakdown by type of collateral 2022 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured	Total
Balance sheet items										
Cash and balances with central banks		-	-	475,882	-	-	-	-	-	475,882
Other loans to central banks	*Note G15*	-	-	32,620	-	-	-	-	-	32,620
Loans to other credit institutions	*Note G16*	-	-	-	-	-	-	-	9,415	9,415
Loans to the public	*Note G17*	1,811,762	381,614	48,207	12,536	14,056	21,446	9,787	169,916	2,469,324
Interest-bearing securities eligible as collateral with central banks	*Note G18*	-	-	130,416	-	-	-	-	2,362	132,778
Bonds and other interest-bearing securities	*Note G18*	-	-	6,461	815	-	-	-	30,032	32,697
Derivative instruments	*Note G22*	189	354	3,361	223	86	-	-	32,048	36,261
Total		**1,811,951**	**381,968**	**696,947**	**13,574**	**14,142**	**21,446**	**9,787**	**243,773**	**3,188,977**
Off-balance sheet items										
Contingent liabilities	*Note G44*	77,835	55,377	28,756	4,998	11,805	733	8,464	332,121	520,089
of which guarantee commitments		*743*	*1,223*	*2,148*	*1,357*	*935*	-	*866*	*53,703*	*60,975*
of which obligations		*77,092*	*54,154*	*26,608*	*3,641*	*10,870*	*733*	*7,598*	*278,418*	*459,114*
Total		**77,835**	**55,377**	**28,756**	**4,998**	**11,805**	**733**	**8,464**	**332,121**	**520,089**
Total on and off-balance sheet items		**1,889,786**	**437,345**	**725,703**	**18,572**	**25,947**	**22,179**	**18,251**	**575,894**	**3,709,066**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Credit exposures, Breakdown by type of collateral 2021 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured	Total
Balance sheet items										
Cash and balances with central banks		-	-	439,964	-	-	-	-	-	439,964
Other loans to central banks	*Note G15*	-	-	1,462	-	-	-	-	-	1,462
Loans to other credit institutions	*Note G16*	-	-	15	-	-	-	-	21,823	21,838
Loans to the public	*Note G17*	1,794,921	352,383	47,978	9,901	20,025	22,312	8,919	157,390	2,413,829
Interest-bearing securities eligible as collateral with central banks	*Note G18*	-	-	99,252	-	-	-	-	1,310	100,562
Bonds and other interest-bearing securities	*Note G18*	-	-	117	818	-	-	-	32,399	33,334
Derivative instruments	*Note G22*	833	1,541	1,947	65	150	-	-	23,982	28,518
Total		**1,795,754**	**353,924**	**590,735**	**10,784**	**20,175**	**22,312**	**8,919**	**236,904**	**3,039,507**
Off-balance sheet items										
Contingent liabilities	*Note G44*	100,836	59,444	34,269	6,577	15,491	674	9,390	331,592	558,273
of which guarantee commitments		*4,337*	*1,284*	*1,910*	*1,868*	*1,046*	-	*910*	*60,401*	*71,756*
of which obligations		*96,499*	*58,160*	*32,359*	*4,709*	*14,445*	*674*	*8,480*	*271,191*	*486,517*
Total		**100,836**	**59,444**	**34,269**	**6,577**	**15,491**	**674**	**9,390**	**331,592**	**558,273**
Total on and off-balance sheet items		**1,896,590**	**413,368**	**625,004**	**17,361**	**35,666**	**22,986**	**18,309**	**568,496**	**3,597,780**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

G2 Cont.

Table AR:11 On and off-balance sheet items subject to impairment testing, breakdown by type of collateral

On and off-balance sheet items subject to impairment testing, breakdown by type of collateral 2022

		2022					
		Gross			Provisions		
SEK m		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items							
Cash and balances with central banks		**475,853**	**-**	**-**	**0**	**-**	**-**
Sovereigns, municipalities and county councils[2]		475,853	-	-	0	-	-
Other loans to central banks	*Note G15*	**32,620**	**-**	**-**	**0**	**-**	**-**
Sovereigns, municipalities and county councils[2]		32,620	-	-	0	-	-
Loans to other credit institutions	*Note G16*	**9,418**	**1**	**-**	**-2**	**-1**	**-**
Sovereigns, municipalities and county councils[2]		-	-	-	-	-	-
Guarantees as for own debt[3]		-	-	-	-	-	-
Unsecured		9,418	1	-	-2	-1	-
Loans to the public	*Note G17*	**2,374,713**	**91,349**	**5,716**	**-475**	**-722**	**-1,257**
Residential property[1]		1,754,173	55,422	2,708	-153	-188	-200
Other property		360,572	20,728	769	-113	-208	-134
Sovereigns, municipalities and county councils[2]		45,921	1,936	360	-4	-6	-
Guarantees as for own debt[3]		12,311	243	1	-3	-16	-
Financial collateral		13,804	258	1	-4	-3	-
Collateral in assets		19,719	1,836	45	-45	-94	-15
Other collateral		8,937	875	310	-22	-82	-231
Unsecured		159,276	10,051	1,522	-131	-125	-677
Interest-bearing securities eligible as collateral with central banks	*Note G18*	**200**	**-**	**-**	**0**	**-**	**-**
Bonds and other interest-bearing securities	*Note G18*	**9,882**	**-**	**-**	**-2**	**-**	**-**
Total		**2,902,686**	**91,350**	**5,716**	**-480**	**-723**	**-1,257**
Off-balance sheet items							
Contingent liabilities	*Note G44*	**314,586**	**12,533**	**274**	**-103**	**-169**	**-82**
of which guarantee commitments		*58,973*	*1,935*	*67*	*-6*	*-11*	*-19*
Residential property[1]		695	43	5	0	0	-1
Other property		970	252	-	0	-3	-
Sovereigns, municipalities and county councils[2]		2,096	47	5	0	0	0
Guarantees as for own debt[3]		1,030	326	-	0	-1	-
Financial collateral		840	91	3	0	-1	0
Collateral in assets		-	-	-	-	-	-
Other collateral		711	139	17	-1	-2	-5
Unsecured		52,631	1,037	37	-5	-4	-13
of which obligations		*255,613*	*10,598*	*207*	*-97*	*-158*	*-63*
Residential property[1]		74,461	2,597	34	-21	-12	-20
Other property		53,086	1,064	4	-10	-18	0
Sovereigns, municipalities and county councils[2]		26,591	16	-	0	-1	-
Guarantees as for own debt[3]		3,538	103	-	-1	-4	-
Financial collateral		10,842	28	-	0	0	-
Collateral in assets		710	22	-	-2	-3	-
Other collateral		6,719	863	16	-10	-48	-2
Unsecured		79,666	5,905	153	-53	-72	-41
Total		**314,586**	**12,533**	**274**	**-103**	**-169**	**-82**
Total on and off-balance sheet items		**3,217,272**	**103,883**	**5,990**	**-583**	**-892**	**-1,339**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

G2 Cont.

On and off-balance sheet items subject to impairment testing, breakdown by type of collateral 2021

		2021					
		Gross			Provisions		
SEK m		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items							
Cash and balances with central banks		**439,932**	**-**	**-**	**0**	**-**	**-**
Sovereigns, municipalities and county councils[2]		439,932	-	-	0	-	-
Other loans to central banks	*Note G15*	**1,462**	**-**	**-**	**-**	**-**	**-**
Sovereigns, municipalities and county councils[2]		1,462	-	-	-	-	-
Loans to other credit institutions	*Note G16*	**21,833**	**10**	**-**	**-2**	**-3**	**-**
Sovereigns, municipalities and county councils[2]		15	-	-			
Guarantees as for own debt[3]		-	-	-	-	-	-
Unsecured		21,818	10	-	-2	-3	-
Loans to the public	*Note G17*	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**
Residential property[2]		1,768,368	24,534	2,533	-101	-93	-320
Other property		323,470	28,049	1,447	-85	-247	-251
Sovereigns, municipalities and county councils[2]		45,980	1,674	334	-3	-7	0
Guarantees as for own debt[3]		8,952	953	6	-3	-7	-
Financial collateral		19,474	566	1	-5	-11	0
Collateral in assets		21,294	1,087	49	-44	-59	-15
Other collateral		7,779	1,126	363	-23	-54	-272
Unsecured		149,879	6,401	2,688	-131	-212	-1,235
Interest-bearing securities eligible as collateral with central banks	*Note G18*	**421**	**-**	**-**	**-**	**-**	**-**
Bonds and other interest-bearing securities	*Note G18*	**9,016**	**-**	**-**	**-2**	**-**	**-**
Total		**2,817,860**	**64,400**	**7,421**	**-399**	**-693**	**-2,093**
Off-balance sheet items							
Contingent liabilities	*Note G44*	**406,024**	**9,477**	**336**	**-109**	**-144**	**-91**
of which guarantee commitments		*70,375*	*1,265*	*116*	*-9*	*-10*	*-39*
Residential property[1]		4,242	87	8	-5	-1	-3
Other property		1,216	66	3	-1	-1	-
Sovereigns, municipalities and county councils[2]		1,831	69	10	0	0	-
Guarantees as for own debt[3]		1,778	90	0	0	0	-
Financial collateral		959	83	5	0	-1	-
Collateral in assets		-	-	-	-	-	-
Other collateral		805	77	28	0	-2	-17
Unsecured		59,544	793	62	-3	-5	-19
of which obligations		*335,649*	*8,212*	*220*	*-100*	*-134*	*-52*
Residential property[1]		95,531	937	31	-15	-5	-13
Other property		56,618	1,527	15	-7	-14	-
Sovereigns, municipalities and county councils[2]		31,967	392	-	0	0	-
Guarantees as for own debt[3]		4,522	187	0	-1	-1	-
Financial collateral		14,079	366	-	-1	-4	-
Collateral in assets		668	6	-	-1	0	-
Other collateral		7,647	814	19	-11	-31	-3
Unsecured		124,617	3,983	155	-64	-79	-36
Total		**406,024**	**9,477**	**336**	**-109**	**-144**	**-91**
Total on and off-balance sheet items		**3,223,884**	**73,877**	**7,757**	**-508**	**-837**	**-2,184**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

G2 Cont.

Credit risk concentrations

Handelsbanken's branches focus strongly on establishing long-term relationships with customers of sound creditworthiness. If a branch identifies a good customer, it should be able to do business with this customer, irrespective of whether the Bank as a whole has a major exposure to the business sector that the customer represents. As a consequence, the Bank has relatively large concentrations in some individual sectors. However, the Bank monitors the performance and quality of the credit portfolio and calculates concentrations for various business sectors and geographic areas. The Bank also measures and monitors exposures to major individual counterparties. Special limits are applied to restrict the maximum credit exposure to individual counterparties, to augment the credit risk assessment. If the credit portfolio has a concentration in a particular sector or counterparty that can be assumed to increase risk, this concentration is monitored. Concentration risks are identified in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the internal capital adequacy assessment and as a part of the follow-up of the Bank's risk tolerance. The Swedish Financial Supervisory Authority also calculates a separate capital adequacy requirement under Pillar 2 for concentration risks in the credit portfolio. This ensures that Handelsbanken has sufficient capital, also taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to apply various risk mitigation measures.

In addition to mortgage loans and lending to housing co-operative associations, Handelsbanken has significant lending to property management of SEK 734bn (677). Here, 'property management' refers to all companies classified as 'property companies' for risk assessment purposes. It is common for groups operating in other industries to have subsidiaries managing the properties in which the group conducts business, and such property companies are also considered here to belong to property management. However, the underlying credit risk in such cases is not solely property-related, because the counterparty's repayment capacity is determined by business operations other than property management. Also, private individuals with substantial property holdings are classified as property companies for risk-assessment purposes.

A very large part of property lending consists of property mortgages with low loan-to-value ratios, which reduces the Bank's credit loss risk. In addition, a large proportion of property lending is to government-owned property companies, municipal housing companies and other housing-related

Table AR:12 Loans to the public subject to impairment testing, Property management

Loans to the public Property management 2022 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Loans in Sweden							
State-owned property companies	11,198	-	-	0	-	-	11,198
Municipally owned property companies	8,212	-	-	0	-	-	8,212
Residential property companies	148,992	3,851	22	-6	-5	-8	152,846
of which mortgage loans	*137,576*	*3,661*	*18*	*-5*	*-5*	*-4*	*141,241*
Other property management	145,098	6,376	171	-15	-15	-47	151,568
of which mortgage loans	*77,194*	*1,656*	*32*	*-3*	*-4*	*0*	*78,875*
Total	**313,500**	**10,227**	**193**	**-21**	**-20**	**-55**	**323,824**
Loans outside Sweden							
UK	138,506	8,972	647	-51	-60	-32	147,982
Norway	138,171	4,684	62	-22	-10	-9	142,876
Finland	48,458	2,383	521	-5	-12	-23	51,322
The Netherlands	65,913	765	-	-10	-3	-	66,665
Other countries	1,019	4	11	0	0	-5	1,029
Total	**392,067**	**16,808**	**1,241**	**-88**	**-85**	**-69**	**409,874**
Total property management within loans to the public	**705,567**	**27,035**	**1,434**	**-109**	**-105**	**-124**	**733,698**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Loans to the public Property management 2021 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Loans in Sweden							
State-owned property companies	7,894	14	-	0	0	-	7,908
Municipally owned property companies	8,174	160	-	0	0	-	8,334
Residential property companies	128,135	1,713	43	-5	-5	-7	129,874
of which mortgage loans	*115,843*	*1,613*	*18*	*-4*	*-4*	*-4*	*117,462*
Other property management	119,415	12,676	250	-11	-57	-101	132,172
of which mortgage loans	*63,522*	*3,130*	*21*	*-3*	*-8*	*-3*	*66,659*
Total	**263,618**	**14,563**	**293**	**-16**	**-62**	**-108**	**278,288**
Loans outside Sweden							
UK	141,682	7,216	758	-38	-57	-66	149,495
Norway	120,215	7,101	41	-21	-57	-3	127,276
Denmark	23,186	594	99	-7	-13	-25	23,834
Finland	42,929	2,700	532	-5	-14	-30	46,112
The Netherlands	50,956	516	-	-9	-3	-	51,460
Other countries	837	14	11	0	-1	-5	856
Total	**379,805**	**18,141**	**1,441**	**-80**	**-145**	**-129**	**399,033**
Total property management within loans to the public	**643,423**	**32,704**	**1,734**	**-96**	**-207**	**-237**	**677,321**

G2 Cont.

operations where the borrowers consistently have strong, stable cash flows and thus very high creditworthiness. Thus a large part of lending to the property sector is to companies with a very low probability of encountering financial difficulties. The Bank's exposure to the property sector is specified in the tables below.

The proportion of exposures to property counterparties (property companies and housing co-operative associations) with a poorer rating than the Bank's risk class 5 (normal risk) is very low. 98.2% (97.8) of total property lending in Sweden is in risk class 5 or better. The equivalent figure for property lending in Norway is 99.6% (99.0) and in Finland is 97.8% (97.2). The capital requirement for the UK and the Netherlands is calculated using the standardised approach with prescribed risk weights – meaning that the risk classes are irrelevant to the calculation of the capital requirement. For counterparties in poorer risk classes than normal, the majority are in risk classes 6 and 7 with only low volumes in the higher risk classes 8 and 9. For information about Handelsbanken's risk ratings, see the section titled Calculation of capital requirements for credit risks in note G2.

Handelsbanken's lending to property companies has grown over the past year, despite the sale of the real estate portfolio in Denmark. In local currency, growth was robust in Sweden, Norway and the Netherlands, while the portfolios in Finland and the UK were largely unchanged. Handelsbanken applies the same strict requirements on repayment capacity, LTVs and collateral quality in all markets.

Table AR:13 Loans to the public, Property management, type of collateral and country (Gross)

Loans to the public, Property management, type of collateral and country	2022					2021				
SEK m	Loans	Sovereign and municipality[1]	Residential property	Commercial property and other collateral	Unsecured	Loans	Sovereign and municipality[1]	Residential property	Commercial property and other collateral	Unsecured
Sweden	323,920	20,052	175,283	116,708	11,877	278,474	17,310	150,555	98,134	12,475
UK	148,125	9	84,065	63,567	484	149,656	10	85,934	63,287	425
Norway	142,917	25	26,365	107,793	8,734	127,357	25	22,599	97,482	7,251
Denmark						23,879	-	14,731	8,843	305
Finland	51,362	30,041	7,225	13,830	266	46,161	25,966	6,722	13,244	229
The Netherlands	66,678	-	44,914	21,544	220	51,472	-	35,925	15,317	230
Other countries	1,034	-	562	459	13	862	-	479	352	31
Total	**734,036**	**50,127**	**338,414**	**323,901**	**21,594**	**677,861**	**43,311**	**316,945**	**296,659**	**20,946**

[1] Companies owned by government and municipality/property lending guaranteed by government and municipality.

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Table AR:14 Loans to the public, Property management, risk class and country

Loans to the public, Property management, risk class and country 2022
SEK m

Risk class	Sweden	UK	Norway	Finland	The Netherlands	Other countries	Total	%
1	17,831	-	807	13,062	-	-	31,700	4.32
2	94,409	-	35,509	5,837	-	-	135,755	18.49
3	136,834	-	62,647	18,846	-	-	218,327	29.74
4	47,862	-	31,834	8,151	-	-	87,847	11.97
5	20,273	-	11,503	4,245	-	-	36,021	4.91
6	4,972	-	216	465	-	-	5,653	0.77
7	315	-	279	113	-	-	707	0.10
8	131	-	-	41	-	-	172	0.02
9	73	-	32	6	-	-	111	0.02
Defaults	194	-	62	521	-	-	777	0.11
Standardised approach[1]	1,026	148,125	28	75	66,678	1,034	216,966	29.56
Total	**323,920**	**148,125**	**142,917**	**51,362**	**66,678**	**1,034**	**734,036**	**100**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Loans to the public, Property management, risk class and country 2021
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%
1	15,300	-	818	22	13,044	-	-	29,184	4.31
2	86,418	-	29,492	1,026	7,428	-	-	124,364	18.35
3	114,156	-	61,254	10,740	13,427	-	-	199,577	29.44
4	36,186	-	25,665	9,534	7,229	-	-	78,614	11.60
5	19,278	-	8,892	2,085	3,638	-	-	33,893	5.00
6	5,010	-	797	96	465	-	-	6,368	0.94
7	533	-	353	239	231	-	-	1,356	0.20
8	96	-	7	12	41	-	-	156	0.02
9	71	-	36	18	12	-	-	137	0.02
Default	294	-	41	99	532	-	-	966	0.14
Standardised approach[1]	1,132	149,656	2	8	114	51,472	862	203,246	29.98
Total	**278,474**	**149,656**	**127,357**	**23,879**	**46,161**	**51,472**	**862**	**677,861**	**100**

G2 Cont.

Table AR:15 Loans to the public, Property management, risk class and collateral

Loans to the public, Property management, risk class and collateral 2022
SEK m

Risk class	Loans	Collateral				
		Residential property	Commercial property	Sovereign and municipality[1]	Other collateral	Unsecured
1	31,700	8,322	4,811	16,698	1,094	775
2	135,755	62,315	51,154	15,876	658	5,752
3	218,327	89,223	109,973	9,855	560	8,716
4	87,847	39,326	40,008	5,334	268	2,911
5	36,021	8,908	22,977	1,628	705	1,803
6	5,653	284	4,855	378	18	118
7	707	244	408	7	35	13
8	172	70	101	-	-	1
9	111	37	56	-	7	11
Defaults	777	145	247	342	13	30
Standardised approach[1]	216,966	129,540	85,129	9	824	1,464
Total	**734,036**	**338,414**	**319,719**	**50,127**	**4,182**	**21,594**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Loans to the public, Property management, risk class and collateral 2021
SEK m

Risk class	Loans	Collateral				
		Residential property	Commercial property	Sovereign and municipality[1]	Other collateral	Unsecured
1	29,184	8,013	3,039	17,089	262	781
2	124,364	58,878	46,589	12,634	1,223	5,040
3	199,577	86,467	95,579	7,231	744	9,556
4	78,614	30,676	41,304	4,294	219	2,121
5	33,893	9,320	20,671	1,374	622	1,906
6	6,368	489	5,442	351	17	69
7	1,356	455	864	7	6	24
8	156	41	113	-	0	2
9	137	38	68	-	7	24
Default	966	229	364	321	15	37
Standardised approach[1]	203,246	122,339	78,609	10	902	1,386
Total	**677,861**	**316,945**	**292,642**	**43,311**	**4,017**	**20,946**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

CALCULATION OF CAPITAL REQUIREMENTS FOR CREDIT RISKS

Risk rating system

The capital requirement for credit risk is calculated according to the standardised approach and the IRB approach in accordance with regulation (EU) No 575/2013 (CRR). The standardised approach means that the risk weights used when calculating the capital requirement for credit risk are specified in the regulations. The IRB approach entails that the institution, in its calculation of capital requirement for credit risk, estimates risk parameters through the use of its own IRB models (internal risk rating systems). When applying the IRB approach, there are two different methods: the foundation IRB approach and the advanced IRB approach. In the foundation IRB approach, probability of default (PD) is calculated using the Bank's own IRB models, while the figures for loss given default (LGD) and credit conversion factor (CCF) are specified in the regulations. CCF is used when calculating the exposure amount for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance sheet commitments. In the advanced IRB approach, each of probability of default (PD), loss given default (LGD) and credit conversion factor (CCF) are calculated using the Bank's own IRB models. Handelsbanken's internal risk rating system (or the IRB approach) comprises a number of different systems, methods, processes and procedures to support the Bank's classification and quantification of credit risk.

When performing a credit assessment of a customer, the customer is assigned a rating. This rating, together with other risk rating criteria, determines how exposures are assessed with regard to the IRB approach's division into risk classes.

The two dimensions of the rating are risk of financial strain (A) and the counterparty's financial powers of resistance in the case of such strain (B), on a five-point scale from very low risk to very high risk.

The rating is converted to an internal risk class for the application of the IRB approach (A+B-1) for corporates and exposures to institutions, as well as for exposures to sovereigns, central banks, government agencies and municipalities (sovereign exposures).

The rating for retail exposures comprises a number on a scale of one to five, and is not converted directly into a risk class as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counter-party's debt-servicing record and whether there are one or more borrowers. An average default rate is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk classes. Different models are used for exposures to private individuals and SMEs (that are also classified as retail exposures), but the principle is the same.

The risk classes applied in the IRB approach are thus distributed over several scales of 1 to 10.

A clear majority of the Bank's exposures are in risk classes 1–4, which means that the average risk level in the credit portfolio is significantly lower than the level which is assessed as normal risk. Risk class 5 corresponds to normal risk and risk class 10 is for counterparties in default.

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Exposure classes

The number of exposure classes depends on the method used to calculate the credit risk. Exposures to be calculated according to the standardised approach can be allocated to 17 different exposure classes, while there are seven exposure classes in the IRB approach.

The overall division into exposure classes in the IRB approach comprises sovereign, institutional, corporate, retail and equity exposures, as well as positions in securitisations. In addition there are also non-credit-obligation assets, which do not require any performance by the counterparty, such as property, plant and equipment.

Exposures to states, central banks, government agencies and municipalities are classed as sovereign exposures. Exposures to institutions refer to exposures to counterparties defined as banks and other credit institutions, and certain investment firms.

Retail exposures include both exposures to private individuals and to SMEs, where the total exposure within the Group does not exceed SEK 5m (excluding mortgage loans). Retail exposures are divided into two sub-groups: property loans and other retail exposures.

Corporate exposures refer to exposures to non-financial companies, consisting of legal entities with a total exposure within the Group in excess of SEK 5m or where the company's turnover is more than SEK 50m, and SMEs with a total exposure within the Group in excess of SEK 5m. Apart from ordinary non-financial companies, the exposure class includes insurance companies, housing co-operative associations and exposure in the form of 'specialised lending'.

Equity exposures refer to the Bank's holdings of shares that are not in the trading book.

For division into exposure classes according to the standardised approach, the Bank's volumes are put into the following exposure classes: multilateral development banks, international organisations, institutions, corporations, retail, exposures with collateral in property, exposures in default, other items and equities.

Risk rating methods

In order to quantify the Bank's credit risks, calculations are made of 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). Default is considered to have occurred when the borrower is more than 90 days past due with a significant payment, or when the Bank deems it unlikely that the

Table AR:16 Credit exposures by risk class

Credit exposures by risk class 2022 SEK m	Balance sheet items						Off-balance sheet items		
Risk class	Loans to the public	Loans to other credit institutions	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Interest-bearing securities	Contingent liabilities	Obligations	Total
1	550,626	127	378,321	29,020	11,812	133,759	5,010	52,509	1,161,184
2	621,664	4,470	-	-	14,179	26,544	23,626	134,449	824,932
3	582,787	3,852	34	-	6,252	1,616	20,677	131,146	746,364
4	226,188	4	-	-	1,397	42	7,861	41,005	276,497
5	71,383	7	-	-	186	50	1,680	22,947	96,253
6	17,271	1	-	-	30	-	304	4,327	21,933
7	24,420	-	-	-	9	-	158	5,291	29,878
8	768	-	-	-	1	-	43	2,856	3,668
9	7,117	-	-	-	-	-	13	2,083	9,213
Defaults	2,930	-	-	-	-	-	39	185	3,154
Standardised approach[1]	364,170	954	97,527	3,600	2,395	3,464	1,564	62,316	535,990
Total	**2,469,324**	**9,415**	**475,882**	**32,620**	**36,261**	**165,475**	**60,975**	**459,114**	**3,709,066**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Credit exposures by risk class 2021 SEK m	Balance sheet items						Off-balance sheet items		
Risk class	Loans to the public	Loans to other credit institutions	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Interest-bearing securities	Contingent liabilities	Obligations	Total
1	547,778	61	439,904	1,462	8,636	101,489	5,547	56,348	1,161,225
2	622,873	17,553	-	-	9,599	27,788	25,869	126,583	830,265
3	563,523	1,221	60	-	4,718	2,194	16,030	148,583	736,329
4	218,567	15	-	-	1,818	-	17,259	41,238	278,897
5	70,963	1	-	-	508	-	3,818	29,692	104,982
6	18,037	29	-	-	20	-	198	5,744	24,028
7	22,310	-	-	-	6	-	251	5,420	27,987
8	2,223	-	-	-	-	-	37	4,745	7,005
9	7,084	-	-	-	-	-	36	2,487	9,607
Default	3,814	-	-	-	-	-	62	215	4,091
Standardised approach[1]	336,657	2,958	-	-	3,213	2,425	2,649	65,462	413,364
Total	**2,413,829**	**21,838**	**439,964**	**1,462**	**28,518**	**133,896**	**71,756**	**486,517**	**3,597,780**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

G2 Cont.

borrower will be able to fulfil its commitments to the Bank. The PD value is expressed as a percentage where, for example, a PD value of 0.5% means that one borrower of 200 with the same PD value is expected to default within one year.

Corporate exposures are divided into four counterparty types and sovereign exposures into two counterparty types based on the business evaluation template used for the counterparty. PD is calculated individually for each risk class and counterparty type. For exposures that are subject to a capital requirement according to the foundation IRB approach, prescribed values are applied for LGD. The prescribed value that may be used is determined by the collateral provided for each exposure.

For retail exposures as well, an average default rate is calculated for each of the risk classes. Different models are used for exposures to private individuals and SMEs (that are also classified as retail exposures), but the principle is the same.

For retail exposures and for corporate exposures such as medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Bank's own loss history. For exposures to large corporates that are subject to a capital requirement using the advanced IRB approach, the LGD is determined on the basis of historical losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations (corporate), different LGD values are applied depending on the loan-to-value ratio of the collateral. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the product type and similar factors.

For each exposure class, the PD is calculated for each of the risk classes that refer to non-defaulted counterparties or agreements. PD is based on calculations of the historical percentage of defaults for different types of exposures. The average default rate is then adjusted by various margins of conservatism.

When establishing LGD, the risk measure must reflect the loss rates during economically unfavourable circumstances, known as downturn LGD. For collateral in property, the downturn LGD is based on observed loss rates from the property crisis in the early 1990s. For other collateral relating to retail exposures, observed LGD is adjusted for downturns by a factor which depends on the PD and type of product. For corporate exposures in the IRB approach with own estimates of LGD and CCF, the LGD is adjusted for downturns so that the Bank's observed losses in the crisis years of 1991–1996 are taken into account. For exposures with collateral in property, the LGD is, in many cases, estimated on the basis of the property's loan-to-value ratio. Given that the value of properties, and thereby also the loan-to-value

Table AR:17 Balance sheet items subject to impairment testing, breakdown by risk class

Balance sheet items that are subject to impairment testing Breakdown by risk class 2022 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	908,545	9,099	-	-6	-4	-
2	653,136	10,055	-	-27	-8	-
3	581,934	9,743	-	-65	-19	-
4	213,053	14,719	-	-103	-36	-
5	60,120	12,758	-	-64	-196	-
6	10,569	6,839	-	-18	-88	-
7	18,482	6,060	-	-11	-102	-
8	304	504	-	-1	-38	-
9	2,711	4,474	-	-9	-59	-
Defaults	-	-	3,991	-	-	-1,061
Standardised approach[1]	453,832	17,099	1,725	-176	-173	-196
Total	**2,902,686**	**91,350**	**5,716**	**-480**	**-723**	**-1,257**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Balance sheet items that are subject to impairment testing Breakdown by risk class 2021 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	853,060	1,897	-	-4	-3	-
2	660,621	5,649	-	-24	-9	-
3	569,652	3,816	-	-44	-11	-
4	215,350	5,141	-	-71	-21	-
5	53,929	17,807	-	-78	-186	-
6	12,530	5,643	-	-26	-61	-
7	17,647	4,776	-	-10	-97	-
8	400	1,919	-	-2	-94	-
9	3,854	3,300	-	-18	-52	-
Defaults	-	-	5,641	-	-	-1,827
Standardised approach[1]	430,817	14,452	1,780	-122	-159	-266
Total	**2,817,860**	**64,400**	**7,421**	**-399**	**-693**	**-2,093**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

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Table AR:18 Loans to the public subject to impairment testing, breakdown by risk class

Loans to the public that are subject to impairment testing Breakdown by risk class 2022 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	541,537	9,099	-	-6	-4	-
2	611,641	10,055	-	-24	-8	-
3	573,128	9,743	-	-65	-19	-
4	211,608	14,719	-	-103	-36	-
5	58,884	12,757	-	-63	-195	-
6	10,538	6,839	-	-18	-88	-
7	18,473	6,060	-	-11	-102	-
8	303	504	-	-1	-38	-
9	2,711	4,474	-	-9	-59	-
Defaults	-	-	3,991	-	-	-1,061
Standardised approach[1]	345,890	17,099	1,725	-175	-173	-196
Total	**2,374,713**	**91,349**	**5,716**	**-475**	**-722**	**-1,257**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Loans to the public that are subject to impairment testing Breakdown by risk class 2021 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	545,888	1,897	-	-4	-3	-
2	617,255	5,649	-	-22	-9	-
3	559,761	3,816	-	-43	-11	-
4	213,518	5,141	-	-71	-21	-
5	53,419	17,807	-	-78	-185	-
6	12,481	5,643	-	-26	-61	-
7	17,641	4,776	-	-10	-97	-
8	400	1,919	-	-2	-94	-
9	3,854	3,300	-	-18	-52	-
Defaults	-	-	5,641	-	-	-1,827
Standardised approach[1]	320,979	14,442	1,780	-121	-157	-266
Total	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**

Table AR:19 Off-balance sheet items that are subject to impairment testing, breakdown by risk class

Off-balance sheet items that are subject to impairment testing Breakdown by risk class 2022 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	32,621	878	-	0	0	-
2	85,928	891	-	-5	-1	-
3	82,742	987	-	-12	-1	-
4	27,190	1,690	-	-29	-7	-
5	12,760	2,533	-	-13	-51	-
6	3,883	747	-	-3	-25	-
7	3,821	1,627	-	-4	-33	-
8	2,741	157	-	-2	-9	-
9	1,950	145	-	-2	-8	-
Defaults	-	-	223	-	-	-82
Standardised approach[1]	60,950	2,878	51	-33	-34	0
Total	**314,586**	**12,533**	**274**	**-103**	**-169**	**-82**

The table above includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Off-balance sheet items that are subject to impairment testing Breakdown by risk class 2021 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	44,810	387	-	-1	-1	-
2	103,835	544	-	-5	-1	-
3	111,041	290	-	-9	-1	-
4	41,445	1,629	-	-16	-6	-
5	22,903	2,133	-	-29	-29	-
6	5,575	330	-	-5	-9	-
7	4,880	768	-	-5	-22	-
8	3,756	964	-	-3	-34	-
9	2,318	170	-	-4	-11	-
Defaults	-	-	268	-	-	-89
Standardised approach[1]	65,746	2,262	68	-32	-30	-2
Total	**406,310**	**9,477**	**336**	**-109**	**-144**	**-91**

[1]The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

G2 Cont.

ratio, usually varies in line with the business cycle, this means that the capital requirement will also demonstrate a certain correlation with the business cycle.

When the exposure amount (EAD) is to be calculated, certain adjustments are made to the carrying amount. Examples of this are loan commitments or revolving credits, where the Bank agrees with the customer that the customer may borrow up to a certain amount in the future. This type of commitment constitutes a credit risk that must also be covered by adequate capital. Normally, this means that the credit granted is adjusted using a certain credit conversion factor for the part of the credit that is unutilised at the time of reporting. For certain product categories for corporate exposures and exposures to institutions, the credit conversion factors are determined by the regulatory code, while for retail exposures and certain product categories for large corporates, medium-sized companies, property companies and housing co-operative associations, the Bank uses its own calculated conversion factors. Which conversion factor is used is primarily governed by the product referred to, but the utilisation level may also be of relevance.

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

In addition to the capital adequacy calculation, the risk parameters (PD, EAD, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC).

Comparisons with external ratings

The Bank's risk classes are not directly comparable with the ratings applied by external credit rating agencies. The agencies' ratings do not correspond to a direct classification of the probability of the counterparty defaulting, as the Bank's rating model does. In addition, the rating agencies vary in the extent to which they factor in the seriousness of the losses that default can lead to. The time horizon for which creditworthiness is assessed is not always the same for the Bank as it is for the credit rating agencies. The Bank's risk classes do not state a uniform scale, whereby a certain risk class always corresponds to a certain probability of default. Furthermore, different PD scales are applied to different parts of the credit portfolio and the PD value changes over time.

Overall, it is impossible to unambiguously and consistently translate the internal risk classes into an external rating.

Quality assurance of the credit risk model

The Bank performs an annual review of its risk rating systems. The review checks that the internal ratings on which the Bank's risk ratings are based are applied in a consistent, correct and fit-for-purpose manner (evaluation) and also that the models used measure risk in a satisfactory manner (validation).

CALCULATION OF EXPECTED CREDIT LOSSES

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as financial guarantees and irrevocable commitments. This section provides descriptions of the processes and methods applied in Handelsbanken's model-based calculations of provisions for expected credit losses (ECL).

Estimations of expected credit losses are made at agreement level, whereby the characteristics of the agreement and the counterparty govern the classification and quantification of the provision requirement. The estimation is made using either a model-based or manual calculation, with the choice of method mainly dependent on whether the agreement is deemed to be credit impaired.

For information pertaining to the recognition and measurement of expected credit losses and for definitions, refer to note G1, section 10, Credit losses.

Model-based calculations for agreements in Stage 1 and Stage 2

Handelsbanken's Group-wide, central process for model-based calculations of expected credit losses incorporates a number of different processes and methods which support the quantification of the provision requirement in Stage 1 and Stage 2.

The model-based calculations factor in historical, current and forward-looking data. Historical data forms the basis for the construction of the model and parameters applied, current data comprises the prevailing balances on the reporting date (as included in the calculation requirements) and forward-looking data refers to the macroeconomic scenarios used to calculate future risk parameters and exposures.

The models use the same historical risk data as the IRB models, meaning that the accounting of provisions and calculations of capital requirements are based on the same basic loss history. Similar to how the risk rating system affects capital adequacy calculations, the internal rating (from which the risk rating derives) is a significant part of the models for calculating expected credit losses. The calculations are primarily affected by the risk parameters known as 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). The expected credit loss in a future period is obtained by multiplying the present value of the EAD by the PD and by the LGD. In contrast to the calculation of credit losses in the Capital Requirements Regulation, which also uses the risk parameters PD, EAD and LGD, the estimation of expected credit losses pursuant to IFRS 9 is based on current forward-looking assessments. As the regulations have different purposes, the calculation models differ in terms of how the risk parameters are set and in how they are constructed. The main differences between IFRS 9 and the IRB approach are presented in table AR:20 Differences between IFRS 9 and the IRB approach.

Macroeconomic information

The calculations regarding model-based assessments of significant increases in credit risk and expected credit losses are made with the application of models for the respective risk parameters (PD, EAD and LGD). In order to ensure that the calculations take into account non-linear aspects, three forward-looking macroeconomic scenarios are used in the models (one base case, one downturn and one upturn) for exposures outside the UK. For exposures in the UK, four scenarios are used as of the fourth quarter (one base case, two downturn and one upturn). Each scenario includes significant macroeconomic risk factors, such as unemployment, GDP, property prices, key/central bank rates and inflation, by country. The significant macroeconomic risk factors have been identified from an assessment of the Bank's historical data and the relation to the risk parameters is estimated using the same historical material. The various scenarios are used to adjust the risk parameters in question. Each macroeconomic scenario represents a probability determined by the Bank. These probabilities are currently set at 60% (70) for the base case scenario, 20% (15) for the upturn scenario and 20% (15) for the downturn scenario. For exposures in the UK, the weightings are 60% for the base case scenario, 5% for the upturn and 20% for the downturn, with 15% assigned to the severe downturn scenario. Expected credit losses are recognised as a probability-weighted average of the expected credit losses for the respective scenarios.

All of the macroeconomic scenarios have been produced by the Bank's economic research unit, which is responsible for all economic analysis delivered by Handelsbanken, whether for internal or external use. These macroeconomic scenarios comprise region-specific, 30-year forecasts for Sweden, Norway, Finland, the UK, the eurozone and the US, together with a global forecast. A change in the macroeconomic scenarios, or in the probability weights applied, affects both the assessment of significant increases in credit risk and the estimated expected credit losses. The scenarios are updated on a quarterly basis by the Bank's economic research unit and are presented for approval to the relevant decision-makers before being applied in the ECL calculations.

Portfolio segmenting

Statistical models are used in the model-based assessment. These have been developed for different segments in the portfolio, with each segment being comprised of similar risk exposures, and the risk parameters can be estimated on the basis of a common set of risk factors. For retail exposures the portfolio segmenting is based on product type and for other exposures it is based on counterparty type. The segments have been identified on the basis of statistical analysis and expert assessment. For retail exposures the portfolio has the following nine segments: exposures with residential property as collateral for private individuals, revolving credits including credit card exposures for private individuals and for SMEs, other exposures for private individuals and for

G2 Cont.

SMEs, card credits for retail financial services for private individuals and for SMEs, and hire purchase for retail financial services for private individuals and for SMEs. Other exposures are split into the following six segments: property companies, housing co-operative associations, other large non-financial companies, other non-financial companies, financial companies and banks, and sovereigns.

Within the respective portfolio segments, the agreements are further categorised into different states, based on risk factors such as internal rating, payment history, country affiliation, collateral type and loan-to-value ratio. These states have been determined on the basis of statistical analysis of historical outcomes. For every state, statistical models are used for migrations between states in order to calculate the forward-looking probabilities for the risk parameters PD, LGD and EAD. One important risk factor for the states is the counterparty's internal rating, which is set in conjunction with the credit decision and which is updated at least annually, or whenever there are indications that the counterparty's repayment capacity has changed. Climate-related risks, and certain other environmental risks, are assessed in the credit process and affect the internal rating at counterparty level. There are states for 'not in default', 'in default' and 'early repayment' exposures. Retail exposures are divided into nine different states and other exposures into twelve states.

Significant increase in credit risk

A significant increase in credit risk reflects the risk of default and is a measurement by which the agreement's relative change in credit risk since initial recognition is measured. For calculating significant increases in credit risks, the same underlying model is used in Handelsbanken as is used for the calculation of expected credit losses, with consideration given to historical, current and future-oriented information. Collateral is not taken into account in the assessment. At each reporting date, the Group-wide, central, model-based process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). This assessment then determines whether the expected credit loss is assessed over a 12-month horizon after the reporting date (Stage 1) or during the agreement's remaining lifetime (Stage 2). An important aspect which affects the size of the provision for credit losses is therefore which factors and thresholds are defined as triggers for the transfer of assets from Stage 1 to Stage 2. The Bank's definition of a significant increase in credit risk, which is decisive in the transfer of agreements to Stage 2, is based on both qualitative and quantitative factors.

The quantitative indicator which is primarily used to assess the change in credit risk is the relative change, between the instrument's initial recognition and up to the most recent reporting date, in the probability of default (PD) during the agreement's remaining lifetime. In cases where an unreasonable expense or exertion was required to establish the PD in conjunction with the initial recognition of an instrument, changes in the counterparty's or the agreement's internal rating or risk rating since initial recognition have been used to assess the significant change in the credit risk. For agreements recognised initially on or after 1 January 2018, the forecasts regarding the risk of default are based on three scenarios. For agreements recognised before 1 January 2018, the same criteria are applied but using a scenario based on the Bank's most recently published economic analysis at the time of initial recognition.

The primary criterion when assessing whether an agreement is deemed to have incurred a significant increase in credit risk and is thus transferred to Stage 2 is, as defined by Handelsbanken, that the estimated remaining probability of default (PD) on the reporting date is greater than a multiple of 2.5 times the corresponding probability of default upon initial recognition. The threshold level of 2.5 is based on statistical analysis of the Bank's historical data and compares the increase in the remaining risk that the counterparty will default with the corresponding estimated risk upon the initial recognition of the agreement. In addition, there are other qualitative factors which the Bank has assessed as entailing a significant increase in credit risk, such as the agreement having payments that are more than 30 days overdue, or that counterparty having been granted concessions as the result of a deteriorated credit rating.

If a significant increase in credit risk has arisen since initial recognition, a provision is recognised which corresponds to the expected credit losses for the entirety of the remaining lifetime and the financial instrument is transferred to Stage 2. The model is symmetrical, meaning that, if the financial instrument's credit risk decreases and there is therefore no longer a significant increase in credit risk since initial recognition, the financial asset is transferred back to Stage 1.

Models for risk parameters and expected lifetime

The risk parameters PD, LGD and EAD are calculated for every agreement and future point in time, based on statistical models. These models are, as far as possible, founded on the relationships between the significant risk factors and relevant risk outcomes identifiable in the Bank's own loss history. The majority of risk parameters which are quantified are based on approximately ten years of internal data. In cases where the Bank lacks sufficient information due to, for example, too few defaults, the data is complemented with external information. The historical outcomes are analysed with regard to the covariation in agreement-specific, counterparty-specific and region-specific risk factors, such as product type, internal rating, length of customer relationship, collateral type, loan-to-value ratio, unemployment and GDP growth. The risk factors identified as significant for a specific risk parameter are included in the model and the historical correlation is quantified.

Probability of default (PD)

PD refers to the probability that a customer or an agreement will go into default at a given point in time during the asset's remaining lifetime. 12-month PD refers to the probability of default during the coming 12-month period. Lifetime PD refers to the probability of default during the asset's remaining lifetime (up to a maximum of 30 years). The future PDs are forecast on the reporting date, using forward-looking macroeconomic scenarios and current agreement and counterparty information. The forecast risk of default takes into account the development of scenarios and the probability of migrations between different states over time. The models calculate annual migration and default probabilities, whereby the migration model presents a probability that the agreement will belong to a particular state with a given risk of default in the future. The agreement's expected PD for a given year is calculated as the probability-weighted PD over all conceivable states and scenarios. Expected PD for the remaining lifetime is based on the annual expected default forecasts and the probability that the agreement will be subject to early repayment. The degradation of an economic outlook based on forecast macroeconomic risk factors for each scenario, or an increase in the probability that the negative scenario will be realised, results in a higher PD.

Exposure at default (EAD)

EAD refers to the expected credit exposure at default. On the reporting date, future exposure at default is forecast on the basis of current repayment plans, the probability of early repayment and the expected utilisation of, for example, credit facilities, financial guarantees and loan commitments. EAD is forecast on an annual basis and comprises the amount at which losses and recoveries take place in conjunction with future defaults.

Expected lifetime

An instrument's expected lifetime is relevant to both the assessment of significant increase in credit risk, which takes into account changes in PD during the expected remaining lifetime, and the measurement of expected credit losses for the asset's expected remaining lifetime. The expected lifetime is considered when calculating the remaining PD by weighing the forecast annual PD values during the agreement's contractual duration against the probability that the agreement will not be subject to early repayment before defaulting.

The probability of the agreement being subject to early repayment is based on statistical analysis and on the Bank's internal history for approximately the past ten years, and is included as a component of the model for EAD. Potential risk factors in the form of agreement, counterparty and macroeconomic risk factors have been assessed in the analysis. The risk factors identified as significant are included in the model.

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Table AR:20 Differences between IFRS 9 and the IRB approach

Risk parameter	IRB	IFRS 9
PD, probability of default	Average risk of default within 12 months over one business cycle, including statistical margins of conservatism and regulatory floors. The definition of default as presented in the Capital Requirements Regulation is applied at agreement level for retail exposures and at counterparty level for other exposures.	Business cycle-dependent ("point-in-time") risk of default within 12 months. "Lifetime PD" refers to the risk of default during the agreement's expected remaining lifetime. The definition of default as presented in the Capital Requirements Regulation is applied at agreement level for retail exposures and at counterparty level for other exposures.
LGD, loss given default	The maximum value of expected loss rate on exposure at default within 12 months in the long term and in conjunction with an economic downturn, including statistical margins of conservatism and regulatory floors. The quantification of loss for corporate exposures is based on recoveries within 12 months and remaining reserves (24 months for retail exposures).	Business cycle-dependent expected loss rate on exposure at default. LGD is adjusted on the basis of forward-looking macroeconomic scenarios.
EAD, exposure at default	The maximum value of expected exposure at default within 12 months in the long term and in conjunction with an economic downturn, including statistical margins of conservatism and regulatory floors.	Business cycle-dependent expected exposure at default within 12 months. EAD is adjusted on the basis of contractual terms and conditions, and forward-looking macroeconomic scenarios.
Lifetime	The agreement's contractual maturity, with consideration given to the customer's option to extend.	The expected lifetime. The agreement's contractual maturity, with consideration given to the probability of early repayment.
Forecast horizon	12 months.	Up to 12 months or the remaining lifetime (depending on whether Stage 1 or Stage 2–3).
Discounting	Forecast losses are not discounted to the reporting date. When quantifying the recovery rate, observed recoveries are discounted to the date of default using the average cost of capital.	Forecast losses are discounted to the reporting date using the agreement's effective interest rate on the initial reporting date. When quantifying the recovery rate, observed recoveries are discounted to the date of default using the average cost of capital.
Significant increase in credit risk	N/A	Based on the relationship between the current remaining risk of default on the reporting date and the expected current remaining risk of default calculated on the initial reporting date.
Forward-looking scenarios	N/A	The calculations of forward-looking risk parameters (PD, LGD, EAD) use a local base scenario (neutral macroeconomic scenario) and two alternative local macroeconomic scenarios (one positive and one negative).
Initial reporting date	N/A	Initial reporting date for the agreement identity.

For revolving credits with no maturity date, such as credit cards, and mortgage loans with interest-rate fixing periods of a maximum of three months, a 30-year maturity from the reporting date is applied, meaning that the expected lifetime is, in practice, defined by the behaviour-based statistical model.

Loss given default (LGD)

LGD reflects the financial loss which the Bank expects to incur in the event of default. The most important risk factors when calculating LGD are the value and type of collateral, and the characteristics of the counterparty. Forward-looking macroeconomic risk factors are reflected in the LGD calculations through their impact on the value of collateral and the loan-to-value ratio. The quantification of the loss is divided between a probability that the counterparty recovers without causing the Bank any financial loss, and a recovery rate if the counterparty does not recover. The recovery rate is affected by the loan-to-value ratio, in that a higher loan-to-value ratio is associated with a lower recovery rate. The market value of the collateral is included in the majority of LGD models. The collateral value of properties, and thus the loan-to-value ratio and the recovery rate, is affected by the price trend for the property, whereby an expected decline in real estate values pushes up the loan-to-value ratio and the expected loss given default.

Differences between IFRS 9 and the IRB approach

Handelsbanken's IFRS 9 models are based on the same historical data and the same overall model-based approach as the Bank's IRB models, which use the risk parameters PD, LGD and EAD. As the regulations have different purposes, the calculation models differ in terms of how the risk parameters are set and in how they are constructed and, in certain cases, separate models have been implemented to fulfil the requirements of IFRS 9. The main differences between IFRS 9 and the IRB approach are presented in the table above.

Validation of IFRS 9 models and model-based calculations

The models and the risk parameters used in these are validated on an annual basis, and ensure that the model-based calculations demonstrate a good forecasting accuracy and identify unexpected deviations between forecasts and the most recent outcomes. Validation takes place at several aggregation levels and encompasses all significant risk parameters, as well as the weighted estimated expected credit losses at the individual and aggregate levels. The validation is reported to the Chief Credit Officer, the CRO and the CFO.

The principles for the evaluation and validation of the models are determined by Group Risk Control, and the validation is carried out or reviewed by a party independent of the model development process. No significant deviations with a material effect on the Bank's provisions were identified by the validation.

MANUAL CALCULATIONS FOR AGREEMENTS IN STAGE 3

Assets in Stage 3 are tested for impairment at the individual level using a manual calculation (with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3). This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the county or national credit committee or Group Credits.

Impairment testing is carried out when there are objective circumstances which indicate that the counterparty will not be able to fulfil its contractual obligations, according to the definition of default. Such objective circumstances could be, for example, late payment or non-payment, a change in the internal rating, or if the borrower enters bankruptcy.

Impairment testing involves an estimation of the future cash flows and the value of the collateral (including guarantees). Consideration is normally given to at least two forward-looking scenarios for expected cash flows, based on both the customer's repayment capacity and the value of the collateral. The outcome of these scenarios is probability-weighted and discounted with the

G2 Cont.

loan's original effective interest rate. The scenarios used can take into account both macroeconomic and agreement-specific factors, depending on what is deemed to affect the individual counterparty's repayment capacity and the value of the collateral. The assessment takes into account the specific characteristics of the individual counterparty. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount.

GOVERNANCE AND INTERNAL CONTROL

For calculating the expected credit losses on agreements in Stage 1 and Stage 2, Handelsbanken has a Group-wide, central process using internally developed statistical models (model-based calculation). Manual calculation is used for agreements in Stage 3. The description below primarily refers to the model-calculated provisions for expected credit losses. This process is covered by a number of internal controls, which are described below. The various stages of the process also entail different approvals/adoptions, creating a governance structure, which is also described below.

Verification of input data in reports

On each reporting date, the information which constitutes the basis for the calculations of expected credit losses is checked for correctness and completeness. This is carried out in the form of automatic reconciliation of loaded data from delivery sources. Furthermore, a reasonability assessment is undertaken, whereby system balances are compared with the balances recorded on the previous reporting date. The balances which are ultimately used are then reconciled against the volumes recorded in the general ledger.

Models

Before a new quantitative model is included in the overall model system, it is subject to validation and must be approved for use by the Chief Credit Officer. On the reporting date, only this model system can be used for calculations, meaning that only approved models are usable.

The quantitative models which form the basis for the calculations of expected credit losses involve several assumptions and assessments. Examples include the assumption that the quantifiable aspects of relationships between macroeconomic risk factors and risk parameters in historical data are representative for future events, and the assumption that an agreement's expected lifetime can be based on historical behavioural data. Whether these relationships are affected by climate-related risks is assessed in the modelling process. As of the reporting date, no such factors have been specifically included in the models, but the matter is subject to continuous assessment. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' explanatory power in relation to the level of individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are made to achieve a balance between simplicity, demonstrative ability and stability. All assumptions and discretionary decisions are presented to the Chief Credit Officer for approval.

Any expert-assessed calculations in model-calculated agreements in Stage 1 and Stage 2 or in manually calculated agreements in Stage 3 require the approval of the Chief Credit Officer before they are applied.

Macroeconomic scenarios

The macroeconomic scenarios have been produced by the Bank's economic research unit, based on instructions issued by the Chief Credit Officer. These instructions specify the desired macroeconomic risk factors, geographical areas to be included, and the number of scenarios and probability-weighting between them.

Before every reporting date, the current macroeconomic scenarios are presented to the Chief Credit Officer and the CFO, who approve the scenarios for use in the reporting process. The approved macroeconomic scenarios are then automatically loaded into the reporting flow.

Size of the provisions

The total estimated provisions in Stage 1 and Stage 2 require the approval of the Chief Credit Officer and the CFO. Estimated provisions in Stage 3 are proposed by the Bank branch with business responsibility (unit with customer and credit responsibility) and are approved by either the county or national credit committee or a central unit, depending on the size of the provision. Of the credit provisions in Stage 3 which are approved locally, a selection is subsequently reviewed/quality assured by Group Credits. In addition, Group Risk Control submits an independent review on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally.

The role of the control functions

Group Risk Control determines the validation principles and ensures that models are validated. An independent review is conducted on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally. Group Risk Control is described in more detail on pages 77 and 82. Group Audit reviews the estimations of expected credit losses as part of its assignment to independently examine internal governance and control, and to evaluate the reliability of the Group's financial reporting. Group Audit is described in more detail on pages 77 and 82.

COUNTERPARTY RISK

Counterparty risk arises when the Bank has entered into derivative contracts or contracts with a counterparty regarding loans of securities. In addition to derivatives, the capital adequacy regulations therefore treat both repurchase transactions and equity loans as counterparty risks.

In calculating both the capital requirement and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. Handelsbanken applies the standardised approach for counterparty risk (SA_CCR) to calculate exposure amounts on derivative contracts for capital adequacy purposes. Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. If the contract has a positive value, the default of the counterparty means a potential loss for the Bank.

Reduction of counterparty risk

Counterparty risk arises from the trade date until the date of delivery, whereby the Bank could be charged a termination fee if the counterparty is unable to meet its commitments. This risk exists in all derivative transactions and in securities transactions where the Bank has not secured payment in advance.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The size of the exposures may vary substantially due to fluctuations in the price of the underlying asset. In order to take account of the risk that the exposure may increase, supplements are added to the value of the exposure when setting credit limits. The exposures are calculated and followed up daily.

The counterparty risk in derivatives is reduced through close-out netting agreements, which involve setting off positive values against negative values in all derivative transactions with the same counterparty. Netting agreements are supplemented with agreements for issuing collateral for the net exposure (Credit Support Annex, CSA), which further reduce the credit risk. The collateral for these transactions is mainly cash, but government securities are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited.

The majority of Handelsbanken's agreements include close-out netting, and the agreements with the largest exposures, which are to financial institutions, also include CSAs.

Derivatives which are cleared via central counterparties also give rise to capital requirements. Central counterparties are clearing houses which act as the counterparty for both the buyer and seller in various transactions, and thus take over the responsibility for fulfilling the parties' obligations. All parties which use a central counterparty must provide collateral for all transactions. In most cases the risk weight for centrally cleared derivatives is considerably lower than for other types of derivatives.

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Table AR:21 Counterparty risk, breakdown by exposure classes, exposure amounts and risk-weighted exposure amounts, IRB approach

The exposure amount consists of derivatives, repos and equity loans.

Counterparty risk, breakdown by exposure classes, exposure amounts and risk-weighted exposure amounts, IRB approach	2022		2021	
SEK m	Exposure amount	Risk-weighted exposure amount	Exposure amount	Risk-weighted exposure amount
Exposure classes, IRB approach				
Exposures to institutions	10,799	4,930	9,895	4,618
Corporate exposures	12,177	3,724	16,586	4,612
Sovereign exposures	5,607	139	7,084	177
Total IRB approach	**28,583**	**8,793**	**33,565**	**9,407**

Table AR:22 Counterparty risk, breakdown by exposure classes, exposure values and risk-weighted exposure amounts, standardised approach

The exposure value consists of derivatives, repos and equity loans.

Counterparty risk, breakdown by exposure classes, exposure values and risk-weighted exposure amounts, standardised approach	2022		2021	
SEK m	Exposure amount	Risk-weighted exposure amount	Exposure amount	Risk-weighted exposure amount
Exposure classes, standardised approach				
Exposures to institutions	2,342	90	3,160	73
of which cleared via central counterparties	*2,105*	*42*	*3,105*	*62*
Other exposures	46	18	48	21
Total standardised approach	**2,388**	**107**	**3,208**	**94**
Total IRB and standardised approach	**31,004**	**8,933**	**36,773**	**9,501**

Table AR:23 Exposures in derivatives contracts

Exposures in derivatives contracts SEK m	2022	2021
Positive gross market value for derivative contracts	117,373	48,543
Netting gains	-91,094	-26,014
Current set-off exposure	26,279	22,529
Collateral[1]	-23,021	-16,637
Net credit exposure for derivatives	3,258	5,892

[1] Includes collateral offset against market values on the balance sheet.

Table AR:24 Counterparty risks in derivative contracts

Counterparty risk in derivatives contracts 2022 SEK m	Current set-off exposure	Exposure amount	Risk-weighted exposure amount	Capital requirements
Sovereign exposures	1,599	3,596	139	11
Exposures to institutions	20,537	9,990	4,723	378
Corporate exposures	4,134	13,311	3,538	283
Others	9	29	15	1
Total	**26,279**	**26,926**	**8,414**	**673**
of which operations in the trading book	*20,284*	*19,789*	*5,712*	*457*

Counterparty risk in derivatives contracts 2021[1] SEK m	Current set-off exposure	Exposure amount	Risk-weighted exposure amount	Capital requirements
Sovereign exposures	3,644	5,028	177	14
Exposures to institutions	9,033	8,593	4,320	346
Corporate exposures	9,843	17,934	4,480	358
Others	9	24	15	1
Total	**22,529**	**31,579**	**8,992**	**719**
of which operations in the trading book	*20,368*	*24,417*	*6,352*	*508*

[1] The table has changed compared to the previous year, in order to adapt to new regulations for calculating exposure amounts for derivatives contracts.

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MARKET RISK

Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risk, equity price risk, foreign exchange risk and commodity price risk.

The geopolitical situation surrounding the war in Ukraine had a major impact on the wider economy, with an energy crisis and high inflation contributing to a rise in market uncertainty. The macroeconomic situation was characterised by high levels of inflation, and interest rates rose rapidly for all maturities during the second half of the year. This uncertainty has entailed higher volatility, wider credit spreads and a deterioration in market liquidity. Within Capital Markets, the deteriorated market liquidity – particularly within the fixed income and credit market – had some impact on execution. Risk utilisation has been kept relatively low during the year, in line with the functioning of the market, and the impact on the business has thus been limited.

In Handelsbanken's operations, market risks arise when the Bank's customers request services for which the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. The funding can also have different interest rate adjustment periods than the assets which it finances. In addition, market risks can arise in Group Treasury's liquidity portfolio, which can be converted into liquidity at short notice in conjunction with possible disruptions in the markets where the Bank conducts its operations. The portfolio secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

Market risks also arise within Capital Markets, to meet customers' demand for financial instruments with exposure to the fixed income, foreign exchange, equity or commodity markets. To meet this demand, it may be necessary for the Bank to hold certain positions. This situation arises for example when the Bank has undertaken to quote prices in its role as a market maker.

Market risks in the Bank's business operations arise – and thus are managed – mainly at Group Treasury and Handelsbanken Capital Markets. In addition, market risks also arise as a part of Handelsbanken Liv's operations. The market risks in Handelsbanken Liv are described in a separate section. Consequently, the information on market risks given in this section refers to risks excluding Handelsbanken Liv.

MARKET RISK STRATEGY

Handelsbanken has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. Market risks must be limited by matching cash flows and interest rate adjustment periods, hedging open positions and taking other actions to limit risk.

Market risks at Handelsbanken are thus very low. One result of the low market risks is that a small fraction of the Bank's earnings comes from net gains/losses on financial transactions.

ORGANISATIONAL STRUCTURE

Handelsbanken's Board has overall responsibility for the Bank's management of market risks and establishes policy documents for this. Guidelines from the CEO and instructions from the CFO make these policies concrete. Within this set framework, each part of the business operations bears the responsibility for its own business activities and its management of all risks. The risks that arise in conjunction with funding and liquidity management are, however, centralised to Group Treasury under the CFO, and Capital Markets manages the majority of the risks in the trading book. The control functions monitor that the business operations are conducted within the Bank's risk tolerance, and report on the risks to the Board and executive management.

The Bank's limit system restricts the size of the exposure to market risks. Measurement methods and limits are established by the Board. The CFO has the functional responsibility for liquidity and funding, while the Head of Group Treasury, who reports to the CFO, is responsible for the Group's liquidity and funding. This responsibility includes managing the Group's liquidity, foreign exchange and interest rate risks in its banking operations. The limits for interest rate, foreign exchange and liquidity risk are allocated by the CEO and CFO to the Head of Group Treasury, who in turn allocates these to the business-operating units. Limits for equity price risk and commodity price risk are allocated directly to Capital Markets by the CFO.

The CEO and the CFO also decide on supplementary risk measures, intraday limits and detailed guidelines. The supplementary limit measures aim to reduce the Bank's sensitivity to volatility changes in the financial markets, and to limit the risks of specific holdings and the liquidity risk per currency. These measures also limit the risks from a maturity perspective. The CFO, CEO and Board continually receive reports on the market risks and utilisation of the limits.

MARKET RISK AT HANDELSBANKEN

Market risks are measured using several different methods. The sensitivity measures used show which changes in value would occur in the event of predefined changes in prices and volatilities. Position-related risk measures and probability-based Value at Risk models (VaR) are also used.

VaR

Value at Risk (VaR) is calculated for the portfolios at Handelsbanken Capital Markets and Group Treasury which are classified as trading book. VaR is a probability-based measure and expresses the losses in Swedish kronor that may arise in risk positions due to movements in the underlying

Figure AR:25 Decision levels for market and liquidity risks

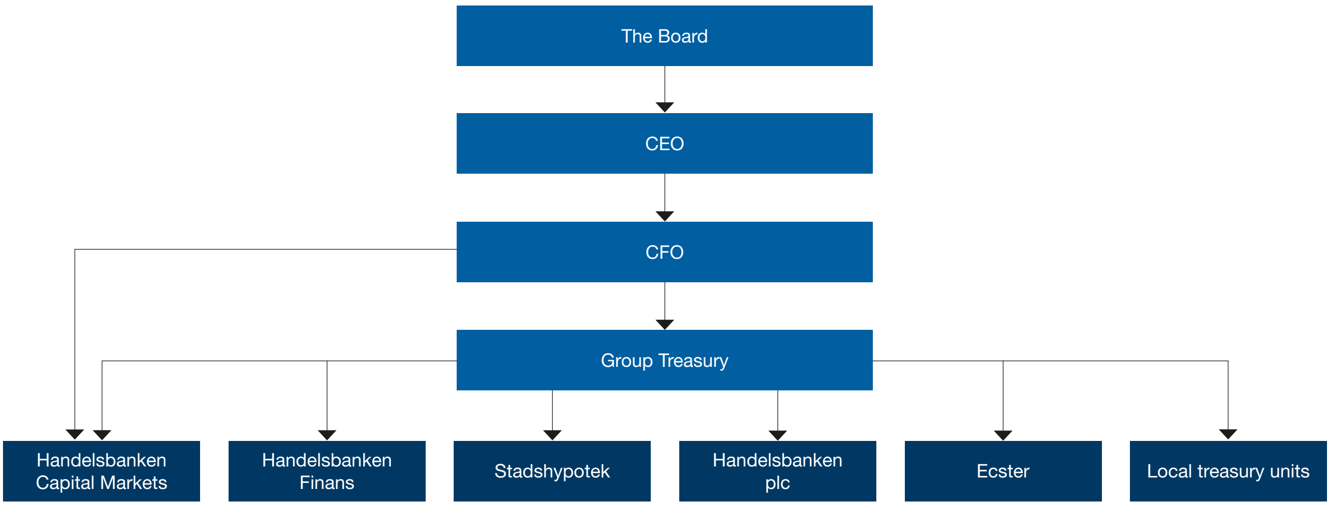

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Table AR:26 VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]

VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]	Total		Equities		Fixed income		Currency		Commodities	
SEK m	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Average	11	11	1	1	11	13	2	3	0	1
Maximum	23	26	6	3	23	25	7	8	2	12
Minimum	5	5	0	0	5	4	1	1	0	0
Year-end	11	6	4	0	11	5	2	2	0	0

[1] Portfolios classified as trading book are subject to special instructions and guidelines.

Table AR:27 Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury

Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury SEK m	2022	2021
Average	175	99
Maximum	588	369
Minimum	54	36
Year-end	54	67

markets over a specified holding period and for a given confidence level. VaR is calculated using historical simulation and is determined for individual risk factors, classes of risk and at portfolio level with a 99% confidence level and a one-day holding period. This means that the Bank would be expected to make a loss exceeding the VaR outcome on one out of every 100 trading days. The model means that different risk classes can be handled in a uniform way so that they can be compared and aggregated into a total market risk. The overall risk in the portfolios which are classified as trading book was SEK 11m (6) at year-end. VaR is reported on a regular basis to the CFO, the CEO and the Board. The VaR model uses historically observed outcomes and thus does not cover all potential outcomes, such as in the case of extreme, rapid market movements. The calculations are therefore supplemented with stress tests where the portfolios are tested against scenarios based on events in the financial markets since 1994. The results of these stress tests are also reported to the CFO, CEO and the Board.

Interest rate risk

Interest rate risk mainly arises at Handelsbanken Capital Markets, Group Treasury and in the lending operations. Interest rate risk is measured in several ways at the Bank. General interest rate risk is measured daily, and limits are set as the absolute sum of the least favourable changes in fair value per currency in the case of instantaneous upward or downward parallel shifts of one percentage point for all interest rates. At year-end, the Bank's total general interest rate risk was SEK 626m (1,332). Interest rate adjustment periods for deposits that lack a contractual maturity are established using an internal method. The basic starting point for such deposits is the estimated contractual interest-fixing period, whereby the longer interest rate adjustment period is applied to the part that can be regarded as stable and insensitive to interest-rate movements based on historical observations. The risk measure includes interest-bearing items measured at market value as well as items not measured at market value and is therefore not appropriate when assessing the impact on amounts recognised on the balance sheet and income statement. Instead, supplementary measures and limits capture this for the respective business types.

Specific interest rate risk is measured and limited by using sensitivity to changes in credit spreads, that is, the difference between the interest on the current holding and the yield on a government bond with the same maturity. This risk arises at Handelsbanken Capital Markets and in Group Treasury's liquidity portfolio.

The risk is measured and limits are set on the basis of different rating classes and is calculated as the least favourable change in market value in the case of an upward or downward shift of one basis point in all credit spreads. This is performed for each individual counterparty and the outcomes are summed as an absolute total. Total specific interest rate risk at year-end was SEK 6m (6).

Changes in the risks in the case of hypothetical changes in various interest rate curves, such as yield curve twist risk and basis risk, are measured and followed up on a regular basis.

Interest rate risk in the trading book

The trading book at Handelsbanken comprises Capital Markets' portfolios and one portfolio at Group Treasury classified as trading book. The general interest rate risk in the trading book was SEK 61m (84) and the specific interest rate risk was SEK 1m (2). The non-linear interest rate risk, for example, part of the risk in interest rate options, is measured and a limit set with predefined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities. VaR and other risk measures are also used for the trading book, supplemented by various stress scenarios.

Interest rate risk in the non-trading book

Interest rate risk arises as a result of the lending partly having different interest rate adjustment periods than the funding. Interest rate risk is mainly managed by means of interest rate swaps. Interest rate risk also arises in Group Treasury's liquidity portfolio, and is managed via bond futures and interest rate swaps. In general, interest rate risk exposure is in markets which are characterised by good liquidity. The general interest rate risk in the non-trading book was SEK 570m (1,391) and the specific interest rate risk was SEK 5m (4).

To estimate the effect of interest rate changes on the income statement, the net interest income effect is also measured. The net interest income effect when interest rates change is measured as the change in net interest income over a twelve-month period in the case of a general increase of market rates by one percentage point. This effect

Table AR:28 General interest rate risk in the non-trading book

General interest rate risk in the non-trading book (change in fair value as the worst outcome in the case of a one percentage point parallel shift of all interest rates) SEK m	2022	2021
SEK	3	482
DKK	20	133
EUR	3	188
NOK	74	70
USD	366	281
GBP	101	231
Other currencies	3	6
Total	**570**	**1,391**

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Table AR:29 Interest rate adjustment periods for assets and liabilities

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2022.

Interest rate adjustment periods for assets and liabilities 2022 SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Cash and balances with central banks	508,502	0	0	0	0	508,502
Bonds and other interest-bearing securities	115,584	1,104	1,306	45,556	1,925	165,475
Loans to credit institutions	8,747	668	0	0	0	9,415
Loans to the public	1,485,136	184,172	176,910	552,158	70,949	2,469,324
Other assets	301,000					301,000
Total assets	**2,418,969**	**185,944**	**178,216**	**597,714**	**72,874**	**3,453,716**
Due to credit institutions	77,442	805	2,497	314	1,314	82,372
Deposits and borrowing from the public	1,130,136	32,516	44,975	174,750	44	1,382,422
Issued securities	581,174	120,555	105,575	573,537	136,364	1,517,206
Other liabilities	471,716					471,716
Total liabilities	**2,260,469**	**153,876**	**153,047**	**748,601**	**137,722**	**3,453,716**
Off-balance sheet items	-172,317	-1,601	-49,408	194,102	55,181	25,957

Assets and liabilities in the table above include the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively (see note G14). The comparative figures also include the Denmark disposal group, which was divested during Q4 2022.

Interest rate adjustment periods for assets and liabilities 2021 SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Cash and balances with central banks	439,971	0	0	0	0	439,971
Bonds and other interest-bearing securities	94,553	5,310	1,520	22,009	10,220	133,612
Loans to credit institutions	22,394	894	0	0	0	23,288
Loans to the public	1,352,796	164,121	182,379	644,475	67,481	2,411,252
Other assets	338,641					338,641
Total assets	**2,248,355**	**170,325**	**183,899**	**666,484**	**77,701**	**3,346,764**
Due to credit institutions	55,453	19,674	6,391	367	1,735	83,621
Deposits and borrowing from the public	1,255,043	9,612	1,539	134,405	51	1,400,650
Issued securities	339,597	176,987	216,164	519,803	128,511	1,381,062
Other liabilities	481,431					481,431
Total liabilities	**2,131,525**	**206,274**	**224,094**	**654,574**	**130,297**	**3,346,764**
Off-balance sheet items	1,652,711	-25,792	40,472	-29,398	56,434	1,694,427

reflects the differences in interest rate adjustment periods and volume composition between assets, liabilities and derivatives outside the trading book, assuming that the size of the balance sheet is constant. In this calculation, interest rate adjustment periods for deposits that lack a contractual maturity are established using an internal method. This model is based on historical observations and only adjusting the portion that is stable and insensitive to interest-rate movements. The net interest income effect at year-end was SEK 1,634m (1,359).

Equity price risk

The Bank's equity price risk mainly arises at Handelsbanken Capital Markets through customer trading and in the Bank's own equity portfolio.

The risk is measured as the market value change in the Bank's total equity positions in the case of an instantaneous change in equity prices of +/-10% and in volatilities of +/-25%. At year-end, the Bank's worst case outcome for this risk was SEK 38m (71). The largest exposure in equities comes from the UK market.

Equity price risk in the trading book

The equity price risk at Handelsbanken Capital Markets arises in customer-driven transactions. Handelsbanken Capital Markets is a market maker for structured products, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options mainly included in the structured products.

The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR is used, together with other risk measures and stress scenarios, as a complement when measuring the equity price risk. At year-end, the Bank's VaR for equity price risk in the trading book was SEK 4m (0).

Equity price risk outside the trading book

The Group's holdings of equities outside the trading book include level 3 shares, mainly consisting of various types of Bank-wide operations related to the Bank's core business. The holdings are classified as measured at fair value through other comprehensive income and are measured at fair value on the balance sheet. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. The equity price risk is low.

Table AR:30 Equity price risk

Equity price risk SEK m	Change in volatility					
	2022			2021		
Change in equity price	-25%	0%	25%	-25%	0%	25%
10%	45	46	48	81	81	81
-10%	-38	-37	-35	-71	-69	-67

G2 Cont.

Table AR:31 Equity exposures outside the trading book

Equity exposures outside the trading book SEK m	2022	2021
Holdings classified as measured at fair value through other comprehensive income	544	454
of which Levels 1 and 2	*392*	*300*
of which Level 3	*152*	*154*
Holdings classified as measured at fair value through other comprehensive income	544	454
of which business-related	*252*	*254*
of which other holdings	*292*	*200*
Fair value reserve at beginning of year	199	140
Unrealised market value change during the year for retained and new holdings	54	60
Realised due to sales and settlements during the period	-32	-1
Fair value reserve at end of year	221	199
Included in tier 2 capital	0	0

Foreign exchange risk

As the Bank has operations in several countries outside Sweden, foreign exchange exposure of a structural nature arises, because the Group's accounts are presented in Swedish kronor. This structural risk is managed by considering the trade-off between the respective impacts of foreign exchange movements on either capital ratios or equity. The Board has established the maximum impact on equity which the structural foreign exchange position is permitted to give rise to in the hedging of the common equity tier 1 ratio. The other foreign exchange movements that affect the Bank's equity are shown in the table Statement of changes in equity, Group, on page 96.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven, intra-day trading in the international foreign exchange markets. This trading is conducted at Handelsbanken Capital Markets. The Board, the CEO and the CFO have set VaR limits for this foreign exchange risk.

Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows and in funding operations at Group Treasury. The Board, CEO and CFO have set position limits for these risks. At year-end, the aggregate net position amounted to SEK 199m (344), not including the structural currency position. This foreign exchange risk does not depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total foreign exchange risk in the trading book and the non-trading book was SEK 3m (13), measured as the impact on the Bank of an instantaneous 5% change in the Swedish krona.

Table AR:32 Exchange rate sensitivity

Exchange rate sensitivity (worst outcome +/-5% change in SEK against the respective currency) SEK m	2022	2021
EUR	1	3
NOK	5	8
DKK	1	0
USD	4	0
GBP	1	5
Other currencies	4	5

Commodity risk

Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Exposure in commodity-related instruments only occurs as a result of customer-driven trading in the international commodity markets. Commodity price risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At year-end, the commodity price risk was SEK 1m (1), measured as the maximum loss on price changes up to 20% in underlying commodities and changes in volatility up to 35%. At year-end, the Bank's VaR for commodity price risk was SEK 0m (0).

Other market risks

Market risk also arises in the Bank's pension system (pension risk). The risk comprises the risk of changes in the value of the pension assets securing the Bank's pension obligations, together with changes in discount rates.

Fair value measurement

The business operations are responsible for the correct valuation of financial instruments, and these valuations are then verified by Group Risk Control. This validation responsibility includes ensuring the checking of market data upon which the valuation is based and ensuring that this check is independent of the risk-taking parties.

Sources of market data are independent of the business operations. When market data has been obtained from the business operations, documented controls are performed against external sources and to assess whether the data is reasonable. Market prices and market data for models must be verified at least once a month but are also essentially verified daily. Valuation models are validated by the risk control function which is independent of the developer of the model. The Valuation Committee, whose purpose is to co-ordinate valuation matters in the Handelsbanken Group, fulfils an important function in ensuring that each valuation is correct and adheres to current market practices.

The valuation of financial instruments measured at fair value is performed in accordance with IFRS 13. Refer to note G42 for more information about the assets and liabilities measured at fair value and for additional information on the Bank's valuation process.

Prudent valuation

In accordance with the valuation rules in the CRR, Handelsbanken makes a quarterly adjustment to own funds relating to uncertainty in the valuation of positions at fair value. This adjustment aims to assess the minimum value of own funds to the Bank with 90% accuracy in the event of a sale or the closing of the positions. The adjustment is calculated as the difference between a prudent valuation and the carrying amount representing the most probable value. The adjustments are based on various factors, including assessments of uncertainty in market data, concentrated positions and model risks.

G2 Cont.

FUNDING AND LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.

FUNDING STRATEGY

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

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

The result of this work is a well-matched balance sheet, where illiquid assets are financed using stable funding. The illiquid assets comprise credits to households and companies; these credits constitute the Bank's core business. The long-term stable funding of these assets consists of covered bonds issued by Stadshypotek, senior bonds issued by Handelsbanken, deposits from households and a certain amount of deposits from companies, subordinated liabilities and equity.

A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations to customers and investors are fulfilled, it is important to adopt a future-oriented perspective in funding and liquidity risk management. The balance sheet is therefore structured in such a way that the real economy participants in the form of companies and households and their needs for credit can be supported even during lengthy periods of stress in the financial markets. This is ensured by letting short-term assets cover short-term liabilities by a good margin. Figure AR:33 describes the balance sheet in a stressed scenario where 20% of deposits are assumed to disappear within one year and all access to new market funding disappears. Despite the stress, short-term assets are estimated to exceed short term liabilities by a considerable amount at year-end. A long-term crisis could result in a reduced balance sheet with retained core business, whereby the volume of short-term assets is gradually used to pay back maturing short-term liabilities. In the event of a more serious crisis, measures have been prepared to generate liquidity which will provide more support to the business operations.

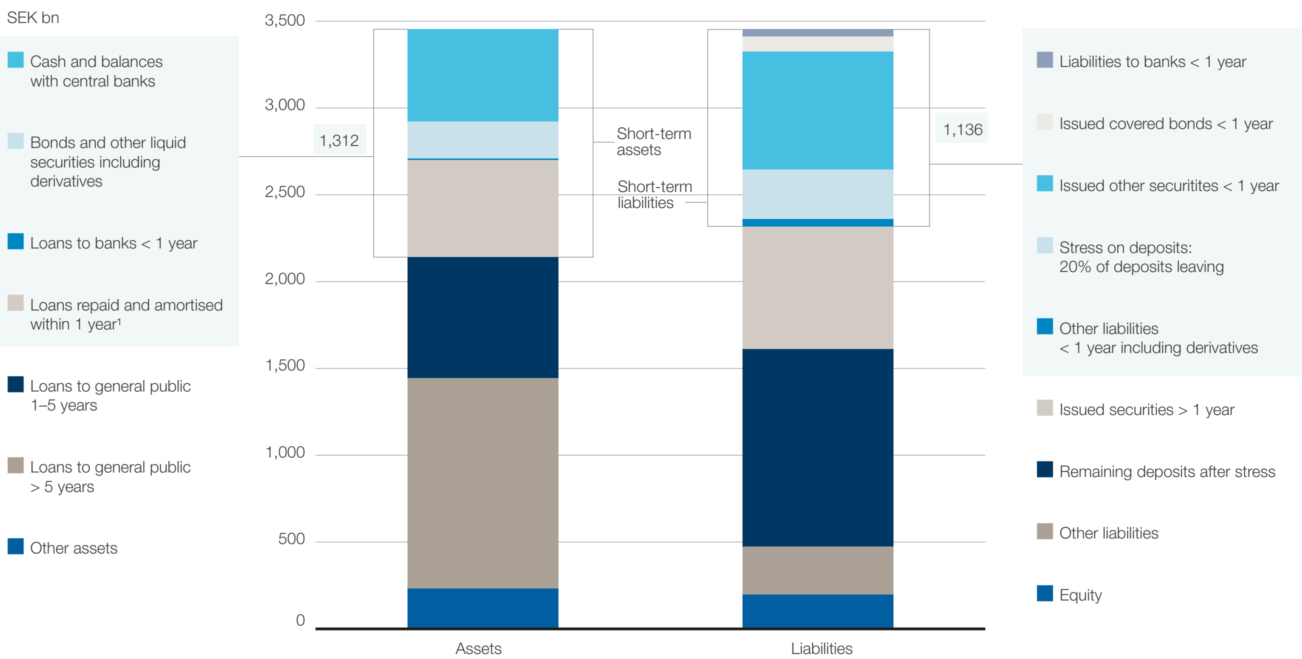
The market has great confidence in Handelsbanken, and its assessment is that Handelsbanken has a low credit risk. One illustration of this is that the cost of insuring a credit risk on the Bank, referred to as the CDS spread, remains one of the lowest among European banks, and that Handelsbanken has low funding costs relative to competitor banks. Handelsbanken has a continued high rating with the external rating agencies and is one of the most highly rated Banks globally among all peer banks. The prospects for the Bank's credit rating are stable from all agencies that assign such a rating to the Bank.

Good diversification between different types of funding sources in various markets, currencies and forms of funding instruments is a key component of the funding strategy. This reduces the significance of individual markets or sources of funding. Handelsbanken's long-term international funding is geographically well diversified, and the Bank has issued significant volumes of bonds in, among others, the US dollar, Euro, Pound Sterling and Australian dollar. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues of commercial papers and certificates of deposit. Group Treasury has a number of different funding programmes for market funding at its disposal. Bonds, certificates and commercial papers are issued under these programmes in the Bank's, Stadshypotek's and Handelsbanken plc's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors, debt types and geographic breakdown.

ORGANISATIONAL STRUCTURE

Handelsbanken has a decentralised business model, as part of which the Bank's liquidity monitoring takes place locally and close to the business, but all funding and liquidity risk management in the Group is centralised to Group Treasury. Funding and liquidity management is governed by policies established by the Board, which also decides on limits. Guidelines from the CEO and instructions from the CFO make these policies concrete. The instructions establish parameters such as limits, the composition of the funding, and benchmarks in the case of disruptions in the funding markets. Furthermore, all liquidity risk limits are channelled to the operations via Group Treasury.

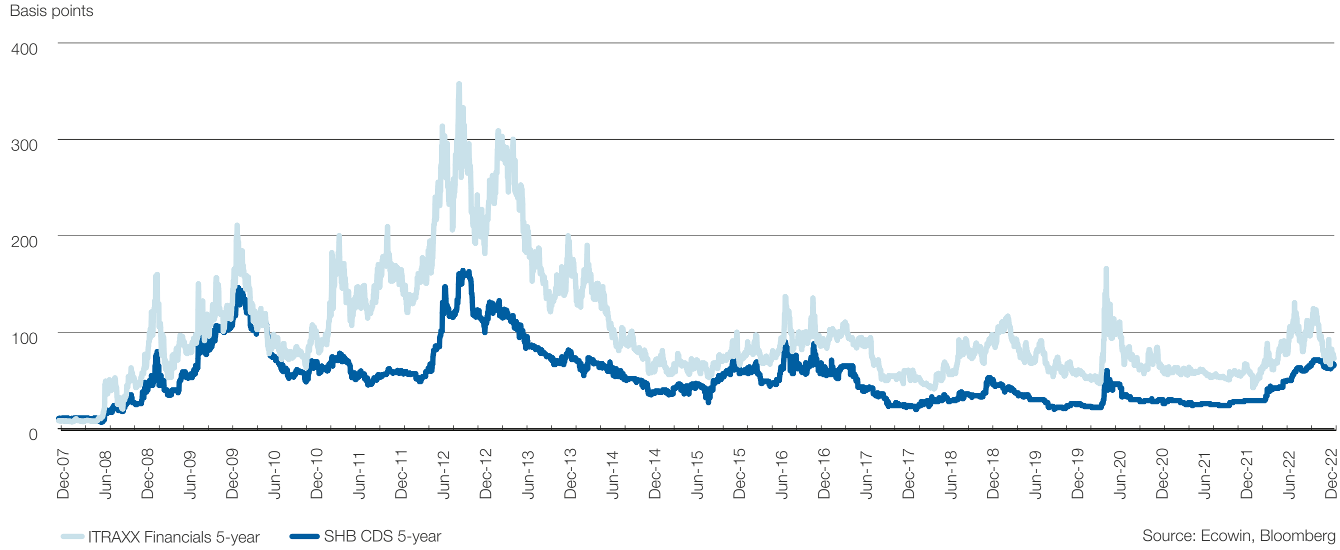
Figure AR:33 Composition of the balance sheet from a maturity perspective



[1] Scheduled amortisations, contractual maturities and estimated additional loan repayments.

G2 Cont.

Figure AR:34 Handelsbanken's 5-year CDS spread compared with ITRAXX Financials
ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European banking and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.



Source: Ecowin, Bloomberg

Group Treasury is also responsible for the Bank's liquidity reserve, including the pledged assets that must be kept in different payment and clearing systems, and monitors liquidity flows during the day to ensure that the Bank has sufficient collateral in its payment systems at any given time to meet the Bank's payment obligations.

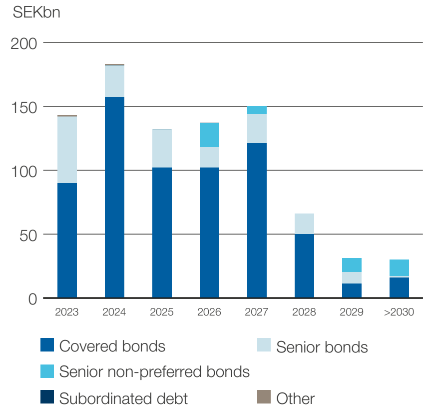
The size of collateral in the clearing systems is determined on the basis of what the Bank deems is required to fulfil its obligations, both in normal circumstances and in stressed situations. If these circumstances change, the size of collateral and liquidity is adjusted, and in times of crisis, collateral can also be redistributed and the liquidity reserve can be utilised. The Bank secures liquidity in its central bank and nostro accounts for expected payment and settlement undertakings through active liquidity planning and monitoring in all currencies.

MARKET FUNDING – COMPOSITION

The macroeconomic environment in 2022 has been characterised by periods of considerable uncertainty. The uncertainty – a consequence of lingering effects of the pandemic, inflation, rising interest rates, a weaker business climate and geopolitical risks – has affected the financial markets and resulted in high volatility in credit spreads and general interest rates, and meant that liquidity in the markets in periods has been poor. Handelsbanken has, however, had access to the markets all year, and thus been able to maintain a strong liquidity situation throughout 2022. The uncertainty that affected the real economy and the financial markets during the year led to a decision to strengthen the reserves, and market funding therefore ended up being somewhat larger than planned in 2022. For the shorter maturities, funding has also shifted from EUR to USD, as the USD market was more liquid.

During the year, Handelsbanken issued a total of SEK 192bn (193) in long-term market funding in the Bank's most important funding currencies. An important component of the long-term market funding is issues of covered bonds. The breakdown by currency of the outstanding stock is presented in Figure AR:36. Short-term funding is mainly raised by issuing certificates of deposit and commercial papers, primarily in Europe and the US. This funding is supplemented by fixed-term deposits from large corporates, both financial and non-financial. In connection with the funding operations, the Bank continued to meet investors to the same extent as previously, updated its funding programmes and also in other respects maintained the conditions for bond funding in all relevant global funding markets. This has enabled funding operations to continue as normal during the year.

Figure AR:35 Maturity profile of long-term market funding
Refers to issued securities as at 31 December 2022 with a long-term[1] original maturity.



[1] Long-term maturity refers to a maturity equal to or in excess of one year and one month.

Figure AR:36 Market funding of covered bonds by currency 2022
Refers to the currency breakdown as at 31 December 2022 for issued covered bonds. Amounts in parentheses in SEK bn.

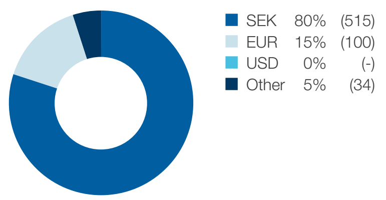
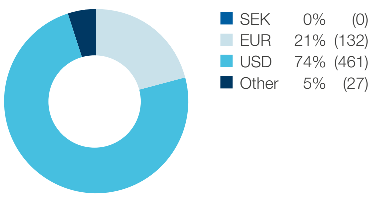
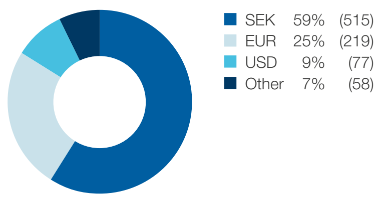


Figure AR:37 Short-term market funding by currency 2022
Refers to the currency breakdown as at 31 December 2022 for issued securities with short-term[2] original time to maturity. Amounts in parentheses in SEK bn.



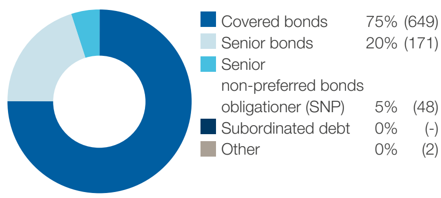
[2] Short-term maturity refers to a maturity of less than one year and one month.

Figure AR:38 Long-term market funding by currency 2022
Refers to breakdown by currency as at 31 December 2022 for issued securities with a long-term[3] original maturity. Amounts in parentheses in SEK bn.



[3] Long-term maturity refers to a maturity equal to or in excess of one year and one month.

Figure AR:39 Long-term market funding by instrument 2022
Refers to breakdown by instrument as at 31 December 2022 for issued securities with a long-term[4] original maturity. Amounts in parentheses in SEK bn.



[4] Long-term maturity refers to a maturity equal to or in excess of one year and one month.

G2 Cont.

ENCUMBERED ASSETS AND COVER POOLS

Another important part of Handelsbanken's liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. One prerequisite for being able to pledge additional collateral is for the Bank to have unutilised collateral at its disposal from the outset. The Bank therefore retains substantial volumes of non-encumbered assets that could be used as collateral in the issue of covered bonds and liquid securities with very high credit ratings.

The Bank is restrictive about entering into agreements with other parties than credit institutions, such as CSA agreements that stipulate that the Bank, according to certain criteria, may be forced to provide collateral to a counterparty. Cash collateral pledged under CSA agreements for outstanding derivatives totalled SEK 6,670m (3,077). For more information about the Bank's encumbered assets, see the Assets pledged table in Handelsbanken's Fact Book. In addition to securing the Bank's liquidity, this restrictive approach contributes to limiting the extent to which the Bank's senior lenders have lower priority than lenders who invest in covered bonds, known as subordination.

To assess the degree of subordination between investors of unsecured funding and secured funding, the volume and credit quality of the non-encumbered assets are the relevant factors. Handelsbanken's restrictive approach to risk-taking means that the non-encumbered assets are of high quality. Since Handelsbanken wishes to have a balanced utilisation of covered and senior bonds, there is a large volume of mortgage loans which are not encumbered.

Table AR:40 shows that the volume of non-encumbered assets for Handelsbanken is 272% (268) of the outstanding volume of unsecured funding.

The majority of the encumbered assets consist of Stadshypotek's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. The Bank also has voluntary OC (over-collateralisation) – extra assets in addition to those which are needed to cover the issued bonds, and in addition to the 2% statutory requirement of 8% which is included in the pool. These extra assets are in the pool in case the value of the mortgage loans were to fall to a level such that further assets are needed to match the volume of outstanding bonds.

When assessing the risk that it will be necessary to add further assets, the loan to value (LTV) of the mortgage loans in the cover pool is of fundamental importance. The lower the LTV, the lower the risk that more mortgage loans are required in the pool if prices fall in the property market. Handelsbanken's average volume-weighted LTV – LTV Max – was 51.0% (49.4) in the Swedish pool and 55.8% (50.0) in the Norwegian pool. This shows that the Bank can withstand substantial drops in prices of underlying property assets before further mortgage loans have to be added to the pools. The assets which the Bank has chosen to keep outside the cover pools are shown in table AR:40 and can be used for issues of covered bonds if necessary.

Table AR:40 Non-encumbered/non-pledged assets

Non-encumbered/non-pledged assets	2022		2021	
SEK bn	NEA[1]	Accumulated share of non-encumbered funding, %[2]	NEA[1]	Accumulated share of non-encumbered funding, %[2]
Cash and balances with central banks	**505**	**56**	**439**	**50**
Liquid bonds in liquidity portfolio[3]	**171**	**75**	**157**	**68**
Loans to households including derivatives	**524**		**598**	
of which mortgage loans	*369*	*116*	*406*	*114*
of which loans secured by collateral in property	*3*	*116*	*4*	*114*
of which other household lending	*152*	*133*	*188*	*136*
Loans to companies including derivatives	**1,200**		**1,103**	
of which mortgage loans	*433*	*181*	*386*	*180*
of which loans to housing co-operative associations excl. mortgage loans	*84*	*190*	*58*	*186*
of which loans to property companies excl. mortgage loans				
- risk class 1–3	*311*	*225*	*298*	*220*
- risk class 4–5	*152*	*241*	*149*	*237*
- of which risk class > 5	*8*	*242*	*9*	*238*
of which other corporate lending				
- risk class 1–3	*136*	*257*	*122*	*252*
- risk class 4–5	*70*	*265*	*73*	*260*
- risk class > 5	*6*	*266*	*8*	*261*
Loans to credit institutions including derivatives	**4**		**29**	
- risk class 1–3	*4*	*266*	*28*	*264*
- risk class > 3	*0*	*266*	*1*	*264*
Other lending	**55**	**272**	**36**	**268**
Other assets	**0**	**272**	**0**	**268**
Total	**2,459**	**272**	**2,362**	**268**
Encumbered assets without underlying liabilities[4]	**75**		**65**	
Encumbered assets with underlying liabilities	920		920	
Total assets, Group	**3,454**		**3,347**	

[1] NEA: Non-encumbered assets.
[2] Issued short and long non-secured funding and liabilities to credit institutions.
[3] Relates to eligible as collateral value in central banks.
[4] Over-collateralisation in cover pool (OC) and assets to cover Operational Continuity in Resolution requirement in the UK (as of 2021).

G2 Cont.

Table AR:41 Cover pool data

Cover pool data	Sweden		Norway	
SEK m	2022	2021	2022	2021
Stadshypotek total lending, public	1,376,478	1,301,712	127,264	115,928
Available assets for cover pool	1,264,436	1,205,881	121,596	110,019
Utilised assets in cover pool	651,915	617,417	76,747	56,746
Substitute assets, cash on a blocked account	100	5,000	-	-
Maximum LTV %, weighted average ASCB definition[1]	51.03	49.38	55.85	50.03
LTV, breakdown				
0–10%	24.2	24.6	22.6	27.1
10–20%	20.9	21.7	20.3	20.9
20–30%	17.7	18.5	17.5	16.3
30–40%	14.4	14.6	14.5	13.5
40–50%	10.6	10.2	11.3	10.3
50–60%	6.9	6.1	7.8	7.1
60–70%	4.1	3.3	4.6	3.8
70–75%	1.3	0.9	1.4	1.0
Loan amount, weighted average, SEK	780,900	717,800	2,883,595	4,443,666
Loan term, weighted average, no. of months[2]	73.0	71	28.0	28
Interest rate adjustment periods, breakdown				
Floating rate, %	44.4	36.0	95.8	96.7
Fixed rate, %	55.6	64.0	4.2	3.3

[1] Association of Swedish Covered Bond issuers.
[2] Calculated from the date on which the loan is granted.

LIQUIDITY RISK

The Bank handles a large number of incoming and outgoing cash flows as part of its operations. In order to limit risk in liquidity management, the Bank has a robust risk tolerance framework including both limits and qualitative targets for liquidity risk. Group Risk Control is responsible for measuring risks and reports risk utilisation daily to the CFO, weekly to the CEO, and on a regular basis to the Board.

Liquidity planning is based on an analysis of cash flows for the respective currency. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where the liquidity is low. The funding strategy is that illiquid assets are financed stable and long-term, and that a positive liquidity position (cash flows plus liquid assets) must be maintained – even in stressed conditions.

The governance of the Bank's liquidity situation is therefore based on stress tests, which are performed at an aggregate level and also individually for the currencies that are essential to the Bank. The stress tests ensure that the Bank has sufficient liquidity, from both a short-term and long-term perspective, in various stressed scenarios and with various liquidity-generating actions. The stress tests are carried out with the application of both market-wide and idiosyncratic stress, on a regular basis and an ad hoc basis. These are also supplemented with scenario analyses which consider substantial falls in housing prices. In these stress tests, it is assumed that the Bank does not have access to market funding, at the same time as some deposits from households and companies gradually disappear in the first month. It is further assumed that the Bank will continue to conduct its core business by renewing loans to households and companies at maturity and that customers will partly utilise issued commitments and credit facilities.

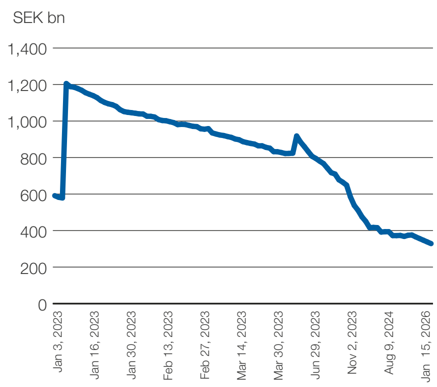
The stress tests assume that the cash assets in the liquidity reserve are used and that securities can immediately supply liquidity if provided as collateral, primarily in the market and as a last resort in central banks.

In addition, the Bank can generate liquidity through the unutilised issue amount for covered bonds and by implementing other liquidity-generating measures to gradually provide the Bank with liquidity. The volume and quality of unutilised collateral must be such that in a crisis situation it can provide the Bank with the necessary liquidity. With these conditions, the Bank will be liquid for more than three years. Thus, the Bank has major powers of resistance to serious, long-term stress.

A condition for the Bank to be able to maintain such substantial resistance to disruptions in the financial markets is a well-composed balance sheet. Figure AR:33 Composition of the balance sheet from a maturity perspective shows that the volume of current assets significantly exceeds the volume of current liabilities in a stressed scenario where 20% of the deposits are assumed to disappear within one year.

Table AR:45 Maturity analysis for financial assets and liabilities shows cash flows for the contracted payment obligations, including interest flows, due for payment at the latest within the stated time intervals. The table shows holdings of bonds and other interest-bearing securities in the time intervals in which they can be converted to liquidity if they are pledged as collateral or sold. Furthermore assets, liabilities and interest flows that mature are shown in the time intervals corresponding to the contractual maturity dates. Interest flows for lending in the mortgage operations

Figure AR:42 Stress test of liquidity, including liquidity-generating measures – accumulated liquidity position



G2 Cont.

are matched in time with the liabilities that funded the lending. Financial guarantees, loan commitments and unutilised overdraft facilities are reported in their entirety in the time interval up to 30 days. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

The liquidity coverage ratio (LCR) has been a binding requirement for banks in the EU since the European Commission introduced its Delegated Regulation. The measure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The requirement applies to LCR at aggregate level and the ratio must be at least 100%. The Swedish Financial Supervisory Authority also stipulates LCR in individual currencies within the framework of the supervisory review and evaluation process in Pillar 2. At year-end, the Group's aggregated LCR was 163% (152), which shows that the Bank has large resistance to short-term disruptions on the funding markets.

The minimum requirement for the structural liquidity measure, the Net Stable Funding Ratio (NSFR) – the ratio between available stable funding and required stable funding – requires the Bank to have sufficient stable funding to cover its funding needs under both normal and stressed circumstances from the perspective of a one-year horizon. The minimum requirement applies to LCR at aggregate level and the ratio must be at least 100%. At year-end 2022, NSFR was 114% (114) at Group level.

PRICING OF LIQUIDITY RISK

An important part of liquidity risk management is that deposits and lending are priced internally, taking into account the liquidity risks that they give rise to. When the Bank grants a loan with a long maturity, this creates the need to obtain additional long-term funding – which is normally more expensive than short-term funding. This is because investors who purchase the Bank's long-term bonds normally demand higher compensation for the maturity. This is taken into account in the Bank's internal pricing, by ensuring that the price which internal units in the Bank have to pay for the funding they receive from Group Treasury varies according to factors such as the maturity period. The internal pricing is important in order to create the right incentive and to avoid unsound risk-taking. The Bank has worked with maturity-based internal interest rates for a long time. They ensure that the price at contract level takes into account the funding cost and liquidity risk that the agreement has given rise to.

Table AR:43 Liquidity coverage ratio (LCR) – subcomponents

Liquidity coverage ratio (LCR) – subcomponents SEK m	2022	2021
High quality liquidity assets	**673,796**	**592,122**
Cash outflows	**490,448**	**431,300**
Retail deposits and deposits from small business customers	65,380	66,550
Unsecured wholesale funding	293,008	289,879
Secured wholesale funding	7,351	11,305
Other cash outflows	124,709	63,566
Cash inflows	**77,502**	**41,849**
Inflows from fully performing exposures	27,209	22,375
Other cash inflows	50,293	19,474
Liquidity coverage ratio (LCR), %	**163%**	**152%**

The subcomponents are defined as stated in Commission Delegated Regulation (EU) 2015/61.

Table AR:44 Net stable funding ratio (NSFR) – subcomponents

Net stable funding ratio (NSFR) – subcomponents SEK m	2022	2021
Available stable funding	**2,036,932**	**2,026,413**
Capital items and capital instruments	214,134	202,877
Deposits from the public	724,112	704,382
Wholesale funding	1,092,732	1,113,915
Other liabilities	5,954	5,239
Need for stable funding	**1,793,937**	**1,774,542**
Total high-quality liquid assets	4,918	7,927
Assets encumbered for a residual maturity of one year or more in a collateral group	483,554	449,323
Performing loans and securities	1,232,720	1,223,354
Other assets	48,935	69,258
Off-balance sheet items	23,811	24,680
Net stable funding ratio (NSFR), %	**114%**	**114%**

G2 Cont.

Table AR:45 Maturity analysis for financial assets and liabilities

For deposit volumes, the column "Unspecified maturity" refers to deposits payable on demand. The table contains interest flows, which means that the balance sheet items are not reconcilable with the Group's balance sheet. Maturity tables without interest flows, including maturity tables in foreign currencies, can be found in the Fact Book at handelsbanken.com/ir.

Maturity analysis for financial assets and liabilities 2022 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	508,723	-	-	-	-	-	-	508,723
Interest-bearing securities eligible as collateral with central banks[1]	132,989	-	-	-	-	-	-	132,989
Bonds and other interest-bearing securities[2]	32,846	-	-	-	-	-	-	32,846
Loans to credit institutions	6,346	180	328	584	1,872	2,382	-	11,691
of which reverse repos	-	-	-	-	-	-	-	-
Loans to the public	65,944	301,126	242,443	280,925	510,950	1,245,526		2,646,914
of which reverse repos	*12,912*	-	-	-	-	-	-	*12,912*
Other	23,717	-	-	-	-	-	277,283	301,000
of which shares and participating interests	*12,815*	-	-	-	-	-	-	*12,815*
of which claims on investment banking settlements	*10,902*	-	-	-	-	-	-	*10,902*
Total assets	**770,564**	**301,306**	**242,771**	**281,510**	**512,822**	**1,247,908**	**277,283**	**3,634,163**
Due to credit institutions	38,283	27,232	3,622	1,010	477	1,551	10,809	82,983
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*14,212*	*20,009*	*2,652*	*114*	-	-	*3*	*36,989*
Deposits and borrowing from the public	27,400	75,911	36,517	10,017	2,085	5,849	1,224,903	1,382,682
of which repos	*4*	-	-	-	-	-	-	*4*
Issued securities[3]	92,544	510,171	185,168	187,428	423,003	127,585	-	1,525,899
of which covered bonds	*7,914*	*76,552*	*11,011*	*157,739*	*323,167*	*75,500*	-	*651,884*
of which bank certificates (CDs) with original maturity of less than one year	*35,096*	*195,836*	*58,078*	-	-	-	-	*289,009*
of which corporate certificates (CPs) with original maturity of less than one year	*49,419*	*207,869*	*73,242*	-	-	-	-	*330,530*
of which bank certificates (CDs) and corporate certificates (CPs) with original maturity of over one year	*9*	*6,549*	*8,973*	*553*	-	-	-	*16,084*
of which senior non-preferred bonds	-	*283*	*140*	*423*	*25,585*	*25,027*	-	*51,458*
of which senior bonds and other securities with original maturity of over one year	*105*	*23,082*	*33,724*	*28,713*	*74,251*	*27,058*	-	*186,933*
Subordinated liabilities	-	9,614	145	14,496	13,511	11,476	-	49,240
Other	5,047	375	378	716	1,456	653	463,099	471,724
of which short positions	*1,947*	-	-	-	-	-	-	*1,947*
of which liabilities on investment banking settlements	*3,087*	-	-	-	-	-	-	*3,087*
Total liabilities	**163,273**	**623,302**	**225,830**	**213,666**	**440,533**	**147,114**	**1,698,810**	**3,512,529**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	459,114							

Derivatives 2022 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	182,101	590,120	150,293	121,954	213,073	117,024	1,374,565
Total derivatives outflow	180,101	589,221	149,097	120,987	211,934	111,955	1,363,295
Net	**2,000**	**899**	**1,196**	**967**	**1,139**	**5,069**	**11,270**

Assets and liabilities in the table above include the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively (see note G14). The comparative figures also include the Denmark disposal group, which was divested during Q4 2022.

G2 Cont.

Maturity analysis for financial assets and liabilities 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	439,983	-	-	-	-	-	-	439,983
Interest-bearing securities eligible as collateral with central banks[1]	100,563	-	-	-	-	-	-	100,563
Bonds and other interest-bearing securities[2]	33,333	-	-	-	-	-	-	33,333
Loans to credit institutions	19,246	176	200	615	1,497	2,371	-	24,105
of which reverse repos	*12,126*	-	-	-	-	-	-	*12,126*
Loans to the public	52,107	274,819	218,002	252,736	469,331	1,236,095	-	2,503,090
of which reverse repos	*13,648*	-	-	-	-	-	-	*13,648*
Other	22,701	-	-	-	-	-	315,940	338,641
of which shares and participating interests	*19,934*	-	-	-	-	-	-	*19,934*
of which claims on investment banking settlements	*2,767*	-	-	-	-	-	-	*2,767*
Total assets	**667,933**	**274,995**	**218,202**	**253,351**	**470,828**	**1,238,466**	**315,940**	**3,439,715**
Due to credit institutions	34,370	36,257	4,077	1,276	359	1,176	6,541	84,056
of which repos	-	-	-	-	-	-	-	*0*
of which deposits from central banks	*21,832*	*28,676*	-	-	-	-	*344*	*50,852*
Deposits and borrowing from the public	18,300	35,306	1,781	483	371	6,263	1,338,153	1,400,657
of which repos	*213*	-	-	-	-	-	-	*213*
Issued securities[3]	58,526	368,375	263,962	155,320	412,914	122,439	-	1,381,536
of which covered bonds	*26*	*40,329*	*73,743*	*104,740*	*339,886*	*89,447*	-	*648,171*
of which bank certificates (CDs) with original maturity of less than one year	*22,077*	*137,708*	*51,998*	-	-	-	-	*211,783*
of which corporate certificates (CPs) with original maturity of less than one year	*27,128*	*166,516*	*106,409*	-	-	-	-	*300,053*
of which bank certificates (CDs) and corporate certificates (CPs) with original maturity of over one year	*4,184*	*2,550*	*931*	-	-	-	-	*7,665*
of which senior non-preferred bonds	-	*115*	*69*	*184*	*17,568*	*15,887*	-	*33,823*
of which senior bonds and other securities with original maturity of over one year	*5,111*	*21,157*	*30,812*	*50,396*	*55,460*	*17,105*	-	*180,041*
Subordinated liabilities	-	926	2,960	8,507	13,698	10,195	-	36,286
Other	7,064	365	369	700	1,514	841	470,599	481,452
of which short positions	*4,126*	-	-	-	-	-	-	*4,126*
of which liabilities on investment banking settlements	*2,927*	-	-	-	-	-	-	*2,927*
Total liabilities	**118,260**	**441,229**	**273,149**	**166,286**	**428,856**	**140,914**	**1,815,293**	**3,383,987**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	486,517							

Derivatives 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	220,594	487,565	83,775	99,046	145,200	78,969	1,115,149
Total derivatives outflow	218,965	483,166	80,840	97,391	147,217	80,891	1,108,470
Net	**1,629**	**4,399**	**2,935**	**1,655**	**-2,017**	**-1,922**	**6,679**

[1] SEK 106,107m (83,610) of the amount (excl. interest) has a time to maturity of less than one year.
[2] SEK 2,511m (4,601) of the amount (excl. interest) has a time to maturity of less than one year.
[3] SEK 767,033m (679,352) of the amount (excl. interest) has a time to maturity of less than one year.

G2 Cont.

LIQUIDITY RESERVE

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves in all currencies of relevance to the Bank. The liquidity reserve which is independent of funding and foreign exchange markets can provide liquidity to the Bank at any time.

The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises liquid securities such as government bonds, covered bonds and other securities of very high credit quality which are liquid and eligible as collateral with central banks. These can also provide the Bank with immediate liquidity. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-generating measures.

Table AR:46 Holdings with central banks, and securities holdings in the liquidity reserve, market value

Holdings with central banks, and securities holdings in the liquidity reserve, market value 2022 SEK m	SEK	EUR	USD	Other	Total
Level 1 assets	**237,836**	**175,150**	**138,355**	**123,897**	**675,238**
Cash and balances with central banks	99,540	168,032	129,603	108,164	505,339
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	117,817	7,019	8,752	1,903	135,491
Securities issued by municipalites and PSEs	447	-	-	-	447
Extremely high quality covered bonds	20,032	99	-	13,831	33,962
Level 2 assets	**230**	**307**	**512**	**90**	**1,139**
Level 2A assets	*230*	*215*	*512*	*90*	*1,047*
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	36	36
High quality covered bonds	230	215	512	54	1,011
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	-	*91*	-	-	*91*
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	-	91	-	-	91
Shares (major stock index)	-	-	-	-	-
Total liquid assets	**238,066**	**175,457**	**138,867**	**123,987**	**676,377**

Holdings with central banks, and securities holdings in the liquidity reserve, market value 2021 SEK m	SEK	EUR	USD	Other	Total
Level 1 assets	**210,882**	**157,572**	**65,123**	**159,399**	**592,976**
Cash and balances with central banks	92,645	149,369	63,000	133,654	438,668
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	95,122	8,013	2,123	5,068	110,326
Securities issued by municipalites and PSEs	616	-	-	-	616
Extremely high quality covered bonds	22,499	190	-	20,677	43,366
Level 2 assets	**569**	**587**	**473**	**1,020**	**2,649**
Level 2A assets	*568*	*388*	*473*	*1,020*	*2,449*
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	617	617
High quality covered bonds	568	388	473	403	1,832
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	*1*	*199*	-	-	*200*
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	1	199	-	-	200
Shares (major stock index)	-	-	-	-	-
Total liquid assets	**211,451**	**158,159**	**65,596**	**160,419**	**595,625**

G2 Cont.

OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk as well as IT risks and information security risks (ICT risks).

The Board establishes the Handelsbanken Group's tolerance of operational risk. Handelsbanken has a low tolerance for operational risk, although operational risk is an inevitable component in the Bank's operations. As far as possible, Handelsbanken must endeavour to prevent these risks and to reduce the losses in this area. An operational risk which could have serious adverse consequences for the Bank, the Bank's customers or the financial system in the event of an incident must be reduced to a lower risk level. Risk mitigation measures must be taken so that the risk is made acceptable. Losses resulting from an operational risk event can be covered by insurance or other solutions. Risk assessments are conducted by assessing the impact and probability of events occurring, based on a scale from 1 to 5. The assessed impact, coupled with the assessed probability of the event, will determine the scope of the risk limitation measures required. If an action plan is missing or if Risk Control considers that the work is taking too long or not progressing according to plan, the risk is outside of the Bank's risk tolerance.

In 2022 Handelsbanken's operational losses, which comprise expected and recognised operational losses exceeding SEK 25,000, and any recoveries, totalled SEK 61m (38). It is not unusual that the amount referring to operational losses is adjusted over time due to recoveries, or that additional losses are added which are related to a previously reported incident. This may affect the comparative figures for previously reported losses.

ORGANISATIONAL STRUCTURE

The responsibility for identifying, assessing and managing operational risk is an integral part of managerial responsibility at all levels in the Handelsbanken Group. The Bank's decentralised way of working and cost-consciousness promote good management of operational risk, which leads to vigilance against potential loss risks in daily procedures and events.

Operational risk is managed in the business operations, and this management is controlled by Risk Control. Specially appointed local co-ordinators (local OpRisk co-ordinators) for operational risk are in place to assist managers in their management of operational risk. They are responsible for ensuring that existing methods and procedures for managing operational risk are used in the business operations, managing required actions related to reported incidents, supporting the business operations, and following up any actions decided regarding operational risk.

Group Risk Control has the overall responsibility for the methods and procedures used to manage operational risk. This responsibility also includes periodically assessing methods and procedures as well as their use in the operations. Group Risk Control ensures that the business operations identify, assess, report and manage operational risk, and perform a follow-up to ensure that the action decided upon is being taken. Group Risk Control is also responsible for ensuring that risks are evaluated before decisions are made concerning new or materially changed products, services, markets, processes or IT systems or in the case of major changes in the Group's operations or organisational structure. In addition, Group Risk Control is responsible for identifying, measuring, analysing, and reporting at the Group level all material operational risks and their development to management and the Board. The risk reports presented to management and the Board also contain information about material incidents and risk mitigation measures.

METHODS FOR IDENTIFYING, ASSESSING AND MANAGING OPERATIONAL RISK

The business operations are responsible for owning and managing risks associated with day-to-day operational activities by gathering relevant risk facts within their units. The Bank monitors the development of operational risk according to the following categories:

- execution, delivery and process management
- business disruptions and system failures
- clients, products and business practices
- external crime
- damage to physical assets
- employment practices and workplace safety
- internal fraud.

The Group-wide methods for identifying, assessing and managing operational risk are incident reporting, risk indicators and self-assessment of operational risk.

Incident reporting

Reporting of operational risk incidents which have resulted in direct financial losses in excess of SEK 25 000 is mandatory. Other incidents illustrating material operational risk must also be reported, and risk facts must be collected.

Risk indicators

Risk indicators are monitored in order to warn of heightened operational risk. If a threshold for a risk indicator is exceeded, a risk assessment must be carried out to serve as a basis for assessing any risk management measures to be taken. For certain risk indicators, the threshold is determined by the CEO.

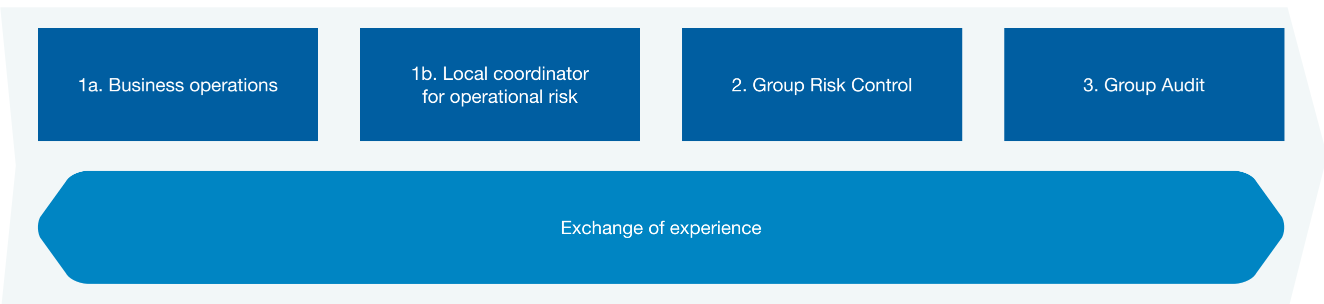
Self-assessment OPRA Risk Analysis

OPRA Risk Analysis is a method and self-assessment procedure to document and assess operational risks, and is carried out regularly by all units. OPRA Risk Analysis can also be event driven, and the procedure shall be performed in case of serious incidents, threshold breaches or serious external events.

ORX

The Bank is a member of the Operational Riskdata eXchange Association (ORX). The main purpose of ORX is for participating banks to exchange anonymised data concerning incidents leading to operational losses. ORX also has an important function in standardising and ensuring the quality of data on operational risk. Extensive research is being done on methods regarding operational risk, and ORX is an important forum for the exchange of experiences.

Figure AR:47 Three lines of defence



G2 Cont.

IT OPERATIONS IN THE HANDELSBANKEN GROUP

The Bank's operations are dependent on the availability and security of its IT services. The technological development and digitalisation of banking services mean that this area is increasing in significance. The CEO establishes guidelines relating to the overall goal and strategy of IT operations in the Handelsbanken Group. Operational risk in this area is managed according to the same procedures as in other parts of the Bank, with the addition of special procedures for managing specific types of risk within the area. These include:

- monitoring IT systems in production
- management of IT incidents
- management of new or changed IT systems
- management of cyber risk
- implementation of security tests
- implementation of risk analyses of IT systems
- reviewing outsourcing agreements and other supplier arrangements in terms of IT and security
- continuity management of IT systems.

INFORMATION SECURITY AND IT SECURITY

Security work at Handelsbanken aims to protect the life, health and integrity of employees, customers' and the Bank's assets, and the good name and reputation of the Group. In its operations, a bank continuously processes sensitive information about customers and customer relationships. Handelsbanken's information security and IT security efforts are based on availability, accuracy, confidentiality and traceability. Information and business systems must be available based on the business requirements of the operations. The CEO establishes guidelines for information security at Handelsbanken. All employees of the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. The Bank engages in systematic security work that heads off possible threats and risks, and there are procedures for managing changes in the IT environment. In the case of deficient management, or if information were to be released by mistake, the consequences could be serious, including weakened confidence in the Bank or financial losses. Within the framework of the systematic security work, structured development is under way to increase the level of awareness among employees and customers concerning the threats and risks in information security, through presentations, training programmes and information initiatives. The Bank's information security and IT security is intended to protect customers' information and transactions and also the Bank's IT environment. Information security and IT security covers administrative solutions, such as rules and instructions, as well as technical security solutions.

Information security work is undertaken in accordance with the ISO 27001 international standard. Handelsbanken's information security work is certified according to ISO 27001.

The Bank's information security regulations are based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation which counts many of the largest companies in the world as members. The work with information and IT security is pursued systematically, and the Bank works with this from a process perspective, where risk analysis plays a central role. The risk analyses employ the ISF's Information Risk Analysis Methodology (IRAM2).

PHYSICAL SAFETY

The Handelsbanken Group's physical safety measures include protection against fire, processes and procedures concerning threats to employees and employee protection, travel safety, perimeter protection, the Bank's liability and property insurance cover, as well as external environment monitoring and instructions.

Instructions within the Group for managing risks related to physical safety require, among other things, that a security review be carried out at least annually, and is followed up via the annual work environment survey.

FINANCIAL CRIME

The Bank works constantly to minimise the risk of the Bank's customers, products or services being exploited for financial crime. Financial crime includes money laundering, terrorist financing, tax evasion, corruption, fraud and breaches of international sanctions. The work is governed by a central department headed by the Bank's specially appointed executive with Group-wide responsibility for the work to prevent financial crime. Starting points for these efforts to combat financial crime are the Bank's low tolerance of risk and the body of external regulations addressing financial crime in the countries where the Bank operates. The Bank also has a separate compliance department for financial crime, which monitors and acts in an advisory capacity in the Bank's work to combat financial crime. The department is headed up by the Bank's central function owner. For further information on the Bank's work to combat financial crime, refer to Handelsbanken's Corporate Governance Report on pages 74–91.

CHANGE MANAGEMENT

The change management area covers new or materially changed products, services, markets, processes or IT systems, or when there are material changes in the Group's operations or organisational structure. The activities and actors involved in the process are described in the Bank's instructions and approval process for change management, which also describe how and when to involve the control functions. The process also includes requirements that risk analyses are carried out and that these consider, for example, areas such as financial crime, sustainability, information security and data quality. Decisions related to changes must also be documented.

ESSENTIAL PROCESSES

Essential processes refer to processes which are of material importance for providing support to the Bank's critical business operations. The Bank's essential processes are reviewed for relevance each year and in conjunction with material changes, and are updated where necessary, as well as being subject to a risk assessment.

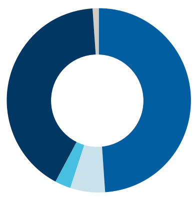
The identification of essential processes is fundamental to the scope of the Bank's continuity planning, i.e. which parts of the operations are to be prioritised in the event of disruptions or stoppages.

CONTINUITY PLANNING AND CRISIS MANAGEMENT

The purpose of the Bank's continuity planning and crisis management is to ensure that the Bank is well prepared to continue its business operations in the event of a crisis situation. This means that preparatory measures must be taken to mitigate the effects of a serious disruption on the business operations, such that these can continue at an acceptable level for the duration of the disruption. The CEO's guidelines for continuity planning and crisis management and supplementary instructions state that consequence analyses are to be performed each year, in order to ascertain which operations and IT systems are of such critical importance that they require continuity plans.

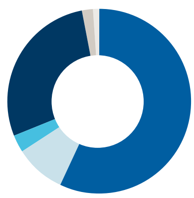
The continuity plans include planning the maintenance of operations during the disruption and recovery to normal operations. For essential processes, the plans must include the longest

Figure AR:48 Breakdown of loss amounts over SEK 25,000 by number, 2018–2022



Execution, delivery and process mgmt	49%
Business disruption and system failure	6%
Clients, products and business practices	3%
External crime	41%
Damage to physical assets	0%
Employment practices and workplace safety	1%
Internal fraud	0%

Figure AR:49 Breakdown of loss amounts over SEK 25,000, 2018–2022



Execution, delivery and process mgmt	57%
Business disruption and system failure	9%
Clients, products and business practices	3%
External crime	28%
Damage to physical assets	0%
Employment practices and workplace safety	2%
Internal fraud	1%

G2 Cont.

permitted duration of a stoppage. There is a Central Crisis Team for the entire Group. In addition, the CEO has specified that certain units require a designated crisis function. Work in the crisis functions is to be undertaken according to special crisis manuals.

Continuity plans and crisis manuals must be revised on an annual basis at a minimum. The plans must be tested each year, at the least, and crisis drills are carried out by the units required to have crisis functions. The work is evaluated annually and reported to the Central Board, which is also informed of the Bank's strategy for continuity management.

Handelsbanken also participates in the voluntary work organised by FSPOS (Finansiella Sektorns Privat-Offentliga Samverkan, the Swedish financial sector's private-public partnership organisation) to strengthen the sector's capacity to manage disruptions and stoppages. The Bank thus also took part in the sector exercise organised by FSPOS for the year, whose overall aim was to assess the sector's capacity to continue operating in a state of high preparedness.

SUPPLIER ARRANGEMENTS

The Bank has a designated process for managing supplier arrangements, including outsourcing agreements, within the Group. As the starting point, the Bank applies a risk-based working method, taking into account the Bank's low risk tolerance, in assessments prior to decisions on supplier arrangements and their administration. The CEO has issued guidelines that set out the conditions and requirements for outsourcing agreements concerning operations of material significance. The guidelines apply throughout the Handelsbanken Group and also cover the subsidiaries in the Group.

REPUTATION RISK, CONDUCT RISK AND TRAINING

Reputation risk is the risk of losses due to a deterioration of confidence in the Bank. This may occur for reasons such as deficiencies in ethical standards, inappropriate actions, poor information or badly planned development of new or changed products. Handelsbanken manages and minimises reputation risk in its operations through pro-active business intelligence and accompanying, relevant corrective action when needed, and by conducting operations to a high ethical standard. In 2022, four training programmes were mandatory for all employees in the Group: Financial crime, GDPR, Security training – Cybersecurity, and Security training – Physical security.

Handelsbanken's low risk tolerance is also reflected in its approach to employee benefits. The Bank regards fixed remuneration as contributing to sound operations, so this is applied as a fundamental rule.

COMPLIANCE RISK

Compliance risk refers to risks associated with inadequate regulatory compliance.

Compliance refers to the observation of and compliance with external and internal rules and regulations, accepted market practice and standards that are together applicable to the Bank's licensed operations. Compliance risk is defined as the risk of sanctions, material financial loss, or loss of reputation that the Bank may suffer as a result of the Bank not following these requirements. Handelsbanken has a low tolerance of compliance risks. The business must prevent these risks as far as possible and prioritise the work that needs to be carried out to quickly address any risks which have been observed. A risk is beyond risk tolerance if the Compliance function assesses the risk as being high or critical, and considers that there is no adequate action plan, or that there are material deviations from an action plan.

The broad outline for how supervisory authorities expect compliance functions to be set up and how an institution should approach compliance matters is established in the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1), the European Banking Authority's Guidelines on internal governance, and the European Securities and Markets Authority's Guidelines on certain aspects of the MiFID II compliance function requirements. The Basel Committee's 'Compliance and the compliance function in banks' framework also provides guidelines for how a bank's compliance function should be structured. Handelsbanken has organised its compliance function and its compliance work in accordance with these regulations, recommendations and guidelines.

ORGANISATIONAL STRUCTURE

The Group's compliance function is organised into both Group Compliance and local compliance units in subsidiaries and other legal entities. Group Compliance also includes specifically defined roles such as the Appointed Officer according to the applicable money laundering and terrorist financing regulations, and the Data Protection Officer (DPO) according to the applicable regulations on data protection and personal data processing. All compliance units must be independent of the business operations and organisationally separate from the functions and areas which are subject to monitoring and controls. Employees in compliance units must not perform any operational tasks which are part of the business operation they are responsible for monitoring and control.

RESPONSIBILITY

The responsibility for compliance is an integral part of managerial responsibility at all levels of the Group, and is allocated at unit/department level. Function managers and product managers have a special responsibility for ensuring that work in each area of responsibility throughout the Group is carried out in accordance with internal and external rules and regulations, including the responsibility to follow up compliance with the Group-wide instructions that they issue within their areas. Among units with function responsibility, Group Legal is responsible for providing legal support to the business, and for carrying out the requisite legal assessments, including definitive interpretations of regulations, on behalf of other units. It is also responsible for co-ordinating work involving legal support and legal assessments at the central and local levels. Within the Handelsbanken Group, managers and employees must have a sound awareness and understanding of the requirements imposed through internal and external rules, as well as the compliance risks associated with inadequate regulatory compliance, and must seek support from Group Legal or a local legal function for the requisite legal assessments.

The responsibilities of the Compliance function are to work actively to ensure a high level of compliance and to ensure that Handelsbanken's low tolerance of compliance risks is adhered to. Compliance is tasked with the identification and monitoring and control of compliance risks and deficiencies related to regulatory compliance, and also the provision of recommendations, advice and support to the Bank's staff, management and units in matters concerning compliance, and reports to the management and Board on compliance issues. The Chief Compliance Officer has the responsibility for the Compliance function and reporting on matters regarding compliance in the Group.

RISK-BASED COMPLIANCE WORK

The Compliance function applies a risk-based approach to its work. In practice, this means that the function performs an annual overall risk assessment of the Bank's operations and compliance. Based on this, the Compliance function plans, and subsequently executes, compliance activities prioritising the areas at high risk of inadequate compliance. Observations are evaluated and reported using a four-level assessment scale: 'minor', 'moderate', 'high' or 'critical' compliance risk. Group Compliance reports on the current risk situation in the Group to the CEO, risk committee and the Board. This includes the report from the Appointed Officer regarding compliance risks linked to financial crime, as well as the report from the DPO on data protection risks. The report is also presented to the CEO's Risk and Compliance Committee.

G2 Cont.

RISK IN THE REMUNERATION SYSTEM

Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

THE REMUNERATION SYSTEM

At Handelsbanken, remuneration is established individually when an employee takes up a new position and in local salary reviews. Remuneration takes into account the collective agreements that are binding upon Handelsbanken or corresponding local standardised contracts or agreements. It is based on the Bank's model for setting salaries and the salary-setting factors it specifies: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, the market, and being a cultural ambassador for the Bank. These principles have been applied for many years. They mean that managers at all levels participate regularly in salary processes, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

To ensure that Handelsbanken has a well-designed remuneration system, risks in the remuneration system are managed as a separate risk class, with the risk management following the same allocation of responsibilities as other types of risk. Handelsbanken has low tolerance of remuneration risks and actively strives to keep them at a low level. Performance-based variable remuneration must be applied with great caution and is not offered to employees who, in their professional roles, can have a material impact on the Bank's risk profile.

In 2022, a provision of SEK 52m (57) was made for performance-based variable remuneration.

ORGANISATIONAL STRUCTURE AND RESPONSIBILITY

The principles for the Bank's remuneration system are stipulated in the remuneration policy decided on by the Board. More detailed guidelines and implementation directives are decided by the CEO. Group Compliance reviews these policy documents to ensure observance of the regulations applying in this area. The responsibility for identifying and managing remuneration risks rests with every responsible manager in the operations. Group Risk Control ensures that the remuneration system and its application are evaluated every year from a risk perspective. This evaluation must also include an analysis of the impact of the remuneration system on the Bank's risk, capital and liquidity situation.

RISKS IN THE REMUNERATION SYSTEM

Handelsbanken's remuneration policy and remuneration system are deemed to generate low risks, align with the Bank's low tolerance of risks and support the Bank's long-term interests. The remuneration system has a low impact on the Bank's financial risk, capital and liquidity situation. The total amount reserved for performance-based variable remuneration to employees in the Handelsbanken Group must not exceed 0.4% of the Handelsbanken Group's common equity tier 1 capital during any given year. The data for the calculation of performance-based variable remuneration is risk-adjusted based on an assessment of present and future risks. There are rules about deferring the disbursement of variable remuneration and for completely or partly reducing the allocated deferred variable remuneration.

For more detailed information and statistics about the Bank's remuneration system, see the Corporate Governance Report and note G8 in the annual report.

Table AR:50 Performance-based variable remuneration

Performance-based variable remuneration	2022	2021
Earned performance-based variable remuneration[1], SEK m	52	57
Salaries and fees, SEK m	9,800	9,278
No. of persons able to earn performance-based variable remuneration[2]	124	130
Average number of employees	12,030	12,240
Earned performance-based variable remuneration, as a proportion of total salaries and fees, %	0.5	0.6
Earned performance-based variable remuneration, as a proportion of common equity tier 1 capital, %	0.03	0.04
No. of persons able to earn performance-based variable remuneration as a proportion of average number of employees, %	1.0	1.1

[1] The amounts are excluding social security costs. The amounts are determined after the annual report is published.
[2] The number of persons who are allocated performance-based variable remuneration is determined after the annual report is published. Of the 130 persons who were able to earn performance-based variable remuneration in 2021, 114 received an allocation.

RISK IN THE INSURANCE OPERATIONS

The risks in the insurance business mainly comprise market risks and insurance risks.

BUSINESS OPERATIONS AND RISKS IN THE INSURANCE OPERATIONS

Handelsbanken Liv conducts life insurance operations with traditional management, unit-linked insurance, portfolio bond insurance and risk insurance operations. Traditionally managed insurance is closed for new sales. The risk profile is measured using the standard formula prescribed by Solvency 2. Market risks and insurance risks dominate the risk profile.

MARKET RISK

Market risk refers to the combined risk that changes in risk factors in financial markets – such as changes in interest rates, property prices, equity prices, or exchange rates – will result in changes in the value of the company's investment assets and/or its commitments. Market risk arises in traditional management related to guarantee products and indirectly from savings products, unit-linked insurance and portfolio bond insurance, where the policy holders themselves bear the risk but the company's earnings depend on the assets under management in the products.

Interest rate risk also arises in the insurance liabilities, in that the technical insurance provisions are discounted using a risk-free interest rate.

Handelsbanken Liv has a low risk tolerance. Through the company's investment guidelines and risk policy, the Board of Handelsbanken Liv gives overall instructions on how the assets are to be managed, given the undertakings to the policy holders and the statutory requirements, how governance and control of the investments will be implemented, and how the total risk level in the company's combined assets and undertakings will be managed. Assets are only invested in a prudent manner in assets and instruments whose risks can be identified, measured, analysed, and reported.

LIQUIDITY RISK

Liquidity risk is the risk that a company will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses. Liquidity risks are managed by daily monitoring of future disbursements and by investing a significant portion of the company's investment assets in listed securities with very good liquidity.

G2 Cont.

INSURANCE RISK

Insurance risk consists primarily of life and disability insurance risks and can be divided into the following categories:

Risk category

Mortality risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. For contracts with mortality risk, increased mortality leads to an increase in the value of the insurance commitments.

Longevity risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. For contracts with longevity risk, decreased mortality leads to an increase in the value of the insurance commitments.

Disability and morbidity risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, illness and recovery.

Lapse risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of, or in the volatility of, lapses, terminations, renewals and surrender.

Operating expense risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, operating expenses for insurance contracts.

Revision risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in the revision rates for periodic disbursements, due to changes in regulatory requirements, the legal environment or the health status of the contracts' beneficiaries.

Catastrophe risk

The risk of loss, or of adverse change in the value of insurance commitments, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

The Handelsbanken Liv Group is also exposed to risks connected with accident insurance. However, these are not judged to be material compared to other risks. Most of Handelsbanken Liv's policies are taken out by small companies and private individuals. There is no risk concentration, other than that most of the policies are taken out in Sweden.

The insurance operations report their market and insurance risks as well as operational risk to the insurance company's Board and CEO, to the Bank's Group Risk Control and to the Bank's Risk Committee, which acts in an advisory capacity to the CEO and CFO.

More information about Handelsbanken Liv's corporate governance system and risk management is included in Handelsbanken Liv's publication, Gemensam rapport om solvens och finansiell ställning (in Swedish only), available at handelsbanken.com.

ECONOMIC CAPITAL

Handelsbanken's model for calculating economic capital identifies in one measurement the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

Group Risk Control is responsible for comprehensive monitoring of the Group's various risks. The Bank's model for economic capital (EC) is an instrument in this monitoring. It is also part of the Bank's assessment of the internal capital requirement which is reported quarterly to the Board. This assessment is intended to ensure that the Group has sufficient capital at all times in relation to all risks in the Group. The Group perspective means that economic capital also includes risks in the insurance operations and risks in the Bank's pension obligations.

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of economic capital must be made with a 99.97% confidence level, which captures an event which is extremely unfavourable for the Bank. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome at a 99.97% confidence level.

Diversification effects between the different risk classes are taken into account when calculating EC. Since the risks are partly independent of each other, the capital requirement for all risks is lower than the sum of the economic capital for each individual risk.

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity with the addition of other financial values on and off the balance sheet, available to cover losses with a one-year time horizon.

In risk and capital management, the Group applies a shareholder perspective. The economic capital model provides an overall view of the Group which makes it possible to optimise the risk and capital situation from the shareholder's perspective. The outcome of the calculations plays an important role when new transactions or structural changes are considered.

Credit risk is calculated using simulated outcomes of default for all the Group's counterparties and exposures.

Market risks comprise the risk in the assets classified as the trading book, the interest rate risk in the non-trading book, market risks in the insurance operations, and the risk in shareholdings in the non-trading book.

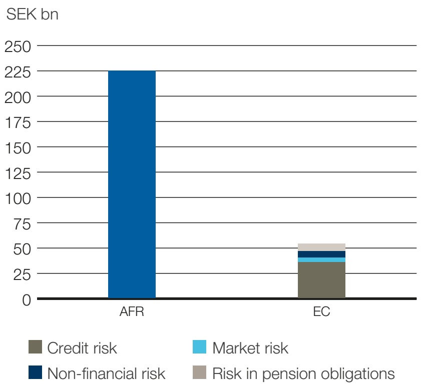
The risk in the pension obligations mainly consists of the risk of a decrease in the assets that exist for securing the Bank's defined benefit pensions, and the fact that the values of these obligations are sensitive to interest rates. Most of the pension obligations are in Sweden and are secured there in a pension foundation and an occupational pension association.

The other risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected changes in financial performance in each business area. For example, these may arise due to demand or competition changing unexpectedly, thus resulting in lower volumes and squeezed margins. Property risk captures the risk of a fall in the value of the properties which the Bank owns.

At year-end, EC was SEK 54.6bn (53.6), of which credit risks accounted for the main part of the total risk. The Board stipulates that the AFR/EC ratio should be at least 120%. The ratio was 413% (384) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

The risk and capital situation reported is a snapshot picture, even though the risk calculations include margins of conservatism for business cycle fluctuations. To perform a final assessment of the Group's capital adequacy requirements, consideration must also be given to the stress and scenario analysis carried out as part of the Bank's capital planning.

Figure AR:51 Total of AFR and EC including diversification 2022



G2 Cont.

CAPITAL PLANNING

Handelsbanken's capital planning aims to ensure that the Group has the right amount of financial resources available at all times.

The capital requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital (EC) and stress tests. The Bank's capital requirement is reported weekly to the CFO and the CEO and at least quarterly to the Board.

As part of proactive capital planning, there is a contingency and action plan with specific measures that can be taken if the Bank needs to improve its capital position. The purpose of the contingency and action planning is to ensure that there is a warning system that identifies potential threats at an early stage and that the Group is prepared to take rapid action, if necessary.

At least annually, a long-term capital plan is drawn up, which is designed to give a comprehensive overview of the Group's current capital situation, a forecast of expected capital performance, and the outcome in various scenarios. These scenarios are designed to substantially differ from expected events and thus harmonise with the Group's low risk tolerance. The capital plan also contains proposals for how to maintain the capital situation at a satisfactory level in a strongly negative business environment, from both a regulatory and shareholder perspective.

The capital planning is divided into short-term and mid- to long-term forecasting. The part of capital planning that comprises short-term forecasts up to two years ahead principally focuses on assessing existing performance and the development of the capital requirement. This forecasting is necessary to enable continual adaptation of the size and composition of own funds.

Capital planning is performed through ongoing analysis of changes in volume, risk and performance, and by monitoring events that may affect the capital requirements and capital level. Short-term forecasting includes all sub-components that make up the Group's own funds and, in addition to the regulatory minimum requirements and buffers, the capital requirement includes a Pillar 2 requirement, the leverage ratio requirement and the minimum requirement for own funds and eligible liabilities (MREL). The forecasting work also includes conducting various sensitivity analyses, with a short-term perspective, of the expected change in the capital adequacy requirement and own funds. The Bank can thus be prepared to alter the size and composition of its own funds if required – for example, through market operations.

The result of the short-term analysis forms the basis of any capital operations performed and is reported weekly to the CFO and the CEO and, if necessary, to the Board. The analysis is based on a cautious basic scenario, with decision points in the near future for how existing earnings capacity can cope with various changes in volume, as well as the effects which arise from potential capital operations.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's available financial resources (AFR) at all times cover by a good margin all risks calculated according to the EC model.

The long-term forecast also includes an assessment of the trend for the Bank's overall capital over the period: the minimum requirements, the combined buffer requirements, the Pillar 2 requirement, the leverage ratio requirement and the MREL requirement. The objective is to forecast the expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning horizon is at least five years and takes account of the Group's overall business performance trend.

A basic scenario forms the foundation of the long-term capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth, financial assumptions such as credit losses, and performance of the equity, property and fixed income markets. The basic scenario is then compared to the outcomes in a number of business cycle and crisis scenarios. The stress scenarios have been established following analysis of the historical links between the impacts of different macroeconomic variables on the financial markets and have been selected by using the scenarios expected to have the most severe impact on Handelsbanken. The prevailing macroeconomic situation, which is a combination of geopolitical risks, lingering effects related to the pandemic, inflation, rising interest rates and a weaker business climate, is included and analysed from the Bank's perspective.

At the end of 2022, the common equity tier 1 ratio was 19.6% (19.4). The ratio between AFR and EC was 413% (384) at the same date. Thus, AFR exceeds the assessed internal capital requirement (EC) by a very good margin.

The Bank's strong position is further emphasised by the result of the various forward-looking stress scenarios which are carried out, showing that Handelsbanken's long-term capital situation is very stable from both a financial and regulatory perspective.

Capital planning also monitors regulatory developments and assesses the impact and needs arising due to additional new requirements.

THE GROUP'S REGULATORY CAPITAL TARGETS

The Board continuously sets the targets for the Bank's capitalisation. A cornerstone of the internal capital requirement assessment of the regulatory capital situation is stress and scenario analysis of the Bank's situation, both long-term and short-term. The scenarios used are principally based on the Bank's internal risk tolerance and the direct requirements resulting from the regulations and other requirements from public authorities. In addition to the internal assessment of the capital requirement, the Swedish Financial Supervisory Authority has communicated that the target figures of Swedish banks must not be lower than the total assessed capital requirement calculated by the Supervisory Authority, regardless of the banks' internal calculations. The Bank has taken this into account when setting the target figures for the regulatory capitalisation.

The Board has decided that the common equity tier 1 ratio, which is the most relevant measure for the governance of the Bank under the current regulatory framework, under normal circumstances must be between 1 and 3 percentage points above the total common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The other capital tiers (the tier 1 ratio and the total capital ratio) must be at least 1 percentage point above the total capital assessment communicated to the Bank by the Swedish Financial Supervisory Authority for the respective capital tiers. The leverage ratio must be at least 0.6 percentage points above the total capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. In addition, the Bank must fulfil all other capital requirements imposed by public authorities. Moreover, the Board has decided that "the dividend level must not lead to the capital ratios falling below a level of one percentage point above the requirements communicated by the Swedish Financial Supervisory Authority".

In the Bank's assessment, the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at the end of the fourth quarter was 14.5%.

G3 Net interest income

SEK m	2022	2021
Interest income		
Loans to credit institutions and central banks	8,873	284
Loans to the public	48,567	35,094
Interest-bearing securities eligible as collateral with central banks	1,289	306
Bonds and other interest-bearing securities	876	279
Derivative instruments	7,452	-1,245
Other interest income	1,164	1,111
Total	**68,221**	**35,829**
Deduction of interest income reported in net gains/losses on financial transactions	814	-3
Total interest income	**67,407**	**35,832**
of which interest income according to effective interest method and interest on derivatives in hedge accounting	*59,702*	*34,483*
Interest expenses		
Due to credit institutions and central banks	-1,567	-112
Deposits and borrowing from the public	-8,032	-371
Issued securities	-16,595	-6,569
Derivative instruments	-3,454	3,073
Subordinated liabilities	-1,368	-1,097
Deposit guarantee fees	-332	-241
Other interest expenses	-379	-232
Total	**-31,727**	**-5,549**
Deduction of interest expenses reported in net gains/losses on financial transactions	-930	-38
Total interest expenses	**-30,797**	**-5,511**
of which interest expenses according to the effective interest method and interest on derivatives in hedge accounting	*-28,276*	*-5,010*
Net interest income	**36,610**	**30,321**

The derivative instrument rows include net interest income related to hedged assets and liabilities. These may have both a positive and a negative impact on interest income and interest expenses.

Changed presentation of resolution fee in income statement SEK m	Carrying amount 2021	Changed presentation of resolution fee	Previously published 2021
Interest expenses	-5,511	930	-6,441
Risk tax and resolution fee	-930	-930	
Total	**-6,441**	**-**	**-6,441**

As of the first quarter of 2022, the resolution fee is no longer reported under interest expenses, but instead as a separate item within operating profit. The risk tax is also reported as part of the same item. The comparative figures for the income statement items named above have therefore been recalculated.

G4 Net fee and commission income

SEK m	2022	2021
Brokerage and other securities commissions	455	555
Mutual funds	5,469	5,842
Custody and other asset management fees	911	905
Advisory services	196	230
Insurance	794	803
Payments	2,680	2,647
Loans and deposits	1,146	1,155
Guarantees	202	207
Other	546	560
Total fee and commission income	**12,399**	**12,904**
Securities	-218	-211
Payments	-969	-1,168
Other	-108	-67
Total fee and commission expenses	**-1,296**	**-1,446**
Net fee and commission income	**11,103**	**11,458**

G4 Cont.

Fee and commission income by segment 2022 SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Brokerage and other securities commissions	179	3	17	10	242	16	-12	455
Mutual funds	4,715	338	244	61	10	191	-90	5,469
Custody and other asset management fees	654	31	115	79	41	1	-11	911
Advisory services	0	48	1	-	194	-38	-8	196
Insurance	777	0	17	-	-	1	-1	794
Payments	2,089	310	275	1	14	-10	0	2,680
Loans and deposits	764	123	96	10	34	119	-1	1,146
Guarantees	102	15	46	1	40	1	-3	202
Other	525	6	5	1	323	5	-319	546
Total fee and commission income	**9,805**	**874**	**815**	**163**	**898**	**287**	**-444**	**12,399**

Fee and commission income by segment 2021 SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Brokerage and other securities commissions	258	7	21	7	280	-4	-14	555
Mutual funds	5,008	317	259	135	14	209	-100	5,842
Custody and other asset management fees	658	33	108	73	44	3	-14	905
Advisory services	2	46	0	-	215	-7	-26	230
Insurance	779	0	24	-	0	0	0	803
Payments	2,128	270	239	2	16	-8	0	2,647
Loans and deposits	752	122	89	18	47	127	0	1,155
Guarantees	100	16	42	1	51	-	-3	207
Other	540	5	4	0	259	2	-250	560
Total fee and commission income	**10,225**	**816**	**786**	**236**	**926**	**322**	**-407**	**12,904**

Fee and commission income refers to income from contracts with customers. Income from Brokerage and other securities commissions, Advisory services, Payments and Loans and deposits is generally recognised in conjunction with the rendering of the service, i.e. at a specific point in time. Payments also includes the issuing and acquisition of cards. Income from Mutual funds, Custody and other asset management fees, Insurance and Guarantees is generally recognised as the services are rendered, i.e. on a straight-line basis over time.

Assets under management SEK bn	2022	2021
Mutual funds, excl. PPM and unit-linked insurance	602	718
PPM	67	74
Unit-linked insurance	178	197
less external funds	*-2*	*-2*
Total mutual funds	**845**	**987**
Structured products	2	3
Portfolio bond insurance	45	50
less Handelsbanken mutual funds and structured products	*-24*	*-25*
Traditional insurance	6	7
less Handelsbanken mutual funds and structured products	*-6*	*-6*
Discretionary and Institutional assets, excl. insurance	317	360
less Handelsbanken mutual funds and structured products	*-270*	*-301*
Total assets under management, excl. securities in custody	**915**	**1,075**
Securities in custody accounts, excl. mutual funds	614	908
Securities in custody accounts, excl. mutual funds, for foundations associated with Handelsbanken	37	50

G5 Net gains/losses on financial transactions

SEK m	2022	2021
Amortised cost	65	300
of which loans	*35*	*396*
of which interest-bearing securities	*-*	*-*
of which issued securities	*30*	*-96*
Fair value through other comprehensive income	-1	0
of which expected credit losses	*-1*	*0*
Fair value through profit or loss, fair value option	-4,710	-900
of which interest-bearing securities	*-4,710*	*-900*
Fair value through profit or loss, mandatory including foreign exchange effects	6,292	2,347
Hedge accounting	-80	0
of which net gains/losses on fair value hedges	*-29*	*7*
of which cash flow hedge ineffectiveness	*-51*	*-7*
Result from financial components in insurance contract	-455	-48
Total	**1,111**	**1,699**

The accumulated value change due to changes in credit risk from initial recognition from financial assets which are classified at fair value through profit or loss, fair value option, amounted to SEK -158m (-166).

G6 Risk result - insurance

SEK m	2022	2021
Premiums written	489	498
Insurance claims paid	-341	-332
Change in provisions for unsettled claims	9	-8
Other	19	21
Total	**176**	**179**

G7 Other income

SEK m	2022	2021
Rental income	19	34
Other operating income[1]	1,227	521
Total	**1,246**	**555**

[1] In Q1 2022, Svenska Handelsbanken AB sold real estate holding subsidiaries, which had an impact of SEK 1,059m on other operating income in 2022. In Q4 2021, Svenska Handelsbanken AB sold its card acquiring business, which had an impact of SEK 408m on other operating income in 2021.

G8 Staff costs

SEK m	2022	2021
Salaries and fees	-8,527	-8,196
Social security costs	-2,240	-2,049
Pension costs[1]	-1,698	-1,849
Provision for the profit-sharing scheme	-196	-69
Other staff costs	-442	-289
Total	**-13,103**	**-12,452**

[1] The components in the reported pension costs are shown in the Pension costs table.

Salaries and fees SEK m	2022	2021
Executive officers[2]	-161	-113
Others	-8,366	-8,083
Total	**-8,527**	**-8,196**

[2] Executive officers and Board members in the parent company and CEOs, Deputy CEOs and Board members in subsidiaries (on average 57 people).

Staff costs attributable to the discontinued operations in Denmark and Finland are presented in note G14.

Gender distribution	2022		2021	
%	Men	Women	Men	Women
Executive officers excluding Boards	66	34	71	29
of which in parent company	*60*	*40*	*70*	*30*
of which in subsidiaries	*70*	*30*	*71*	*29*
Boards	60	40	65	35
of which in parent company	*46*	*54*	*50*	*50*
of which in subsidiaries	*62*	*38*	*68*	*32*

G8 Cont.

Average number of employees	2022 Total	2022 Men	2022 Women	2021 Total	2021 Men	2021 Women
Sweden	6,911	3,350	3,561	6,984	3,372	3,612
UK	2,658	1,490	1,168	2,667	1,512	1,155
Norway	819	424	395	801	414	387
The Netherlands	382	243	139	361	231	130
USA	53	31	22	55	34	21
China	0	0	0	16	8	8
Luxembourg	50	24	26	47	25	22
Singapore	1	1	0	5	1	4
Germany	2	1	1	21	9	12
Poland	15	4	11	16	4	12
Other countries	63	27	36	66	28	38
Total	**10,954**	**5,595**	**5,359**	**11,039**	**5,638**	**5,401**

The average numbers of employees attributable to the discontinued operations in Denmark and Finland are presented in note G14.

Remuneration[1] exceeding EUR 1 million No. of persons	2022	2021
Range EUR 1.0–1.5m	1	2
Range EUR 1.5–2.0m	1	1
Range EUR 2.0–2.5m	-	-
Range EUR exceeding 2.5m	-	-
Total	**2**	**3**

[1] Including earned pension and other salary benefits.

Remuneration[2] to risk-takers[3], business segments	2022		2021	
SEK m	Remuneration	No. of persons	Remuneration	No. of persons
Handelsbanken Sweden	443	306	498	377
Handelsbanken UK	283	179	400	253
Handelsbanken Norway	128	56	113	59
Handelsbanken the Netherlands	74	46	71	48
Handelsbanken Capital Markets	124	30	188	59
Discontinued operations[4]	250	105	170	107
Other	384	139	321	131
Total	**1,686**	**861**	**1,761**	**1,034**

Remuneration[2] to risk-takers[3]	2022		2021	
	Executive management[5]	Other risk-takers	Executive management[5]	Other risk-takers
Earned fixed remuneration, SEK m	118	1,484	74	1,630
Earned performance-based variable remuneration, SEK m	-	-	-	-
Earned other variable remuneration, SEK m	0	84	0	57
Total	**118**	**1,568**	**74**	**1,687**
No. of persons with fixed remuneration only	-	20	-	-
No. of persons who may receive both fixed and performance-based remuneration	-	-	-	-
No. of persons with both fixed and variable remuneration	16	825	11	1,023
Total number of persons	**16**	**845**	**11**	**1,023**
Guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-
Contracted guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-

[2] Earned remuneration, including pensions and other salary benefits, has been recognised as an expense in its entirety. Performance-based variable remuneration is allocated at an individual level during the financial year after it is earned and is disbursed or deferred in accordance with the Bank's policy for variable remuneration. No employees identified as risk-takers as a result of their duties, earned performance-based variable remuneration in either 2022 or 2021. In 2022, two employees were identified as risk-takers due to their remuneration level. The payment of earned performance-based variable remuneration for the earnings year 2022 will take place in 2023. All performance-based variable remuneration is paid in cash or in financial instruments. The amounts are excluding social security costs. The right of disposal of the deferred remuneration transfers to the employee at the time of disbursement. Other variable remuneration refers to disbursements from the Oktogonen profit-sharing scheme and contracted termination benefits. The disbursement of remuneration from the Oktogonen profit-sharing scheme amounted to SEK 8m (14). The amount is excluding social security costs. Total contracted termination benefits during the year amount to SEK 76m (43), with the highest individual amount being SEK 7.2m (4.0). During the year, SEK 17m (67) in termination benefits was paid to 12 (47) risk-takers. No guaranteed variable remuneration is paid.

[3] Employees whose duties can have a material impact on the Bank's risk profile pursuant to the Commission Delegated Regulation (EU) 923/2021. There may be risk-takers or other specially regulated employees with variable remuneration in subsidiaries whose remuneration policy is subject to other EU regulations or other regulations published by the Swedish Financial Supervisory Authority.

[4] Discontinued operations in Denmark and Finland.

[5] According to the Swedish Financial Supervisory Authority's regulations FFFS 2011:1.

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EMPLOYEE BENEFITS

Information about remuneration principles for all employees in the Handelsbanken Group is provided in more detail in the Corporate Governance Report on page 85.

Pursuant to the Swedish Financial Supervisory Authority's regulation FFFS 2011:1 and the European Commission Delegated Regulations (EU) 575/2013 and (EU) 923/2021, banks must identify employees whose professional activities have a material impact on the bank's risk profile. Handelsbanken has identified 861 (1,034) employees who engage in such activities and has designated them as 'risk-takers'. The tables above present the Handelsbanken Group's remuneration to these risk-takers pursuant to the disclosure requirements in the aforementioned regulations. In 2022, the Handelsbanken Group had no employees whose duties have a material impact on the Bank's risk profile, who earned performance-based variable remuneration.

For the financial year 2022, Handelsbanken has made a provision of SEK 212m (88) for the Oktogonen profit-sharing scheme.

Oktogonen profit-sharing scheme

The Oktogonen profit-sharing scheme covers all employees in the Handelsbanken Group. The provision is classified as variable remuneration and is based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance. Disbursements are mainly made in cash to the employees, or alternatively to a pension plan, savings plan or a combination of the two.

Share-based payment

All employees at Handelsbanken plc are covered by a Share Incentive Plan ("SIP"), in accordance with applicable UK law. Remuneration in the plan is settled in the form of shares in the parent company, Handelsbanken AB. A SIP requires that a UK-based trust is used to manage the share incentive plan on behalf of the company. A trust has thus been established, which is administrated by a SIP trustee. The trust acquires and allocates shares to the employees, and thereafter holds the allocated shares on behalf of the employees. The employees' allocated shares must be vested in the SIP for a minimum of five years to prevent tax consequences for the employees. Dividends received during the vesting period accrue to the employees.

The conditions for an allocation to the SIP and the earnings conditions are identical to those for the Oktogonen profit-sharing scheme. The earning period is thus the preceding financial year. See the Principles for remuneration at Handelsbanken section. Handelsbanken plc's Board of Directors decides on the final allocation to the share incentive plan.

During the 2022 year of operations, share-based payment of SEK 25.0m (37.5) has been

Remuneration to the Chief Executive Officer, Executive Vice Presidents and executive management, and the Heads of control functions

	Fixed remuneration				Variable remuneration		Pension costs, defined benefit and defined contribution plans		Fixed and variable remuneration, including pension costs		Proportion fixed remuneration/total remuneration	
	Basic salary		Benefits									
SEK m	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Chief Executive Officer												
Carina Åkerström[1]	14.0	13.3	0.6	0.5	0.0	0.0	4.9	4.6	19.5	18.4	100%	100%
Executive Vice Presidents												
Carl Cederschiöld[2, 3]	7.3	6.4	0.2	0.1	0.0	0.0	2.1	2.1	9.6	8.6	100%	100%
Per Beckman[4]	6.3	6.2	0.3	0.3	0.0	0.0	3.6	4.3	10.2	10.8	100%	100%
Other members of executive management and control functions[5]	53.9	25.7	4.0	1.5	0.1	0.1	12.5	8.2	70.5	35.5	100%	100%
Average number of persons; CEO, Executive Vice Presidents, executive management and control functions	15	10										
Number of persons as at December; CEO, Executive Vice Presidents, executive management and control functions	15	10										

The pension cost refers to pension earned under defined benefit pension plans in accordance with IAS 19, or alternatively paid premiums for defined contribution pension plans. An accrued defined benefit pension is vested and secured in the Bank's pension foundation or assured in the Bank's pension fund. If service ceases before retirement age, the person receives a paid-up policy for the defined benefit and/or defined contribution pension earned. The payment of variable remuneration in the form of the Oktogonen profit-sharing scheme has taken place in 2022. Before local taxes and social security costs, the amount was SEK 10,965 (16,742) per employee.

[1] Defined contribution pension of 35% of salary since becoming Chief Executive Officer. The retirement age is 65. Previously earned defined benefit pension is placed in a paid-up policy.
[2] Became Executive Vice President on 2 February 2021.
[3] Defined benefit pension according to the collective bargaining agreement, in combination with a defined contribution plan amounting to a maximum of 30% of salary above 30 income base amounts. The retirement age is 65, and the defined benefit pension is fully earned at retirement age.
[4] Defined benefit pension of 65% of salary at age 60 and a pension contribution of 2% of salary. The defined benefit pension is fully earned. Defined contribution pension of 30% of salary since November 2022.
[5] Other executive officers employed by the Bank receive a defined benefit or defined contribution pension according to collective bargaining agreements, in combination with a defined contribution plan amounting to a maximum of 35% of salary, with the exception of one executive officer whose pension is a maximum of 35% of full salary, and one executive officer who does not earn pension. The retirement age is 65 (67 for one executive officer), and the defined benefit pension is fully earned for these persons by the time they reach the age of retirement. The amount for basic salary and pension is stated before any salary sacrifice. Among other members of executive management and control functions, two employees have converted SEK 2.1m from salary to pension.

G8 Cont.

charged to expenses for the 2021 earnings year, which has been recognised as an increase in equity. The Bank's expenses for share-based payment cannot subsequently be changed. The payment has been settled via the purchase of 282,108 (395,865) shares in Handelsbanken AB in the market by the trust, at an average market price of SEK 88.8 (97.3) per share, which have then been allocated to the employees. Within the Group, acquisitions of shares in Handelsbanken AB constitute repurchases of own shares, and have led to a reduction of equity. See the Statement of changes in equity.

REMUNERATION TO EXECUTIVE OFFICERS

Executive officers in Handelsbanken are Board members, the CEO, Executive Vice Presidents, the Chief Risk Officer, the Chief Compliance Officer and other members of executive management. Refer also to pages 88–91 of the Corporate Governance Report. The remuneration to executive officers of the parent company is in accordance with the guidelines for remuneration established by the 2022 annual general meeting. See also page 86.

Information regarding remuneration to, pension obligations for, credits to and deposits from executive officers of Handelsbanken is provided on these pages. This also applies to the subsidiaries' CEOs, Executive Vice Presidents and Board members.

Remuneration to executive officers of the Handelsbanken Group is paid only in the form of fixed salary and pension provisions, as well as customary benefits such as a company car. Following a special Board decision, the Bank can provide housing as part of the remuneration. The executive officers in question are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank. No performance-based variable remuneration is paid. Executive officers who are employees of the Bank are entitled to convert salary to pension on the same conditions as all employees.

Board members who are not employees of the Bank or any of the Bank's subsidiaries have only received a fee according to the decision of the AGM.

Board members who are employees of the Bank or the Bank's subsidiaries receive remuneration and pension benefits by virtue of their employment. No further remuneration or pension benefits are paid for serving on the Board. Information regarding fees to Board members in the parent company is shown on pages 88–91 of the Corporate Governance Report.

The pension cost stated by the Bank in the remuneration information for executive officers below consists of the service cost relating to defined benefit pensions according to IAS 19, the agreed premiums for defined contribution pensions, and any pension premiums that have been converted from salary.

Fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank.

Remuneration to executive officers at subsidiaries

Fees paid to the 19 (16) board members of subsidiaries who are not employees of the Bank or its subsidiaries are SEK 11.1m (8.0).

In 2022, the CEOs[1] and Executive Vice Presidents in the subsidiaries, 17 (14) individuals, received fixed salaries after conversion to pension amounting to SEK 57.9m (46.5). Other salary benefits were SEK 3.9m (3.3) and the Bank's pension cost was SEK 6.2m (6.2). Before conversion to pension, the pension cost was SEK 4.9m (5.6), corresponding to 8.3% of the salary (12.0). Variable remuneration in the form of the Oktogonen profit-sharing scheme amounted to SEK 0.1m (0.2).

Remuneration is not paid to CEOs and Executive Vice Presidents in subsidiaries who have other main work duties at Handelsbanken.

PENSION OBLIGATIONS TO EXECUTIVE OFFICERS

As at 31 December 2022, the pension obligation[2] for the CEO Carina Åkerström, earned before she took up the position of CEO and now placed in a paid-up policy, was SEK 76.5m (92.3). As at 31 December 2022, the pension obligation for the Executive Vice President Per Beckman was SEK 89.0m (114.7), and for the other executive officers in the parent company – 13 individuals (8) – pension obligations were SEK 107.4m (72.2).

Pension obligations in the Handelsbanken Group for all current and former executive officers were SEK 2,485m (2,722) as at 31 December 2022, of which pension obligations for all current and former executive officers in the parent company were SEK 2,332m (2,544) as of the same date. The number of people covered by these obligations in the Group is 91 (89), of whom 68 (71) are pensioners. The corresponding number for the parent company is 76 (74), of whom 61 (64) are pensioners.

CREDITS TO AND DEPOSITS FROM EXECUTIVE OFFICERS

As at 31 December 2022, credits to executive officers were SEK 16.8m (1.3) in the parent company and SEK 136.5m (98.4) in the subsidiaries. Deposits in the parent company from these persons totalled SEK 664.7m (263.1). In 2022, the Bank's interest income from these persons for credits totalled SEK 0.0m (0.0) in the parent company and SEK 1.8m (1.2) in the subsidiaries. Interest paid to these persons for deposits in the parent company was SEK 3.7m (0.9).

As at 31 December 2022, credits to executive officers in the subsidiaries in the Handelsbanken Group were SEK 149.4m (104.8).

Credit and deposit terms for executive officers employed in the Handelsbanken Group are in line with the principles applicable for all other employees of the Handelsbanken Group. All credits are subject to a credit assessment.

[1] The CEO of Handelsbanken plc is also part of executive management.
[2] Pension obligations are amounts which, in accordance with IAS 19, the Bank reserves for payment of future defined benefit pensions. The size of the obligations depends on financial and demographic assumptions which may change from year to year.

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PENSIONS

Net pension obligations SEK m	2022	2021
Pension obligations	26,419	34,841
Fair value of plan assets	39,294	43,607
Net pensions	**12,875**	**8,766**

In addition to the defined benefit obligation and plan assets in the above table, provisions have been made in the years 1989–2004 to Svenska Handelsbankens Pensionsstiftelse (pension foundation) for a special supplementary pension (SKP). This includes plan assets whose market value amounts to SEK 7,847m (8,948). SKP entails a commitment by the Bank amounting to the same amount as the plan assets.

A part of this commitment, SEK 5,871m (6,694), is conditional.

Pension costs SEK m	2022	2021
Service cost	-708	-947
Past service cost	0	0
Interest on pension obligations	-721	-563
Interest on plan assets	913	597
Gains and losses from settlements and curtailments	0	0
Social security costs, defined benefit plans[1]	-152	0
Pension costs, defined benefit plans	**-668**	**-913**
Pension costs, defined benefit plans[2]	-747	-674
Social security costs, defined benefit plans[2]	-283	-262
Total pension costs	**-1,698**	**-1,849**

[1] The Bank's decision not to claim reimbursement from the pension foundation in 2022 has resulted in an expense of SEK 152m for special payroll tax on defined benefit pension plans, see note P40.
[2] Pension costs from discontinued operations in Denmark and Finland are presented in note G14.

Pension obligations SEK m	2022	2021
Opening balance	34,841	37,761
Service cost	776	988
Past service cost	0	0
Interest on pension obligations	721	563
Paid benefits	-1,051	-1,062
Gains and losses from settlements and curtailments	0	0
Actuarial gains (-)/losses (+)	-8,950	-3,725
Foreign exchange effect	82	316
Closing balance[3]	**26,419**	**34,841**

[3] In the closing balance as at 31 December 2022, the hedging for 2023 of 10.84% has been included in the calculation of the Swedish pension obligation. The effect of including the determined hedging has increased pension liabilities by SEK 2,335m as at 31 December 2022.

Plan assets SEK m	2022	2021
Opening balance	43,607	39,766
Past service cost	-	-
Interest on plan assets	913	597
Funds contributed by the employer	974	871
Compensation to employer	-57	-674
Gains and losses from settlements and curtailments	0	0
Funds paid directly to employees	-343	-329
Actuarial gains (+)/losses (-)	-5,901	3,095
Foreign exchange effect	101	281
Closing balance	**39,294**	**43,607**

Return on plan assets SEK m	2022	2021
Interest on plan assets	913	597
Actuarial gains (+)/losses (-)	-5,901	3,095
Actual return	**-4,988**	**3,692**

Allocation of plan assets SEK m	2022	2021
Shares and fund shares on an active market[4]	28,690	33,269
Shares not listed on an active market	2,163	1,709
Interest-bearing securities listed on an active market	6,518	7,595
Other plan assets	1,923	1,034
Total	**39,294**	**43,607**

[4] The fund shares amount to SEK 21,649m (21,299) of which fixed income funds 17,093m (16,287).

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK - m (-) on the balance sheet date 31 December 2022. No bonds issued by Svenska Handelsbanken AB (publ) are included in the plan assets. As of 31 December 2022, other plan assets include liquid funds. As at 31 December 2021, the amount also includes liquid funds and a liability for compensation that had not yet been paid out from the pension foundation.

G8 Cont.

Actuarial gains (-)/losses (+), pension obligations SEK m	2022	2021
Changes in demographic assumptions	-459	219
Changes in financial assumptions	-11,006	-3,873
Experience-based adjustments	2,515	-71
Total	**-8,950**	**-3,725**

Future cash flows SEK m	Outcome 2022	Forecast 2023
Paid benefits	-1,051	-1,134
Funds contributed by the employer	974	1,014

Defined benefit pensions are mainly paid to employees in Sweden. Of the total net pension obligation, the Swedish plan accounts for SEK 24,488m (31,681) and the UK plan (closed for new earnings) for SEK 1,864m (3,089). In addition, a smaller scale defined benefit plan remains in Norway. Considering their respective sizes, these are considered insignificant and are therefore not reported in further detail.

Of the total plan assets, the Swedish plan assets are 37,339m (40,437), while an amount of SEK 1,955m (3,170) is attributable to the closed plan in the UK.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. As of 1 March 2020, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2020 are not affected and remain covered by the defined benefit pension plan.

The pension plans are funded externally, meaning plan assets are held by pensions funds, trusts or similar legal entities. The trusts' (or equivalent) activities are regulated by national laws and practices, as is the relationship between the Group and the trust (or equivalent) managing the plan assets and the framework for how the plan assets may be invested. In Sweden, the Act on the Safeguarding of Pension Commitments and the Occupational Pension Undertakings Act are the main national laws and practices. National legislation pertaining to pensions and tax is applied in the UK.

Significant assumptions	Sweden		UK	
	2022	2021	2022	2021
Discount rate, %	4.2	2.1	4.9	1.8
Expected salary increase, %	3.5	3.5		
Pension indexing, %	2.0	2.0	3.0	3.3
Income base amount, %	3.0	3.0		
Inflation, %	2.0	2.0	3.2	3.5
Staff turnover, %	5.0	4.0		
Remaining life expectancy at retirement age, years	23.1	23.1	24.0	24.0
Average duration (Macaulay), years	14.1	17.3	15.0	19.0

The assumptions on future salary increases, inflation, etc., are based on the anticipated long-term trend. The Bank's Swedish pension obligations have a maturity of approximately 17 years and assumptions have been made taking this into consideration. The assumptions are set to reflect the long-term economic prospects and to be internally consistent.

Sensitivity analysis	Effects on the defined benefit obligation				
		Increased defined benefit obligation, SEK m		Decreased defined benefit obligation, SEK m	
	Changes in assumptions	2022	2021	2022	2021
Discount rate, %	0.5	2,021	3,201	-1,801	-2,998
Expected salary increase, %	1.0	433	1,638	-1,080	-1,369
Pension indexing, %	0.5	1,273	1,875	-1,187	-1,742
Remaining life expectancy at retirement age, years	1.0	793	1,238	-800	-1,232

The above sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The method is described in the accounting policies (see note G1, section 20). Compared with the 2021 annual report, there have been no changes in the methods used when preparing the sensitivity analysis.

Through its defined benefit pension plans, the Bank is exposed to a number of risks. The most significant of these are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, the risk of a deficit arising is low because there is a surplus value in the plan assets. The plan assets include equities and equity funds which are expected to outperform corporate bonds in the long term while being associated with volatility and risk in the short term. The Bank believes that due to the long-term nature of the plan liabilities, a substantial proportion of shares is an appropriate element of the Bank's long-term strategy to manage the plans efficiently.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities. However, this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk: The pension obligations are linked to inflation. Higher inflation will lead to increased obligations. Valuation of the plan assets is not directly affected by inflation in a material way. This means that an increase in inflation will probably increase the deficit in the pension plans.

Life expectancy: The pension schemes are to provide benefits during the lifetime of the members. Increases in life expectancy will thus result in an increase in the pension obligation.

Asset-Liability matching (ALM): The composition of the plan assets is matched to the pension liabilities composition and expected development. The overall goal is to generate a return over the medium and long term, that at least corresponds to the development of the pension liability. A proportion of the plan assets is invested in equities, but investments are also made in fixed income instruments and cash. A substantial proportion of shares is deemed appropriate in order to manage the plans effectively.

Funding arrangements: Minimum funding requirements differ between plans but where such requirements are based on collective bargaining agreements or internal policies, the funding requirement is generally that the pension obligations measured according to local requirements shall be covered in full. Funding levels are monitored regularly. The Bank considers that the current contribution rate is appropriate.

G9 Other expenses

SEK m	2022	2021
Property and premises	-599	-545
External IT costs	-2,963	-2,188
Communication	-255	-257
Travel and marketing	-236	-128
Purchased services	-1,836	-1,884
Supplies	-170	-140
Other administrative expenses	-484	-435
Total	**-6,543**	**-5,577**

Remuneration to auditors and audit companies	Pricewaterhouse Coopers AB		Ernst & Young AB	
SEK m	2022	2021	2022	2021
Audit assignment	-34	-4	-10	-26
Audit operations outside the audit assignment	-6	0	-1	-2
Tax advice	-	-	0	0
Other services	-	-	-	-

G10 Credit losses

SEK m	2022	2021
Expected credit losses on balance sheet items		
The year's provision Stage 3	-182	-403
Reversed Stage 3 provision from previous years	223	173
Total expected credit losses in Stage 3	**41**	**-230**
The year's net provision Stage 2	-99	188
The year's net provision Stage 1	-109	-9
Total expected credit losses in Stage 1 and Stage 2	**-207**	**179**
Total expected credit losses on balance sheet items	**-166**	**-51**
Expected credit losses on off-balance sheet items		
The year's net provision Stage 3	11	26
The year's net provision Stage 2	-31	11
The year's net provision Stage 1	-4	-18
Total expected credit losses on off-balance sheet items	**-25**	**19**
Write-offs		
Actual credit losses for the year[1]	-738	-363
Utilised share of previous provisions in Stage 3	636	281
Total write-offs	**-102**	**-82**
Recoveries	245	71
Net credit losses	**-47**	**-43**
of which loans to the public	*-26*	*-65*

[1] Of the year's actual credit losses, SEK 222m (105) is subject to enforcement activities.

G10 Cont.

SEK m	2022	2021
1) Expected credit losses in Stage 3 on and off the balance sheet	**52**	**-204**
Change in the model-based provision in Stage 1 and Stage 2:		
Updating of macroeconomic scenarios and risk factors	-104	45
Transfer of exposures in exposed industries from Stage 1 to Stage 2[1]	10	2
Change in risk of default in included portfolio (net rating changes)	-1	-36
Effect of changed exposure (existing, new and terminated exposures)	40	49
Other in Stage 1 and Stage 2	-69	128
Less discontinued operations	4	-13
Model-based credit losses in Stage 1 and Stage 2	**-120**	**175**
Expert-based provision		
Expert-based provision	-646	-577
Less discontinued operations	25	78
Expert-based provision in continuing operations	-621	-499
Expert-based credit losses Stage 1 and Stage 2 (change in provision compared with the previous year)	**-122**	**-3**
2) Expected credit losses in Stage 1 and Stage 2 on and off the balance sheet	**-242**	**172**
3) Write-offs	**-102**	**-82**
4) Recoveries	**245**	**71**
Net credit losses (1+2+3+4)	**-47**	**-43**

[1] Expert-based assessment of significant increase in credit risk.

The provision requirement has increased during 2022. This is mainly due to updated values for the forward-looking macroeconomic risk factors, whereby GDP has decreased, while inflation and interest rates have increased compared to the forecast at the previous year-end. A number of other factors have also combined to cause a slight further increase to the provision requirement during the year.

During the period 2020–2021, the Bank applied an expert-based provision for risks linked to the Covid-19 pandemic, which were not assessed as being fully considered in the Bank's risk models. This provision was reversed during the year, as the potential remaining effects of the pandemic on the repayment capacity of the Bank's customers are now considered to be reflected in the individual provision amount according to the Bank's internal risk ratings.

During the year, the Bank applied an expert-based provision based on elevated credit risks relating to uncertainty factors which were not deemed to be fully considered in the Bank's risk models. These uncertainty factors are primarily associated with the instability of the operating environment, including the war in Ukraine, which created extensive supply chain disruptions, shortages of input goods and energy, and the availability of labour within certain sectors. Given the challenges, at the end of the year, in assessing how the uncertainty factors noted above affect the credit risk at individual company level, together with uncertainty surrounding how these factors will develop, the Bank has therefore applied an expert-based stress to sectors at risk of extra sensitivity to supply and access disruptions. This stress has been applied in addition to the model-based calculations, and results in an additional provision requirement of SEK 621m (499) in continuing operations and SEK 646m (577) including discontinued operations.

The impairment testing process for agreements in Stage 3 has not been changed, and the customary procedure with individual assessment has continued.

G10 Cont.

On and off-balance sheet items subject to impairment testing 2022

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	475,853	-	-	0	-	-
Other loans to central banks	32,620	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	200	-	-	0	-	-
Loans to other credit institutions	9,418	1	-	-2	-1	-
Loans to the public	2,374,713	91,349	5,716	-475	-722	-1,257
Bonds and other interest-bearing securities	9,882	-	-	-2	-	-
Total	**2,902,686**	**91,350**	**5,716**	**-480**	**-723**	**-1,257**
Off-balance sheet items						
Contingent liabilities	314,586	12,533	274	-103	-169	-82
of which guarantee commitments	*58,973*	*1,935*	*67*	*-6*	*-11*	*-19*
of which obligations	*255,613*	*10,598*	*207*	*-97*	*-158*	*-63*
Total	**314,586**	**12,533**	**274**	**-103**	**-169**	**-82**

The information in this note includes the Finland disposal group, which has been reclassified to Assets held for sale on the balance sheet, respectively, and which constitutes discontinued operations. The operations in Denmark were divested during Q4 2022 and are included in the comparative figures. See note G14.

Balance sheet and off-balance sheet items that are subject to impairment testing 2021

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	439,932	-	-	0	-	-
Other loans to central banks	1,462	-	-	-	-	-
Interest-bearing securities eligible as collateral with central banks	421	-	-	-	-	-
Loans to other credit institutions	21,833	10	-	-2	-3	-
Loans to the public	2,345,196	64,390	7,421	-395	-690	-2,093
Bonds and other interest-bearing securities	9,016	-	-	-2	-	-
Total	**2,817,860**	**64,400**	**7,421**	**-399**	**-693**	**-2,093**
Off-balance sheet items						
Contingent liabilities	406,024	9,477	336	-109	-144	-91
of which guarantee commitments	*70,375*	*1,265*	*116*	*-9*	*-10*	*-39*
of which obligations	*335,649*	*8,212*	*220*	*-100*	*-134*	*-52*
Total	**406,024**	**9,477**	**336**	**-109**	**-144**	**-91**

[1] Gross volume in Stage 3 for which no provision has been made, due to collateral received, amounts to SEK 3,270m (3,259).

Key figures, credit losses Loans to the public[2]	**2022**	**2021**
Acc. credit loss ratio, total operations, %	0.00	0.00
Acc. credit loss ratio, continuing operations, %	0.00	0.00
Total reserve ratio, %	0.10	0.13
Reserve ratio Stage 1, %	0.02	0.02
Reserve ratio Stage 2, %	0.79	1.07
Reserve ratio Stage 3, %	21.99	28.20
Proportion of loans in Stage 3, %	0.18	0.22

[2] Includes the Finland disposal group, reclassified to Assets held for sale in the balance sheet as at 31 December 2021. The comparative figures also include Denmark, see note G14.

G10 Cont.

CHANGE ANALYSIS

Change in provision for expected credit losses, balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-399	-693	-2,093	-3,185	-389	-840	-2,238	-3,467
Derecognised assets	71	165	301	536	43	86	143	272
Write-offs	0	1	671	672	0	2	391	393
Remeasurements due to changes in credit risk	-228	201	-21	-47	-123	151	-72	-44
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-11	-8	-24	-43	-13	-23	-60	-96
Purchased or originated assets	-53	-52	-9	-114	-61	-22	-21	-104
Transfer to Stage 1	-38	44	8	14	-29	45	2	18
Transfer to Stage 2	70	-470	16	-384	59	-234	7	-168
Transfer to Stage 3	108	89	-106	92	114	142	-245	11
Provision at end of year	**-480**	**-723**	**-1,257**	**-2,459**	**-399**	**-693**	**-2,093**	**-3,185**

Change in provision for expected credit losses, loans to the public that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-395	-690	-2,093	-3,178	-385	-834	-2,238	-3,457
Derecognised assets	70	165	301	535	43	86	143	272
Write-offs	0	1	671	672	0	2	391	393
Remeasurements due to changes in credit risk	-227	199	-21	-49	-124	148	-72	-48
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-11	-8	-24	-43	-13	-23	-60	-96
Purchased or originated assets	-52	-52	-9	-113	-60	-22	-21	-103
Transfer to Stage 1	-38	44	8	14	-29	45	2	18
Transfer to Stage 2	70	-470	16	-384	59	-234	7	-168
Transfer to Stage 3	108	89	-106	92	114	142	-245	11
Provision at end of year	**-475**	**-722**	**-1,257**	**-2,454**	**-395**	**-690**	**-2,093**	**-3,178**

Provisions for expected credit losses in the tables above include the Finland disposal group, which has been reclassified to Assets held for sale in the balance sheet. The comparative figures also include Denmark, see note G14.

Change in provision for expected credit losses, off-balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-109	-144	-91	-344	-90	-157	-119	-366
Derecognised assets	30	24	-	54	14	27	-	41
Write-offs	0	0	1	1	-	-	-	-
Remeasurements due to changes in credit risk	-11	43	9	41	0	23	28	51
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	3	22	-	24	-7	-25	-	-32
Purchased or originated assets	-21	-16	-	-37	-28	-6	-	-34
Transfer to Stage 1	-5	8	-	3	-9	19	-	10
Transfer to Stage 2	8	-107	-	-99	5	-33	-	-28
Transfer to Stage 3	3	2	-	4	6	8	-	14
Provision at end of year	**-103**	**-169**	**-82**	**-353**	**-109**	**-144**	**-91**	**-344**

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

G10 Cont.

Change in gross volume, balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	2,817,860	64,400	7,421	2,889,681	2,639,707	76,401	7,002	2,723,110
Derecognised assets	-301,842	-16,004	-1,592	-319,437	-167,405	-8,830	-825	-177,060
Write-offs	-12	-5	-764	-781	-13	-10	-463	-486
Remeasurements due to changes in credit risk	123,331	-26,219	-943	96,167	-99,663	-8,086	-914	-108,663
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	92,095	1,410	70	93,575	82,718	3,605	273	86,596
Purchased or originated assets	232,540	7,905	101	240,546	363,244	2,839	101	366,184
Transfer to Stage 1	43,672	-43,579	-94	-	41,290	-41,207	-83	-
Transfer to Stage 2	-104,054	104,466	-412	-	-41,089	41,221	-132	-
Transfer to Stage 3	-904	-1,025	1,929	-	-929	-1,533	2,462	-
Volume at end of year	**2,902,686**	**91,350**	**5,716**	**2,999,751**	**2,817,860**	**64,400**	**7,421**	**2,889,681**

Change in gross volume, loans to the public that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	2,345,196	64,390	7,421	2,417,007	2,189,683	76,384	7,002	2,273,069
Derecognised assets	-254,118	-15,887	-1,592	-271,598	-161,245	-8,821	-825	-170,891
Write-offs	-12	-5	-764	-781	-13	-10	-463	-486
Remeasurements due to changes in credit risk	93,471	-26,036	-943	66,492	47,220	-8,705	-914	37,601
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	28,790	1,383	70	30,243	41,251	3,430	273	44,954
Purchased or originated assets	222,409	7,905	101	230,415	229,820	2,839	101	232,760
Transfer to Stage 1	43,672	-43,579	-94	-	40,495	-40,412	-83	-
Transfer to Stage 2	-103,791	104,203	-412	-	-41,086	41,218	-132	-
Transfer to Stage 3	-904	-1,025	1,929	-	-929	-1,533	2,462	-
Volume at end of year	**2,374,713**	**91,349**	**5,716**	**2,471,778**	**2,345,196**	**64,390**	**7,421**	**2,417,007**

Balance sheet items in the table above include the disposal group Finland, and have been reclassified to Assets held for sale on the balance sheet. The comparative figures also include Denmark, see note G14.

Change in gross volume, off-balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	406,024	9,477	336	415,837	391,266	10,743	433	402,442
Derecognised assets	-93,239	-4,000	-59	-97,298	-31,851	-1,777	-56	-33,684
Write-offs	-1	0	0	-1	-1	0	-1	-2
Remeasurements due to changes in credit risk	-16,580	-2,390	-41	-19,011	-71,440	-3,992	-138	-75,570
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-31,411	-5,328	6	-36,733	46,219	9,627	5	55,851
Purchased or originated assets	63,343	1,249	8	64,600	66,070	727	3	66,800
Transfer to Stage 1	6,103	-6,092	-12	-	12,747	-12,743	-4	-
Transfer to Stage 2	-19,619	19,631	-11	-	-6,947	6,950	-3	-
Transfer to Stage 3	-33	-15	48	-	-39	-58	97	-
Volume at end of year	**314,586**	**12,533**	**274**	**327,393**	**406,024**	**9,477**	**336**	**415,837**

Like the analysis for provisions, the change analysis for gross volumes shows the effect of selected explanatory items on the volumes for a stated Stage. The items showing transfers between Stages, and 'Purchased or originated assets', present the amounts in the stated Stage at the end of the period. Other items present the effect in the Stage applying at the start of the period.

G10 Cont.

SENSITIVITY ANALYSIS

Macroeconomic forecast in ECL calculations and sensitivity analysis

The calculation of expected credit losses applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the calculated forecasts. Three scenarios are applied for exposures outside the UK. The forecast in the base case scenario is assigned a weight of 60% (70), while an upturn in the economy is assigned 20% (15), and a downturn 20% (15). For exposures in the UK, a fourth, more severe downturn scenario has been applied as of 2022. The probability weighting for severe downturn/ downturn/base case/upturn scenarios for the UK is 15%/20%/60%/5%. These scenarios and weightings have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2022.

	Downturn scenario			Neutral scenario			Upturn scenario		
Macroeconomic risk factors	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
GDP growth									
Sweden	-3.55	-0.25	3.15	-0.50	1.30	2.50	2.00	2.80	2.20
UK	-3.80	-0.20	3.90	-1.30	0.80	3.40	1.20	2.30	3.10
UK, severe downturn scenario	-8.30	-3.20	4.40						
Norway	-2.38	-0.30	2.45	0.67	1.25	1.80	3.17	2.75	1.50
Finland	-3.25	-0.57	2.24	-0.20	0.98	1.59	2.30	2.48	1.29
Eurozone	-3.59	-0.03	1.95	-0.54	1.52	1.30	1.96	3.02	1.00
USA	-2.87	-0.26	2.65	0.18	1.29	2.00	2.68	2.39	1.70
Unemployment									
Sweden	8.87	10.00	9.80	7.70	8.10	7.90	7.10	7.16	7.30
UK	5.93	6.39	6.20	5.33	4.89	4.70	4.73	3.69	3.80
UK, severe downturn scenario	7.83	8.89	8.70						
Norway	3.25	4.15	4.35	2.08	2.25	2.45	1.47	1.31	1.85
Finland	8.17	8.80	8.40	7.00	6.90	6.50	6.40	5.96	5.90
Eurozone	8.60	9.40	9.30	7.43	7.50	7.40	6.83	6.56	6.80
USA	5.16	6.49	6.30	3.99	4.59	4.40	3.39	3.65	3.80
Policy interest rate									
Sweden	1.54	0.75	1.00	2.75	2.25	2.25	3.25	3.00	3.00
UK	3.25	3.25	3.25	4.00	4.00	3.75	4.50	4.75	4.50
UK, severe downturn scenario	0.75	0.25	0.50						
Norway	1.75	1.00	1.00	3.25	3.00	2.75	3.75	3.75	3.50
Finland	1.05	0.25	0.25	2.25	1.75	1.25	2.75	2.50	2.00
Eurozone	1.05	0.25	0.25	2.25	1.75	1.25	2.75	2.50	2.00
USA	3.20	1.88	1.70	4.63	3.88	3.20	5.13	4.63	3.95
Property price trend, commercial real estate									
Sweden	-15.54	-8.66	-0.74	-8.50	-6.44	0.58	-3.52	-1.73	-0.52
UK	-18.72	-5.11	3.34	-13.83	-1.23	2.11	-8.93	1.31	0.90
UK, severe downturn scenario	-26.49	-15.22	-1.94						
Norway	-11.19	-6.80	-2.42	-5.96	-1.14	-1.90	-3.00	0.61	-2.74
Finland	-12.43	-6.53	0.70	-5.87	-1.00	1.19	-2.57	0.52	-0.04
Eurozone	-11.94	-3.67	0.85	-7.39	0.66	1.65	-4.01	2.57	0.86
Property price trend, residential real estate									
Sweden	-22.37	1.77	1.89	-13.51	1.75	1.95	-8.78	2.19	3.92
UK	-10.00	0.07	1.08	-3.20	1.20	2.35	5.00	2.41	2.74
UK, severe downturn scenario	-22.76	1.62	1.12						
Norway	-3.53	-1.04	2.19	-0.95	0.38	1.83	2.05	5.26	3.71
Finland	-4.07	0.92	1.16	-1.02	1.92	2.12	0.75	2.90	2.80
Eurozone	2.95	2.35	2.00	2.40	2.00	2.00	2.10	1.70	2.03

Sensitivity analysis, macroeconomic scenarios

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at 31 December 2022, which arises when a probability of 100% is assigned to the downturn and upturn scenarios, respectively. The effect of assigning a probability of 100% to the severe downturn scenario for the UK is not included in the total.

	2022		2021	
%	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario
Sweden	10.95	-7.72	18.30	-10.05
UK	7.49	-7.19	11.31	-6.30
UK, severe downturn scenario	25.30			
Norway	7.54	-6.10	12.31	-6.82
Denmark			15.00	-8.07
Finland	-0.13	0.20	3.91	-1.95
The Netherlands	3.52	-2.56	3.48	-1.80
USA	27.06	-20.37	50.58	-32.07
Other countries	3.64	-2.07	5.88	-2.76

G10 Cont.

Sensitivity analysis, significant increase in credit risk
The table below shows how the provision in Stage 1 and Stage 2 as at 31 December is affected if the threshold value applied for the ratio between residual credit risk calculated on the reporting date and on initial recognition were to be set 0.5 units lower and higher, respectively, than the applied threshold value of 2.5. A reduction of 0.5 to the threshold value would increase the number of loans transferred from Stage 1 to Stage 2 and would also entail an increase in the provision for expected credit losses. An increase of 0.5 to the threshold value would have the opposite effect. The Bank uses both quantitative and qualitative indicators to assess significant increases in credit risk. Further information is provided in note G2 under the heading "Credit risk".

Change in the total provision in Stage 1 and Stage 2, % **Threshold value**	**2022**	**2021**
2	3.78%	3.28%
2.5	0.00%	0.00%
3	-2.16%	-1.92%

CREDIT EXPOSURES THAT ARE SUBJECT TO IMPAIRMENT TESTING, BY PD RANGE

Balance sheet items by PD range	**2022**			**2021**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	2,565,832	33,734	-	2,515,847	12,508	-
0.15 to <0.25	83,251	7,159	-	201,420	4,445	-
0.25 to <0.50	186,429	10,793	-	53,792	6,616	-
0.50 to <0.75	26,834	5,512	-	15,502	2,778	-
0.75 to <2.50	32,219	16,582	-	22,142	22,002	-
2.50 to <10.00	7,234	13,902	-	8,618	14,371	-
10.00 to <100	887	3,667	-	539	1,680	-
100 (default)	-	-	5,716	-	-	7,421
Total	**2,902,686**	**91,350**	**5,716**	**2,817,860**	**64,400**	**7,421**

Loans to the public by PD range	**2022**			**2021**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	2,099,130	33,734	-	2,093,842	12,506	-
0.15 to <0.25	68,108	7,159	-	167,635	4,444	-
0.25 to <0.50	152,519	10,793	-	44,769	6,615	-
0.50 to <0.75	21,953	5,512	-	12,902	2,777	-
0.75 to <2.50	26,358	16,582	-	18,428	21,999	-
2.50 to <10.00	5,918	13,902	-	7,172	14,369	-
10.00 to <100	726	3,667	-	448	1,680	-
100 (default)	-	-	5,716	-	-	7,421
Total	**2,374,713**	**91,349**	**5,716**	**2,345,196**	**64,390**	**7,421**

Off-balance sheet items by PD range	**2022**			**2021**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	262,559	4,799	-	357,043	4,073	-
0.15 to <0.25	22,592	1,082	-	17,621	799	-
0.25 to <0.50	15,241	633	-	15,381	401	-
0.50 to <0.75	5,386	716	-	6,973	1,081	-
0.75 to <2.50	7,529	3,451	-	7,563	1,175	-
2.50 to <10.00	1,119	1,657	-	1,275	1,694	-
10.00 to <100	160	195	-	168	254	-
100 (default)	-	-	274	-	-	336
Total	**314,586**	**12,533**	**274**	**406,024**	**9,477**	**336**

[1] Refers to 12-month PD value as at the reporting date.

Assets repossessed for protection of claims SEK m	**2022**	**2021**
Movable property	0	0
Shares	0	0
Carrying amount	**0**	**0**

Movable property mainly consists of repossessed leased assets. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.

G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2022	2021
Equipment	24	14
Property	-	-
Total	**24**	**14**

G12 Risk tax and resolution fee

SEK m	2022	2021
Risk tax	-1,316	-
Resolution fee	-995	-930
Total	**-2,311**	**-930**

G13 Earnings per share

	2022	2021
Profit for the year, SEK m	21,470	19,543
Average number of shares converted during the year, millions	-	-
Average holdings of own shares in trading book, millions	-	-
Average number of outstanding shares, millions	1,980.0	1,980.0
Average dilution effect, number of shares, millions	-	0.0
Average number of outstanding shares after dilution, millions	1,980.0	1,980.0
Earnings per share, total operations, SEK	**10.84**	**9.86**
after dilution	10.84	9.86
Earnings per share, continuing operations, SEK	**10.7**	**9.51**
after dilution	10.7	9.51
Earnings per share, discontinued operations, SEK	**0.14**	**0.35**
after dilution	0.14	0.35

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares is added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

G14 Assets and liabilities held for sale, and discontinued operations

Assets and liabilities in the Bank's operations in Finland constitute assets and liabilities held for sale and are disposal groups in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations. The operations in Denmark were divested during Q4 2022 and the process of divesting the operations in Finland is continuing according to plan. The operations in Denmark and Finland constitute discontinued operations. For a description of the accounting policies, see note G1.

Discontinued operations in Denmark consist of the following units:

- Handelsbanken AB (publ) international branch in Denmark
- Ejendomsselskabet af 1. maj 2009 A/S
- Lokalbolig A/S
- Handelsbanken Kredit (Stadshypotek AB (publ) international branch in Denmark)
- Handelsinvest Investeringsforvaltning A/S
- Handelsbanken Forsikringsformidling A/S.

The disposal group and discontinued operations in Finland consist of the following units:

- Handelsbanken AB (publ) international branch in Finland
- Handelsbanken Asuntoluottopankki (Stadshypotek AB (publ) international branch in Finland)
- Handelsbanken Liv Försäkrings AB international branch in Finland
- Handelsbanken Liv Försäkrings AB in Finland.

Assets and liabilities held for sale 2022 SEK m	**Finland**	**Other assets held for sale**	**Total**
Assets			
Cash and balances with central banks	14		14
Other loans to central banks	28,015		28,015
Interest-bearing securities eligible as collateral with central banks	0		0
Loans to other credit institutions	5		5
Loans to the public	153,506	310	153,816
of which households	*43,922*		*43,922*
of which corporates	*109,584*	*310*	*109,894*
Bonds and other interest-bearing securities	0		0
Shares[1]	3		3
Assets where the customer bears the value change risk	9,145		9,145
Intangible assets	123		123
Property and equipment	407		407
Other	388		388
Total	**191,606**	**310**	**191,916**
Liabilities			
Due to credit institutions	679		679
Deposits and borrowing from the public	57,361		57,361
of which households	*20,297*		*20,297*
of which corporates	*37,064*		*37,064*
Liabilities where the customer bears the value change risk	9,145		9,145
Provisions	210		210
Other	1,543		1,543
Total	**68,938**	**0**	**68,938**

Assets and liabilities held for sale 2021 SEK m	**Denmark**	**Finland**	**Other assets held for sale**	**Total**
Assets				
Cash and balances with central banks	28,282	120,098		148,380
Other loans to central banks	207	0		207
Interest-bearing securities eligible as collateral with central banks	24	0		24
Loans to other credit institutions	36	57		93
Loans to the public	111,380	139,314	302	250,996
of which households	*64,292*	*43,253*	*1*	*107,546*
of which corporates	*47,088*	*96,061*	*301*	*143,450*
Bonds and other interest-bearing securities	17	0		17
Shares[1]	462	1		463
Assets where the customer bears the value change risk	6,770	10,457		17,227
Intangible assets	2,628	113		2,741
Property and equipment	241	336	62	639
Other	313	317		630
Total	**150,360**	**270,693**	**364**	**421,417**
Liabilities				
Due to credit institutions	230	344		574
Deposits and borrowing from the public	54,135	59,984		114,119
of which households	*23,662*	*19,699*		*43,361*
of which corporates	*30,473*	*40,285*		*70,757*
Liabilities where the customer bears the value change risk	6,770	10,457		17,227
Provisions	57	78		135
Other	514	1,353		1,867
Total	**61,706**	**72,216**		**133,922**

[1] An accumulated amount of SEK - m (47) related to these assets has been recognised in Other comprehensive income and in the fair value reserve in equity.

G14 Cont.

Income, expenses and profit, discontinued operations

Denmark and Finland SEK m	2022	2021
Net interest income	3,434	2,606
Net fee and commission income	1,107	1,190
Net gains/losses on financial transactions	-12	225
Risk result	3	8
Other income	68	180
Total income	**4,600**	**4,209**
Staff costs	-1,681	-1,427
Other expenses	-1,543	-1,184
Depreciation, amortisation and impairment of property, equipment and intangible assets	-2	-304
Total expenses	**-3,226**	**-2,915**
Net credit losses	29	64
Gains/losses on disposal of property, equipment and intangible assets	2	-2
Risk tax and resolution fee	-160	-151
Profit for the year from discontinued operations, before tax	**1,245**	**1,205**
Taxes	-617	-510
Profit for the year from discontinued operations, after tax	**629**	**695**
Other expenses attributable to discontinued operations[1]	-27	-
Taxes	6	-
Profit for the year from discontinued operations, after tax, before capital gains/losses	**608**	**695**
Capital gains on sale of disposal groups constituting discontinued operations, before tax	**235**	
Taxes[2]	-561	
Capital gains on sale of disposal groups constituting discontinued operations, after tax	**-326**	
Total profit for the year from discontinued operations, after tax	**280**	**695**
Material internal transactions with continuing operations, which are eliminated in the income statement above[3]:		
Income	-287	452
Expenses	-202	-225

Denmark SEK m	2022	2021
Net interest income	1,712	1,602
Net fee and commission income	701	757
Net gains/losses on financial transactions	-49	171
Risk result	1	1
Other income	49	40
Total income	**2,413**	**2,571**
Staff costs	-1,035	-885
Other expenses	-768	-554
Depreciation, amortisation and impairment of property, equipment and intangible assets	0	-44
Total expenses	**-1,803**	**-1,483**
Net credit losses	38	23
Gains/losses on disposal of property, equipment and intangible assets	2	-2
Risk tax and resolution fee	-58	-62
Profit for the year from discontinued operations, before tax	**593**	**1,047**
Taxes	-57	-193
Profit for the year from discontinued operations, after tax	**536**	**854**
Capital gains on sale of disposal groups constituting discontinued operations, before tax	**235**	
Taxes[2]	-561	
Capital gains on sale of disposal groups constituting discontinued operations, after tax	**-326**	
Total profit for the year from discontinued operations, after tax	**210**	**854**
Material internal transactions with continuing operations, which are eliminated in the income statement above[3]:		
Income	-176	-142
Expenses	-89	-88

[1] Certain expenses arise in Sweden as a result of the divestment of the discontinued operations, deriving from requirements linked to the discontinuation of the operations. These include, for example, consultancy fees and legal costs.
[2] The tax expense was negatively impacted by a non-deductible reversal of goodwill, recognised in capital gains/losses.
[3] Only external income and expenses are included in profit for the year from both continuing and discontinued operations. The discontinued operations have material internal transactions with the continuing operations, which are thus eliminated in the accounting. For example, all funding and liquidity management has been centralised at the Group Treasury unit in Sweden. Thus, loans to the public in Denmark and Finland are funded through internal loans from Group Treasury. Interest expenses deriving from internal borrowing are eliminated in the accounting, and are therefore not included in the net interest income figure above.

G14 Cont.

Finland SEK m	2022	2021
Net interest income	1,722	1,004
Net fee and commission income	406	433
Net gains/losses on financial transactions	37	54
Risk result	2	7
Other income	19	140
Total income	**2,186**	**1,638**
Staff costs	-647	-542
Other expenses	-775	-630
Depreciation, amortisation and impairment of property, equipment and intangible assets	-2	-260
Total expenses	**-1,423**	**-1,432**
Net credit losses	-10	41
Gains/losses on disposal of property, equipment and intangible assets	0	0
Risk tax and resolution fee	-102	-89
Profit for the year from discontinued operations, before tax	**652**	**158**
Taxes	-560	-317
Profit for the year from discontinued operations, after tax	**91**	**-159**
Material internal transactions with continuing operations, which are eliminated in the income statement above[1]:		
Income	-111	594
Expenses	-113	-137

[1] Only external income and expenses are included in profit for the year from both continuing and discontinued operations. The discontinued operations have material internal transactions with the continuing operations, which are thus eliminated in the accounting. For example, all funding and liquidity management has been centralised at the Group Treasury unit in Sweden. Thus, loans to the public in Denmark and Finland are funded through internal loans from Group Treasury. Interest expenses deriving from internal borrowing are eliminated in the accounting, and are therefore not included in the net interest income figure above.

Fee and commission income by product, discontinued operations

	2022		2021	
SEK m	Denmark	Finland	Denmark	Finland
Brokerage and other securities commissions	41	8	60	27
Mutual funds	147	8	173	7
Custody and other asset management fees	148	44	179	48
Advisory services	22	-	19	4
Insurance	22	84	24	87
Payments	205	203	171	297
Loans and deposits	55	79	61	90
Guarantees	65	20	72	20
Other	64	13	83	15
Total fee and commission income	**768**	**458**	**842**	**595**

Staff costs, discontinued operations

Denmark and Finland SEK m	2022	2021
Salaries and fees[2]	-1,273	-1,082
Social security costs	-132	-108
Pension costs	-135	-146
Provision for the profit-sharing scheme	-16	-19
Other staff costs	-125	-72
Total	**-1,681**	**-1,427**

[2] Of which SEK 6.0m (7.0) to executive officers (CEOs and boards in subsidiaries).

	2022			2021		
Average number of employees	Total	Men	Women	Total	Men	Women
Denmark	546	277	269	632	325	307
Finland	530	242	288	569	256	313
Total	**1,076**	**519**	**557**	**1,201**	**581**	**620**

Cash flows, discontinued operations

Denmark and Finland SEK m	2022	2021
Cash flow from operating activities	-123,159	28,015
Cash flow from investing activities	-11	-189
Cash flow from financing activities	0	-45
Cash flow for the year from discontinued operations	**-123,171**	**27,781**

The operations in Denmark were divested during Q4. The cash flow statement for discontinued operations 2022 thus covers the operations in Finland only. Cash flows from the divestment of the operations in Denmark are included in the cash flows from investing activities in the Condensed statement of cash flows – Group (see page 97).

G15 Other loans to central banks

SEK m	2022	2021
Other loans to central banks in Swedish kronor	-	-
Other loans to central banks in foreign currency	4,604	1,255
Total	**4,604**	**1,255**
Provision for expected credit losses	-	-
Total other loans to central banks	**4,604**	**1,255**
of which accrued interest income	-	-
of which reverse repos	-	-

Average volumes SEK m	2022	2021
Other loans to central banks in Swedish kronor	-	5,894
Other loans to central banks in foreign currency	5,579	5,872
Total	**5,579**	**11,766**
of which reverse repos	-	-

G16 Loans to other credit institutions

SEK m	2022	2021
Loans in Swedish kronor		
Banks	379	903
Other credit institutions	103	171
Total	**482**	**1,074**
Loans in foreign currency		
Banks	6,002	14,292
Other credit institutions	2,929	6,384
Total	**8,931**	**20,676**
Provision for expected credit losses	-2	-5
Total loans to other credit institutions	**9,411**	**21,745**
of which accrued interest income	*34*	*12*
of which reverse repos	-	*12,127*

Average volumes SEK m	2022	2021
Loans to other credit institutions in Swedish kronor	2,317	2,998
Loans to other credit institutions in foreign currency	36,637	46,539
Total	**38,954**	**49,537**
of which reverse repos	*14,433*	*16,061*

G17 Loans to the public

SEK m	2022	2021
Loans in Swedish kronor		
Households	984,397	959,910
Companies	601,605	535,531
National Debt Office	1,566	2,173
Total	**1,587,568**	**1,497,614**
Loans in foreign currency		
Households	257,706	244,391
Companies	472,559	423,569
Total	**730,265**	**667,960**
Provision for expected credit losses	-2,015	-2,439
Total loans to the public	**2,315,818**	**2,163,135**
of which accrued interest income	*5,177*	*2,429*
of which reverse repos	*12,917*	*13,649*
of which subordinated	-	-

Average volumes, excl. National Debt Office SEK m	2022	2021
Loans to the public in Swedish kronor	1,555,159	1,470,257
Loans to the public in foreign currency	708,177	812,840
Total	**2,263,336**	**2,283,097**
of which reverse repos	*21,300*	*19,690*

G18 Interest-bearing securities

		2022			2021		
SEK m		Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Interest-bearing securities eligible as collateral with central banks	Note 39	132,778	132,778	133,726	100,538	100,538	103,881
of which accrued interest income		*211*			*160*		
Bonds and other interest-bearing securities	Note 39	32,697	32,697	30,898	33,317	33,317	29,611
of which accrued interest income		*149*			*124*		
Total		**165,475**	**165,475**	**164,624**	**133,855**	**133,855**	**133,492**
of which subordinated		-	-		-	-	

Interest-bearing securities broken down by issuer	2022			2021		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Government	132,778	132,778	133,726	100,538	100,538	103,881
Credit institution	8,864	8,864	7,655	6,590	6,590	6,118
Mortgage institutions	17,464	17,464	18,041	20,516	20,516	19,147
Other	6,369	6,369	5,202	6,211	6,211	4,346
Total	**165,475**	**165,474**	**164,624**	**133,855**	**133,855**	**133,491**

Interest-bearing securities that are subject to impairment testing SEK m	2022	2021
Interest-bearing securities eligible as collateral with central banks		
Fair value through other comprehensive income	200	397
Amortised cost	-	-
Total gross volumes	**200**	**397**
Provision for expected credit losses on instruments measured at amortised cost	-	-
Total carrying amount	**200**	**397**
Provision for expected credit losses recognised in the fair value reserve in equity	-	-
Bonds and other interest-bearing securities		
Fair value through other comprehensive income	9,882	9,016
Total carrying amount	**9,882**	**9,016**
Provision for expected credit losses recognised in the fair value reserve in equity	-2	-2

G18 Cont.

Average volumes SEK m	2022	2021
Interest-bearing securities	182,934	155,427
Total	**182,934**	**155,427**

G19 Shares

SEK m	2022	2021
Fair value through profit or loss, mandatory	12,269	19,017
Fair value through other comprehensive income	544	454
Total shares	**12,813**	**19,471**

Holdings at fair value through other comprehensive income SEK m	2022	2021
Visa Inc	274	170
VIPPS A/S	57	62
Other holdings	213	222
Total	**544**	**454**

Handelsbanken classifies the shareholdings above as measured at fair value through other comprehensive income, as these holdings are not held for trading. During the year Handelsbanken received dividends only on shares still held at the end of the reporting period. These dividends total SEK 17m (2) and are recognised in the income statement under Other dividend income. During the year, the Bank divested its holdings in a number of housing co-operative associations for a total of SEK 32m (1). The primary reason for the divestments was branch closures.

For information about realised and unrealised gains/losses on equity instruments measured at fair value through other comprehensive income, refer to the Statement of changes in equity for the Group.

G20 Investments in associates and joint ventures

There are no individually significant investments in associates or joint ventures held by Handelsbanken. There are certain entities that are considered strategic to the banking operations of the Group through their provision of, for example, payment services. All investments are unlisted.

Investments in associates and joint ventures SEK m	2022	2021
Carrying amount at beginning of year	478	386
Share of profit for the year	-13	63
Tax	-13	-22
Shareholders' contribution	123	51
Dividend	-14	-
Carrying amount at end of year	**561**	**478**

Income from associates and joint ventures SEK m	2022	2021
Profit for the year	-13	63
Other comprehensive income	-	-
Total comprehensive income for the year	**-13**	**63**

					Carrying amount, SEK m	
Associates	Corporate identity number	Domicile	Number of shares	Voting power, %	2022	2021
Bankomat AB	556817-9716	Stockholm	150	20.00	95	88
BGC Holding AB	556607-0933	Stockholm	25,542	25.54	327	278
Dyson Group plc	00163096	Sheffield	74,333,672	24.01	17	31
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12,735	28.30	21	30
Getswish AB	556913-7382	Stockholm	10,000	20.00	21	19
USE Intressenter AB	559161-9464	Stockholm	2,448	24.48	0	0
Total					**481**	**446**

					Carrying amount, SEK m	
Joint ventures	Corporate identity number	Domicile	Number of shares	Voting power, %	2022	2021
P27 Nordic Payments Platform AB	559198-9610	Stockholm	10,000	16.67	55	25
Invidem AB	559210-0779	Stockholm	10,000	16.67	23	7
Tibern AB	559384-3542	Stockholm	4,000	14.29	3	
Total					**80**	**32**

G21 Assets where the customer bears the value change risk

SEK m	2022	2021
Unit-linked and portfolio bond insurance assets	212,363	235,209
Other fund assets	603	552
Total	**212,966**	**235,761**

G22 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2022	2021	2022	2021	2022	2021
Derivatives held for trading									
Interest rate-related contracts									
Options	10,433	13,810	556	24,799	22,350	403	50	351	51
FRA/futures	635,033	46,088	334	681,455	542,060	928	76	1,181	64
Swaps	609,284	1,330,700	270,724	2,210,708	2,081,987	62,139	15,902	61,594	16,307
Currency-related contracts									
Options	35,069	50	17	35,136	20,672	292	69	249	131
Futures	84,486	9,455	92	94,033	82,874	1,418	907	1,112	661
Swaps	637,106	59,896	4,628	701,630	632,062	9,146	10,576	12,780	5,131
Equity-related contracts									
Options	1,637	386	30	2,053	3,770	182	375	95	189
Futures	184	-	-	184	580	6	9	5	11
Swaps	5,968	574	1,720	8,262	14,683	185	341	663	723
Commodity-related contracts									
Options	-	-	25	25	355	2	41	27	55
Futures	339	28	-	367	935	32	111	52	237
Credit-related contracts									
Swaps	499	3,409	-	3,908	4,853	68	294	90	169
Total	**2,020,038**	**1,464,396**	**278,126**	**3,762,560**	**3,407,181**	**74,801**	**28,751**	**78,199**	**23,729**
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	-	41	323	364	1,061	7	1	-	-
Swaps	87,656	362,513	125,865	576,034	458,459	16,888	3,406	27,349	2,428
Currency-related contracts									
Swaps	633	-	1,003	1,636	1,462	77	156	-	-
Total	**88,289**	**362,554**	**127,191**	**578,034**	**460,982**	**16,972**	**3,563**	**27,349**	**2,428**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	111,004	112,197	24,956	248,157	318,242	4,499	5,625	4,865	1,023
Currency-related contracts									
Swaps	130,549	121,263	63,030	314,842	269,827	21,101	10,604	1,185	3,660
Total	**241,553**	**233,460**	**87,986**	**562,999**	**588,069**	**25,600**	**16,229**	**6,050**	**4,683**
Total derivative instruments	**2,349,880**	**2,060,410**	**493,303**	**4,903,593**	**4,456,232**	**117,373**	**48,543**	**111,598**	**30,840**
of which exchange-traded derivatives				*201,815*	*182,857*	*260*	*130*	*274*	*804*
of which OTC derivatives settled by CCP				*3,315,242*	*2,982,431*	*82,375*	*18,731*	*83,957*	*15,867*
of which OTC derivatives not settled by CCP				*1,386,536*	*1,290,944*	*34,738*	*29,682*	*27,367*	*14,169*
Amounts offset				-2,826,362	-2,691,986	-81,112	-20,035	-82,558	-17,056
Net amount				**2,077,231**	**1,764,246**	**36,261**	**28,508**	**29,040**	**13,784**
Currency breakdown of market values									
SEK						-231,111	-242,957	74,796	517
USD						187,752	299,987	-244,777	-19,297
EUR						282,564	115,908	211,143	-94,250
Others						-121,832	-124,395	70,436	143,870
Total						**117,373**	**48,543**	**111,598**	**30,840**

Derivative contracts are presented gross in the note. Amounts offset consist of the offset market value and the associated nominal amounts of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 gains/losses) over the life of the derivative. Such not yet recognised day 1 gains amounted to SEK 447m (489) at year-end.

G23 Hedge accounting and the Interest Rate Benchmark Reform

The Group's overall objective for its risk management and hedge accounting is to protect itself against the risk of variations in future cash flows and fair values attributable to lending and borrowing arising from changes in interest rates and exchange rates. In order to achieve this objective, the Group makes use of derivatives. Hedge accounting is applied to ensure that the Group's risk management strategy is reflected in the financial reports. For information about the Group's management of market risk, refer to note G2. The hedging strategies and various types of hedge accounting applied by the Group are described below, divided into risk categories. For a description of the accounting policies for hedge accounting, see note G1.

CASH FLOW HEDGES

Interest rate risk in variable-rate lending and borrowing

The purpose of this hedging strategy is to minimise the uncertainty associated with future incoming and outgoing payments of interest arising due to changes in variable interest rates, and instead to receive and pay amounts according to fixed interest rates which are known when entering into the hedge. The hedged item consists of highly probable future incoming and outgoing payments relating to variable-rate lending to the public and to issued floating-rate securities. The hedged risk is defined as a floating reference rate in the respective currency, which comprises an observable component of the interest. The hedging instruments consist of interest rate swaps, in which a fixed interest rate is received and a variable interest rate is paid, or a fixed interest rate is paid and a variable interest rate is received.

Foreign exchange risk in funding

The hedging strategy aims to minimise the uncertainty associated with future payments of interest arising due to changes in exchange rates, and instead to pay interest in the functional currency, at a rate which is known when entering into the hedge. The hedged item consists of highly probable future interest payment and repayments of nominal amounts attributable to issued securities in a currency other than the functional currency. The hedged risk is comprised of the risk of changes in these future payments arising due to fluctuations in the exchange rate between the funding currency and the functional currency. The hedging instruments consist of currency-related derivatives.

Foreign exchange risk in internal loans to or from foreign operations

The intention of this hedging strategy is to minimise the risk of volatility linked to fluctuations in exchange rates on internal loans to or from foreign operations. The hedged item consists of the nominal amount of an internal loan between the Group's treasury department and a foreign operation, issued in the functional currency of the foreign operation. The hedged risk consists of the risk of changes in cash flows attributable to interest payments, and repayments of nominal amounts, due to differences in the exchange rate between the currency of the internal loan and the parent company's functional currency, the Swedish krona. The hedging instruments consist of currency-related derivatives.

Measuring effectiveness

The effectiveness of a hedge relationship is tested at the initiation of the relationship and thereafter on a quarterly basis. The effectiveness of hedges is tested from both a prospective and retrospective standpoint. Prospectively by shifting yield curves and discount curves. Retrospectively, in the event that the conditions for the hedged risk and the hedging instrument are not fully consistent, through regression analysis. 'Fully consistent' in this context implies that the cash flows and discounting factors are identical at all times. When effectiveness is measured, the hedged risk is represented by a perfectly effective hypothetical derivative (PEH), which matches the critical conditions of the hedged item. The fair value of the hypothetical derivative (PEH) is zero at the start date of the hedge relationship. Measuring effectiveness entails a comparison of the change in fair value of the hypothetical derivative (PEH) with the change in fair value of the actual derivative.

Criteria applied in measuring effectiveness

In order to qualify for hedge accounting, the ratio between the change in fair value of the hedged risk in the hedged item, represented by the hypothetical derivative (PEH), and the actual

Hedging instruments in cash flow hedges	2022			2021		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	32,599	27,759	11,499	21,876	55,029	13,677
Average fixed interest, %	0.49	0.47	0.76	0.57	0.47	0.76
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	78,405	84,438	13,458	80,679	133,749	13,232
Average fixed interest, %	1.53	1.52	2.12	2.06	1.28	2.10
Foreign exchange risk						
Foreign exchange derivatives, EUR/SEK						
Nominal amount	12,891	40,323	12,052	14,725	51,011	1,028
Average exchange rate EUR/SEK	0.1054	0.0964	0.0928	0.1066	0.0986	0.0970
Foreign exchange derivatives, EUR/NOK						
Nominal amount	21,271	33,098	45,105	10,899	30,223	35,027
Average exchange rate EUR/NOK	0.1045	0.1021	0.0975	0.1187	0.1038	0.0964
Foreign exchange derivatives, GBP/SEK						
Nominal amount	7,669	-	-	-	7,553	-
Average exchange rate GBP/SEK	0.0907	-	-	-	0.0907	-
Foreign exchange derivatives, USD/GBP						
Nominal amount	7,560	-	1,000	-	6,942	918
Average exchange rate USD/GBP	1.2930	-	1.3157	-	1.2930	1.3157
Foreign exchange derivatives, USD/NOK						
Nominal amount	14,163	26,897	-	14,409	22,140	-
Average exchange rate USD/NOK	0.1083	0.1114	-	0.1178	0.1137	-
Foreign exchange derivatives, USD/SEK						
Nominal amount	60,393	8,421	4,872	35,654	2,264	9,057
Average exchange rate USD/SEK	0.1000	0.1068	0.1105	0.1169	0.1105	0.1105
Foreign exchange derivatives, AUD/USD						
Nominal amount	6,602	-	-	-	5,923	-
Average exchange rate AUD/USD	1.3770	-	-	-	1.3770	-
Foreign exchange derivatives, other currency pairs						
Nominal amount	-	12,524	-	9,003	11,000	2,051
Total	**241,553**	**233,460**	**87,986**	**187,245**	**325,834**	**74,990**

G23 Cont.

derivative must be within the 80–125% interval. In the cases where this is checked through regression analysis, the following criteria must be fulfilled in order to establish an effective hedge relationship:
- The gradient of the curve must be within the interval 0.8 <b <1.25.
- R2 must be >0.96.

Ineffectiveness

Ineffectiveness is measured through a comparison of the change in the fair value of the hedged risk in the hedged item, represented by the hypothetical derivative (PEH), with the change in fair value of the actual derivative. The hedge is deemed ineffective if the change in fair value of the derivative exceeds the change in value of the hypothetical derivative (PEH) in absolute terms.

The main explanations for ineffectiveness in these hedge relationships are differences in market interest rates and exchange rates between the start date of the hedge relationship and the transaction date for the derivative. Ineffectiveness is also explained by changes in fair value attributable to certain interest components in the derivative which are not included in the hedged risk.

Hedging instruments and ineffectiveness in cash flow hedges 2022		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	71,857	4,428	11	4,921	4,975	-54	-
Interest rate swaps, variable interest paid and fixed interest received	176,300	71	4,854	-8,646	-8,643	-3	154
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/SEK	65,266	5,161	-	307	307	-	-
Foreign exchange derivatives, EUR/DKK	-	-	-	-3	-3	-	-
Foreign exchange derivatives, EUR/GBP	-	-	-	20	20	-	-
Foreign exchange derivatives, EUR/NOK	99,475	5,744	246	347	347	0	-
Foreign exchange derivatives, GBP/SEK	7,669	1,027	-	18	18	-	-
Foreign exchange derivatives, USD/DKK	-	-	-	70	70	0	-
Foreign exchange derivatives, USD/GBP	8,560	633	-	19	19	-	-
Foreign exchange derivatives, USD/NOK	41,060	3,432	-	16	12	4	-
Foreign exchange derivatives, USD/SEK	73,686	4,728	281	366	364	2	-
Foreign exchange derivatives, AUD/USD	6,602	-	442	-56	-56	-	2
Foreign exchange derivatives, other currency pairs	12,524	376	216	90	90	0	4
Total	**562,999**	**25,600**	**6,050**	**-2,531**	**-2,480**	**-51**	**160**

Hedging instruments and ineffectiveness in cash flow hedges 2021		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	90,582	248	1,019	1,946	1,952	-6	-
Interest rate swaps, variable interest paid and fixed interest received	227,660	5,377	4	-4,272	-4,272	-	175
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/SEK	66,764	2,333	997	190	190	-	-
Foreign exchange derivatives, EUR/DKK	2,051	3	-	8	8	-	-
Foreign exchange derivatives, EUR/GBP	6,514	606	-	34	32	2	-
Foreign exchange derivatives, EUR/NOK	76,150	2,750	1,429	-14	-11	-3	-
Foreign exchange derivatives, GBP/SEK	7,553	758	-	-8	-8	-	-
Foreign exchange derivatives, USD/DKK	6,918	330	87	60	60	-	-
Foreign exchange derivatives, USD/GBP	7,859	-	339	8	8	-	-
Foreign exchange derivatives, USD/NOK	36,549	1,303	721	47	47	-	-
Foreign exchange derivatives, USD/SEK	46,976	2,041	-	295	295	-	-
Foreign exchange derivatives, AUD/USD	5,923	50	-	-77	-77	-	3
Foreign exchange derivatives, other currency pairs	6,570	430	87	-15	-15	-	1
Total	**588,069**	**16,229**	**4,683**	**-1,798**	**-1,791**	**-7**	**179**

[1] When analysing for the purposes of hedge accounting, the conversion to the parent company's functional currency, SEK, is taken into account by imputing nominal derivative legs in the hedging relationships. The imputed derivative legs are not included in the nominal volumes presented in the tables above.

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet. Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions. Reclassified to the income statement is included under Net gains/losses on financial transactions and refers to cash flow hedges terminated before their maturity date.

Hedged items in cash flow hedges	2022			2021		
SEK m	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk						
Issued variable-interest securities	-4,975	4,370	-	-1,952	-600	-
Variable-interest loans to the public	8,643	-5,323	1,000	4,272	3,468	1,153
Foreign exchange risk						
Securities issued in EUR and internal loans in DKK, GBP and NOK	-671	-31	-	-218	-553	-
Securities issued in USD and internal loans in DKK, EUR, GBP and NOK	-464	455	89	-410	-16	88
Issued securities and internal loans in other currencies	-53	142	3	99	-46	10
Total	**2,480**	**-387**	**1,092**	**1,791**	**2,253**	**1,251**

G23 Cont.

FAIR VALUE HEDGES

Interest rate risk in fixed-rate lending and borrowing

The purpose of this hedging strategy is to minimise the risk of changes in the fair values of fixed-interest lending and borrowing arising from changes in market interest rates. The hedged risk is defined as the reference rate in the respective currency, which comprises an observable component of the interest. The hedged items are comprised of fixed-interest loans to the public and issued fixed-interest securities. The hedging instruments consist of interest rate swaps, in which a fixed interest rate is paid and a variable interest rate is received, or a fixed interest rate is received and a variable interest rate is paid.

Measuring effectiveness

The effectiveness of the hedges is measured through a comparison of the change in the fair value of the hedged risk in lending and borrowing with the change in fair value of the interest rate swaps. The effectiveness is measured from both a prospective and retrospective standpoint. Prospectively by shifting yield curves and discount curves and retrospectively through regression analysis. The effectiveness of a hedge relationship is tested at the initiation of the relationship and thereafter on a quarterly basis. The criteria which must be fulfilled to qualify for hedge accounting are consistent with those described above in the section about cash flow hedges.

Ineffectiveness

Ineffectiveness is measured through a comparison of the change in the fair value of the interest rate swap with the change in fair value of the hedged risk in lending and borrowing from the hedge relationship's start date to the end of the period.

The main explanation for ineffectiveness in these hedge relationships is changes in fair value arising from the variable interest in the interest rate swap, which is not matched by a change in value in the hedged risk in the lending or borrowing.

PORTFOLIO HEDGING OF FAIR VALUE, WITH REGARD TO INTEREST RATE RISK

Interest rate risk in fixed-rate lending portfolios

This hedging strategy aims to minimise the risk of changes in the fair values of fixed-interest lending portfolios arising from changes in market interest rates. The hedged risk is defined as changes in the fair value of a portion of a lending portfolio with fixed interest, with regard to changes in a reference rate in each currency. The hedged item consists of an amount in a currency determined on the basis of a fixed-rate lending portfolio. The lending portfolio is divided into interest rate fixing periods. The hedged amount is established on the basis of the interest rate risk the Bank wishes to hedge in the selected interest rate fixing periods. The hedging instruments consist of interest rate swaps, in which a variable interest rate is received and a fixed interest rate is paid. One or more hedging instruments are defined for each interest rate fixing period.

A description of the measuring of effectiveness and ineffectiveness is provided in the Fair value hedges section above.

Interest rate risk in variable-rate lending portfolios with a rate cap

The purpose of this hedging strategy is to minimise the risk of changes in the fair values of lending portfolios with a three-month interest rate adjustment period, where the borrower has a rate cap. The hedged risk is defined as the reference rate in the agreed rate cap. The hedging instruments consist of interest rate options (caps).

The nominal lending volume hedged for a certain period is determined on a quarterly basis. Effectiveness is calculated by comparing the change in the fair value of the rate cap during the period with the change in fair value of the interest rate options (caps). The ratio must be within the 80–125% interval for the hedge to qualify for hedge accounting.

The main explanations for ineffectiveness in these hedge relationships are deviations in the maturity and interest rate between interest rate

Hedging instruments in fair value hedges	2022			2021		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	-	-	-	-	-	-
Average fixed interest, %	-	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	23,501	225,252	93,086	904	111,407	74,265
Average fixed interest, %	1.34	1.82	1.37	0.22	0.76	0.94
Cross-currency interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	633	-	1,003	-	566	896
Average fixed interest, %	3.26	-	3.69	-	3.26	3.69

Hedging instruments and ineffectiveness in fair value hedges 2022	Nominal amount hedging instruments	Carrying amount hedging instruments		Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
SEK m		Assets	Liabilities		
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received	341,839	79	27,337	-26,463	-80
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,636	77	-	-171	-4
Total	**343,475**	**156**	**27,337**	**-26,634**	**-84**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	234,195	16,809	12	14,762	55
Interest rate options (cap)	364	7	-	9	-
Total	**234,559**	**16,816**	**12**	**14,771**	**55**

G23 Cont.

Hedging instruments and ineffectiveness in fair value hedges 2021 SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments Assets	Carrying amount hedging instruments Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received	186,576	1,406	2,271	-3,891	-38
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,462	156	-	-54	5
Total	**188,038**	**1,562**	**2,271**	**-3,945**	**-33**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	271,883	2,000	157	2,285	40
Interest rate options (cap)	1,061	1	-	8	-
Total	**272,944**	**2,001**	**157**	**2,293**	**40**

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet.
Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.

Hedged items in fair value hedges 2022 SEK m	Carrying amount hedged item Assets	Carrying amount hedged item Liabilities	Accumulated fair value adjustment included in the carrying amount of the hedged item Assets	Accumulated fair value adjustment included in the carrying amount of the hedged item Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	-		-		-	-
Issued fixed-interest securities and subordinated liabilities		314,575		-29,127	26,550	-
Total	**-**	**314,575**	**-**	**-29,127**	**26,550**	**-**
Portfolio fair value hedges[1]						
Interest rate risk						
Fixed-interest loans to the public	-16,610		-16,610		-14,707	-
Interest rate cap on variable rate lending	-6		-6		-9	-
Total	**-16,616**		**-16,616**		**-14,716**	**-**

Hedged items in fair value hedges 2021 SEK m	Carrying amount hedged item Assets	Carrying amount hedged item Liabilities	Accumulated fair value adjustment included in the carrying amount of the hedged item Assets	Accumulated fair value adjustment included in the carrying amount of the hedged item Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	-		-		-	-
Issued fixed-interest securities and subordinated liabilities		188,536		-2,656	3,912	-
Total	**-**	**188,536**	**-**	**-2,656**	**3,912**	**-**
Portfolio fair value hedges[1]						
Interest rate risk						
Fixed-interest loans to the public	-1,904				-2,245	-
Interest rate cap on variable rate lending	4				-8	-
Total	**-1,900**				**-2,253**	**-**

[1] The volume of the underlying lending portfolio was SEK 234,547m (272,277) as at 31 December 2022.

caps in lending and interest rate options (caps), because the volume for each cap is determined for a portfolio of loans with interest rate caps and not for each individual loan.

HEDGING OF FOREIGN EXCHANGE RISK IN NET INVESTMENTS IN FOREIGN OPERATIONS

The purpose of the hedging strategy is to reduce foreign exchange exposure in a net investment in a foreign operation. The hedged item constitutes the nominal amount of a long-term, internal loan between the Group's treasury department and a foreign operation, issued in the functional currency of the foreign operation. Qualification as a part of an investment in a foreign operation requires that a repayment of the internal loan is neither planned nor probable in the foreseeable future. The hedged risk is comprised of the value change risk on a net investment in a foreign operation, arising due to changes in the exchange rate between the foreign operation's functional currency and the parent company's functional currency, the Swedish krona. The hedging instruments consist of currency-related derivatives. All hedge relationships in this category are older in nature, and the Bank enters into no new hedging relationships in this hedging strategy, for which reason no information in table form is provided for this hedging strategy.

Measuring effectiveness

When the effectiveness of the hedging of a net investment in a foreign operation is measured, the equivalent procedures are applied as for measuring the efficiency of cash flow hedges, which are described above in the section about cash flow hedges.

Ineffectiveness

Ineffectiveness is calculated in the same manner as for cash flow hedges, which is described above in the section about cash flow hedges.

The main explanation for ineffectiveness in these hedge relationships are differences in exchange rates between the start date of the hedge relationship and the transaction date for the derivative.

For a specification of changes in the hedge reserve and the translation reserve, see note G40.

G23 Cont.

INTEREST RATE BENCHMARK REFORM

Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement

As of the 2020 financial year, amendments to IAS 39 have been implemented which introduce temporary exemptions from applying certain specific hedge accounting requirements for hedging relationships directly affected by the Interest Rate Benchmark Reform. The Bank elected to early adopt the amendments in the annual report for 2019, as permitted in accordance with IAS 39. The purpose of the temporary exemptions is to prevent the break-up of hedging relationships solely due to the uncertainty brought about by the Interest Rate Benchmark Reform. See note G1, point 12.

As of the 2021 financial year, amendments to IFRS 9 have been in effect when modifying financial assets and financial liabilities as a direct consequence of the Interest Rate Benchmark Reform. The modifications constitute a change of the effective interest rate, and any gains or losses arising due to the modification are thus not recognised. In addition, amendments have been made to IAS 39, which allow for certain exemptions from hedge accounting requirements when existing reference rates in hedging relationships are replaced with alternative reference rates. The purpose of the amendments is to prevent the break-up of hedging relationships solely due to the implementation of the Interest Rate Benchmark Reform. See note G1, point 12.

Adaptations to the Interest Rate Benchmark Reform

In recent years, a large amount of work has been carried out internationally to develop alternative reference interest rates, consisting of "Nearly Risk-free Rates" (RFRs). Within the EU, interbank interest rates are in the process of being adapted to fulfil the requirements of the Benchmark Regulation ((EU) 2016/1011), concurrently with the work to develop alternative RFRs.

Extensive adaptation work has been undertaken at the Bank in recent years to prepare for a transition to RFRs, including central adaptations to IT systems for derivatives and IBOR loans, and local adaptations to IT systems for loan products in the respective countries. The central project also involves the updating of agreements, e.g. ISDA and framework agreements, and the preparation of plans for communication with customers and counterparties. In addition, the work also involves assessing the impact on accounting, the measurement of financial instruments and risk measurements which would be caused by a transition to RFRs.

The Bank's work on adapting processes, procedures and IT systems, in order to manage RFRs, was essentially completed in 2021. The majority of Libor rates were replaced by RFRs in 2022. Transactions in financial instruments awaiting conversion for the Bank consist only of financial instruments refering to USD Libor rates, which cease publication on 30 June 2023.

Assessed impact of Benchmark Reform on significant interbank interest rates and hedging relationships

Interbank rates in the Bank's home markets and the USA are deemed to be material to the Bank, and consist of Stibor, USD Libor, Euribor and Nibor. GBP Libor was replaced with SONIA (Reformed Sterling Overnight Index Average) on 31 December 2021.

There has been no announcement that Stibor will cease as a reference rate. The Riksbank calculates and publishes an RFR in SEK for T/N, Swestr (Swedish krona Short Term Rate), which has been usable as a reference rate in financial contracts since 1 September 2021. Stibor must fulfil the requirements imposed by the Benchmark Regulation, and must be approved by the Swedish Financial Supervisory Authority. Stibor is a critical reference rate according to the Benchmark Regulation, and on 27 December 2021, the Swedish Financial Benchmark Facility applied to the Swedish Financial Supervisory Authority for approval of Stibor under the Benchmark Regulation. The application is currently being considered by the Swedish Financial Supervisory Authority. The Bank's assessment, at present, is that Stibor will be approved according to the Benchmark Regulation and will remain as a reference rate.

The Financial Conduct Authority (FCA) confirmed in March 2021 that all LIBOR for GBP, EUR, CHF and JPY, plus 1-week and 2-month USD, will either stop being published by any administrator or cease to be representative from 31 December 2021. For the remaining USD LIBOR, these will be discontinued directly after 30 June 2023. GBP Libor will be replaced with SONIA (Reformed Sterling Overnight Index Average) and USD Libor will be replaced with SOFR (Secured Overnight Financing Rate).

A reformed Euribor has been developed and approved as a reference rate in accordance with the Benchmark Regulation. The ESTER (Euro Short Term Rate) has been confirmed as RFR in euro. EONIA was discontinued on 3 January 2022. A reformed Euribor has been approved and will continue to be published. The Bank's assessment is that Euribor will remain as a reference rate.

The interbank rate Nibor in Norway has been approved according to the Benchmark Regulation by the Norwegian supervisory authority. The Bank's assessment is that Nibor will remain as a reference rate.

In assessing whether there is any uncertainty due to the Benchmark Reform, the Bank's starting point is that uncertainty only arises after a competent public authority has made the decision that an interbank rate will be discontinued at a specific point in time. The Bank's assessment is thus that uncertainty is brought about by the Benchmark Reform regarding hedging relationships maturing after 30 June 2023, in which USD Libor has a direct impact on the hedged item or hedging instrument. The hedged risk, which is directly affected by the uncertainty caused by the Benchmark Reform, is thus the variable reference rate in lending and funding in USD. Moreover, the cash flows attributable to lending and funding, as well as derivative instruments based on USD Libor, are also affected. The uncertainty caused by the Benchmark Reform will no longer be a factor for the hedged items and hedging instruments when the new rate has been established and stipulated in the individual contracts.

Hedging instruments and hedged items that referred to GBP Libor transitioned to the alternative reference rate at the end of 2021, or during Q1 2022, and are no longer affected by uncertainty arising from the Benchmark Reform. No decision has been made by a competent public authority that other interbank rates of material significance to the Bank will be discontinued, and there is thus at present not deemed to be any uncertainty due to the Benchmark Reform as regards these interbank rates.

Hedging instruments included in hedging relationships affected by uncertainty brought about by the Interest Rate Benchmark Reform SEK m	**Nominal amounts 2022-12-31**	**Nominal amounts 2021-12-31**
Interest rate swaps USD	55,588	48,268
Cross-currency interest rate swaps AUD/USD	6,602	5,923
Cross-currency interest rate swaps USD/DKK	-	6,188
Cross-currency interest rate swaps USD/EUR	-	896
Cross-currency interest rate swaps USD/GBP	8,560	7,859
Cross-currency interest rate swaps USD/NOK	13,899	12,712
Cross-currency interest rate swaps USD/SEK	12,181	11,321
Total	**96,831**	**93,167**

G23 Cont.

Financial instruments that have not transitioned to an alternative reference rate (RFR) as at 31 December 2022

The table below specifies the financial instruments referring to a material reference rate that are due to transition to an alternative reference rate (RFR), but that have not yet done so as at year-end.

Risks to which the Group is exposed as a result of the transition to alternative reference rates (RFR)

The transition affects a large amount of the Bank's operations, and many business areas within different geographical units and numerous functions are impacted. Several IT systems have been adapted to meet the new requirements, as have fallback agreements and other contractual issues, calculations for valuations and risk analysis, accounting and reporting, customer communications, etc. The development is essentially complete, and work is under way to achieve complete coverage of the new agreements with customers. Further developments and adaptations will be implemented as and when any future changes are made to reference rates. The significant amount of changes will necessitate some form of co-ordination. The Bank has a Group-wide Benchmark committee which co-ordinates all matters related to the transition to alternative reference rates.

Operational risks

Changes in processes, agreements and IT systems as described above may give rise to operational risks. The market remains in a state of flux with regard to various parameters within numerous reference rates, meaning that IT systems must be adaptable in a manner such that neither business risks or operational risks arise. Business risks would arise, for example, if the Bank were to be forced to reject transactions on the grounds of technological limitations.

The agreements and transactions referring to a reference rate that will, or might, be discontinued have been identified. The work of updating and amending these to new alternative reference rates, or implementing fallback agreements where these are deemed relevant, is ongoing and is essentially expected to be completed in time for the respective transitions to new reference rates.

The operational risks associated with the transition to alternative reference rates are managed in accordance with the Bank's customary procedures for identifying, assessing and managing operational risks (see note G2 Risk and capital management, Operational risk).

Market risks

Interest rate risk will change slightly and basis risks will arise when the transition to new alternative reference rates takes place at different points in time for different financial instruments and products. These risks will be managed within the Bank's risk tolerance as the changes occur.

Counterparty risk

The exposures will not change to any material extent and counterparty risk will be managed within the Bank's risk tolerance.

Financial instruments that refer to a material interbank rate, which have not transitioned to an alternative reference rate (RFR) as at the balance sheet date.

Interbank rates 2022			Derivative instruments, nominal amounts		
SEK m	Financial assets, non-derivatives, carrying amount	Financial liabilities, non-derivatives, carrying amount	Interest rate swaps	Interest rate options	Cross-currency interest rate swaps
USD Libor					
USD Libor 3m	8,200	-	77,208	-	
USD Libor other	443	-	376	-	
USD Libor 3m/EUR Euribor 3m					5,839
USD Libor 3m/NOK Nibor 3m					18,974
USD Libor 3m/SEK Stibor 3m					19,494
USD Libor 3m/GBP Libor 3m					13,625
USD Libor 3m/other currencies					1,159
Other currencies/USD Libor 3m					7,513
GBP Libor[1]					
GBP Libor 3m[1]	673	-	189	-	
Total	**9,316**	**-**	**77,773**	**-**	**66,604**

[1] GBP Libor was replaced with SONIA (Reformed Sterling Overnight Index Average) on 31 December 2021. A few customer contracts remain referring to a synthetic GBP Libor, which may only be applied for customer agreements classed as "tough legacy contracts".

Interbank rates 2021			Derivative instruments, nominal amounts		
SEK m	Financial assets, non-derivatives, carrying amount	Financial liabilities, non-derivatives, carrying amount	Interest rate swaps	Interest rate options	Cross-currency interest rate swaps
USD Libor					
USD Libor 3m	6,641	-	66,886	-	
USD Libor other	733	-	326	-	
USD Libor 3m/EUR Euribor 3m					5,469
USD Libor 3m/NOK Nibor 3m					17,701
USD Libor 3m/SEK Stibor 3m					18,891
USD Libor 3m/GBP Libor 3m					12,511
USD Libor 3m/other currencies					7,294
Other currencies/USD Libor 3m					6,741
GBP Libor					
GBP Libor 3m	88,364	-	10,498	4,632	
GBP Libor other	2,008	-	-	-	
EUR Libor 3m/GBP Libor 3m					6,514
GBP Libor 3m/USD Libor 3m					1,370
Other currencies/GBP Libor 3m					332
Total	**97,746**	**-**	**77,710**	**4,632**	**76,823**

The tables above do not include financial assets and liabilities, nor derivatives, that mature before the interbank rate is discontinued.

G24 Offsetting of financial instruments

2022 SEK m	Derivatives	Repurchase agreements and lending of securities	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	117,373	18,416	135,789
Amounts offset	-81,112	-4,833	-85,945
Carrying amount on the balance sheet	**36,261**	**13,583**	**49,844**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-11,031	-	-11,031
Financial assets received as collateral	-21,972	-13,568	-35,540
Total amounts not offset on the balance sheet	**-33,003**	**-13,568**	**-46,571**
Net amount	**3,258**	**15**	**3,273**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	111,598	4,838	116,436
Amounts offset	-82,558	-4,833	-87,391
Carrying amount on the balance sheet	**29,040**	**5**	**29,045**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-11,031	-	-11,031
Financial assets pledged as collateral	-5,897	-5	-5,902
Total amounts not offset on the balance sheet	**-16,928**	**-5**	**-16,933**
Net amount	**12,112**	**0**	**12,112**

2021 SEK m	Derivatives	Repurchase agreements and lending of securities	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	48,543	33,836	82,379
Amounts offset	-20,035	-7,110	-27,145
Carrying amount on the balance sheet	**28,508**	**26,726**	**55,234**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294	-	-9,294
Financial assets received as collateral	-13,322	-26,700	-40,022
Total amounts not offset on the balance sheet	**-22,616**	**-26,700**	**-49,316**
Net amount	**5,892**	**26**	**5,918**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	30,840	7,323	38,163
Amounts offset	-17,056	-7,110	-24,166
Carrying amount on the balance sheet	**13,784**	**213**	**13,997**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294	-	-9,294
Financial assets pledged as collateral	-1,467	-213	-1,680
Total amounts not offset on the balance sheet	**-10,761**	**-213**	**-10,974**
Net amount	**3,023**	**-**	**3,023**

Derivative instruments are offset on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. Repurchase agreements and reverse repurchase agreements with central counterparty clearing houses are offset on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. This occurs when the Bank has both a contractual right and an intention to settle the agreed cash flows with a net amount. The amount offset for derivative assets includes offset cash collateral of SEK 11,346m (3,315) derived from the balance sheet item Deposits and borrowing from the public. The amount offset for derivative liabilities includes offset cash collateral of SEK 12,791m (335), derived from the balance sheet item Loans to the public.

The remaining counterparty risk in derivatives is reduced through netting agreements, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

G25 Intangible assets

2022 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Other	Total 2022
Cost of acquisition at beginning of year	4,375	196	671	5,605	164	11,011
Cost of acquisition of additional intangible assets	-	-	-	703	-	703
Disposals and retirements	-18	-206	-	-325	-	-549
Foreign exchange effect	40	13	43	17	-	113
Cost of acquisition at end of year	**4,397**	**3**	**714**	**6,000**	**164**	**11,278**
Accumulated depreciation and impairment at beginning of year	-18	-193	-223	-2,209	-66	-2,709
Disposals and retirements	18	206	-	325	-	549
Amortisation for the year		-	-34	-594	-33	-661
Impairment for the year	-	-	-	-21	-	-21
Foreign exchange effect	-	-13	-14	-8	-	-35
Accumulated depreciation and impairment at end of year	**0**	**0**	**-271**	**-2,507**	**-99**	**-2,877**
Carrying amount	**4,397**	**3**	**442**	**3,493**	**66**	**8,402**

During the year, development expenses amounting to SEK 2,723m (2,144) have been recognised.

2021 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Other	Total 2021
Cost of acquisition at beginning of year	6,822	188	801	5,530	164	13,505
Cost of acquisition of additional intangible assets	-	-	-	539	-	539
Disposals and retirements	-	-	-	-176	-	-176
Reclassified to assets held for sale	-2,569	-	-165	-341	-	-3,075
Foreign exchange effect	122	8	35	53	-	218
Cost of acquisition at end of year	**4,375**	**196**	**671**	**5,605**	**164**	**11,011**
Accumulated depreciation and impairment at beginning of year	-	-168	-277	-1,697	-33	-2,175
Disposals and retirements	0	-	-	176	-	176
Amortisation for the year		-17	-33	-576	-33	-659
Impairment for the year	-18	-	-	-100	-	-118
Reclassified to assets held for sale	-	-	107	227	-	334
Amortisation and impairment for the year on assets reclassified to assets held for sale	-	-	-6	-217	-	-223
Foreign exchange effect	-	-8	-14	-22	-	-44
Accumulated depreciation and impairment at end of year	**-18**	**-193**	**-223**	**-2,209**	**-66**	**-2,709**
Carrying amount	**4,357**	**3**	**448**	**3,396**	**98**	**8,302**

	Goodwill		Intangible assets with an indefinite useful life	
SEK m	2022	2021	2022	2021
Handelsbanken Sweden	3,331	3,331		-
Handelsbanken UK	180	175		-
Handelsbanken Norway	699	678		-
Handelsbanken the Netherlands	177	163		-
Handelsbanken Capital Markets	10	10	3	3
Total	**4,397**	**4,357**	**3**	**3**

Impairment testing of goodwill and intangible assets with an indefinite useful life
Recognised goodwill mainly derives from traditional banking operations in Handelsbanken's home markets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually in connection with the closing of the annual accounts. When performing impairment testing, the value in use of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. In the table, goodwill has been allocated among the business segments. For the first five years, estimated future cash flows are based on forecasts of risk-weighted volumes, income, expenses and credit losses. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates and the expected impact of future regulations. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The estimated cash flows are based on historical real GDP growth as well as the Riksbank's long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of 2% (2). The total forecast period is 20 years. The terminal value used is the forecast value of the net assets of the tested unit. Estimated cash flows have been discounted at a rate based on a risk-free interest rate and a risk adjustment corresponding to the market's average return requirement. In the annual impairment test, the discount rate was 7.6% (6.4) after tax. The corresponding rate before tax was 10.5% (9.1).

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are the assumptions for interest rates, the business cycle, future margins and cost-effectiveness. No reasonably possible change in important assumptions would affect the reported value of goodwill.

G26 Property and equipment

Property and equipment SEK m	2022	2021
Equipment	760	715
Property	4,154	4,557
Property repossessed for protection of claims	0	0
Total	**4,914**	**5,272**

Property repossessed for protection of claims contains movable property which is regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims, see note G1. The fair value of properties which are regularly measured at fair value is SEK 0m (2). Unrealised value changes on these properties had an impact of SEK 0m (0) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent, authorised valuer for valuing commercial and office buildings and industrial properties. Valuations which are only based on market observations SEK 0m (2) are classified as level 2 in the valuation hierarchy described in note G1. Valuations where own assumptions are used to a material extent SEK 0m (0) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 2m (1) of which SEK 0m (0) was classified as level 3 before the sale. The value of new properties added during the year is SEK 0m (0), with SEK 0m (0) of this classified as level 3.

Equipment SEK m	2022	2021
Cost of acquisition at beginning of year	1,954	2,141
Cost of additional acquisition for the year	366	218
Disposals and retirements	-401	-369
Reclassified to assets held for sale	-	-115
Foreign exchange effect	77	79
Cost of acquisition at end of year	**1,996**	**1,954**
Accumulated depreciation and impairment at beginning of year	-1,287	-1,325
Depreciation for the year according to plan	-311	-315
Disposals and retirements	355	329
Reclassified to assets held for sale	-	57
Amortisation and impairment for the year on assets reclassified to assets held for sale[1]	-	14
Foreign exchange effect	-57	-47
Accumulated depreciation and impairment at end of year	**-1,300**	**-1,287**
Carrying amount	**696**	**667**
Carrying amount, right-of-use assets	**64**	**48**
Total carrying amount	**760**	**715**

Property SEK m	2022	2021
Cost of acquisition at beginning of year	1,775	2,509
New construction and conversion	145	67
Disposals and retirements	-203	-530
Reclassified to assets held for sale	-	-301
Foreign exchange effect	36	30
Cost of acquisition at end of year	**1,753**	**1,775**
Accumulated depreciation and impairment at beginning of year	-518	-1,084
Depreciation for the year according to plan	-32	-38
Disposals and retirements	2	476
Reclassified to assets held for sale	-	127
Amortisation and impairment for the year on assets reclassified to assets held for sale[1]	-	2
Foreign exchange effect	-3	-1
Accumulated depreciation and impairment at end of year	**-551**	**-518**
Carrying amount	**1,202**	**1,257**
Carrying amount, right-of-use assets	**2,952**	**3,300**
Total carrying amount	**4,154**	**4,557**

[1] Refers to amortisation and impairment during the period January-September 2021, i.e. the period prior to the reclassification to assets held for sale.

G27 Other assets

SEK m	2022	2021
Claims on investment banking settlements	10,825	2,629
Reinsurance assets	19	20
Other	3,876	3,136
Total	**14,720**	**5,785**

G28 Prepaid expenses and accrued income

SEK m	2022	2021
Accrued income	1,187	1,280
Prepaid expenses	792	736
Total	**1,979**	**2,016**

G29 Due to credit institutions

SEK m	2022	2021
Due in Swedish kronor		
Banks	9,080	4,409
Other credit institutions	8,681	8,485
Total	**17,761**	**12,894**
Due in foreign currency		
Banks	63,777	69,982
Other credit institutions	155	158
Total	**63,932**	**70,140**
Total due to credit institutions	**81,693**	**83,034**
of which accrued interest expenses	*185*	*-29*
of which repos	*-*	*-*

Average volumes SEK m	2022	2021
Due to credit institutions in Swedish kronor	24,643	48,286
Due to credit institutions in foreign currency	145,739	118,074
Total	**170,382**	**166,360**
of which repos	*125*	*371*

G30 Deposits and borrowing from the public

Deposits from the public SEK m	2022	2021
Deposits in Swedish kronor		
Households	430,128	445,736
Companies	336,594	366,155
National Debt Office	1	1
Total	**766,723**	**811,892**
Deposits in foreign currency		
Households	117,317	115,329
Companies	294,915	310,530
Total	**412,232**	**425,859**
Total deposits from the public	**1,178,955**	**1,237,751**

Borrowing from the public SEK m	2022	2021
Borrowing in Swedish kronor	87,427	29,335
Borrowing in foreign currency	58,679	19,551
Total borrowing from the public	**146,106**	**48,886**
Total deposits and borrowing from the public	**1,325,061**	**1,286,637**
of which accrued interest expenses	*854*	*95*
of which repos	*5*	*213*
of which within insurance operations	*6,253*	*6,623*

Average volumes SEK m	2022	2021
Deposits from the public		
Deposits from the public in Swedish kronor	804,420	745,860
Deposits from the public in foreign currency	446,694	490,229
Total	**1,251,114**	**1,236,089**
Borrowing from the public		
Borrowing in Swedish kronor	70,508	54,673
Borrowing in Swedish kronor, insurance operations	6,150	6,739
Borrowing in foreign currency	210,655	153,982
Total	**287,313**	**215,394**
of which repos	*16,971*	*19,209*

G31 Liabilities where the customer bears the value change risk

SEK m	2022	2021
Unit-linked and portfolio bond insurance liabilities	212,363	235,209
Other fund liabilities	603	552
Total	**212,966**	**235,761**

G32 Issued securities

	2022		2021	
SEK m	Carrying amount	Nominal amount	Carrying amount	Nominal amount
Commercial paper				
Commercial paper in Swedish kronor	908	861	567	489
of which fair value through profit or loss	*908*	*861*	*567*	*489*
Commercial paper in foreign currency	623,429	624,435	513,697	513,441
of which amortised cost	*622,702*	*623,745*	*512,583*	*512,332*
of which included in fair value hedges	*6,507*	*6,681*	*905*	*906*
of which fair value through profit or loss	*727*	*690*	*1,114*	*1,109*
Total	**624,336**	**625,296**	**514,264**	**513,930**
Bonds				
Bonds in Swedish kronor	510,343	518,021	500,296	487,761
of which amortised cost	*510,343*	*518,021*	*500,296*	*487,761*
of which included in fair value hedges	*95,126*	*102,300*	*40,225*	*39,200*
Bonds in foreign currency	340,122	353,420	339,208	339,801
of which amortised cost	*340,122*	*353,420*	*339,208*	*339,801*
of which included in fair value hedges	*190,268*	*210,421*	*134,588*	*135,498*
Total	**850,465**	**871,441**	**839,504**	**827,562**
Total issued securities	**1,474,801**	**1,496,737**	**1,353,768**	**1,341,492**
of which accrued interest expenses	*5,886*		*4,194*	

SEK m	2022	2021
Issued securities at beginning of year	1,353,768	1,310,737
Issued	1,064,019	1,015,801
Repurchased	-57,759	-54,381
Matured	-926,079	-939,884
Foreign exchange effect, etc.	40,852	21,495
Issued securities at end of year	**1,474,801**	**1,353,768**

Average volumes SEK m	2022	2021
Swedish kronor	514,455	491,228
Foreign currency	950,189	882,947
Total	**1,464,645**	**1,374,175**

G33 Short positions

SEK m	2022	2021
Short positions at fair value		
Equities	362	835
Interest-bearing securities	1,577	3,270
Total	**1,939**	**4,105**
of which accrued interest expenses	*8*	*21*

Average volumes SEK m	2022	2021
Swedish kronor	16,865	21,824
Foreign currency	142	229
Total	**17,007**	**22,053**

G34 Insurance liabilities

SEK m	2022	2021
Liability for sickness annuities	144	162
Liability for life annuities	160	199
Liability for other unsettled claims	101	131
Liability for prepaid premiums	-	40
Total	**405**	**532**

G35 Taxes

Deferred tax assets SEK m	2022	2021
Hedging instruments	996	-
Intangible assets	-	-
Property and equipment	19	18
Pensions	370	295
Other	204	532
Total	**1,589**	**845**

Deferred tax liabilities SEK m	2022	2021
Loans to the public[1]	2,207	2,759
Hedging instruments	764	369
Intangible assets	78	74
Property and equipment	95	93
Pensions	2,466	1,754
Other	4	227
Total	**5,614**	**5,276**
Net deferred tax liabilities	**-4,025**	**4,431**

Change in deferred taxes 2022 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public[1]	2,759	-552	-	-	2,207
Hedging instruments	369	-	-601	-	-232
Intangible assets	74	4	-	-	78
Property and equipment	75	-1	-	2	76
Pensions	1,459	15	622	-	2,096
Other	-305	312	-193	-14	-200
Total	**4,431**	**-222**	**-172**	**-12**	**4,025**

Change in deferred taxes 2021 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Reclassified to assets and liabilities held for sale	Foreign exchange effect	Closing balance
Loans to the public[1]	3,212	-453	-	-	-	2,759
Hedging instruments	965	-	-596	-	-	369
Intangible assets	70	4	-	-	-	74
Property and equipment	97	-22	-	-	-	75
Pensions	146	-72	1,398	-	-13	1,459
Other	-355	-139	195	-4	-2	-305
Total	**4,135**	**-682**	**997**	**-4**	**-15**	**4,431**

[1] Of which lease assets SEK 2,207m (2,759).

G35 Cont.

Tax expenses recognised in the income statement SEK m	2022	2021
Current tax		
Tax expense for the year	-5,754	-5,188
Adjustment of tax relating to prior years	103	-121
Deferred tax		
Changes in temporary differences	222	682
Total tax expenses, continuing operations	**-5,429**	**-4,627**
Total tax expenses, discontinued operations	**-1,173**	**-510**
Tax at 20.6% (20.6) of profits in continuing operations before tax	**-5,484**	**-4,836**
Difference	**55**	**209**
The difference is explained by the following items		
Various non-deductible expenses	-89	-20
Non-deductible interest on subordinated loans	-282	-226
Different tax rate in insurance operations	118	259
Non-taxable capital gains and dividends	230	-
Different tax rates in other countries	-282	-121
Remeasurement of deferred taxes due to change in tax rate	375	-
Other	-15	317
Total	**55**	**209**

G36 Provisions

Provisions 2022 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**250**	**617**	**159**	**1,026**
Provisions during the year		-	129	129
Utilised		-520	0	-520
Reversed		-	-62	-62
Reclassified to liabilities held for sale		-11	-	-11
Change in expected credit losses, net	29			29
Provisions at end of year	**280**	**87**	**225**	**591**

Provisions 2021 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**366**	**1,829**	**107**	**2,302**
Provisions during the year		-	53	53
Utilised		-1,171	0	-1,171
Reversed		-	-1	-1
Reclassified to liabilities held for sale	-94	-41	-	-135
Change in expected credit losses, net	-22			-22
Provisions at end of year	**250**	**617**	**159**	**1,026**

[1] For more information, see notes G10 and G44.
[2] The provision for restructuring costs refers to expenses related to the Bank's restructuring. The majority of the provision amount was settled during the years 2021–2022. The remainder is expected to be settled by the end of 2023.
[3] The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

G37 Other liabilities

SEK m	2022	2021
Liabilities on investment banking settlements	3,010	2,789
Lease liability	3,018	3,414
Reinsurance liabilities	107	83
Other	4,316	5,018
Total	**10,451**	**11,304**

G38 Accrued expenses and deferred income

SEK m	2022	2021
Accrued expenses	2,446	2,198
Deferred income	1,120	1,321
Total	**3,565**	**3,519**

G39 Subordinated liabilities

SEK m	2022	2021
Subordinated loans in Swedish kronor	-	3,003
Subordinated loans in foreign currency	42,404	29,254
Total	**42,404**	**32,257**
of which accrued interest expenses	*1,078*	*769*

Average volumes SEK m	2022	2021
Subordinated loans in Swedish kronor	945	2,898
Subordinated loans in foreign currency	37,131	30,125
Total	**38,076**	**33,023**

Specification, subordinated loans Issuance	Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
In foreign currency					
2018	Fixed term	EUR	750	1.630%	8,458
2018	Fixed term	EUR	750	1.250%	8,438
2019	Perpetual	USD	500	6.250%	5,332
2020	Perpetual	USD	500	4.380%	4,647
2020	Perpetual	USD	500	4.750%	4,228
2022	Fixed term	EUR	500	3.250%	5,371
2022	Fixed term	GBP	500	4.630%	5,930
Total subordinated liabilities					**42,404**

For further information regarding the subordinated loans, see the Pillar 3 report.

Change in subordinated liabilities SEK m	2022	2021
Subordinated loans at beginning of year	32,257	41,082
Issued	11,445	-
Repurchased	-	-
Matured	-2,994	-9,711
Foreign exchange effect, etc.	1,696	886
Subordinated loans at end of year	**42,404**	**32,257**

G40 Specification of changes in equity

Change in hedge reserve SEK m	**2022**	**2021**
Hedge reserve at beginning of year	1,789	3,353
Cash flow hedges		
Effective part of change in fair value		
Interest rate risk	-3,668	-2,319
Foreign exchange risk	1,189	528
Unrealised value changes	-	-
Reclassified to the income statement[1]	-160	-179
Tax	544	406
Hedge reserve at end of year	**-307**	**1,789**

Change in fair value reserve SEK m	**2022**	**2021**
Fair value reserve at beginning of year	**158**	**94**
Unrealised value change – equity instruments	22	59
Realised value change – equity instruments	91	0
Unrealised value change – debt instruments	-54	5
Change in reserve expected credit losses – debt instruments	0	0
Reclassified to retained earnings – equity instruments[2]	-91	0
Reclassified to the income statement – debt instruments[3]	-	-
Fair value reserve at end of year	**126**	**158**

Change in translation reserve SEK m	**2022**	**2021**
Translation reserve at beginning of year	2,585	-806
Change in translation difference pertaining to branches	1,166	1,220
Change in translation difference pertaining to subsidiaries	1,697	2,247
Reclassified to the income statement[4]	-501	-9
Reclassified to retained earnings[5]	-615	-67
Translation reserve at end of year	**4,332**	**2,585**

[1] Tax reclassified to the income statement pertaining to this item SEK 33m (37).
[2] Tax reclassified to retained earnings pertaining to this item SEK - m (0).
[3] Tax reclassified to the income statement pertaining to this item SEK -m (-).
[4] Tax reclassified to the income statement pertaining to this item SEK 18m (2).
[5] Tax reclassified to retained earnings pertaining to this item SEK 38m (17).

G41 Classification of financial assets and liabilities

2022	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					475,882	475,882	475,882
Other loans to central banks					32,620	32,620	32,620
Interest-bearing securities eligible as collateral with central banks	1,465	131,113		200		132,778	132,778
Loans to other credit institutions					9,415	9,415	9,410
Loans to the public					2,469,324	2,469,324	2,422,795
Value change of interest-hedged item in portfolio hedge					-16,616	-16,616	
Bonds and other interest-bearing securities	5,328	17,487		9,882		32,697	32,697
Shares	12,272			544		12,815	12,815
Assets where the customer bears the value change risk	222,038				73	222,111	222,111
Derivative instruments	14,912		21,349			36,261	36,261
Other assets	14				14,796	14,810	14,810
Total	**256,028**	**148,600**	**21,349**	**10,626**	**2,985,493**	**3,422,096**	**3,392,179**
Investments in associates and joint ventures						561	
Non-financial assets						31,058	
Total assets						**3,453,716**	
Liabilities							
Due to credit institutions					82,372	82,372	82,395
Deposits and borrowing from the public					1,382,422	1,382,422	1,381,640
Liabilities where the customer bears the value change risk		222,038			73	222,111	222,111
Issued securities	1,635				1,473,167	1,474,801	1,431,925
Derivative instruments	16,648		12,392			29,040	29,040
Short positions	1,939					1,939	1,939
Other liabilities	11				11,224	11,235	11,235
Subordinated liabilities					42,404	42,404	42,430
Total	**20,233**	**222,038**	**12,392**		**2,991,662**	**3,246,325**	**3,202,715**
Non-financial liabilities						11,361	
Total liabilities						**3,257,686**	

Assets and liabilities in the table above include the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively (see note G14). The comparative figures also include the Denmark disposal group, which was divested during Q4 2022.

2021	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					439,964	439,964	439,964
Other loans to central banks					1,462	1,462	1,462
Interest-bearing securities eligible as collateral with central banks	2,513	97,628		397	24	100,562	100,562
Loans to other credit institutions					21,838	21,838	21,839
Loans to the public					2,413,829	2,413,829	2,416,796
Value change of interest-hedged item in portfolio hedge					-1,900	-1,900	
Bonds and other interest-bearing securities	5,310	19,008		9,016		33,334	33,334
Shares	19,026			908		19,934	19,934
Assets where the customer bears the value change risk	252,924				64	252,988	252,988
Derivative instruments	17,300		11,218			28,518	28,518
Other assets	18				6,147	6,165	6,165
Total	**297,091**	**116,636**	**11,218**	**10,321**	**2,881,428**	**3,316,694**	**3,321,562**
Investments in associates and joint ventures						478	
Non-financial assets						29,592	
Total assets						**3,346,764**	
Liabilities							
Due to credit institutions					83,608	83,608	83,992
Deposits and borrowing from the public					1,400,757	1,400,757	1,400,721
Liabilities where the customer bears the value change risk		252,924			64	252,988	252,988
Issued securities	1,681				1,352,087	1,353,768	1,359,934
Derivative instruments	8,843		4,966			13,809	13,809
Short positions	4,105					4,105	4,105
Other liabilities	7				12,405	12,412	12,412
Subordinated liabilities					32,257	32,257	33,645
Total	**14,636**	**252,924**	**4,966**		**2,881,178**	**3,153,704**	**3,161,606**
Non-financial liabilities						11,329	
Total liabilities						**3,165,033**	

G42 Fair value measurement of financial instruments

Financial instruments at fair value 2022 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	1,465	-	-	1,465
Fair value through profit or loss, fair value option	131,113	-	-	131,113
Fair value through other comprehensive income	200	-	-	200
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	5,328	-	-	5,328
Fair value through profit or loss, fair value option	17,487	-	-	17,487
Fair value through other comprehensive income	9,124	758	-	9,882
Shares				
Fair value through profit or loss, mandatory	11,866	384	21	12,271
Fair value through other comprehensive income	274	117	152	543
Assets where the customer bears the value change risk	220,766	747	525	222,038
Derivative instruments	49	36,173	39	36,261
Total	**397,673**	**38,179**	**737**	**436,589**
Liabilities				
Liabilities where the customer bears the value change risk	220,766	747	525	222,038
Issued securities	-	1,635	-	1,635
Derivative instruments	54	28,947	39	29,040
Short positions	1,858	81	-	1,939
Total	**222,678**	**31,410**	**564**	**254,652**

Financial instruments in the table above include the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively. See note G14. The comparative figures also include the Denmark disposal group, which was divested during Q4 2022.

Financial instruments at fair value 2021 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	2,188	325	-	2,513
Fair value through profit or loss, fair value option	97,628	-	-	97,628
Fair value through other comprehensive income	397	-	-	397
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	4,262	1,048	-	5,310
Fair value through profit or loss, fair value option	19,008	-	-	19,008
Fair value through other comprehensive income	2,291	6,725	-	9,016
Shares				
Fair value through profit or loss, mandatory	18,286	709	31	19,026
Fair value through other comprehensive income	100	200	608	908
Assets where the customer bears the value change risk	251,977	463	484	252,924
Derivative instruments	22	28,453	43	28,518
Total	**396,159**	**37,923**	**1,166**	**435,248**
Liabilities				
Liabilities where the customer bears the value change risk	251,977	463	484	252,924
Issued securities	-	1,681	-	1,681
Derivative instruments	46	13,720	43	13,809
Short positions	3,903	202	-	4,105
Total	**255,926**	**16,066**	**527**	**272,519**

G42 Cont.

Valuation hierarchy

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

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2021), the instrument has been moved between the levels in the table. Holdings of bonds and other interest-bearing securities worth SEK 4.7bn were transferred from level 2 to level 1 during the year. Derivative liabilities worth SEK 16m were transferred from level 1 to level 2. The transfers between levels were carried out after an updated assessment of market activity. Changes in level 3 holdings during the year are shown in a separate table below.

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

Certain holdings of private equity funds are categorised as belonging to level 3. These are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, such as P/E ratios and EV/EBITA. 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.

The year's realised value changes on financial instruments in level 3 reported in the income statement is SEK 2m (2). This entire amount is included for calculation of the yield split in the insurance operations.

Change in holdings in financial instruments in level 3 2022

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	**639**	**43**	**-43**	**484**	**-484**
Acquisitions	-	34	-39	-	-
Repurchases/sales	-472	-43	41	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	6	-32	39	41	-41
Unrealised value change in other comprehensive income	-	-	-	-	-
Transfer from level 1 or 2	-	29	-29	-	-
Transfer to level 1 or 2	-	8	-8	-	-
Carrying amount at end of year	**173**	**39**	**-39**	**525**	**-525**

Financial instruments in the table above include the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively. See note G14. The comparative figures also include the Denmark disposal group, which was divested during Q4 2022.

Change in holdings in financial instruments in level 3 2021

SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**550**	**80**	**-80**	**474**	**-474**
Acquisitions	33	1	-2	-	-
Repurchases/sales	-3	9	-7	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	51	-131	130	10	-10
Unrealised value change in other comprehensive income	8	-	-	-	-
Transfer from level 1 or 2	-	10	-10	-	-
Transfer to level 1 or 2	-	74	-74	-	-
Carrying amount at end of year	**639**	**43**	**-43**	**484**	**-484**

G42 Cont.

Differences between the transaction price and the value measured by a valuation model
As stated in the accounting policies in note G1, when applying a model to value derivatives, material positive differences between the valuation at initial recognition and the transaction price (known as day 1 gains/losses) are amortised over the life of the derivative. Unrealised results due to positive differences between the transaction price and the value measured by a valuation model (known as day 1 gains/losses) are comprised of the Bank's profit margin and compensation to cover, for example, the cost of capital and administrative expenses. As a consequence of the application of this principle, SEK 158m (172) has been recognised in Net gains/losses on financial transactions during the year. At the end of the year, non-recognised day 1 gains amounted to SEK 447m (489).

Principles for information about the fair values of financial instruments which are measured at amortised cost
Information about the fair values of financial instruments which are measured at amortised cost is given in note G41 and in the table below. These instruments essentially comprise lending, deposits and borrowing. For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

The valuation of fixed-rate lending is based on the current market rate with an adjustment for assumed credit and liquidity risk premiums on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement.

Interest-bearing securities have been valued at the current market price where this has been available. Funding and interest-bearing securities for which market price information has not been available have been valued using a valuation model based on market data in the form of prices or interest for similar instruments.

In the table, the valuation used for the information about the fair value of financial instruments measured at amortised cost is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premiums has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

Fair value of financial instruments at amortised cost 2022 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	475,882	-	-	475,882
Other loans to central banks	32,620	-	-	32,620
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to other credit institutions	4,924	4,083	403	9,410
Loans to the public	22,499	9,604	2,390,693	2,422,795
Assets where the customer bears the value change risk	73	-	-	73
Total	**535,998**	**13,687**	**2,391,096**	**2,940,780**
Liabilities				
Due to credit institutions	22,593	59,802	-	82,395
Deposits and borrowing from the public	1,355,990	25,650	-	1,381,640
Liabilities where the customer bears the value change risk	73	-	-	73
Issued securities	869,926	560,365	-	1,430,291
Subordinated liabilities	-	42,430	-	42,430
Total	**2,248,582**	**688,247**	**-**	**2,936,829**

Financial instruments in the table above include the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively. See note G14. The comparative figures also include the Denmark disposal group, which was divested during Q4 2022.

Fair value of financial instruments at amortised cost 2021 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	439,964	-	-	439,964
Other loans to central banks	1,462	-	-	1,462
Interest-bearing securities eligible as collateral with central banks	-	24	-	24
Loans to other credit institutions	3,689	17,757	393	21,839
Loans to the public	12,192	6,781	2,397,823	2,416,796
Assets where the customer bears the value change risk	64	-	-	64
Total	**457,371**	**24,562**	**2,398,216**	**2,880,149**
Liabilities				
Due to credit institutions	9,507	74,485	-	83,992
Deposits and borrowing from the public	1,385,232	15,489	-	1,400,721
Liabilities where the customer bears the value change risk	64	-	-	64
Issued securities	763,594	594,659	-	1,358,253
Subordinated liabilities	-	33,645	-	33,645
Total	**2,158,397**	**718,278**	**-**	**2,876,675**

G43 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2022	2021
Cash	14,754	14,600
Government instruments and bonds	3,767	6,460
Loans to the public	728,662	692,211
Equities	5,752	6,597
Assets where the customer bears the value change risk	224,009	248,066
Other	2,434	3,499
Total	**979,378**	**971,433**
of which pledged assets that may be freely withdrawn by the Bank	*22*	*25*

Other pledged assets SEK m	2022	2021
Cash	1,432	1,456
Government instruments and bonds	10,692	5,767
Equities	3,726	7,007
Other	-	0
Total	**15,850**	**14,230**
of which pledged assets that may be freely withdrawn by the Bank	*2,196*	*3,563*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Pledged assets

Pledged assets are recognised as assets on the balance sheet. Assets pledged in the form of interest-bearing securities mainly comprise securities pledged as collateral to central banks and other credit institutions, for payment systems, securities trading and clearing and also securities sold under binding repurchase agreements (repos). Assets pledged in the form of equities mainly comprise lent equities and equities in the insurance operations.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral mainly comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operative apartments with a loan-to-value ratio within 75% of the market value. In the event of the company's insolvency, pursuant to the Covered Bonds Act and the Right of Priority Act, the holders of the covered bonds have prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then continue to receive contractual payments under the terms of the bond until maturity.

Assets where the customer bears the value change risk mainly comprise units in unit-linked insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

Collateral received

Collateral received is not recognised on the balance sheet. For reverse repurchase agreements and equity loans, securities are received that can be sold or repledged to a third party. The fair value of received securities under reverse repurchase agreements and agreements on equity loans was SEK 35,395m (63,709) at the end of the financial year, where collateral worth SEK 16,970m (26,632) had been sold or repledged to a third party. Information about received pledges for lending and other received collateral is shown in note G2.

Transferred financial assets reported on the balance sheet

Transferred financial assets are recognised as assets on the balance sheet but, for these, the rights to future cash flows are directly or indirectly transferred to an external counterparty. Most of the transferred financial assets recognised on the balance sheet comprise interest-bearing securities which have been sold under binding repurchase agreements and lent equities. Normally the terms for the binding repurchases and equity loans are stipulated in framework agreements between the Bank and the respective counterparty.

Binding repurchase agreements imply selling securities with an undertaking to repurchase them at a fixed price at a pre-determined time in the future. The seller of the securities thus continues to be exposed to the risk of value changes during the life of the agreement. Securities sold under repurchase agreements remain at market value in the balance sheet throughout the life of the agreement. The purchase price received is reported as a liability to the counterparty. According to the standard terms of a repurchase agreement, the right of ownership of the sold securities is transferred in its entirety from the seller to the buyer. This means that the buyer has the right to sell on, repledge or otherwise dispose of the purchased securities.

According to the standard agreements for equity loans, the exposure to the value change in the lent equity remains with the lender. Lent equities thus remain on the balance sheet throughout the life of the loan. Collateral for lent securities is normally in the form of cash or other securities. Cash collateral received is recognised as a liability on the balance sheet. In the same way as for repurchase agreements, the standard agreement used for equity loans means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the borrowed securities.

Government instruments, bonds and equities provided as collateral for securities trading, clearing, etc. where the title to the instrument has been transferred to the counterparty are reported as other transferred financial assets. Transferred financial assets also include certain assets where the customer bears the value change risk. These assets comprise portfolios of financial instruments where the Bank has the formal right of ownership but where the risks related to the assets and also the right to future cash flows have been transferred to a third party. The valuation of these assets reflects the valuation of the corresponding liability item.

G43 Cont.

Transferred financial assets reported on the balance sheet	2022		2021	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	4,039	208[1]	7,349	284[1]
Government instruments and bonds, repurchase agreements	3,350	2	4,142	67
Government instruments and bonds, other	43	-	1,946	-
Assets where the customer bears the value change risk	603	603	552	552
Total	**8,036**	**813**	**13,989**	**903**

[1] Received cash collateral.

G44 Contingent liabilities

SEK m	2022	2021
Contingent liabilities		
Guarantees, credits	6,709	7,839
Guarantees, other	52,052	61,579
Irrevocable letters of credit	313	1,035
Other	1,901	1,303
Total	**60,975**	**71,756**
of which subject to impairment testing	*60,975*	*71,756*
Obligations		
Loan commitments	336,974	346,556
Unutilised part of granted overdraft facilities	108,456	116,839
Other	13,684	23,122
Total	**459,114**	**486,517**
of which subject to impairment testing	*266,418*	*344,081*
Total contingent liabilities	**519,866**	**558,273**
Provision for expected credit losses reported as provisions, see note G36.	353	344

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Companies within the Group are subjects of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in the Bank's favour. The assessment is that the amounts in dispute would not have a material effect on the Group's financial position or profit/loss.

G45 Leases

Handelsbanken as lessor

Finance leases SEK m	2022	2021
Finance income from net investments	300	218
Variable lease fees	213	113

Distribution of undiscounted lease receivables by maturity and net investment SEK m	2022	2021
Up to 1 yr	2,212	3,426
1 yr to 2 yrs	4,133	3,931
2 yrs to 3 yrs	3,107	4,204
3 yrs to 4 yrs	1,262	2,084
4 yrs to 5 yrs	1,572	1,098
Over 5 yrs	4,444	4,717
Total undiscounted lease receivables	**16,730**	**19,460**
Unearned finance income	-900	-351
Net investment	**15,830**	**19,109**

All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans on the balance sheet, initially for an amount corresponding to the net investment. The change since the previous year is chiefly due to a decrease in leasing volumes (SEK -3bn), attributable to winding down operations. Lease assets mainly consist of vehicles and machines. All leases have guaranteed residual values. At year-end, the Group had three lease exposures each with an individual carrying amount exceeding SEK 1bn.

Handelsbanken as lessee

Income statement items SEK m	2022	2021
Interest expenses for lease liabilities	-53	-64
Total[1]	**-53**	**-64**
Depreciation and impairment of right-of-use assets		
Property	-624	-668
Equipment	-22	-16
Total[2]	**-646**	**-684**
Expenses for short-term leases	-33	-31
Expenses for leases in which the underlying asset is of low value	-17	-15
Variable lease fees that are not included in the calculation of lease liabilities	-125	-100
Total[3]	**-175**	**-146**
Total expenses for leases	**-874**	**-894**

Balance sheet items SEK m	2022	2021
Right-of-use assets[4]		
Property	2,952	3,300
Equipment	64	48
Total	**3,016**	**3,348**
New right-of-use assets[5]	323	97
Lease liabilities[6]	3,018	3,412
Total cash outflows for leases	-854	-807

[1] Included in income statement item Interest expenses.
[2] Included in income statement item Depreciation, amortisation and impairment of property, equipment and intangible assets, of which SEK 11m (-55) is an impairment loss.
[3] Included in income statement item Other expenses.
[4] Right-of-use assets are included in the balance sheet item Property and equipment.
[5] New lease agreements during the year included in right-of-use assets.
[6] Lease liabilities are included in the balance sheet item Other liabilities.

G45 Cont.

Time to maturity regarding lease liabilities SEK m	2022	2021
Up to 6 mths	364	338
6 mths to 1 yr	355	333
1 yr to 2 yrs	672	633
2 yrs to 5 yrs	1,342	1,401
Over 5 yrs	512	689
Total	**3,245**	**3,394**

The Bank's lease agreements primarily consist of contracts for the rental of premises. Excepting such contracts, other lease agreements refer mainly to multi-function printers, personal computers and various other office equipment.

The majority of contracts for the rental of premises have a term of three to ten years. Some of the Bank's contracts for the rental of premises include an option to extend the term of the agreement, entailing that the contract is extended for a specific period of time if it is not terminated by a specific point in time. There are also contracts for the rental of premises which include an option for the Bank to terminate the agreement before expiry. When determining the lease term, the options of extending the term or terminating the agreement before expiry are only included when it is highly probable that these options will be exercised.

The Bank has entered into lease agreements with maturities of under 12 months, and lease agreements in which the underlying asset is of low value, which are recognised as expenses in accordance with the exemption in IFRS 16 Leases, and thus are not included in lease liabilities or right-of-use assets.

G46 Segment reporting

Segment reporting 2022 SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	23,078	7,580	4,264	1,354	301	32		36,610
Net fee and commission income	8,471	807	695	147	771	213		11,103
Net gains/losses on financial transactions	78	248	91	21	1,131	-457		1,111
Risk result – insurance	155		21					176
Share of profit of associates and joint ventures						-13		-13
Other income	103	14	25	1	9	1,111		1,263
Total income	**31,884**	**8,649**	**5,096**	**1,523**	**2,212**	**885**		**50,249**
Staff costs	-4,041	-2,693	-1,028	-442	-1,143	-3,778	22	-13,103
Other expenses	-1,515	-789	-295	-94	-326	-3,525		-6,543
Internal purchased and sold services	-4,630	-1,076	-667	-241	-344	6,959		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-420	-313	-92	-54	-147	-601	-23	-1,650
Total expenses	**-10,607**	**-4,872**	**-2,082**	**-832**	**-1,959**	**-944**	**-1**	**-21,296**
Profit before credit losses, risk tax and resolution fee	**21,278**	**3,778**	**3,014**	**691**	**253**	**-60**	**-1**	**28,953**
Net credit losses	135	-55	-152	0	-13	38		-47
Gains/losses on disposal of property, equipment and intangible assets	10	10	6	-	0	-2		24
Risk tax and resolution fee	-1,659		-359	-81	-33	-180		-2,311
Operating profit	**19,764**	**3,733**	**2,509**	**610**	**206**	**-203**	**-1**	**26,619**
Profit allocation	374	49	69	0	-531	39		
Operating profit after profit allocation	**20,138**	**3,781**	**2,578**	**610**	**-324**	**-164**	**-1**	**26,619**
Internal income[1]	1,727	52	-3,838	-453	615	1,897		
C/I ratio, %	32.9	56.0	40.3	54.6	116.5			42.4
Credit loss ratio, %	-0.01	0.01	0.04	0.00	0.06			0.00
Assets	2,711,810	505,113	321,450	128,633	48,680	2,688,331	-2,950,301	3,453,716
Liabilities	2,603,652	484,408	301,089	124,999	46,607	2,673,717	-2,976,786	3,257,686
Allocated capital	108,158	20,705	20,361	3,634	2,073	14,614	26,485	196,030
Return on allocated capital, %	15.5	14.9	10.4	14.4	-11.5			12.3
The year's investments in non-financial non-current assets	277	137	111	6	21	662		1,214
The year's investments in associates and joint ventures						123		123
Average number of employees	3,907	2,481	763	357	585	2,861		10,954

'Other' in the table above includes Assets, Liabilities, Allocated capital and The year's investments in non-financial non-current assets attributable to the disposal group Finland.

The business segments are recognised in accordance with IFRS 8 Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Sweden, the UK, Norway, the Netherlands and Capital Markets. The branch operations in Handelsbanken provide a focused offering within financing, payments, financial advisory services, savings and pensions. Excluding Capital Markets, the segments include the branch operations together with the asset management and insurance business. Each country is followed up as an independent profit centre and is managed by a Country General Manager. In Sweden and the UK, the branch operations under the Country General Manager are organised by county and district, respectively. The Capital Markets segment is Handelsbanken's investment bank, including securities trading and investment advisory services. Its operations also include the Bank's international operations outside its home markets.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net in the line item Internal purchased and sold services. Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. Other overwhelmingly includes Treasury and central departments, as well as transactions attributable to the provision for the Oktogonen profit-sharing scheme. The Adjustments and eliminations column includes adjustments for staff costs. Adjustments for staff costs contain the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and locally calculated pension costs.

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the form of payment for internal services rendered. Internal debiting is primarily according to the cost price principle. In branch operations, assets consist mainly of loans to the public and liabilities of deposits from the public and also internal borrowing. The assets in the Other column are mainly internal lending to the various segments, while the liabilities are mainly external borrowings. The allocated capital for the segments is the same as the capital allocation according to the internal financial control model.

G46 Cont.

Segment reporting 2021

SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,880	5,452	3,867	1,076	245	801		30,321
Net fee and commission income	8,800	751	656	224	786	241		11,458
Net gains/losses on financial transactions	480	189	55	32	1,185	-242		1,699
Risk result – insurance	168		11					179
Share of profit of associates and joint ventures						63		63
Other income	471	0	26	0	9	51		557
Total income	**28,799**	**6,392**	**4,615**	**1,332**	**2,225**	**914**		**44,277**
Staff costs	-4,035	-2,467	-908	-395	-1,211	-3,267	-169	-12,452
Other expenses	-1,216	-1,045	-195	-76	-361	-2,684		-5,577
Internal purchased and sold services	-4,289	-912	-510	-176	-317	6,204		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-358	-316	-84	-50	-233	-726	-47	-1,814
Total expenses	**-9,898**	**-4,740**	**-1,697**	**-697**	**-2,122**	**-473**	**-216**	**-19,843**
Profit before credit losses, risk tax and resolution fee	**18,901**	**1,652**	**2,918**	**635**	**103**	**441**	**-216**	**24,434**
Net credit losses	15	95	-150	-5	11	-9		-43
Gains/losses on disposal of property, equipment and intangible assets	9	9	6	-	-10	0		14
Risk tax and resolution fee	-696		-167	-31	-22	-14		-930
Operating profit	**18,229**	**1,756**	**2,607**	**599**	**82**	**418**	**-216**	**23,475**
Profit allocation	296	46	54	1	-434	37		
Operating profit after profit allocation	**18,525**	**1,802**	**2,661**	**600**	**-352**	**455**	**-216**	**23,475**
Internal income[1]	-345	-961	-1,447	-401	-362	3,516		
C/I ratio, %	34.0	73.6	36.3	52.3	118.5			44.8
Credit loss ratio, %	0.00	-0.04	0.06	0.01	-0.01			0.00
Assets	2,598,396	488,025	294,510	111,145	94,050	2,535,178	-2,774,540	3,346,764
Liabilities	2,493,982	467,478	276,517	108,132	91,475	2,520,023	-2,792,574	3,165,033
Allocated capital	104,414	20,547	17,993	3,013	2,575	15,155	18,034	181,731
Return on allocated capital, %	14.8	7.0	11.4	16.7	-11.8			11.4
The year's investments in non-financial non-current assets	-77	77	29	2	138	528		697
The year's investments in associates and joint ventures						51		51
Average number of employees	3,899	2,509	742	337	647	2,905		11,039

[1] Internal income which is included in total income comprises income from transactions with other operating segments and Other. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among segments and Other.

The 'Other' column in the table above includes Assets, Liabilities, Allocated capital and The year's investments in non-financial non-current assets attributable to the disposal groups Denmark and Finland.

A reorganisation took place during Q1 2022, with the aim of creating an even more focused and customer-centric organisation. The largest effect from an accounting standpoint arose from the transfer of Savings & Pension from Capital Markets to Sweden, with the exception of the respective local Savings & Pension units which were transferred to Norway, Finland and Denmark.
In addition, some central functions that currently work closely with Sweden were transferred from Other units to Sweden. Therefore, the comparative figures in the tables have been recalculated.

Income per product area SEK m	2022	2021
Household deposits and lending	17,376	15,127
Corporate deposits and lending	20,167	15,485
Payments, net	1,711	1,479
Asset management	6,380	6,747
Pension & insurance	515	934
Investment bank services	6,746	2,937
Other	-2,645	1,568
Total	**50,249**	**44,277**

G47 Geographical information

Geographical information 2022 SEK m	Income	Operating profit	Tax	Profit for the year from discontinued operations after tax	Assets
Sweden	32,069	17,315	-3,497		3,027,754
UK	9,142	4,317	-1,164		411,364
Norway	4,884	2,548	-643		352,830
The Netherlands	1,484	603	-170		234,582
USA	521	392	-10		422,166
Luxembourg	226	103	-25		18,114
China	0	1	-		
Germany	0	26	-		
France	13	-9	0		2
Poland	-19	-73	-		384
Denmark				189	2,711
Finland				91	195,480
Eliminations	1,930	1,395	80		-1,211,672
Total	**50,249**	**26,619**	**-5,429**	**280**	**3,453,716**

Income, operating profit and profit for the year from discontinued operations after tax, as well as assets presented in the geographical information, are composed of internal and external income, expenses and assets in the respective country. The geographical distribution of income and expenses is based on the country where the business transaction has been carried out, and is not comparable with the reported segment information. Tax includes current and deferred taxes. Additional geographical information is provided in note P17 concerning the domicile of subsidiaries and associates and in note G8 concerning average number of employees per country.

Geographical information 2021 SEK m	Income	Operating profit	Tax	Profit for the year from discontinued operations after tax	Assets
Sweden	31,154	18,803	-3,445		2,865,613
UK	6,287	1,543	-415		398,272
Norway	4,321	2,296	-606		331,696
The Netherlands	1,359	622	-151		105,022
USA	260	167	-4		273,070
Luxembourg	156	47	-12		34,550
China	9	-34	0		1
Germany	4	-33	-		64
France	54	12	-2		3,251
Singapore	0	-2	0		-
Poland	-12	-78	-		459
Denmark				854	149,950
Finland				-159	274,415
Eliminations	685	132	8		-1,089,599
Total	**44,277**	**23,475**	**-4,627**	**695**	**3,346,764**

As of the first quarter of 2022, the resolution fee and risk tax are no longer reported under net interest income, but instead as a separate line item within operating profit. Therefore, the comparative Income figures in the tables have been recalculated.

G48 Assets and liabilities by currency

2022 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	100,413	136,928	8,962	0	99,872	129,674	34	475,882
Other loans to central banks	-	31,364	-	-	1,256	-	-	32,620
Loans to other credit institutions	480	3,709	2	1	903	3,894	424	9,415
Loans to the public	1,586,449	292,228	324,563	9,901	242,246	11,704	2,233	2,469,324
of which corporates	*602,504*	*183,963*	*206,027*	*9,884*	*169,380*	*11,517*	*847*	*1,184,121*
of which households	*983,946*	*108,265*	*118,537*	*17*	*72,867*	*187*	*1,385*	*1,285,204*
Interest-bearing securities eligible as collateral with central banks	117,546	5,483	36	1	-	9,712	-	132,778
Bonds and other interest-bearing securities	22,353	1,472	8,352	-	-	519	-	32,697
Other items not broken down by currency	301,000	-	-	-	-	-	-	301,000
Total assets	**2,128,242**	**471,184**	**341,916**	**9,902**	**344,277**	**155,503**	**2,691**	**3,453,716**
Liabilities								
Due to credit institutions	17,760	50,548	29	1,906	115	11,990	23	82,372
Deposits and borrowing from the public	854,602	136,375	91,473	1,201	252,592	43,167	3,011	1,382,422
of which corporates	*370,568*	*103,155*	*58,072*	*1,110*	*179,920*	*39,354*	*2,184*	*754,362*
of which households	*484,035*	*33,220*	*33,401*	*91*	*72,672*	*3,814*	*828*	*628,060*
Issued securities	511,251	342,123	25,828	-	39,407	536,118	20,076	1,474,801
Subordinated liabilities	0	22,266	-	-	5,930	14,208	-	42,404
Other items not broken down by currency, incl. equity	471,716	-	-	-	-	-	-	471,716
Total liabilities and equity	**1,855,329**	**551,311**	**117,330**	**3,107**	**298,044**	**605,483**	**23,110**	**3,453,716**
Other assets and liabilities broken down by currency, net		80,111	-224,481	-6,818	-46,235	449,902	20,487	
Net foreign currency position		-16	105	-24	-2	-78	68	53

Note G2 describes the Bank's view of foreign exchange risk.

Assets and liabilities in the table above include the Finland disposal group, which has been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively (see note G14). The comparative figures also include the Denmark disposal group, which was divested during Q4 2022.

2021 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	93,293	149,547	4,578	28,282	101,196	63,008	60	439,964
Other loans to central banks	-	-	-	207	1,255	-	-	1,462
Loans to other credit institutions	1,073	3,587	12,122	51	1,140	3,335	530	21,838
Loans to the public	1,496,800	245,760	294,946	107,914	251,793	13,567	3,049	2,413,829
of which corporates	*537,399*	*149,031*	*183,442*	*43,663*	*174,344*	*13,376*	*1,555*	*1,102,810*
of which households	*959,401*	*96,729*	*111,504*	*64,251*	*77,449*	*191*	*1,494*	*1,311,019*
Interest-bearing securities eligible as collateral with central banks	91,630	5,658	335	26	-	2,913	-	100,562
Bonds and other interest-bearing securities	23,131	965	8,741	17	-	480	-	33,334
Other items not broken down by currency	335,775							335,775
Total assets	**2,041,702**	**405,517**	**320,722**	**136,497**	**355,384**	**83,303**	**3,639**	**3,346,764**
Liabilities								
Due to credit institutions	12,903	49,968	14,376	248	79	5,984	50	83,608
Deposits and borrowing from the public	842,173	151,481	89,516	52,166	231,861	31,233	2,327	1,400,757
of which corporates	*386,274*	*120,367*	*59,662*	*28,818*	*162,303*	*26,964*	*1,605*	*785,993*
of which households	*455,899*	*31,114*	*29,854*	*23,348*	*69,558*	*4,269*	*722*	*614,764*
Issued securities	500,864	385,000	30,207	7	69,192	351,169	17,329	1,353,768
Subordinated liabilities	3,003	15,547	-	-	0	13,707	-	32,257
Other items not broken down by currency, incl. equity	476,374							476,374
Total liabilities and equity	**1,835,317**	**601,996**	**134,099**	**52,421**	**301,132**	**402,093**	**19,706**	**3,346,764**
Other assets and liabilities broken down by currency, net		196,428	-186,467	-84,073	-54,145	318,781	16,124	
Net foreign currency position		-51	156	3	107	-9	57	263

G49 Interests in unconsolidated structured entities

	Fund holdings	
SEK m	2022	2021
Assets[1]		
Shares	5,572	6,556
Assets where the customer bears the value change risk	209,633	230,792
Total interests in structured unconsolidated entities	**215,205**	**237,348**

[1] Of which SEK 9,145m (10,457) is included in the Finland disposal group, and has been reclassified to Assets held for sale. See note G14.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are regulated by means of contractual arrangements. Handelsbanken's interests in unconsolidated structured entities are limited and consist of fund holdings. Funds are owned primarily through unit-linked insurance contracts at Handelsbanken Liv and similar contracts in other countries. Investments in funds through unit-linked insurance contracts are never consolidated, and thus comprise unconsolidated structured entities. Handelsbanken also owns some fund holdings in its role as market maker. Where these holdings are not consolidated, they are interests in unconsolidated entities. The maximum exposure to loss on all interests in unconsolidated structured entities is the current carrying amount of the interest. The total assets for these entities are not considered meaningful for the purpose of understanding the related risks and so have not been presented.

G50 Related-party disclosures

Claims on and liabilities to related parties	Associates and joint ventures		Other related parties	
SEK m	2022	2021	2022	2021
Loans to the public	1,289	439	-	-
Other assets	28	29	16	572
Total	**1,317**	**468**	**16**	**572**
Deposits and borrowing from the public	127	113	1,528	1,058
Subordinated liabilities	-	-	-	-
Other liabilities	-	-	-	-
Total	**127**	**113**	**1,528**	**1,058**

Related parties – income and expenses	Associates and joint ventures		Other related parties	
SEK m	2022	2021	2022	2021
Interest income	8	25	-	-
Interest expenses	-	0	-6	-
Fee and commission income	-	-	-	-
Fee and commission expenses	-229	-237	-	-
Net gains/losses on financial items at fair value	-	0	-	-
Other income	-	-	19	17
Other expenses	-102	-73	-178	-102
Total	**-323**	**-285**	**-165**	**-85**

The figures above refer to all operations.

A list of associates and joint ventures, as well as information about shareholder contributions to associates, is presented in note G20. The associates and joint ventures operations comprise various types of services related to the financial markets. The following companies comprise the group of Other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Tjänstepensionsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services.

On 21 October 2021, Svenska Handelsbanken AB acquired 30,461,977 class A shares in AB Industrivärden at a value of SEK 8,548m from Svenska Handelsbankens Pensionsstiftelse. These shares were then distributed to the Bank's shareholders in the form of a special dividend. All business transactions with related companies are undertaken on market-based terms.

The parent company's Swedish subsidiaries have paid pension premiums relating to defined benefit pensions in an amount of SEK 85m (104) to the pension fund. The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 6,136m (7,281). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK - m (568) regarding pension costs, SEK - m (-) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 47m (63) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

G51 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

G52 Capital adequacy

CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

CAPITAL REQUIREMENTS REGULATIONS

According to the capital adequacy regulations, Regulation (EU) No 575/2013 EU (CRR) and directive 2013/36/EU (CRD IV), the Bank must have common equity tier 1 capital, tier 1 capital and total own funds which at least correspond to the individual requirements relative to the total risk-weighted exposure amount for credit risk, market risk and operational risk. In addition to holding capital in accordance with the minimum requirement, the Bank must also hold common equity tier 1 capital to comply with the combined buffer requirement which, in Sweden, comprises the sum of a capital conservation buffer, a countercyclical buffer, a systemic risk buffer and a buffer for other systemically important institutions. The Bank has a minimum capital requirement under Pillar 2. The Pillar 2 requirement is an individual requirement determined by the Swedish Financial Supervisory Authority which is intended to cover risks which are underestimated or not covered by the regulation's minimum requirement and combined buffer requirements. There is also guidance on these requirements in Pillar 2 decided on by the Swedish Financial Supervisory Authority, representing the authority's view of the Bank's minimum buffer requirement in addition to the established capital requirement. The Bank must also perform an internal capital assessment. Handelsbanken's capital policy states the guidelines for the internal capital assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). Since 1 February 2016, the resolution authority, which in Sweden is the National Debt Office, must set a minimum requirement for own funds and eligible liabilities (MREL) for the Bank. In 2022, the Bank met all the statutory minimum and buffer levels by a comfortable margin. More detailed information about the Bank's own funds and capital requirement is available in note G2, Risk and capital management, and in Handelsbanken's publication titled Risk and Capital – Information according to Pillar 3 (see handelsbanken.com/ir). This publication also provides a complete description of the terms and conditions applying to all of Handelsbanken's own funds and eligible liabilities.

DESCRIPTION OF CONSOLIDATED SITUATION

The regulatory consolidation (consolidated situation) consists of the parent company, subsidiaries and associates that are also included in the consolidated Group accounts, as shown in table EU LI3 Outline of the differences in the scopes of consolidation (entity by entity). The companies that are included in the consolidated accounts but are excluded from the consolidated situation are also shown in table EU LI3. Just as in the consolidated accounts, associates are consolidated using the equity method in the regulatory consolidated situation. All subsidiaries which are subject to the regulations are included in the consolidated situation. Handelsbanken has no subsidiaries where the actual own funds are less than the prescribed own funds.

DESCRIPTION OF OWN FUNDS FOR CONSOLIDATED SITUATION

Own funds consist of tier 1 capital and tier 2 capital. The tier 1 capital is divided into common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists mainly of share capital, retained earnings and other reserves in the companies that are included in the consolidation. Remaining tier 1 capital consists of additional tier 1 instruments. The tier 2 capital mainly consists of subordinated loans. Certain deductions are subsequently made from own funds. The deductions are made mainly from the common equity tier 1 capital. For the Bank's risk management, it is important that in risk terms, both the Group and the regulatory consolidation can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example, capital adequacy requirements and restrictions in corporate law. The Bank sees no other material or legal obstacles to a rapid transfer of funds from own funds, or repayment of liabilities between the parent company and its subsidiaries.

Tier 1 capital

Tier 1 capital consists of common equity tier 1 capital and additional tier 1 capital.

Common equity tier 1 (CET1) capital

Common equity tier 1 capital consists chiefly of share capital, retained earnings and other reserves in the companies that are included in the regulatory consolidation. Since the Group's insurance companies are not part of the consolidation, shown in the table EU LI3, retained earnings in these companies are not included in the common equity tier 1 capital. The items to be excluded from the common equity tier 1 capital are mainly goodwill and other intangible assets, and also capital contributions to the insurance companies in the Group or certain deferred tax assets which exceed 10% of the common equity tier 1 capital. The total of capital contributions and deferred tax assets must not exceed 15% of the common equity tier 1 capital. Since neither the capital contributions to the insurance companies in the Group nor the deferred tax assets exceed the threshold value, these do not reduce the common equity tier 1 capital. Neutrality adjustments are made for the effect of cash flow hedges on equity. A price adjustment must also be calculated and when necessary, be made for a cautious valuation of instruments at fair value. Institutions with permission to use internal ratings-based models must make a deduction for the difference between expected credit losses according to the IRB approach and the provisions made for probable credit losses if the expected credit losses exceed the provisions made. A deduction must also be made for the net value of recognised surplus values in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. In addition, a deduction is made for permission to hold own shares in its capacity as market maker. The deduction must correspond to the highest market value covered by the permission. Finally, a deduction is made for investments in securitisation, and an adjustment is made for the effect of changes in own credit risk in derivative instruments.

Additional tier 1 capital

Additional tier 1 capital consists of instruments which fulfil the requirements for additional tier 1 capital. This capital must be perpetual and must be redeemable after five years at the earliest, but only after permission is granted by the supervisory authority. It must be possible to write down the nominal value or convert it to shares to create common equity tier 1 capital at a pre-defined level for the common equity tier 1 capital and it must be possible to unconditionally suspend interest payments.

The Bank's total additional tier 1 capital amounts to SEK 15.6bn. Of this amount, additional tier 1 capital for SEK 10.4bn was issued in

G52 Cont.

2020 and SEK 5.2bn was issued in 2019, which fulfils the requirements of CRR. If there are no distributable funds, coupon payments must be suspended for additional tier 1 capital.

Tier 2 capital

The tier 2 capital consists of subordinated loans with a maturity of at least five years. Deductions are made for subordinated loan contributions to the insurance companies within the Group.

CAPITAL REQUIREMENTS

Credit risk

The capital requirements for credit risk are calculated according to the standardised approach and the IRB approach according to CRR. There are two different IRB approaches: the IRB approach, with own estimates of PD but without own estimates of LGD and CCF (the foundation approach), and the IRB approach with own estimates of PD, LGD and CCF (the advanced approach).

Handelsbanken uses the foundation IRB approach for exposures to institutions and for certain product and collateral types for corporate exposures, and for certain exposures in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Ecster AB.

The advanced IRB approach is applied to most exposures to large corporates, medium-sized companies, property companies and housing co-operative associations, and in Stadshypotek AB and Handelsbanken Finans AB. The same applies to retail exposures in Sweden and Norway, and in Finland and the subsidiary Ecster AB. The capital requirements for equity exposures in the IRB approach are calculated according to a simple risk weight approach.

The credit risk for all exposures at Handelsbanken's subsidiary Handelsbanken plc is calculated at solo and aggregated level according to the standardised method.

At year-end, the IRB approach was applied to 74% (74) of the total risk-weighted exposure amount for credit risk. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach.

The average risk weight for exposures approved for the IRB approach decreased during the year to 9.7% (10.1). The decrease is mainly a result of the breakdown of the portfolio, in that exposure classes with lower risk weights: sovereigns, housing co-operative associations and households, have risen proportionally slightly more than those with higher risk weights. The average risk weight, including the risk weight floor under Pillar 1 for Swedish and Norwegian mortgage loans, and for corporate exposure with collateral in property in Norway, is 17.7% (18.2).

Credit quality is good. Of Handelsbanken's corporate exposures, 98.7% (98.4) were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point risk rating scale.

Market risks

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

Operational risk

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

At the end of 2022, the total capital requirement for operational risks for the consolidated situation was SEK 5,732m (5,573).

CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of a financial conglomerate must have own funds which are adequate in relation to the capital requirement for the financial conglomerate. Own funds and the capital requirement for the financial conglomerate have been calculated according to the deduction and aggregation method (method 2, Annex I, Directive 2002/87/EC). The financial conglomerate's total own funds exceed the financial conglomerate's capital requirement.

MINIMUM REQUIREMENT FOR ELIGIBLE LIABILITIES (MREL)

The Bank Recovery and Resolution Directive (2014/59/EU, BRRD), was implemented in Swedish law through the Resolution Act (2015:1016). These regulations state ways to manage bank crises, and enable authorities, within a set framework, to assume control of, restructure and sell either all or parts of a bank, without liquidating the bank or entering it into bankruptcy. In addition to these crisis management measures, the regulations offer the opportunity to write down certain debt instruments to recapitalise a crisis-hit bank.

One aspect of these regulations was the introduction of a minimum requirement for such liabilities eligible for impairment (MREL) from 1 January 2018. The minimum requirement is set in the Bank's resolution plan, drawn up by the Swedish National Debt Office and the Swedish Financial Supervisory Authority. The requirement is comprised of a loss absorption amount and a recapitalisation amount.

In 2021, the regulations were amended to align with the new EU Banking Package. MREL is to be expressed as two ratios: a risk-weighted ratio and a total exposure, non risk-weighted ratio. The combined buffer requirement must be met through common equity tier 1 capital (not including the common equity tier 1 capital used for MREL) and a mandatory subordination requirement is being introduced. To meet this subordination requirement, a new type of debt instrument was introduced in Swedish legislation in December 2018. This type is subordinate to current senior debt instruments, but ranks more highly than own funds instruments as part of a resolution procedure. Handelsbanken has issued this type of subordinated debt instrument during the period 2019–2022. The new requirements must be met by 1 January 2024, but transitional rules are in effect from 1 January 2022.

For 2023, Handelsbanken's total MREL requirement for the risk-weighted ratio is 23.8% and for the non risk-weighted ratio is 5.5% at consolidated level. Correspondingly, the subordination requirement amounts to 16.8% and 5.5%, respectively. Handelsbanken meets all MREL requirements.

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EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)
The table outlines the scopes of consolidation for the companies included in the consolidated situation at year-end.

Outline of the differences in the scopes of consolidation (entity by entity) 2022				Method of regulatory consolidation					
	Corporate identity number	Ownership share, %	Method of accounting con-solidation	Full con-solidation	Propor-tional con-solidation	Equity method	Neither con-solidated nor deducted	Deducted	Description of the unit
Handelsbanken AB (publ)	**502007-7862**	**N/A**	**Parent company**	**N/A**					**Credit institution**
Handelsbanken Finans AB	556053-0841	100	Full consolidation	x					Credit institution
Stadshypotek AB	556459-6715	100	Full consolidation	x					Credit institution
Svenska Intecknings Garanti AB Sigab (inactive)	556432-7285	100	Full consolidation	x					Non-financial corporation
Handelsbanken Fondbolagsförvaltning AB	556070-0683	100	Full consolidation	x					Other financial corporations
Handelsbanken Fonder AB	556418-8851	100	Full consolidation	x					Other financial corporations
AB Handel och Industri	556013-5336	100	Full consolidation	x					Non-financial corporation
Ecster AB	556993-2311	100	Full consolidation	x					Credit institution
Handelsbanken plc	11305395	100	Full consolidation	x					Credit institution
Handelsbanken Wealth & Asset Management	04132340	100	Full consolidation	x					Other financial corporations
Heartwood Nominees Limited (inactive)	2299877	100	Full consolidation	x					Non-financial corporation
Heartwood Second Nominees Limited (inactive)	3193458	100	Full consolidation	x					Non-financial corporation
Heartwood ACD Limited	4332528	100	Full consolidation	x					Non-financial corporation
Svenska Property Nominees Limited (inactive)	2308524	100	Full consolidation	x					Non-financial corporation
Optimix Vermogensbeheer N.V.	33194359	100	Full consolidation	x					Other financial corporations
Add Value Fund Management B.V.	19196768	80	Full consolidation	x					Other financial corporations
Optimix Beheer en Belegging B.V. (inactive)	33186584	100	Full consolidation	x					Non-financial corporation
Handelsbanken Markets Securities, Inc.	11-3257438	100	Full consolidation	x					Other financial corporations
Handelsbanken Rahoitus Oy	0112308-8	100	Full consolidation	x					Other financial corporations
Handelsbanken Fastigheter AB	556873-0021	100	Full consolidation	x					Non-financial corporation
Rådstuplass 4 AS	910508423	100	Full consolidation	x					Non-financial corporation
Handelsbanken Ventures AB	556993-9357	100	Full consolidation	x					Non-financial corporation
Bidtruster AB	556993-9084	100	Full consolidation	x					Non-financial corporation
Gröna stugan i Stockholm AB	559311-4712	100	Full consolidation	x					Non-financial corporation
Bankomat AB	556817-9716	20	Equity method			x			Non-financial corporation
BGC Holding AB	556607-0933	25.54	Equity method			x			Non-financial corporation
Torig AB	556564-5404	100	Equity method			x			Non-financial corporation
Finansiell ID-teknik BID AB	556630-4928	28.3	Equity method			x			Non-financial corporation
USE Intressenter AB	559161-9464	24.48	Equity method			x			Non-financial corporation
Getswish AB	556913-7382	20	Equity method			x			Non-financial corporation
P 27 Nordic Payments Platform AB	559198-9610	16.7	Equity method			x			Non-financial corporation
Invidem AB	559210-0779	16.7	Equity method			x			Non-financial corporation
Tibern AB	559384-3542	14.3	Equity method			x			Non-financial corporation
Handelsbanken Liv Försäkring AB (Group excl. Handelsbanken Fastigheter AB)	516401-8284	100	Full consolidation					x	Insurance company

G52 Cont.

Outline of the differences in the scopes of consolidation (entity by entity) 2022	Corporate identity number	Ownership share, %	Method of accounting con- solidation	Method of regulatory consolidation: Full con- solidation	Propor- tional con- solidation	Equity method	Neither con- solidated nor deducted	Deducted	Description of the unit
Svenska Re S.A.	RCS Lux B-32053	100	Full consolidation					x	Insurance company
Handelsbanken Skadeförsäkrings AB	516401-6767	100	Full consolidation					x	Insurance company
SHB Liv Försäkringsaktiebolag	2478149-7	100	Full consolidation				x		Insurance company
Svenska RKA International Insurance Services AB (inactive)	556324-2964	100	Full consolidation				x		Insurance company
Dyson Group plc	00163096	27	Equity method				x		Non-financial corporation
Dyson Industries Ltd	1187031	100					x		Non-financial corporation
Beepart Ltd	177682	100					x		Non-financial corporation
Pickford Holland & Company Ltd	128414	100					x		Non-financial corporation
Millennium Materials Inc	-	100					x		Non-financial corporation
Dyson US holdings Inc	-	100					x		Non-financial corporation
EFN Ekonomikanalen AB	556930-1608	100					x		Non-financial corporation

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The table shows the difference between the carrying amount under the scope of regulatory consolidation and exposures considered for regulatory purposes.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2022 SEK m	Total	Items subject to: Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1 Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**3,219,315**	**3,145,161**	**56,568**	**374**	**17,212**
2 Liabilities carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**11,084**				**11,084**
3 Total net amount under the regulatory scope of consolidation	**3,204,561**	**3,145,161**	**56,568**	**374**	**2,458**
4 Off-balance sheet amounts	**505,033**	**505,033**			
5 Differences in valuations					
6 Differences due to different netting rules, other than those already included in row 2	-11,031		-11,031		
7 Differences due to consideration of provisions	2,201	2,201	0		
8 Differences due to the use of credit risk mitigation techniques (CRMs)	-25,437	10,103	-35,540		
9 Differences due to credit conversion factors	-283,901	-283,901			
10 Differences due to Securitisation with risk transfer					
11 Other differences	21,014		21,014		
12 Exposure amounts considered for regulatory purposes	**3,412,440**	**3,378,597**	**31,011**	**374**	**2,458**

G52 Cont.

EU INS2 – Financial conglomerates information on own funds and capital adequacy ratio

	Financial conglomerates information on own funds and capital adequacy ratio SEK m	2022	2021
1	Supplementary own fund requirements of the financial conglomerate (amount)	10,759	14,387
2	Capital adequacy ratio of the financial conglomerate (%)	130.0%	130.7%

EU KM1 – Key metrics template

	Key metrics 2022	2022	2021
	Available own funds (amounts)		
1	Common equity tier 1 capital	158,551	149,709
2	Tier 1 capital	174,134	163,222
3	Total capital	193,186	180,458
	RWAs		
4	Total risk-weighted exposure amount	810,144	773,158
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	19.6%	19.4%
6	Tier 1 ratio (%)	21.5%	21.1%
7	Total capital ratio (%)	23.8%	23.3%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.1%	1.9%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.3%*	*1.2%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.6%*	*1.5%*
EU 7d	Total SREP own funds requirements (%)	10.1%	9.9%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	1.0%	0.1%
EU 9a	Systemic risk buffer (%)	3.2%	3.0%
10	Global systemically important institution buffer (%)		
EU 10a	Other systemically important institution buffer (%)	1.0%	1.0%
11	Combined buffer requirement (%)	7.7%	6.6%
EU 11a	Overall capital requirements (%)	17.8%	16.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	13.7%	13.9%
	Leverage ratio		
13	Total exposure measure	3,341,332	3,232,291
14	Leverage ratio (%)	5.2%	5.0%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU 14b	*of which: to be made up of CET1 capital (percentage points)*		
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%
EU 14d	Leverage ratio buffer requirement (%)		
EU 14e	Overall leverage ratio requirement (%)		
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	885,096	778,654
EU 16a	Cash outflows – Total weighted value	645,218	595,289
EU 16b	Cash inflows – Total weighted value	83,191	68,295
16	Total net cash outflows (adjusted value)	562,026	526,994
17	Liquidity coverage ratio (%)	159%	149%
	Net Stable Funding Ratio		
18	Total available stable funding	2,036,932	2,026,413
19	Total required stable funding	1,793,937	1,774,542
20	NSFR ratio (%)	114%	114%

G52 Cont.

EU OV1 – Overview of total risk exposure amounts

The table shows risk-weighted exposure amounts (RWA) for credit risk, counterparty risk, market risk and operational risk the end of 2022 and the previous year. Credit risk is calculated according to the standardised approach, the foundation IRB approach and the advanced IRB approach. Market risk and operational risk are calculated according to the standardised approach.

Overview of total risk exposure amounts		Total risk exposure amounts (TREA)		Total own funds requirements
SEK m		2022	2021	2022
1	**Credit risk (excluding CCR)**	**692,006**	**684,075**	**55,361**
2	*of which standardised approach*	*182,775*	*178,552*	*14,622*
3	*of which the foundation IRB (F-IRB) approach*	*51,700*	*48,100*	*4,136*
4	*of which slotting approach*			
EU 4a	*of which equities under the simple risk-weighted approach*	*2,108*	*3,427*	*169*
5	*of which the advanced IRB (A-IRB) approach*	*221,403*	*224,096*	*17,712*
5a	*of which risk weight floors*	234,020	229,900	18,722
6	**CCR**	**11,833**	**12,255**	**947**
7	*of which standardised approach*	*8,255*	*8,924*	*660*
8	*of which internal model method (IMM)*			
EU 8a	*of which exposures to a CCP*	*174*	*212*	*14*
EU 8b	*of which credit valuation adjustment – CVA*	*2,802*	*2,614*	*224*
9	*of which other CCR*	*602*	*505*	*48*
10	N/A			
11	N/A			
12	N/A			
13	N/A			
14	N/A			
15	**Settlement risk**		**15**	
16	**Securitisation exposures in the non-trading book (after the cap)**			
17	*of which SEC-IRBA approach*			
18	*of which SEC-ERBA (including IAA)*			
19	*of which SEC-SA approach*			
EU 19a	*of which 250% / deduction*			
20	**Position, foreign exchange and commodities risks (Market risk)**	**34,654**	**7,145**	**2,772**
21	*of which standardised approach*	*34,654*	*7,145*	*2,772*
22	*of which IMA*			
23	**Operational risk**	**71,651**	**69,668**	**5,732**
EU 23a	*of which basic indicator approach*			
EU 23b	*of which standardised approach*	*71,651*	*69,668*	*5,732*
EU 23c	*of which advanced measurement approach*			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
25	N/A			
26	N/A			
27	N/A			
28	N/A			
29	**Total**	**810,144**	**773,158**	**64,812**

Market risk under the standardised approach

The table shows capital requirements for market risk according to the standardised approach at year-end 2022.

Market risk under the standardised approach	Capital requirements	
SEK m	2022	2021
Outright products		
Interest rate risk (general and specific)	176	199
Equity price risk (general and specific)	1	1
Foreign exchange risk	2,576	357
Commodity risk	0	1
Options		
Simplified method	-	-
Delta-plus method	-	-
Scenario approach	19	14
Securitisation (specific risk)	-	-
Total capital requirements for market risk	**2,772**	**572**

G52 Cont.

Minimum requirement for eligible liabilities (MREL)

The MREL requirement is expressed as a share of own funds and eligible liabilities relative to the risk weighted exposure amount and the non risk-weighted exposure amount, respectively (SFS 2015:1016). The Bank's requirement is determined on an annual basis by the Swedish National Debt Office, and the final requirement will be phased in linearly during a transitional period starting 1 January 2022 and ending 1 January 2024.

%	2022
Risk-weighted MREL requirement	19.9
Available own funds and eligible liabilities	36.5
Non-risk-weighted MREL requirement	5.0
Available own funds and eligible liabilities	10.7

%	2022
Risk-weighted subordination requirement	13.5
Available own funds and subordinate eligible liabilities	21.9
Non-risk-weighted subordination requirement	5.0
Available own funds and subordinate eligible liabilities	7.2

Administration report Parent company

Performance in the parent company

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

The operations in Denmark were divested during Q4 2022 and the process of divesting the operations in Finland is continuing according to plan.

The parent company's operating profit fell by 3% to SEK 20,471m (21,079) compared to the previous year, mainly due to higher staff costs, a decrease in net gains/losses on financial transactions, as well as additional expenses of SEK 996m for Swedish risk tax in 2022. The 17% rise in staff costs to SEK -11,990m (-10,242) is primarily due to increases in pension disbursements and in special payroll tax during 2022, arising from the Bank's decision not to exercise its option to claim reimbursement from its pension foundation, with the aim of increasing the foundation's consolidation ratio. Moreover, employees in Denmark who remained in employment at the Bank until the divestment date for the operations received extra remuneration, as will employees in Finland who remain in employment until the corresponding date, entailing increased staff costs in 2022. The 55% decrease in net gains/losses on financial transactions to SEK 820m (1,808) is explained by the negative effects of substantially increased spreads in the market on the Bank's holdings of subordinated loans issued by the subsidiary Stadshypotek, which are valued at fair value on the balance sheet and income statement. The main item that caused operating profit to climb compared with the previous year is net interest income, which increased by 35% to SEK 18,230m (13,502). In addition, other operating income increased by 35% to SEK 4,841m (3,576), primarily due to the divestment of the Danish operations during Q4 2022, which affected other operating income in the amount of SEK 1,513m. Profit for the year decreased by 7% to SEK 15,455m (16,688). Since year-end 2021, the parent company's equity has increased to SEK 153,887m (144,220. For the parent company's five-year overview, see pages 216–217.

Risk management

Handelsbanken has a low risk tolerance that is maintained through a strong risk culture which is sustainable in the long term and applies to all areas of the Group. For a detailed description of the Bank's exposure to risks, and the management of these, see note G2.

Principles for remuneration to executive officers

Handelsbanken's principles for remuneration to executive officers are set out in note G8 and in the Remuneration to executive officers section of the Corporate Governance Report, see page 86.

Proposed appropriation of profits

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 145,126m are at the disposal of the annual general meeting.

The Board proposes that the profit be appropriated as follows:	
Dividend per share paid to the shareholders SEK 8.00, of which SEK 5.50 in ordinary dividend (SEK 5.00 for 2021)	15,840
Balance carried forward to the next year	129,286
Total allocated	**145,126**

The Board's assessment is that the amount of the proposed dividend, totalling SEK 15,840m, is justifiable in view of the nature of operations, their scope, consolidation requirement, risk-taking, liquidity, and the general situation in both the Bank and the rest of the Group.

Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK 28,491m.

The total capitalisation of the parent company and the consolidated situation at year-end, minus the proposed dividend based on completed conversions and other material changes since the year-end, exceeded the statutory minimum requirement pursuant to EU Regulation 575/2013 and Directive 2013/36/EU and other relevant requirements established for the Bank by public authorities.

The Handelsbanken share

Shares divided into share classes
31 December 2022

Share class	Number	% of capital	% of votes
Class A	1,944,777,165	98.22	99.82
Class B	35,251,329	1.78	0.18
Total	**1,980,028,494**	**100.00**	**100.00**

At the end of 2022, the holdings of one shareholder represented more than ten per cent of the votes: AB Industrivärden. Detailed information on the Bank's largest Swedish shareholders can be found on pages 34–35.

Handelsbanken's Articles of Association state that at a general meeting of shareholders, no shareholder is allowed to exercise voting rights representing more than 10% of the total number of votes in the Bank. For more information regarding shareholders' rights, see page 78.

At the AGM in March 2022, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2023. This mandate was not used in 2022. More detailed information on this can be found on pages 34–35.

Other

Handelsbanken has a long-term perspective for its business, and sustainability is deeply embedded in both the corporate culture and the working methods. Sustainability is not only an engagement with environmental or social issues, but also something to be integrated into all parts of our business and organisation. For information on sustainability at Handelsbanken, please refer to the information beginning on page 38.

Handelsbanken strives for its decentralised working method and belief in the individual to be integral to its operations. For a more detailed description of the Bank as an attractive employer, please refer to the information beginning on page 68.

Financial reports Parent company

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Income statement, Parent company

SEK m		2022	2021
Interest income	*Note P3*	41,488	14,325
Leasing income	*Note P3*	1,826	1,899
Interest expenses	*Note P3*	-25,084	-2,722
Dividends received	*Note P4*	16,953	17,611
Fee and commission income	*Note P5*	6,515	6,877
Fee and commission expenses	*Note P5*	-1,348	-1,647
Net gains/losses on financial transactions	*Note P6*	820	1,808
Other operating income	*Note P7*	4,841	3,576
Total operating income		**46,011**	**41,727**
General administrative expenses			
Staff costs	*Note P8*	-11,990	-10,242
Other administrative expenses	*Note P9*	-7,415	-6,002
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	*Note P21, P22*	-2,459	-2,803
Total expenses before credit losses		**-21,864**	**-19,047**
Profit before credit losses, risk tax and resolution fee		**24,148**	**22,680**
Net credit losses	*Note P10*	-41	-55
Impairment loss on financial fixed assets		-2,305	-1,180
Risk tax and resolution fee	*Note P11*	-1,331	-366
Operating profit		**20,471**	**21,079**
Appropriations	*Note P12*	-160	227
Profit before taxes		**20,311**	**21,306**
Taxes	*Note P29*	-4,856	-4,618
Profit for the year		**15,455**	**16,688**

Statement of comprehensive income, Parent company

SEK m	2022	2021
Profit for the year	15,455	16,688
Other comprehensive income		
Items that will not be reclassified to the income statement		
Equity instruments measured at fair value through other comprehensive income	41	62
Tax on items that will not be reclassified to the income statement	-19	-3
of which equity instruments measured at fair value through other comprehensive income	*-19*	*-3*
Total items that will not be reclassified to the income statement	**22**	**59**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	3,411	246
Debt instruments measured at fair value through other comprehensive income	-61	6
Translation difference for the year	1,326	1,034
of which hedges of net assets in foreign operations	*-83*	*-63*
Tax on items that may subsequently be reclassified to the income statement	-1,251	-39
of which cash flow hedges	*-703*	*-51*
of which debt instruments measured at fair value through other comprehensive income	*6*	*-1*
of which hedges of net assets in foreign operations	*17*	*13*
of which tax on translation difference	*-572*	
Total items that may subsequently be reclassified to the income statement	**3,425**	**1,247**
Total other comprehensive income	**3,447**	**1,306**
Total comprehensive income for the year	**18,902**	**17,994**

The year's reclassifications to the income statement are presented in the Statement of changes in equity.

Balance sheet, Parent company

SEK m		2022	2021
ASSETS			
Cash and balances with central banks		376,010	338,768
Interest-bearing securities eligible as collateral with central banks	*Note P15*	132,778	100,538
Loans to credit institutions	*Note P13*	1,025,664	986,897
Loans to the public	*Note P14*	637,721	611,852
Value change of interest-hedged item in portfolio hedge		-16,611	-1,904
Bonds and other interest-bearing securities	*Note P15*	33,339	34,323
Shares	*Note P16*	7,112	13,481
Shares in subsidiaries and investments in associates and joint ventures	*Note P17*	70,483	71,967
Assets where the customer bears the value change risk		2,387	8,952
Derivative instruments	*Note P18*	52,360	30,946
Intangible assets	*Note P21*	3,144	3,129
Property, equipment and lease assets	*Note P22*	6,530	7,043
Current tax assets		30	0
Deferred tax assets	*Note P29*	617	668
Other assets	*Note P23*	30,166	22,287
Prepaid expenses and accrued income	*Note P24*	1,159	1,187
Total assets	*Note P36*	**2,362,889**	**2,230,134**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note P25*	169,617	153,490
Deposits and borrowing from the public	*Note P26*	1,137,272	1,173,172
Liabilities where the customer bears the value change risk		2,387	8,952
Issued securities, etc.	*Note P27*	806,013	679,808
Derivative instruments	*Note P18*	36,985	21,033
Short positions	*Note P28*	1,939	4,105
Current tax liabilities		0	264
Deferred tax liabilities	*Note P29*	1,193	436
Provisions	*Note P30*	646	1,011
Other liabilities	*Note P31*	6,779	7,631
Accrued expenses and deferred income	*Note P32*	2,901	3,049
Subordinated liabilities	*Note P33*	42,404	32,257
Total liabilities	*Note P36*	**2,208,135**	**2,085,208**
Untaxed reserves	*Note P34*	**867**	**706**
Share capital		3,069	3,069
Share premium reserve		8,758	8,758
Other funds	*Note P35*	11,196	7,651
Retained earnings		115,409	108,054
Profit for the year		15,455	16,688
Total equity		**153,887**	**144,220**
Total liabilities and equity		**2,362,889**	**2,230,134**

Statement of changes in equity, Parent company

	Restricted equity			Non-restricted equity					
SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium reserve	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2022	**3,069**	**2,682**	**2,913**	**8,758**	**823**	**158**	**1,075**	**124,742**	**144,220**
Profit for the year								15,455	15,455
Other comprehensive income					2,708	-33	771		3,447
of which reclassification within equity						*-91*	*-573*		*-664*
Total comprehensive income for the year					**2,708**	**-33**	**771**	**15,455**	**18,902**
Reclassified to retained earnings								664	664
Dividend								-9,900	-9,900
Fund for internally developed software			98					-98	-
Closing equity 2022	**3,069**	**2,682**	**3,010**	**8,758**	**3,531**	**126**	**1,847**	**130,864**	**153,887**

	Restricted equity			Non-restricted equity					
SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium reserve	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2021	**3,069**	**2,682**	**3,274**	**8,758**	**628**	**94**	**28**	**124,306**	**142,839**
Profit for the year								16,688	16,688
Other comprehensive income					195	64	1,047		1,306
of which reclassification within equity							*-53*		*-53*
Total comprehensive income for the year					**195**	**64**	**1,047**	**16,688**	**17,994**
Reclassified to retained earnings								53	53
Dividend[2]								-16,666	-16,666
Fund for internally developed software			-361					361	-
Closing equity 2021	**3,069**	**2,682**	**2,913**	**8,758**	**823**	**158**	**1,075**	**124,742**	**144,220**

[1] Included in fair value fund.
[2] Ordinary dividend of SEK 8,118m, special dividend of SEK 8,548m. The shareholders received a special dividend in the form of shares in AB Industrivärden, acquired by Svenska Handelsbanken AB from Svenska Handelsbankens Pensionsstiftelse, see note G50.

Cash flow statement, Parent company

SEK m	2022	2021
OPERATING ACTIVITIES		
Operating profit	20,471	21,079
of which paid-in interest	*37,724*	*14,248*
of which paid-out interest	*-22,155*	*-3,898*
of which paid-in dividends	*16,953*	*17,611*
Adjustment from operating profit to investing activities	-124	-
of which to Divestment of operations and subsidiaries	*-542*	-
of which to Sales of shares	*418*	-
Adjustment for non-cash items in profit/loss		
Credit losses	165	85
Unrealised value changes	-2,233	418
Amortisation and impairment	4,764	3,983
Group contribution to be received	-16,279	-16,685
Paid income tax	-4,842	-4,269
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-39,759	-33,248
Loans to the public	-55,332	-43,873
Interest-bearing securities and shares	-28,218	10,388
Due to credit institutions	16,500	-39,564
Deposits and borrowing from the public	16,142	152,043
Issued securities	126,205	22,288
Derivative instruments, net positions	-5,495	-21,476
Short positions	-2,010	2,476
Claims and liabilities on investment banking settlements	-7,680	-553
Other	-18,906	-8,746
Cash flow from operating activities	**3,370**	**44,346**
INVESTING ACTIVITIES		
Divestment of operations and subisidiaries	-3,891	-
Acquisitions of and contributions to associates and joint ventures	-266	-108
Sales of shares	183	1
Acquisitions of property and equipment	-4,875	-5,019
Disposals of property and equipment	3,517	3,457
Acquisitions of intangible assets	-575	-450
Cash flow from investing activities	**-5,907**	**-2,119**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-3,000	-10,130
Issued subordinated loans	11,845	-
Dividend paid	-9,900	-16,666
Dividends from Group companies	16,685	15,135
Cash flow from financing activities	**15,630**	**-11,661**
of which changes in foreign exchange rates	-	*-320*
Cash flow for the year	**13,093**	**30,566**
Liquid funds at beginning of year	338,768	297,362
Cash flow from operating activities	3,370	44,346
Cash flow from investing activities	-5,907	-2,119
Cash flow from financing activities	15,630	-11,661
Exchange difference on liquid funds	24,149	10,840
Liquid funds at end of year	**376,010**	**338,768**

The cash flow statement has been prepared in accordance with the indirect method, which means that operating profit has been adjusted for transactions that did not entail paid-in or paid-out cash such as depreciation/amortisation and credit losses.

Liquid funds are defined as cash and balances with central banks.

Divestment of operations and subisidiaries SEK m	2022
Purchase price	
Total purchase price	-1,633
Less liquid funds included in the transfer	-743
Claim on purchaser	-1,516
Payment	**-3,891**
Divested assets and liabilities	
Loans to other credit institutions	993
Loans to the public	46,953
Assets where the customer bears the value change risk	5,480
Other assets	370
Total assets	**53,795**
Due to credit institutions	374
Deposits and borrowing from the public	52,043
Liabilities where the customer bears the value change risk	5,480
Other liabilities	331
Total liabilities	**58,228**
Cash flow from operating activities	**542**

Five-year overview, Parent company

Income statement SEK m	2022	2021	2020	2019	2018
Net interest income	18,230	13,502	13,456	13,039	17,234
Dividends received	16,953	17,611	15,937	17,338	11,023
Net fee and commission income	5,167	5,230	5,692	6,011	6,218
Net gains/losses on financial transactions	820	1,808	1,869	618	1,020
Other operating income	4,841	3,576	2,790	2,638	2,805
Total operating income	**46,011**	**41,727**	**39,744**	**39,644**	**38,300**
General administrative expenses					
Staff costs	-11,990	-10,242	-11,689	-10,148	-12,255
Other administrative expenses	-7,415	-6,002	-5,684	-5,808	-6,332
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	-2,459	-2,803	-2,672	-2,156	-1,350
Total expenses before credit losses	**-21,864**	**-19,047**	**-20,045**	**-18,112**	**-19,937**
Profit before credit losses, risk tax and resolution fee	**24,148**	**22,680**	**19,699**	**21,532**	**18,363**
Net credit losses	-41	-55	-477	-1,059	-835
Impairment loss on financial fixed assets	-2,305	-1,180	-79	-148	-
Risk tax and resolution fee	-1,331	-366	-385		
Operating profit	**20,471**	**21,079**	**18,758**	**20,325**	**17,528**
Appropriations	-160	227	743	-380	332
Profit before tax	**20,311**	**21,306**	**19,501**	**19,945**	**17,860**
Taxes	-4,856	-4,618	-4,275	-4,297	-4,005
Profit for the year	**15,455**	**16,688**	**15,226**	**15,648**	**13,855**
Dividend for the year	15,840[1]	9,900	16,666	-	10,693

[1] As proposed by the Board.

As of the first quarter of 2022, the resolution fee is no longer reported under net interest income, but instead as a separate item within operating profit. The risk tax is also reported as part of the same item. Therefore, the comparative figures in the tables for 2021 and 2022 have been recalculated.

Statement of comprehensive income SEK m	2022	2021	2020	2019	2018
Profit for the year	15,455	16,688	15,226	15,648	13,855
Other comprehensive income					
Items that will not be reclassified to the income statement					
Equity instruments measured at fair value through other comprehensive income	41	62	-583	372	-188
Tax on items that will not be reclassified to the income statement	-19	-3	11	-21	1
of which equity instruments measured at fair value through other comprehensive income	*-19*	*-3*	*11*	*-21*	*1*
Total items that will not be reclassified to the income statement	**22**	**59**	**-572**	**351**	**-187**
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	3,411	246	-1,677	1,751	829
Debt instruments measured at fair value through other comprehensive income	-61	6	7	7	-12
Available-for-sale instruments (IAS 39)					
Translation difference for the year	1,326	1,034	-2,184	-259	41
of which hedges of net assets in foreign operations	*-83*	*-63*	*-256*	*-826*	*-848*
Tax on items that may subsequently be reclassified to the income statement	-1,251	-39	420	-200	19
of which cash flow hedges	*-703*	*-51*	*365*	*-375*	*-178*
of which debt instruments measured at fair value through other comprehensive income	*6*	*-1*	*-1*	*-2*	*3*
of which hedges of net assets in foreign operations	*17*	*13*	*56*	*177*	*194*
of which translation difference	*-572*				
Total items that may subsequently be reclassified to the income statement	**3,425**	**1,247**	**-3,434**	**1,299**	**877**
Total other comprehensive income	**3,447**	**1,306**	**-4,006**	**1,650**	**690**
Total comprehensive income for the year	**18,902**	**17,994**	**11,220**	**17,298**	**14,545**

Five-year overview, Parent company, cont.

Balance sheet SEK m	2022	2021	2020	2019	2018
Assets					
Loans to the public	637,721	611,852	566,145	620,175	611,699
Loans to credit institutions	1,025,664	986,897	953,650	890,557	841,085
Interest-bearing securities	166,117	134,861	145,648	156,466	169,911
Other assets	533,387	496,524	459,420	412,307	431,004
Total assets	**2,362,889**	**2,230,134**	**2,124,863**	**2,079,505**	**2,053,699**
Liabilities and equity					
Deposits and borrowing from the public	1,137,272	1,173,172	1,021,130	918,146	839,835
Due to credit institutions	169,617	153,490	193,054	208,697	261,735
Issued securities	806,013	679,808	657,520	724,640	716,531
Subordinated liabilities	42,404	32,257	41,082	35,546	51,085
Other liabilities	52,829	46,481	68,305	59,863	62,565
Untaxed reserves	867	706	933	1,678	886
Equity	153,887	144,220	142,839	130,935	121,062
Total liabilities and equity	**2,362,889**	**2,230,134**	**2,124,863**	**2,079,505**	**2,053,699**

Key figures	2022	2021	2020	2019	2018
Common equity tier 1 ratio, % according to CRR	29.4	30.2	31.7	20.2	18.7
Tier 1 ratio, % according to CRR	32.9	33.4	34.6	23.0	21.0
Total capital ratio, % according to CRR	37.2	37.4	38.8	26.2	24.1
Return on capital employed, %	0.63	0.72	0.65	0.74	0.63

For definitions of alternative performance measures, see page 265 and, for the calculation of these measures, see the Fact Book which is available at handelsbanken.com/ir.

Notes, Parent company

P1 Accounting policies

Statement of compliance

The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25, on annual reports in credit institutions and securities companies. The parent company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements. In accordance with the Swedish Financial Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the link between accounting and taxation.

The relationship between the parent company's and the Group's accounting policies

The parent company's accounting policies correspond largely to those of the Group. The following reports only on the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

Presentation

The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation models used by the Group:

- Claims on central banks that are immediately available upon demand are reported as Loans to credit institutions in the parent company's balance sheet. These are reported under Other loans to central banks in the Group.
- Broker and stock exchange costs are reported in the parent company as commission expenses.
- Dividends received are reported on a separate line in the parent company's income statement.
- The gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income or expenses.
- Untaxed reserves are reported as a separate balance sheet item in the parent company. These are split into an equity share and a tax liability in the Group.

Assets held for sale and discontinued operations

Non-current assets with a limited useful life are depreciated/amortised over their useful life in accordance with the Swedish Annual Accounts Act for the duration of their classification as held for sale. Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Also, neither assets nor liabilities held for sale are presented separately on the balance sheet. For disclosures regarding assets and liabilities held for sale and discontinued operations, see note P46.

Shares in subsidiaries and investments in associates and joint ventures

Shares in subsidiaries and investments in associates and joint ventures are measured at cost. All holdings are tested on each balance sheet date in order to assess whether they require impairment. If a value has decreased, impairment is recognised to adjust the value to the consolidated value. Any impairment costs are classified as Impairment loss on financial assets in the income statement. Dividends on shares in subsidiaries and associates and joint ventures are recognised as income in profit or loss under Dividends received.

Hedge accounting

Fair value hedges are used for the foreign exchange risk attributable to shares in foreign subsidiaries. The hedged item consists of the first part of the nominal amount for the investment in shares in the respective foreign subsidiary. The hedging instrument consists of the funding in the parent company the finances the investment. The gain or loss on the hedging instrument is recognised in the income statement together with the change in foreign exchange risk on the part of the investment in the subsidiary that constitutes a hedged item.

Financial guarantees

Financial guarantees, in the form of guarantee commitments on behalf of subsidiaries and associates and joint ventures, are recognised in the parent company as a provision on the balance sheet, where the parent company has an existing commitment and payment will probably be required to settle this commitment.

Intangible assets

In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

Leases

The Bank as lessor

The parent company recognises finance leases as operating leases. Accordingly, the assets are reported as lease assets with depreciation recognised within Depreciation, amortisation and impairment of property, equipment and intangible assets in the income statement. Rental income is recognised as a lease fee in Net interest income in the income statement.

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method.

The Bank as lessee

The parent company recognises lease fees as expenses on a straight-line basis over the term of the lease.

Dividends

The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associates and joint ventures, and Group contributions received. Anticipated dividends are recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

Accounting for pensions

The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established and that the calculation of the future commitment does not take into account assumptions of future salary increases. The recognised net cost of pensions is calculated as the sum total of disbursed pensions, pension premiums and an allocation to the pension foundation, with a deduction for any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

Taxes

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise one component consisting of deferred tax liabilities and one component consisting of equity.

P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below.

Credit exposures Geographical breakdown 2022 SEK m		Sweden	Norway	Finland	The Netherlands	Other countries	Total
Balance sheet items							
Cash and balances with central banks		100,413	8,962	14	136,749	129,873	376,010
Loans to credit institutions	*Note P13*	932,268	126	92,558	129	582	1,025,664
Loans to the public	*Note P14*	248,738	190,979	91,433	96,208	10,364	637,721
Interest-bearing securities eligible as collateral with central banks	*Note P15*	132,778	-	-	-	-	132,778
Bonds and other interest-bearing securities	*Note P15*	33,339	-	-	-	-	33,339
Derivative instruments	*Note P18*	52,210	-	-	50	99	52,360
Total		**1,499,746**	**200,067**	**184,005**	**233,136**	**140,918**	**2,257,872**
Off-balance sheet items							
Contingent liabilities	*Note P39*	605,828	67,648	36,048	2,694	29,337	741,555
of which guarantee commitments		*41,319*	*6,197*	*8,243*	*97*	*16,176*	*72,032*
of which obligations		*564,509*	*61,451*	*27,806*	*2,596*	*13,160*	*669,523*
Total		**605,828**	**67,648**	**36,048**	**2,694**	**29,337**	**741,555**
Total on and off-balance sheet items		**2,105,575**	**267,715**	**220,053**	**235,830**	**170,255**	**2,999,427**

Credit exposures Geographical breakdown 2021 SEK m		Sweden	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items								
Cash and balances with central banks		93,293	4,579	28,282	120,098	27,314	65,202	338,768
Loans to credit institutions	*Note P13*	934,765	2,788	4,957	43,020	755	612	986,897
Loans to the public	*Note P14*	211,575	173,148	60,953	81,465	75,606	9,105	611,852
Interest-bearing securities eligible as collateral with central banks	*Note P15*	100,538	-	-	-	-	-	100,538
Bonds and other interest-bearing securities	*Note P15*	34,323	-	-	-	-	-	34,323
Derivative instruments	*Note P18*	30,844	-	37	-	7	58	30,946
Total		**1,405,338**	**180,515**	**94,229**	**244,583**	**103,682**	**74,977**	**2,103,324**
Off-balance sheet items								
Contingent liabilities	*Note P39*	561,270	61,091	33,208	35,301	5,819	27,056	723,745
of which guarantee commitments		*48,975*	*5,980*	*9,108*	*8,169*	*77*	*15,193*	*87,502*
of which obligations		*512,295*	*55,111*	*24,100*	*27,132*	*5,742*	*11,863*	*636,243*
Total		**561,270**	**61,091**	**33,208**	**35,301**	**5,819**	**27,056**	**723,745**
Total on and off-balance sheet items		**1,966,608**	**241,606**	**127,437**	**279,884**	**109,501**	**102,033**	**2,827,069**

Geographical breakdown refers to the country in which the exposures are reported.

Loans to the public Breakdown by sector 2022 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Private individuals	101,993	3,448	805	-15	-24	-305	105,902
Housing co-operative associations	25,182	978	27	-4	-2	-2	26,179
Property management	317,575	12,466	735	-65	-35	-88	330,588
Manufacturing	32,141	1,843	44	-25	-110	-32	33,861
Retail	35,824	496	70	-9	-8	-52	36,321
Hotel and restaurant	1,508	437	14	-1	-6	-7	1,945
Passenger and goods transport by sea	1,916	6	221	-1	-2	-77	2,063
Other transport and communication	6,143	965	34	-13	-31	-32	7,066
Construction	13,941	2,899	110	-52	-142	-71	16,685
Electricity, gas and water	11,300	954	4	-4	-2	-3	12,249
Agriculture, hunting and forestry	3,617	309	31	-5	-22	-14	3,916
Other services	13,407	193	152	-7	-3	-138	13,604
Holding, investment, insurance companies, mutual funds, etc.	23,374	5,642	32	-5	-12	-24	29,007
Sovereigns and municipalities	89	47	-	0	-1	-	135
Other corporate lending	17,923	33	334	-1	0	-89	18,200
Total	**605,933**	**30,716**	**2,613**	**-207**	**-400**	**-934**	**637,721**

P2 Cont.

Loans to the public Breakdown by sector 2021 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Private individuals	112,017	2,053	959	-22	-23	-443	114,541
Housing co-operative associations	21,073	416	11	-3	-1	-4	21,492
Property management	292,651	20,368	926	-50	-186	-163	313,546
Manufacturing	17,977	1,625	65	-10	-11	-39	19,607
Retail	25,434	433	372	-16	-34	-90	26,099
Hotel and restaurant	2,625	1,722	20	-3	-101	-5	4,258
Passenger and goods transport by sea	1,676	594	1,205	-1	-8	-464	3,002
Other transport and communication	4,233	230	83	-8	-10	-63	4,465
Construction	13,842	596	131	-20	-12	-72	14,465
Electricity, gas and water	7,708	1,196	5	-3	-8	-3	8,895
Agriculture, hunting and forestry	5,162	129	67	-6	-4	-31	5,317
Other services	8,821	524	96	-12	-19	-88	9,322
Holding, investment, insurance companies, mutual funds, etc.	48,759	370	171	-12	-8	-122	49,158
Sovereigns and municipalities	263	16	0	0	-1	0	278
Other corporate lending	17,079	118	296	-3	-5	-78	17,407
Total	**579,320**	**30,390**	**4,407**	**-169**	**-431**	**-1,665**	**611,852**

Credit exposures, breakdown by type of collateral 2022 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured[4]	Total
Balance sheet items										
Cash and balances with central banks				376,010						376,010
Loans to credit institutions	*Note P13*	-	-	149,027	-	-	-	-	876,637	1,025,664
Loans to the public	*Note P14*	187,050	224,532	29,435	10,062	10,853	5,070	9,637	161,082	637,721
Interest-bearing securities eligible as collateral with central banks	*Note P15*	-	-	131,726	-	-	-	-	1,052	132,778
Bonds and other interest-bearing securities	*Note P15*	-	-	2,492	815	-	-	-	30,032	33,339
Derivative instruments	*Note P18*	189	354	3,361	223	86	-	-	48,147	52,360
Total		**187,239**	**224,886**	**692,051**	**11,100**	**10,939**	**5,070**	**9,637**	**1,116,950**	**2,257,872**
Off-balance sheet items										
Contingent liabilities	*Note P39*	70,569	45,723	32,483	7,432	11,774	745	8,466	564,363	741,555
of which guarantee commitments		*2,431*	*1,340*	*7,098*	*3,793*	*966*	*511*	*871*	*55,022*	*72,032*
of which obligations		*68,138*	*44,383*	*25,385*	*3,639*	*10,808*	*234*	*7,595*	*509,341*	*669,523*
Total		**70,569**	**45,723**	**32,483**	**7,432**	**11,774**	**745**	**8,466**	**564,363**	**741,555**
Total on and off-balance sheet items		**257,808**	**270,609**	**724,534**	**18,532**	**22,713**	**5,815**	**18,103**	**1,681,313**	**2,999,427**

Credit exposures, breakdown by type of collateral 2021 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured[4]	Total
Balance sheet items										
Cash and balances with central banks				338,768						338,768
Loans to credit institutions	*Note P13*	-	-	60,381	-	-	-	-	926,516	986,897
Loans to the public	*Note P14*	189,813	209,790	26,062	7,532	19,224	5,297	8,379	145,755	611,852
Interest-bearing securities eligible as collateral with central banks	*Note P15*			100,538						100,538
Bonds and other interest-bearing securities	*Note P15*	-	-	1,106	818	-	-	-	32,399	34,323
Derivative instruments	*Note P18*	833	1,541	5,012	65	150	-	-	23,345	30,946
Total		**190,646**	**211,331**	**531,867**	**8,415**	**19,374**	**5,297**	**8,379**	**1,128,015**	**2,103,324**
Off-balance sheet items										
Contingent liabilities	*Note P39*	93,494	49,986	40,739	8,889	15,468	648	9,000	505,521	723,745
of which guarantee commitments		*6,395*	*1,687*	*9,565*	*4,199*	*1,093*	*394*	*934*	*63,235*	*87,502*
of which obligations		*87,099*	*48,299*	*31,174*	*4,690*	*14,375*	*254*	*8,066*	*442,286*	*636,243*
Total		**93,494**	**49,986**	**40,739**	**8,889**	**15,468**	**648**	**9,000**	**505,521**	**723,745**
Total on and off-balance sheet items		**284,140**	**261,317**	**572,606**	**17,304**	**34,842**	**5,945**	**17,379**	**1,633,536**	**2,827,069**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.
[4] This column includes the parent company's internal lending and commitments to the Group's subsidiaries. For balance sheet items, this internal lending amounts to SEK 1,003,588m (969,362), and for off-balance sheet items it amounts to SEK 262,397m (203,798).

P2 Cont.

MARKET RISK

Market risks SEK m	2022	2021
Interest rate risk	563	1,215
Foreign exchange risk[1]	3	14
Equity price risk	38	71
Commodity risk	1	1

[1] Worst outcome in the case of +/- 5% change in SEK.

LIQUIDITY RISK

Maturity analysis for financial assets and liabilities 2022 SEK m	Up to 30 days	31 days–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	407,437	-	-	-	-	-	-	407,437
Interest-bearing securities eligible as collateral with central banks[1]	132,989	-	-	-	-	-	-	132,989
Bonds and other interest-bearing securities[2]	33,488	-	-	-	-	-	-	33,488
Loans to credit institutions	110,619	158,846	157,454	173,341	419,899	46,914	-	1,067,072
of which reverse repos	*4,916*	-	-	-	-	-	-	*4,916*
Loans to the public	55,791	112,085	108,033	106,549	158,604	138,354	-	679,416
of which reverse repos	*12,912*	-	-	-	-	-	-	*12,912*
Other	17,669	-	-	-	-	-	139,708	157,377
of which shares and participating interests	*7,112*	-	-	-	-	-	-	*7,112*
of which claims on investment banking settlements	*10,557*	-	-	-	-	-	-	*10,557*
Total assets	**757,993**	**270,931**	**265,487**	**279,891**	**578,502**	**185,268**	**139,708**	**2,477,780**
Due to credit institutions	63,655	49,032	17,685	15,278	7,752	991	19,324	173,716
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*14,212*	*20,009*	*2,652*	*114*	-	-	*3*	*36,989*
Deposits and borrowing from the public	16,845	51,228	36,512	10,017	2,085	45	1,020,535	1,137,267
of which repos	*4*	-	-	-	-	-	-	*4*
Issued securities3	77,185	401,948	170,177	29,058	97,628	50,907	-	826,904
of which covered bonds	-	-	-	-	-	-	-	-
of which bank certificates (CDs) with original maturity of less than one year	*28,791*	*169,614*	*56,754*	-	-	-	-	*255,159*
of which corporate certificates (CPs) with original maturity of less than one year	*48,282*	*203,070*	*71,539*	-	-	-	-	*322,890*
of which bank certificates (CDs) and corporate certificates (CPs) with original maturity of over one year	*9*	*6,405*	*8,765*	*541*	-	-	-	*15,719*
of which senior non-preferred bonds	-	*283*	*140*	*423*	*25,014*	*24,465*	-	*50,325*
of which senior bonds and other securities with original maturity of over one year	*103*	*22,576*	*32,980*	*28,095*	*72,614*	*26,442*	-	*182,810*
Subordinated liabilities	-	9,614	145	14,496	13,511	11,476	-	49,240
Other	4,999	-	-	-	-	-	202,593	207,592
of which short positions	*1,947*	-	-	-	-	-	-	*1,947*
of which liabilities on investment banking settlements	*3,052*	-	-	-	-	-	-	*3,052*
Total liabilities	**162,684**	**511,821**	**224,519**	**68,849**	**120,975**	**63,418**	**1,242,452**	**2,394,718**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	669,523							

Derivatives 2022 SEK m	Up to 30 days	31 days–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	189,477	606,809	156,028	144,812	264,991	158,131	1,520,248
Total derivatives outflow	188,395	605,555	152,820	140,760	259,985	151,649	1,499,164
Net	**1,082**	**1,254**	**3,208**	**4,052**	**5,006**	**6,482**	**21,084**

P2 Cont.

Maturity analysis for financial assets and liabilities 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	338,787	-	-	-	-	-	-	338,787
Interest-bearing securities eligible as collateral with central banks[1]	100,538	-	-	-	-	-	-	100,538
Bonds and other interest-bearing securities[2]	34,323	-	-	-	-	-	-	34,323
Loans to credit institutions	49,836	176,974	101,553	189,635	458,214	30,184	-	1,006,396
of which reverse repos	*20,203*	-	-	-	-	-	-	*20,203*
Loans to the public	43,431	119,413	94,365	93,529	143,086	141,627	-	635,451
of which reverse repos	*13,648*	-	-	-	-	-	-	*13,648*
Other	16,217	-	-	-	-	-	142,644	158,861
of which shares and participating interests	*13,481*	-	-	-	-	-	-	*13,481*
of which claims on investment banking settlements	*2,736*	-	-	-	-	-	-	*2,736*
Total assets	**583,132**	**296,387**	**195,918**	**283,164**	**601,300**	**171,811**	**142,644**	**2,274,356**
Due to credit institutions	89,515	36,435	3,733	137	362	1,010	22,706	153,898
of which repos	-	-	-	-	-	-	-	*0*
of which deposits from central banks	*21,832*	*28,676*	-	-	-	-	*344*	*50,852*
Deposits and borrowing from the public	12,414	22,154	1,575	4,184	369	48	1,132,318	1,173,062
of which repos	*213*	-	-	-	-	-	-	*213*
Issued securities[3]	51,797	292,149	187,128	49,821	71,984	32,210	-	685,089
of which covered bonds	-	-	-	-	-	-	-	*0*
of which certificates and other securities with original maturity of less than one year	*42,648*	*268,927*	*155,791*	-	-	-	-	*467,366*
of which senior bonds and other securities with original maturity of more than one year	*9,149*	*23,222*	*31,337*	*49,821*	*71,984*	*32,210*	-	*217,723*
Subordinated liabilities	-	926	2,960	8,507	13,698	10,195	-	36,286
Other	7,038	-	-	-	-	-	186,017	193,055
of which short positions	*4,126*	-	-	-	-	-	-	*4,126*
of which liabilities on investment banking settlements	*2,912*	-	-	-	-	-	-	*2,912*
Total liabilities	**160,764**	**351,664**	**195,396**	**62,649**	**86,413**	**43,463**	**1,341,041**	**2,241,390**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	636,243							

Derivatives 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	220,640	508,215	84,162	119,321	180,126	103,895	1,216,359
Total derivatives outflow	219,001	505,556	82,124	119,581	180,424	103,869	1,210,555
Net	**1,639**	**2,659**	**2,038**	**-260**	**-298**	**26**	**5,804**

[1] SEK 106,107m (83,610) of the amount (excl. interest) has a time to maturity of less than one year.
[2] SEK 2,511m (4,601) of the amount (excl. interest) has a time to maturity of less than one year.
[3] SEK 637,617m (528,573) of the amount (excl. interest) has a time to maturity of less than one year.

For deposit volumes, the column “Unspecified maturity” refers to deposits payable on demand.
The table contains interest flows, which means that the balance sheet items are not reconcilable with the parent company’s balance sheet.

P3 Net interest income

SEK m	2022	2021
Interest income		
Loans to credit institutions and central banks	15,781	3,562
Loans to the public	16,033	10,586
Interest-bearing securities eligible as collateral with central banks	1,289	306
Bonds and other interest-bearing securities	876	279
Derivative instruments	7,452	-1,246
Other interest income	871	835
Total	**42,302**	**14,322**
Deduction of interest income reported in net gains/losses on financial transactions	814	-3
Total interest income	**41,488**	**14,325**
of which interest income according to effective interest method and interest on derivatives in hedge accounting	*34,092*	*13,203*
Leasing income	**1,826**	**1,899**
Interest expenses		
Due to credit institutions and central banks	-1,546	-109
Deposits and borrowing from the public	-8,040	-173
Issued securities	-11,212	-2,992
Derivative instruments	-2,949	2,245
Subordinated liabilities	-1,369	-1,099
Deposit guarantee fees	-364	-266
Other interest expenses	-534	-366
Total	**-26,014**	**-2,760**
Deduction of interest expenses reported in net gains/losses on financial transactions	-930	-38
Total interest expenses	**-25,084**	**-2,722**
of which interest expenses according to the effective interest method and interest on derivatives in hedge accounting	*-22,531*	*-2,196*
Net interest income	**18,230**	**13,502**
Depreciation according to plan for finance leases[1]	-1,631	-1,751
Total net interest income including depreciation according to plan for finance leases	16,599	11,751

[1] Recognised in the item Depreciation, amortisation and impairment of property, equipment and intangible assets.

The derivative instrument rows include net interest income related to hedged assets and liabilities. These may have both a positive and a negative impact on interest income and interest expenses.

Changed presentation of resolution fee in income statement SEK m	Carrying amount 2021	Changed presentation of resolution fee	Previously published 2021
Interest expenses	-2,722	366	-3,088
Risk tax and resolution fee	-366	-366	
Total	**-3,088**	**-**	**-3,088**

As of the first quarter of 2022, the resolution fee is no longer reported under interest expenses, but instead as a separate item within operating profit. The risk tax is also reported as part of the same item. The comparative figures for the income statement items named above have therefore been recalculated.

P4 Dividends received

SEK m	2022	2021
Dividends on shares	46	60
Dividends from associates	14	-
Dividends from Group companies[1]	614	866
Group contributions received	16,279	16,685
Total	**16,953**	**17,611**

[1] Of which SEK 614m (515) refers to dividends on common equity tier 1 capital loans which Stadshypotek has classified as equity instruments.

P5 Net fee and commission income

SEK m	2022	2021
Brokerage and other securities commissions	498	634
Mutual funds	239	274
Custody and other asset management fees	996	1,030
Advisory services	172	199
Payments	2,764	2,840
Loans and deposits	900	917
Guarantees	272	284
Other	674	699
Total fee and commission income	**6,515**	**6,877**
Securities	-240	-242
Payments	-1,001	-1,342
Other	-107	-63
Total fee and commission expenses	**-1,348**	**-1,647**
Net fee and commission income	**5,167**	**5,230**

Fee and commission income refers to income from contracts with customers. Income from Brokerage and other securities commissions, Advisory services, Payments and Loans and deposits is generally recognised in conjunction with the rendering of the service, i.e. at a specific point in time. Payments also includes the issuing and acquisition of cards. Income from Mutual funds, Custody and other asset management fees, Insurance and Guarantees is generally recognised as the services are rendered, i.e. on a straight-line basis over time.

P6 Net gains/losses on financial transactions

SEK m	2022	2021
Amortised cost	-78	108
of which loans	*-78*	*108*
of which interest-bearing securities	-	-
of which issued securities	-	-
Fair value through other comprehensive income	0	0
of which expected credit losses	*0*	*0*
Fair value through profit or loss, fair value option	-4,710	-900
of which interest-bearing securities	*-4,710*	*-900*
Fair value through profit or loss, mandatory including foreign exchange effects	5,615	2,578
Hedge accounting	-7	22
of which net gains/losses on fair value hedges	*42*	*28*
of which cash flow hedge ineffectiveness	*-49*	*-6*
Total	**820**	**1,808**

P7 Other operating income

SEK m	2022	2021
Rental income	11	21
Other operating income[1]	4,830	3,555
Total	**4,841**	**3,576**

[1] Svenska Handelsbanken AB sold its Danish operations in Q4 2022, which had an impact of SEK 1,513m on other operating income in 2022. In Q4 2021, Svenska Handelsbanken AB sold its card acquiring business, which had an impact of SEK 574m on other operating income in 2021. This item includes reimbursement for services sold by the parent company to subsidiaries during the respective years.

P8 Staff costs

SEK m	2022	2021
Salaries and fees	-7,145	-6,824
Social security costs	-1,941	-1,774
Pension costs[1]	-2,370	-1,545
Provision for the profit-sharing scheme	-124	-38
Other staff costs	-409	-61
Total	**-11,990**	**-10,242**

[1] Information about pension costs is presented in note P40.

Salaries and fees SEK m	2022	2021
Executive officers[2], 24 persons (18)	-97	-66
Others	-7,048	-6,758
Total	**-7,145**	**-6,824**

[2] Executive officers including Board members.

P8 Cont.

Gender distribution	2022		2021	
%	Men	Women	Men	Women
Board	46	54	50	50
Executive officers excluding Board members	60	40	70	30

	2022			2021		
Average number of employees	Total	Men	Women	Total	Men	Women
Sweden	6,507	3,135	3,372	6,564	3,146	3,418
Norway	812	422	390	793	411	382
Denmark	542	273	269	627	321	306
Finland	521	238	283	558	250	308
The Netherlands	346	214	132	325	201	124
USA	48	28	20	50	31	19
China	1	1	0	16	8	8
Luxembourg	50	24	26	47	25	22
Singapore	0	0	0	5	1	4
Germany	2	1	1	21	9	12
Poland	15	4	11	16	4	12
Other countries	5	1	4	8	2	6
Total	**8,849**	**4,341**	**4,508**	**9,030**	**4,409**	**4,621**

Note G8 provides information about the principles for remuneration to executive officers in the parent company.

P9 Other administrative expenses

SEK m	2022	2021
Property and premises	-1,252	-1,219
External IT costs	-3,280	-2,729
Communication	-200	-209
Travel and marketing	-170	-97
Purchased services	-1,513	-1,150
Supplies	-154	-125
Other administrative expenses	-846	-473
Total	**-7,415**	**-6,002**
of which expenses for operating leases		
Lease fee	*-496*	*-563*
Variable fee	*-119*	*-42*
Total	**-615**	**-605**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes.

Contracted irrevocable future operating lease charges distributed by maturity SEK m	2022	2021
Within 1 yr	-669	-723
Between 1 and 5 yrs	-2,224	-2,413
Over 5 yrs	-2,507	-2,546
Total	**-5,400**	**-5,682**

Remuneration to auditors and audit companies	Pricewaterhouse Coopers AB		Ernst & Young AB	
SEK m	2022	2021	2022	2021
Audit assignment	-10	-3	-8	-6
Audit operations outside the audit assignment	-2	0	-1	0
Tax advice	-	-	0	0
Other services	-	-	-	-

P10 Credit losses

SEK m	2022	2021
Expected credit losses on balance sheet items		
The year's provision Stage 3	-174	-366
Reversed Stage 3 provision from previous years	225	262
Total expected credit losses in Stage 3	**51**	**-104**
The year's net provision Stage 2	-36	46
The year's net provision Stage 1	-85	8
Total expected credit losses in Stage 1 and Stage 2	**-121**	**54**
Total expected credit losses on balance sheet items	**-70**	**-50**
Expected credit losses on off-balance sheet items		
The year's net provision Stage 3	13	29
The year's net provision Stage 2	-27	-6
The year's net provision Stage 1	-9	-15
Total expected credit losses on off-balance sheet items	**-22**	**8**
Write-offs		
Actual credit losses for the year[1]	-666	-331
Utilised share of previous provisions in Stage 3	592	284
Total write-offs	**-74**	**-47**
Recoveries	125	34
Net credit losses	**-41**	**-55**
of which loans to the public	*-21*	*-67*

[1] Of the year's actual credit losses, SEK 164m (130) is subject to enforcement activities.

On and off-balance sheet items subject to impairment testing 2022

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	375,981	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	200	-	-	0	-	-
Loans to credit institutions	1,025,814	1	-	-1	-1	-
Loans to the public	605,933	30,716	2,613	-207	-400	-934
Bonds and other interest-bearing securities	9,882	-	-	-2	-	-
Total	**2,017,811**	**30,717**	**2,613**	**-211**	**-401**	**-934**
Off-balance sheet items						
Contingent liabilities	561,940	10,002	245	-66	-136	-82
of which guarantee commitments	*69,973*	*1,982*	*77*	*-7*	*-12*	*-19*
of which obligations	*491,967*	*8,020*	*168*	*-59*	*-124*	*-63*
Total	**561,940**	**10,002**	**245**	**-66**	**-136**	**-82**

Balance sheet and off-balance sheet items that are subject to impairment testing 2021

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	338,736	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	397	-	-	-	-	-
Loans to credit institutions	986,562	10	-	-1	-3	-
Loans to the public	579,320	30,390	4,407	-169	-431	-1,665
Bonds and other interest-bearing securities	9,016	-	-	-2	-	-
Total	**1,914,031**	**30,400**	**4,407**	**-172**	**-434**	**-1,665**
Off-balance sheet items						
Contingent liabilities	573,613	7,399	297	-67	-118	-92
of which guarantee commitments	*86,058*	*1,314*	*130*	*-9*	*-10*	*-39*
of which obligations	*487,555*	*6,085*	*167*	*-58*	*-108*	*-53*
Total	**573,613**	**7,399**	**297**	**-67**	**-118**	**-92**

[1] Gross volume in Stage 3 for which no provision has been made, due to collateral received, amounts to SEK 1,084m (1,459).

P10 Cont.

Key figures, credit losses Loans to the public	2022	2021
Credit loss ratio, acc., %	0.00	0.01
Total reserve ratio, %	0.24	0.37
Reserve ratio Stage 1, %	0.03	0.03
Reserve ratio Stage 2, %	1.30	1.42
Reserve ratio Stage 3, %	35.75	37.78
Proportion of loans in Stage 3, %	0.26	0.45

CHANGE ANALYSIS

Change in provision for expected credit losses, balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-172	-434	-1,665	-2,271	-175	-470	-1,796	-2,441
Derecognised assets	37	129	204	370	22	41	116	179
Write-offs	0	0	590	590	0	1	283	284
Remeasurements due to changes in credit risk	-84	163	-7	72	-19	80	-91	-30
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-4	-4	-15	-22	-4	-10	-52	-66
Purchased or originated assets	-19	-39	-2	-60	-29	-10	-11	-50
Transfer to Stage 1	-13	18	0	5	-13	17	1	5
Transfer to Stage 2	29	-269	9	-231	21	-144	5	-118
Transfer to Stage 3	15	35	-49	1	25	61	-120	-34
Provision at end of year	**-211**	**-401**	**-934**	**-1,546**	**-172**	**-434**	**-1,665**	**-2,271**

Change in provision for expected credit losses, loans to the public that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-169	-431	-1,665	-2,265	-172	-464	-1,796	-2,432
Derecognised assets	37	129	204	370	22	41	116	179
Write-offs	0	0	590	590	0	1	283	284
Remeasurements due to changes in credit risk	-84	161	-7	71	-19	76	-91	-34
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-4	-4	-15	-22	-4	-9	-52	-65
Purchased or originated assets	-19	-39	-2	-60	-29	-10	-11	-50
Transfer to Stage 1	-13	18	0	5	-13	17	1	5
Transfer to Stage 2	29	-269	9	-231	21	-144	5	-118
Transfer to Stage 3	15	35	-49	1	25	61	-120	-34
Provision at end of year	**-207**	**-400**	**-934**	**-1,542**	**-169**	**-431**	**-1,665**	**-2,265**

Change in provision for expected credit losses, off-balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-67	-118	-92	-277	-51	-110	-119	-280
Derecognised assets	22	21	-	42	6	17	-	23
Write-offs	0	0	1	1	-	-	-	-
Remeasurements due to changes in credit risk	-15	36	8	29	4	14	27	45
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	4	22	-	26	-6	-23	-	-29
Purchased or originated assets	-14	-15	-	-29	-20	-5	-	-25
Transfer to Stage 1	-2	4	-	2	-5	11	-	6
Transfer to Stage 2	6	-87	-	-81	4	-26	-	-22
Transfer to Stage 3	1	1	-	2	1	4	-	5
Provision at end of year	**-66**	**-136**	**-82**	**-283**	**-67**	**-118**	**-92**	**-277**

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

P10 Cont.

Change in gross volume, balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	1,914,031	30,400	4,407	1,948,838	1,785,579	38,393	4,751	1,828,723
Derecognised assets	-150,176	-10,748	-923	-161,847	-70,662	-4,933	-381	-75,976
Write-offs	-3	-2	-658	-663	-3	-6	-317	-326
Remeasurements due to changes in credit risk	105,633	2,725	-610	107,749	-64,840	-8,838	-631	-74,309
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	75,468	873	28	76,369	45,491	1,324	218	47,033
Purchased or originated assets	78,677	1,999	21	80,696	222,172	1,467	54	223,693
Transfer to Stage 1	20,962	-20,953	-10	-	14,896	-14,878	-18	-
Transfer to Stage 2	-26,631	26,733	-102	-	-18,403	18,427	-24	-
Transfer to Stage 3	-150	-311	461	-	-199	-556	755	-
Volume at end of year	**2,017,811**	**30,717**	**2,613**	**2,051,142**	**1,914,031**	**30,400**	**4,407**	**1,948,838**

Change in gross volume, loans to the public that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	579,320	30,390	4,407	614,117	525,450	38,376	4,751	568,577
Derecognised assets	-105,161	-10,632	-923	-116,717	-65,607	-4,924	-381	-70,912
Write-offs	-3	-2	-658	-663	-3	-6	-317	-326
Remeasurements due to changes in credit risk	52,929	2,908	-610	55,228	21,846	-9,460	-631	11,755
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	15,067	846	28	15,941	13,378	1,149	218	14,745
Purchased or originated assets	69,336	1,999	21	71,356	88,757	1,467	54	90,278
Transfer to Stage 1	20,962	-20,953	-10	-	14,101	-14,083	-18	-
Transfer to Stage 2	-26,368	26,470	-102	-	-18,403	18,427	-24	-
Transfer to Stage 3	-150	-311	461	-	-199	-556	755	-
Volume at end of year	**605,933**	**30,716**	**2,613**	**639,263**	**579,320**	**30,390**	**4,407**	**614,117**

Change in gross volume, off-balance sheet items that are subject to impairment testing

	2022				2021			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	573,613	7,399	297	581,309	409,604	8,890	440	418,934
Derecognised assets	-87,513	-3,908	-50	-91,472	-26,769	-1,576	-48	-28,393
Write-offs	0	0	-3	-3	0	0	-5	-5
Remeasurements due to changes in credit risk	63,232	-2,077	-35	61,120	80,419	-4,622	-146	75,651
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-32,435	-5,394	4	-37,825	42,961	9,387	5	52,353
Purchased or originated assets	57,850	1,208	0	59,058	62,069	699	1	62,769
Transfer to Stage 1	4,623	-4,622	-1	-	11,691	-11,691	0	-
Transfer to Stage 2	-17,406	17,409	-3	-	-6,346	6,348	-2	-
Transfer to Stage 3	-24	-12	36	-	-16	-36	52	-
Volume at end of year	**561,940**	**10,002**	**245**	**572,187**	**573,613**	**7,399**	**297**	**581,309**

Like the analysis for provisions, the change analysis for gross volumes shows the effect of selected explanatory items on the volumes for a stated Stage. The items showing transfers between Stages, and 'Purchased or originated assets', present the amounts in the stated Stage at the end of the period. Other items present the effect in the Stage applying at the start of the period.

P10 Cont.

SENSITIVITY ANALYSIS

Macroeconomic forecast in ECL calculations and sensitivity analysis

The calculation of expected credit losses applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the estimated forecasts over three scenarios. The forecast in the base case scenario is assigned a weight of 60% (70), while an upturn in the economy is assigned 20% (15), and a downturn 20% (15). These scenarios and weightings have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2022.

	Downturn scenario			Neutral scenario			Upturn scenario		
Macroeconomic risk factors	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP growth									
Sweden	-3.55	-0.25	3.15	-0.50	1.30	2.50	2.00	2.80	2.20
Norway	-2.38	-0.30	2.45	0.67	1.25	1.80	3.17	2.75	1.50
Finland	-3.25	-0.57	2.24	-0.20	0.98	1.59	2.30	2.48	1.29
Eurozone	-3.59	-0.03	1.95	-0.54	1.52	1.30	1.96	3.02	1.00
USA	-2.87	-0.26	2.65	0.18	1.29	2.00	2.68	2.39	1.70
Unemployment									
Sweden	8.87	10.00	9.80	7.70	8.10	7.90	7.10	7.16	7.30
Norway	3.25	4.15	4.35	2.08	2.25	2.45	1.47	1.31	1.85
Finland	8.17	8.80	8.40	7.00	6.90	6.50	6.40	5.96	5.90
Eurozone	8.60	9.40	9.30	7.43	7.50	7.40	6.83	6.56	6.80
USA	5.16	6.49	6.30	3.99	4.59	4.40	3.39	3.65	3.80
Policy interest rate									
Sweden	1.54	0.75	1.00	2.75	2.25	2.25	3.25	3.00	3.00
Norway	1.75	1.00	1.00	3.25	3.00	2.75	3.75	3.75	3.50
Finland	1.05	0.25	0.25	2.25	1.75	1.25	2.75	2.50	2.00
Eurozone	1.05	0.25	0.25	2.25	1.75	1.25	2.75	2.50	2.00
USA	3.20	1.88	1.70	4.63	3.88	3.20	5.13	4.63	3.95
Property price trend, commercial real estate									
Sweden	-15.54	-8.66	-0.74	-8.50	-6.44	0.58	-3.52	-1.73	-0.52
Norway	-11.19	-6.80	-2.42	-5.96	-1.14	-1.90	-3.00	0.61	-2.74
Finland	-12.43	-6.53	0.70	-5.87	-1.00	1.19	-2.57	0.52	-0.04
Eurozone	-11.94	-3.67	0.85	-7.39	0.66	1.65	-4.01	2.57	0.86
Property price trend, residential real estate									
Sweden	-22.37	1.77	1.89	-13.51	1.75	1.95	-8.78	2.19	3.92
Norway	-3.53	-1.04	2.19	-0.95	0.38	1.83	2.05	5.26	3.71
Finland	-4.07	0.92	1.16	-1.02	1.92	2.12	0.75	2.90	2.80
Eurozone	2.95	2.35	2.00	2.40	2.00	2.00	2.10	1.70	2.03

Sensitivity analysis, macroeconomic scenarios

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at 31 December 2022, which arises when a probability of 100% is assigned to the downturn and upturn scenarios, respectively.

	2022		2021	
%	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario
Sweden	14.21	-11.25	22.05	-13.35
Norway	7.81	-6.29	12.21	-6.90
Denmark			14.63	-8.31
Finland	5.64	-4.01	10.73	-6.29
The Netherlands	3.52	-2.56	3.48	-1.80
USA	27.06	-20.37	50.58	-32.07
Other countries	3.64	-2.07	5.88	-2.76

Sensitivity analysis, significant increase in credit risk

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at 31 December 2022, which arises when a probability of 100% is assigned to the downturn and upturn scenarios, respectively.

Change in the total provision in Stage 1 and Stage 2, % **Threshold value**	2022	2021
2	2.52%	3.79%
2.5	0.00%	0.00%
3	-2.15%	-2.93%

P10 Cont.

CREDIT EXPOSURES THAT ARE SUBJECT TO IMPAIRMENT TESTING, BY PD RANGE

Balance sheet items by PD range	2022			2021		
	Gross volume, SEK m			Gross volume, SEK m		
PD value[1]	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
0.00 to <0.15	1,857,207	9,600	-	1,778,879	5,861	-
0.15 to <0.25	44,316	1,648	-	55,679	1,264	-
0.25 to <0.50	71,013	3,986	-	42,963	4,106	-
0.50 to <0.75	14,541	1,403	-	12,432	738	-
0.75 to <2.50	28,171	9,304	-	20,475	12,755	-
2.50 to <10.00	2,020	2,898	-	3,353	4,918	-
10.00 to <100	543	1,877	-	250	758	-
100 (default)	-	-	2,613	-	-	4,407
Total	**2,017,811**	**30,717**	**2,613**	**1,914,031**	**30,400**	**4,407**

Loans to the public by PD range	2022			2021		
	Gross volume, SEK m			Gross volume, SEK m		
PD value[1]	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
0.00 to <0.15	504,333	9,876	-	487,720	5,960	-
0.15 to <0.25	28,036	1,692	-	37,794	1,301	-
0.25 to <0.50	44,925	3,220	-	29,162	3,427	-
0.50 to <0.75	9,200	1,444	-	8,435	760	-
0.75 to <2.50	17,817	9,571	-	13,763	13,099	-
2.50 to <10.00	1,278	2,981	-	2,276	5,062	-
10.00 to <100	344	1,931	-	170	781	-
100 (default)	-	-	2,613	-	-	4,407
Total	**605,933**	**30,716**	**2,613**	**579,320**	**30,390**	**4,407**

Off-balance sheet items by PD range	2022			2021		
	Gross volume, SEK m			Gross volume, SEK m		
PD value[1]	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
0.00 to <0.15	479,840	4,777	-	510,314	2,635	-
0.15 to <0.25	37,314	748	-	23,326	729	-
0.25 to <0.50	25,062	493	-	20,620	343	-
0.50 to <0.75	9,158	579	-	9,072	899	-
0.75 to <2.50	9,649	1,618	-	9,260	966	-
2.50 to <10.00	797	1,618	-	974	1,614	-
10.00 to <100	121	169	-	47	213	-
100 (default)	-	-	245	-	-	297
Total	**561,940**	**10,002**	**245**	**573,613**	**7,399**	**297**

[1] Refers to 12-month PD value as at the reporting date.

Assets repossessed for protection of claims SEK m	**2022**	**2021**
Movable property	0	0
Shares	0	0
Carrying amount	**0**	**0**

P11 Risk tax and resolution fee

SEK m	**2022**	**2021**
Risk tax	-996	-
Resolution fee	-335	-366
Total	**-1,331**	**-366**

P12 Appropriations

SEK m	2022	2021
Change in accelerated depreciation, machinery, equipment and lease assets	-180	195
Change in accelerated amortisation, goodwill on the acquisition of net assets	20	32
Total	**-160**	**227**

P13 Loans to credit institutions

SEK m	2022	2021
Loans in Swedish kronor		
Banks	257	903
Other credit institutions[1]	763,263	709,033
Total	**763,520**	**709,936**
Loans in foreign currency		
Banks	36,174	13,312
Other credit institutions	225,972	263,653
Total	**262,146**	**276,965**
Provision for expected credit losses	-2	-4
Total loans to credit institutions	**1,025,664**	**986,897**
of which accrued interest income	*3,451*	*967*
of which reverse repos	*4,916*	*20,204*
of which subordinated	*53,737*	*39,041*

Average volumes SEK m	2022	2021
Loans to credit institutions in Swedish kronor	481,665	599,441
Loans to credit institutions in foreign currency	560,964	405,878
Total	**1,042,629**	**1,005,319**
of which reverse repos	*24,001*	*20,892*

[1] Of which SEK 17,550m (18,179) refers to common equity tier 1 capital loans which Stadshypotek has classified as equity instruments.

P14 Loans to the public

SEK m	2022	2021
Loans in Swedish kronor		
Households	24,999	28,466
Companies	164,623	142,487
National Debt Office	1,566	2,173
Total	**191,188**	**173,126**
Loans in foreign currency		
Households	113,576	116,213
Companies	334,499	324,778
Total	**448,075**	**440,991**
Provision for expected credit losses	-1,542	-2,265
Total loans to the public	**637,721**	**611,852**
of which accrued interest income	*5,218*	*1,778*
of which reverse repos	*12,917*	*13,649*
of which subordinated	*22,750*	*22,594*

Average volumes, excl. National Debt Office SEK m	2022	2021
Loans to the public in Swedish kronor	202,802	170,850
Loans to the public in foreign currency	468,651	415,348
Total	**671,453**	**586,198**
of which reverse repos	*21,300*	*19,690*

P15 Interest-bearing securities

	2022			2021		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Interest-bearing securities eligible as collateral with central banks	132,778	132,778	133,726	100,538	100,538	103,881
of which accrued interest income	*211*			*160*		
Bonds and other interest-bearing securities	33,339	33,339	31,611	34,323	34,323	30,601
of which accrued interest income	*124*			*185*		
Total	**166,117**	**166,117**	**165,337**	**134,861**	**134,861**	**134,482**
of which subordinated	-	-		-	-	

Interest-bearing securities broken down by issuer	2022			2021		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Government	132,778	132,778	133,726	100,538	100,538	103,881
Credit institution	8,864	8,864	7,655	6,590	6,590	6,118
Mortgage institutions	18,106	18,106	18,754	21,522	21,522	20,137
Other	6,369	6,369	5,202	6,211	6,211	4,346
Total	**166,117**	**166,117**	**165,337**	**134,861**	**134,861**	**134,482**

Interest-bearing securities that are subject to impairment testing SEK m	2022	2021
Interest-bearing securities eligible as collateral with central banks		
Fair value through other comprehensive income	200	397
Amortised cost	-	-
Total gross volumes	**200**	**397**
Provision for expected credit losses on instruments measured at amortised cost	-	-
Total carrying amount	**200**	**397**
Provision for expected credit losses recognised in the fair value reserve in equity	-	-
Bonds and other interest-bearing securities		
Fair value through other comprehensive income	9,882	9,016
Total carrying amount	**9,882**	**9,016**
Provision for expected credit losses recognised in the fair value reserve in equity	-2	-2

Average volumes SEK m	2022	2021
Interest-bearing securities	182,937	155,399

P16 Shares

SEK m	2022	2021
Fair value through profit or loss, mandatory	6,668	12,674
Fair value through other comprehensive income	444	807
Total shares	**7,112**	**13,481**

Holdings at fair value through other comprehensive income SEK m	2022	2021
Visa Inc	274	170
VIPPS A/S	57	62
BEC	-	329
Other holdings	113	246
Total	**444**	**807**

Handelsbanken classifies the shareholdings above as measured at fair value through other comprehensive income, as these holdings are not held for trading. During the year Handelsbanken received dividends only on shares still held at the end of the reporting period. These dividends total SEK 17m (2) and are recognised in the income statement under Other dividend income. During the year, the Bank divested its holdings in a number of housing co-operative associations for a total of SEK 32m (1). The primary reason for the divestments was branch closures.
In conjunction with the sale of the operations in Denmark, the holding in BEC has been divested, along with other holdings. For information about realised and unrealised gains/losses on equity instruments measured at fair value through other comprehensive income, refer to the Statement of changes in equity for the Parent company.

P17 Shares in subsidiaries and investments in associates and joint ventures

Shares in subsidiaries and investments in associates and joint ventures SEK m	2022	2021
Subsidiaries, unlisted	69,998	71,608
Associates, unlisted	215	213
Joint ventures, unlisted	270	146
Total	**70,483**	**71,967**

Subsidiaries	Corporate identity number	Registered office	Number of shares	Ownership share, %	Carrying amount, SEK m 2022	Carrying amount, SEK m 2021
Handelsbanken Finans AB[1]	556053-0841	Stockholm	1,550,000	100	8,212	10,492
Stadshypotek AB[1]	556459-6715	Stockholm	162,000	100	26,870	26,870
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10,000	100	1	1
Xact Kapitalförvaltning AB[3]	556997-8140	Stockholm		100		
Handelsbanken Fonder AB	556418-8851	Stockholm	15,000	100	2	2
Handelsinvest Investeringsforvaltning A/S[2]	12930879	Copenhagen	5,000	100		8
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100,000	100	6,189	6,189
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100		
Handelsbanken Fastigheter AB	556873-0021	Stockholm		100		
Ecster AB	556993-2311	Stockholm	50,000	100	1,750	1,750
Handelsbanken plc[1]	11305395	London	5,050,401	100	24,543	24,087
Handelsbanken Wealth & Asset Management Limited	04132340	London	1,319,206	100		
Optimix Vermogensbeheer N.V.	33194359	Amsterdam	10,209	100	713	655
Add Value Fund Management BV	19196768	Amsterdam		80		
Other subsidiaries						
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100	0	0
Ejendomsselskabet af 1. maj 2009 A/S[2]	59173812	Hillerød	2,700,000	100		128
Forva AS[3]	945812141	Oslo	4,000,000	100		1
AB Handel och Industri	556013-5336	Stockholm	100,000	100	12	12
Handelsbanken Forsikringsformidling A/S[2]	42767808	Copenhagen	400,000	100		1
Handelsbanken Markets Securities, Inc.	11-3257438	New York	1,000	100	41	30
Handelsbanken Rahoitus Oy	0112308-8	Helsinki	37,026,871	100	1,562	1,276
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1,500	100	31	31
Lokalbolig A/S[2]	78488018	Hillerød	540,000	71.52		1
Rådstuplass 4 AS	910508423	Bergen	40,000	100	0	0
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	20,000	100	35	35
Handelsbanken Ventures AB	556993-9357	Stockholm	50	100	38	39
Total					**69,998**	**71,608**

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.

[1] Credit institution
[2] Holdings divested during Q4 2022.
[3] The company was liquidated in 2022.

Associates	Corporate identity number	Registered office	Number of shares	Ownership share, %	Carrying amount, SEK m 2022	Carrying amount, SEK m 2021
Bankomat AB	556817-9716	Stockholm	150	20.00	67	67
BGC Holding AB	556607-0933	Stockholm	25,542	25.54	81	81
Dyson Group plc	00163096	Sheffield	74,733,672	27.00	22	21
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12,735	28.30	24	24
Getswish AB	556913-7382	Stockholm	10,000	20.00	21	21
USE Intressenter AB	559161-9464	Stockholm	2,448	24.48	0	0
Total					**215**	**214**

Joint ventures	Corporate identity number	Registered office	Number of shares	Voting power, %	Carrying amount, SEK m 2022	Carrying amount, SEK m 2021
P27 Nordic Payment Platform AB	559198-9610	Stockholm	10,000	16.67	160	88
Invidem AB	559210-0779	Stockholm	10,000	16.67	107	58
Tibern AB	559384-3542	Stockholm	4,000	14.29	3	
Total					**270**	**146**

P18 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2022	2021	2022	2021	2022	2021
Derivatives held for trading									
Interest rate-related contracts									
Options	10,756	13,891	879	25,526	24,472	410	51	358	52
FRA/futures	635,033	46,088	334	681,455	542,060	928	76	1,180	62
Swaps	726,324	1,658,719	382,290	2,767,333	2,557,004	78,155	21,064	77,612	21,468
Currency-related contracts									
Options	35,069	50	17	35,136	20,672	292	69	249	131
Futures	84,486	9,455	92	94,033	82,874	1,418	916	1,112	687
Swaps	678,225	156,202	75,250	909,677	819,435	17,163	15,066	20,796	9,622
Equity-related contracts									
Options	1,637	386	30	2,053	3,770	182	375	95	189
Futures	184	-	-	184	580	6	9	5	11
Swaps	5,968	574	1,720	8,262	14,683	185	341	663	723
Commodity-related contracts									
Options	-	-	25	25	355	2	41	27	55
Futures	339	28	-	367	935	32	111	52	237
Credit-related contracts									
Swaps	499	3,409	-	3,908	4,853	68	294	90	169
Total	**2,178,520**	**1,888,802**	**460,637**	**4,527,959**	**4,071,693**	**98,841**	**38,413**	**102,239**	**33,406**
Derivatives for fair value hedges									
Interest rate-related contracts									
Swaps	87,656	253,910	82,095	423,661	383,493	16,884	2,836	15,664	1610
Currency-related contracts									
Swaps	633	-	1,003	1,636	1,462	77	156		-
Total	**88,289**	**253,910**	**83,098**	**425,297**	**384,955**	**16,961**	**2,992**	**15,664**	**1,610**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	52,484	57,191	12,543	122,218	155,698	4,353	1,935	689	940
Currency-related contracts									
Swaps	109,989	73,110	27,719	210,818	176,142	13,317	7,641	951	2,133
Total	**162,473**	**130,301**	**40,262**	**333,036**	**331,840**	**17,670**	**9,576**	**1,640**	**3,073**
Total derivative instruments	**2,429,282**	**2,273,013**	**583,997**	**5,286,292**	**4,788,488**	**133,472**	**50,981**	**119,543**	**38,089**
of which exchange-traded derivatives				*201,816*	*182,858*	*260*	*130*	*274*	*804*
of which OTC derivatives settled by CCP				*2,774,527*	*2,982,430*	*82,375*	*18,731*	*83,957*	*15,867*
of which OTC derivatives not settled by CCP				*2,309,949*	*1,623,200*	*50,837*	*32,120*	*35,312*	*21,418*
Amounts offset				-2,826,362	-2,691,986	-81,112	-20,035	-82,558	-17,056
Net amount				**2,459,930**	**2,096,502**	**52,360**	**30,946**	**36,985**	**21,033**
Currency breakdown of market values									
SEK						-224,388	-217,533	12,539	-44,025
USD						187,752	300,159	-244,777	-7,642
EUR						280,424	71,169	300,494	-62,235
Others						-110,316	-102,814	51,287	151,991
Total						**133,472**	**50,981**	**119,543**	**38,089**

Derivative contracts are presented gross in the note. Amounts offset consist of the offset market value and the associated nominal amounts of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 gains/losses) over the life of the derivative. Such not yet recognised day 1 gains amounted to SEK 447m (489) at year-end.

P19 Hedge accounting

Hedging instruments in cash flow hedges	2022			2021		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	15,599	27,009	11,499	18,875	37,280	13,677
Average fixed interest, %	0.81	0.44	0.76	0.63	0.58	0.76
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	36,885	30,182	1,044	43,243	41,717	906
Average fixed interest, %	2.00	2.65	3.98	1.53	1.87	3.98
Foreign exchange risk						
Foreign exchange derivatives, EUR/NOK						
Nominal amount	21,271	17,074	21,847	10,899	30,223	14,069
Average exchange rate EUR/NOK	0.1045	0.1008	0.0989	0.1187	0.1038	0.0970
Foreign exchange derivatives, USD/GBP						
Nominal amount	7,560	-	1,000	-	6,942	917
Average exchange rate USD/GBP	1.2930	-	1.3157	-	1.2930	1.3157
Foreign exchange derivatives, USD/NOK						
Nominal amount	14,163	26,897	-	14,409	22,140	-
Average exchange rate USD/NOK	0.1083	0.1114	-	0.1178	0.1137	-
Foreign exchange derivatives, USD/SEK						
Nominal amount	60,393	8,421	4,872	24,446	2,265	9,057
Average exchange rate USD/SEK	0.1000	0.1068	0.1105	0.1187	0.1105	0.1105
Foreign exchange derivatives, AUD/USD						
Nominal amount	6,602	-	-	-	5,923	-
Average exchange rate AUD/USD	1.3770	-	-	-	1.3770	-
Foreign exchange derivatives, other currency pairs						
Nominal amount	-	20,718	-	13,938	18,862	2,052
Total	**162,473**	**130,301**	**40,262**	**125,810**	**165,352**	**40,678**

Hedging instruments and ineffectiveness in cash flow hedges 2022		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	54,107	4,282	11	4,758	4,812	-54	-
Interest rate swaps, variable interest paid and fixed interest received	68,111	71	678	-2,122	-2,122	0	38
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/DKK	-	-	-	-3	-3	0	-
Foreign exchange derivatives, EUR/GBP	-	-	-	20	20	-	-
Foreign exchange derivatives, EUR/NOK	60,192	3,846	12	199	200	-1	-
Foreign exchange derivatives, EUR/SEK	8,194	303	-	55	55	-	-
Foreign exchange derivatives, USD/DKK	-	-	-	70	70	0	-
Foreign exchange derivatives, USD/GBP	8,560	633	-	19	19	-	-
Foreign exchange derivatives, USD/NOK	41,060	3,432	-	16	12	4	-
Foreign exchange derivatives, USD/SEK	73,686	4,728	281	360	358	2	-
Foreign exchange derivatives, AUD/USD	6,602	-	442	-56	-56	-	2
Foreign exchange derivatives, other currency pairs	12,524	375	216	90	90	0	4
Total	**333,036**	**17,670**	**1,640**	**3,406**	**3,455**	**-49**	**44**

Hedging instruments and ineffectiveness in cash flow hedges 2021		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	69,832	247	940	1,852	1,858	-6	-
Interest rate swaps, variable interest paid and fixed interest received	85,866	1,688	-	-1,939	-1,939	0	59
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/DKK	2,051	3	-	8	8	0	-
Foreign exchange derivatives, EUR/GBP	6,514	606	-	34	32	2	-
Foreign exchange derivatives, EUR/NOK	55,191	2,750	491	1	3	-2	-
Foreign exchange derivatives, EUR/SEK	12,797	376	408	32	32	-	-
Foreign exchange derivatives, USD/DKK	6,919	330	87	60	60	0	-
Foreign exchange derivatives, USD/GBP	7,859	-	339	8	8	-	-
Foreign exchange derivatives, USD/NOK	36,549	1,303	721	47	47	0	-
Foreign exchange derivatives, USD/SEK	35,768	1,793	-	292	292	0	-
Foreign exchange derivatives, AUD/USD	5,923	50	-	-77	-77	-	3
Foreign exchange derivatives, other currency pairs	6,571	430	87	-15	-15	0	1
Total	**331,840**	**9,576**	**3,073**	**303**	**309**	**-6**	**63**

[1] When analysing for the purposes of hedge accounting, the conversion to the parent company's functional currency, SEK, is taken into account by imputing nominal derivative legs in the hedging relationships. The imputed derivative legs are not included in the nominal volumes presented in the tables above.

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet. Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions. Reclassified to the income statement is included under Net gains/losses on financial transactions and refers to cash flow hedges terminated before their maturity date.

P19 Cont.

Hedged items in cash flow hedges	2022			2021		
SEK m	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk						
Issued variable-interest securities	-4,812	4,255	-	-1,858	-553	-
Variable-interest loans to the public	2,122	-378	446	1,939	1,777	484
Foreign exchange risk						
Securities issued in EUR and internal loans in DKK, GBP and NOK	-272	98	-	-75	-172	-
Securities issued in USD and internal loans in DKK, EUR, GBP and NOK	-459	455	89	-407	-10	88
Securities issued in AUD	56	-10	-3	77	48	-1
Securities issued and internal loans in other currencies	-90	27	6	15	-54	11
Total	**-3,455**	**4,447**	**538**	**-309**	**1,036**	**582**

Hedging instruments in fair value hedges	2022			2021		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	-	-	-	-	-	-
Average fixed interest, %	-	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	23,501	116,649	49,316	904	77,952	32,753
Average fixed interest, %	1.34	2.00	1.76	0.22	0.97	1.65
Cross-currency interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	633	-	1,003	-	566	896
Average fixed interest, %	3.26	-	3.69	-	3.26	3.69
Total	**24,134**	**116,649**	**50,319**	**904**	**78,518**	**33,649**

Hedging instruments and ineffectiveness in fair value hedges 2022		Carrying amount hedging instruments			
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received	189,466	75	15,652	-14,969	-9
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,636	77	-	-171	-4
Total	**191,102**	**152**	**15,652**	**-15,140**	**-13**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	234,195	16,809	12	14,762	55
Total	**234,195**	**16,809**	**12**	**14,762**	**55**

Hedging instruments and ineffectiveness in fair value hedges 2021		Carrying amount hedging instruments			
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received	111,609	836	1,453	-2,323	-16
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,462	156	-	-54	4
Total	**113,071**	**992**	**1,453**	**-2,377**	**-12**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	271,884	2,000	157	2,285	40
Total	**271,884**	**2,000**	**157**	**2,285**	**40**

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet.
Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.

P19 Cont.

Hedged items in fair value hedges 2022	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item		Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
SEK m	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Fixed-interest loans to the public	-		-		-	-
Issued fixed-interest securities and subordinated liabilities		175,113		-16,699	15,127	-
Total	**-**	**175,113**	**-**	**-16,699**	**15,127**	**-**
Portfolio fair value hedges[1]						
Interest rate risk						
Fixed-interest loans to the public	-16,611		-16,611		-14,707	-
Total	**-16,611**		**-16,611**		**-14,707**	**-**

Hedged items in fair value hedges 2021	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item		Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
SEK m	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Fixed-interest loans to the public	-		-		-	-
Issued fixed-interest securities and subordinated liabilities		112,116		-1,572	2,365	-
Total	**-**	**112,116**	**-**	**-1,572**	**2,365**	**-**
Portfolio fair value hedges[1]						
Interest rate risk						
Fixed-interest loans to the public	-1,904				-2,245	-
Total	**-1,904**				**-2,245**	**-**

[1] The volume of the underlying lending portfolio was SEK 234,195m (271,269) as at 31 December 2022.

P20 Offsetting of financial instruments

2022 SEK m	Derivatives	Repurchase agreements and securities lending	Total
Financial fixed assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	133,472	23,332	156,804
Amounts offset	-81,112	-4,833	-85,945
Carrying amount on the balance sheet	**52,360**	**18,499**	**70,859**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-11,031	-	-11,031
Financial assets received as collateral	-21,972	-18,484	-40,456
Total amounts not offset on the balance sheet	**-33,003**	**-18,484**	**-51,487**
Net amount	**19,357**	**15**	**19,372**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	119,543	4,838	124,381
Amounts offset	-82,558	-4,833	-87,391
Carrying amount on the balance sheet	**36,985**	**5**	**36,990**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-11,031	-	-11,031
Financial assets pledged as collateral	-5,897	-5	-5,902
Total amounts not offset on the balance sheet	**-16,928**	**-5**	**-16,933**
Net amount	**20,057**	**0**	**20,057**

P20 Cont.

2021 SEK m	Derivatives	Repurchase agreements and securities lending	Total
Financial fixed assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	50,981	41,913	92,894
Amounts offset	-20,035	-7,110	-27,145
Carrying amount on the balance sheet	**30,946**	**34,803**	**65,749**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294	-	-9,294
Financial assets received as collateral	-13,322	-34,777	-48,099
Total amounts not offset on the balance sheet	**-22,616**	**-34,777**	**-57,393**
Net amount	**8,330**	**26**	**8,356**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	38,089	7,323	45,412
Amounts offset	-17,056	-7,110	-24,166
Carrying amount on the balance sheet	**21,033**	**213**	**21,246**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294	-	-9,294
Financial assets pledged as collateral	-1,467	-213	-1,680
Total amounts not offset on the balance sheet	**-10,761**	**-213**	**-10,974**
Net amount	**10,272**	**-**	**10,272**

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

P21 Intangible assets

2022 SEK m	Acquisition assets	Internally developed software	Other	Total 2022
Cost of acquisition at beginning of year	**2,390**	**4,975**	**164**	**7,529**
Cost of acquisition of additional intangible assets		572		572
Disposals and retirements	-1,875	-218		-2,093
Foreign exchange effect	16	32		48
Cost of acquisition at end of year	**531**	**5,361**	**164**	**6,056**
Accumulated depreciation and impairment at beginning of year	-2,369	-1,965	-66	-4,400
Disposals and retirements	1,875	218		2,093
Depreciation for the year according to plan	-21	-507	-33	-561
Impairment for the year		-6		-6
Foreign exchange effect	-16	-23		-39
Accumulated depreciation and impairment at end of year	**-531**	**-2,283**	**-99**	**-2,913**
Carrying amount	**0**	**3,078**	**66**	**3,144**

During the year, development expenses amounting to SEK 2,401m (1,959) have been recognised.

2021 SEK m	Acquisition assets	Internally developed software	Other	Total 2021
Cost of acquisition at beginning of year	2,314	4,686	164	7,164
Cost of acquisition of additional intangible assets	-	451	-	451
Disposals and retirements	-	-171	-	-171
Foreign exchange effect	76	9	-	85
Cost of acquisition at end of year	**2,390**	**4,975**	**164**	**7,529**
Accumulated depreciation and impairment at beginning of year	-2,259	-1,413	-33	-3,705
Disposals and retirements	-	171	-	171
Depreciation for the year according to plan	-34	-479	-33	-546
Impairment for the year	-	-239	-	-239
Foreign exchange effect	-76	-5	-	-81
Accumulated depreciation and impairment at end of year	**-2,369**	**-1,965**	**-66**	**-4,400**
Carrying amount	**21**	**3,010**	**98**	**3,129**

P22 Property, equipment and lease assets

Property, equipment and lease assets SEK m	2022	2021
Equipment	477	454
Property	25	27
Lease assets	6,028	6,562
Property repossessed for protection of claims	0	0
Total	**6,530**	**7,043**

Property repossessed for protection of claims contains movable property which is regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims, see note G1. The fair value of properties which are regularly measured at fair value is SEK 0m (0). Unrealised value changes on these properties had an impact of SEK 0m (0) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations SEK 0m (0) are classified as level 2 in the valuation hierarchy described in note G1. Valuations where own assumptions are used to a material extent SEK 0m (0) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 0m (0) of which SEK 0m (0) was classified as level 3 before the sale. The value of new properties added during the year is SEK 0m (0), with SEK 0m (0) of this classified as level 3.

Equipment SEK m	2022	2021
Cost of acquisition at beginning of year	1,326	1,481
Cost of additional acquisition for the year	306	178
Disposals and retirements	-320	-348
Foreign exchange effect	26	15
Cost of acquisition at end of year	**1,338**	**1,326**
Accumulated depreciation and impairment at beginning of year	-872	-929
Depreciation for the year according to plan	-260	-260
Disposals and retirements	288	311
Foreign exchange effect	-17	6
Accumulated depreciation and impairment at end of year	**-861**	**-872**
Carrying amount	**477**	**454**

Property SEK m	2022	2021
Cost of acquisition at beginning of year	54	239
New construction and conversion	0	1
Disposals and retirements	0	-186
Cost of acquisition at end of year	**54**	**54**
Accumulated depreciation and impairment at beginning of year	-27	-113
Depreciation for the year according to plan	-2	-7
Disposals and retirements	-	93
Accumulated depreciation and impairment at end of year	**-29**	**-27**
Carrying amount	**25**	**27**

Lease assets SEK m	2022	2021
Cost of acquisition at beginning of year	11,365	11,606
Cost of additional acquisition for the year	2,291	2,497
Disposals and retirements	-3,208	-2,923
Foreign exchange effect, etc.	100	185
Cost of acquisition at end of year	**10,548**	**11,365**
Accumulated depreciation and impairment at beginning of year	-4,803	-4,905
Depreciation for the year according to plan	-1,647	-1,759
Impairment for the year	-18	-26
Disposals and retirements	1,990	1,939
Foreign exchange effect	-42	-52
Accumulated depreciation and impairment at end of year	**-4,520**	**-4,803**
Carrying amount	**6,028**	**6,562**

P22 Cont.

Distribution of future lease payments by maturity SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
2022				
Distribution of future lease payments	1,447	4,217	467	**6,131**
2021				
Distribution of future lease payments	1,468	4,702	577	**6,747**

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method.

Lease fees recognised as income during the financial year amount to SEK 194m (148), of which the variable part of the lease income is SEK 179m (131).

P23 Other assets

SEK m	2022	2021
Claims on investment banking settlements	10,557	2,736
Other	19,609	19,551
Total	**30,166**	**22,287**

P24 Prepaid expenses and accrued income

SEK m	2022	2021
Accrued income	444	478
Prepaid expenses	715	709
Total	**1,159**	**1,187**

P25 Due to credit institutions

SEK m	2022	2021
Due in Swedish kronor		
Banks	9,079	4,417
Other credit institutions	20,932	25,273
Total	**30,011**	**29,690**
Due in foreign currency		
Banks	63,861	69,683
Other credit institutions	75,745	54,117
Total	**139,606**	**123,800**
Total due to credit institutions	**169,617**	**153,490**
of which accrued interest expenses	*593*	*-15*
of which repos	*-*	*-*

Average volumes SEK m	2022	2021
Due to credit institutions in Swedish kronor	28,958	83,354
Due to credit institutions in foreign currency	222,412	150,151
Total	**251,370**	**233,505**
of which repos	*125*	*371*

P26 Deposits and borrowing from the public

Deposits from the public SEK m	2022	2021
Deposits in Swedish kronor		
Households	430,291	445,912
Companies	351,821	379,374
National Debt Office	1	1
Total	**782,113**	**825,287**
Deposits in foreign currency		
Households	67,525	87,562
Companies	165,356	218,756
Total	**232,881**	**306,318**
Total deposits from the public	**1,014,994**	**1,131,605**

P26 Cont.

Borrowing from the public SEK m	2022	2021
Borrowing in Swedish kronor	81,175	22,712
Borrowing in foreign currency	41,103	18,855
Total borrowing from the public	**122,278**	**41,567**
Total deposits and borrowing from the public	**1,137,272**	**1,173,172**
of which accrued interest expenses	*748*	*105*
of which repos	*5*	*213*

Average volumes SEK m	2022	2021
Deposits from the public		
Deposits from the public in Swedish kronor	824,746	762,006
Deposits from the public in foreign currency	308,478	292,043
Total	**1,133,224**	**1,054,049**
Borrowing from the public		
Borrowing from the public in Swedish kronor	70,508	54,672
Borrowing from the public in foreign currency	206,408	150,900
Total	**276,916**	**205,572**
of which repos	*16,971*	*19,209*

P27 Issued securities

	2022		2021	
SEK m	Carrying amount	Nominal amount	Carrying amount	Nominal amount
Commercial paper				
Commercial paper in Swedish kronor	908	861	567	489
of which fair value through profit or loss	*908*	*861*	*567*	*489*
Commercial paper in foreign currency	595,898	597,088	477,335	477,085
of which amortised cost	*595,171*	*596,399*	*476,221*	*475,976*
of which included in fair value hedges	*6,507*	*6,681*	*905*	*906*
of which fair value through profit or loss	*727*	*690*	*1,114*	*1,109*
Total	**596,806**	**597,950**	**477,902**	**477,574**
Bonds				
Bonds in Swedish kronor	2,693	2,593	3,903	3,838
of which amortised cost	*2,693*	*2,593*	*3,903*	*3,838*
Bonds in foreign currency	206,513	220,158	198,003	198,966
of which amortised cost	*206,513*	*220,158*	*198,003*	*198,966*
of which included in fair value hedges	*145,359*	*159,198*	*97,422*	*98,581*
Total	**209,207**	**222,751**	**201,906**	**202,804**
Total issued securities	**806,013**	**820,701**	**679,808**	**680,378**
of which accrued interest expenses	*2,369*		*768*	

SEK m	2022	2021
Issued securities at beginning of year	679,808	657,520
Issued	819,660	758,776
Repurchased	-1,587	-2,787
Matured	-732,827	-765,190
Foreign exchange effect, etc.	40,959	31,489
Issued securities at end of year	**806,013**	**679,808**

Average volumes SEK m	2022	2021
Swedish kronor	-3,640	6,150
Foreign currency	787,944	707,114
Total	**784,304**	**713,264**

P28 Short positions

SEK m	2022	2021
Short positions at fair value		
Equities	362	835
Interest-bearing securities	1,577	3,270
Total	**1,939**	**4,105**
of which accrued interest expenses	*8*	*21*

Average volumes SEK m	2022	2021
Swedish kronor	16,865	21,824
Foreign currency	142	229
Total	**17,007**	**22,053**

P29 Taxes

Deferred tax assets SEK m	2022	2021
Hedging instruments	-	-
Other	617	668
Total	**617**	**668**

Deferred tax liabilities SEK m	2022	2021
Property and equipment	11	11
Hedging instruments	915	230
Other	267	195
Total	**1,193**	**436**
Net deferred tax assets/liabilities	**576**	**-232**

Change in deferred taxes 2022 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	11	-	-	11
Hedging instruments	230	-	685	915
Other	-473	307	-184	-350
Total	**-232**	**307**	**501**	**576**

Change in deferred taxes 2021 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	22	-11	-	11
Hedging instruments	192	-	38	230
Other	-610	-56	193	-473
Total	**-396**	**-67**	**231**	**-232**

Tax expenses recognised in the income statement SEK m	2022	2021
Current tax		
Tax expense for the year	-4,594	-4,672
Adjustment of tax relating to prior years	45	-13
Deferred tax		
Changes in temporary differences	-307	67
Total	**-4,856**	**-4,618**
Tax at 20.6% (20.6) of profits before tax	**-4,184**	**-4,389**
Difference	**-672**	**-229**
The difference is explained by the following items		
Various non-deductible expenses	-39	-19
Non-deductible interest on subordinated loans	-282	-226
Non-taxable capital gains and dividends	130	178
Impairment of shares in subsidiaries	-475	-243
Other	-6	81
Total	**-672**	**-229**

P30 Provisions

Provisions 2022 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**277**	**641**	**93**	**1,011**
Provisions during the year		-	434	434
Utilised		-482	-313	-796
Reversed		-	-9	-9
Change in expected credit losses, net	6			6
Provisions at end of year	**283**	**158**	**204**	**646**

Provisions 2021 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**280**	**1,929**	**67**	**2,276**
Provisions during the year		-	35	35
Utilised		-1,288	-2	-1,290
Reversed		-	-7	-7
Change in expected credit losses, net	-3			-3
Provisions at end of year	**277**	**641**	**93**	**1,011**

[1] For more information, see notes P10 and P39.
[2] The provision for restructuring costs refers to expenses related to the Bank's restructuring. The majority of the provision amount was settled during the years 2021–2022. The remainder is expected to be settled by the end of 2023.
[3] The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

P31 Other liabilities

SEK m	2022	2021
Liabilities on investment banking settlements	3,052	2,912
Other	3,727	4,719
Total	**6,779**	**7,631**

P32 Accrued expenses and deferred income

SEK m	2022	2021
Accrued expenses	1,798	1,671
Deferred income	1,103	1,378
Total	**2,901**	**3,049**

P33 Subordinated liabilities

SEK m	2022	2021
Subordinated loans in Swedish kronor	-	3,003
Subordinated loans in foreign currency	42,404	29,254
Total	**42,404**	**32,257**
of which accrued interest expenses	*1,078*	*769*

Average volumes SEK m	2022	2021
Subordinated loans in Swedish kronor	945	2,898
Subordinated loans in foreign currency	37,131	30,125
Total	**38,076**	**33,023**

Specification, subordinated loans

Issuance	Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
In foreign currency					
2018	Fixed term	EUR	750	1.630%	8,458
2018	Fixed term	EUR	750	1.250%	8,438
2019	Perpetual	USD	500	6.250%	5,332
2020	Perpetual	USD	500	4.380%	4,647
2020	Perpetual	USD	500	4.750%	4,228
2022	Fixed term	EUR	500	3.250%	5,371
2022	Fixed term	GBP	500	4.630%	5,930
Total					**42,404**

For further information regarding the subordinated loans, see the Pillar 3 report.

Change in subordinated liabilities SEK m	2022	2021
Subordinated loans at beginning of year	32,257	41,082
Issued	11,445	-
Repurchased	-	-
Matured	-2,994	-9,711
Foreign exchange effect, etc.	1,696	886
Subordinated loans at end of year	**42,404**	**32,257**

P34 Untaxed reserves

SEK m	2022	2021
Accumulated accelerated depreciation, machinery, equipment and lease assets	867	687
Accumulated accelerated amortisation, goodwill on the acquisition of net assets	-	19
Total	**867**	**706**

P35 Specification of changes in equity

Change in hedge reserve SEK m	2022	2021
Hedge reserve at beginning of year	823	628
Cash flow hedges		
Effective part of change in fair value		
Interest rate risk	2,690	-81
Foreign exchange risk	765	390
Unrealised value changes	-	-
Reclassified to the income statement[1]	-44	-63
Tax	-703	-51
Hedge reserve at end of year	**3,531**	**823**

Change in fair value reserve SEK m	2022	2021
Fair value reserve at beginning of year	158	94
Unrealised value change – equity instruments	22	59
Realised value change – equity instruments	91	0
Unrealised value change – debt instruments	-54	5
Change in reserve expected credit losses – debt instruments	0	0
Reclassified to retained earnings – equity instruments[2]	-91	0
Reclassified to the income statement – debt instruments[3]	-	-
Fair value reserve at end of year	**126**	**158**

Change in translation reserve SEK m	2022	2021
Translation reserve at beginning of year	1,075	28
Change in translation difference	1,396	1,109
Reclassified to the income statement[4]	-51	-9
Reclassified to retained earnings[5]	-573	-53
Translation reserve at end of year	**1,847**	**1,075**

[1] Tax reclassified to the income statement pertaining to this item SEK 9m (13).
[2] Tax reclassified to retained earnings pertaining to this item SEK - m (0).
[3] Tax reclassified to the income statement pertaining to this item SEK -m (-).
[4] Tax reclassified to the income statement pertaining to this item SEK 11m (2).
[5] Tax reclassified to retained earnings pertaining to this item SEK 38m (13).

P36 Classification of financial assets and liabilities

2022	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					376,010	376,010	376,010
Interest-bearing securities eligible as collateral with central banks	1,465	131,113		200		132,778	132,778
Loans to credit institutions	17,551				1,008,113	1,025,664	1,025,658
Loans to the public					637,721	637,721	632,048
Value change of interest-hedged item in portfolio hedge					-16,611	-16,611	
Bonds and other interest-bearing securities	5,970	17,487		9,882		33,339	33,339
Shares	6,668			444		7,112	7,112
Assets where the customer bears the value change risk	2,314				73	2,387	2,387
Derivative instruments	38,809		13,551			52,360	52,360
Other assets	14				30,152	30,166	30,166
Total	**72,791**	**148,600**	**13,551**	**10,526**	**2,035,458**	**2,280,926**	**2,291,858**
Shares in subsidiaries and investments in associates and joint ventures						70,483	
Non-financial assets						11,480	
Total assets						**2,362,889**	
Liabilities							
Due to credit institutions					169,617	169,617	169,640
Deposits and borrowing from the public					1,137,272	1,137,272	1,136,746
Liabilities where the customer bears the value change risk		2,314			73	2,387	2,387
Issued securities	1,635				804,378	806,013	805,412
Derivative instruments	32,427		4,558			36,985	36,985
Short positions	1,939					1,939	1,939
Other liabilities	11				6,768	6,779	6,779
Subordinated liabilities					42,404	42,404	42,430
Total	**36,012**	**2,314**	**4,558**		**2,160,512**	**2,203,396**	**2,202,318**
Non-financial liabilities						4,740	
Total liabilities						**2,208,135**	

2021	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					338,768	338,768	338,768
Interest-bearing securities eligible as collateral with central banks	2,513	97,628		397		100,538	100,538
Loans to credit institutions	18,029				968,868	986,897	986,899
Loans to the public					611,852	611,852	613,972
Value change of interest-hedged item in portfolio hedge					-1,904	-1,904	
Bonds and other interest-bearing securities	6,299	19,008		9,016		34,323	34,323
Shares	12,674			807		13,481	13,481
Assets where the customer bears the value change risk	8,888				64	8,952	8,952
Derivative instruments	22,989		7,957			30,946	30,946
Other assets	18				22,269	22,287	22,287
Total	**71,410**	**116,636**	**7,957**	**10,220**	**1,939,917**	**2,146,140**	**2,150,166**
Shares in subsidiaries and investments in associates and joint ventures						71,967	
Non-financial assets						12,027	
Total assets						**2,230,134**	
Liabilities							
Due to credit institutions					153,490	153,490	153,874
Deposits and borrowing from the public					1,173,172	1,173,172	1,173,158
Liabilities where the customer bears the value change risk		8,888			64	8,952	8,952
Issued securities	1,681				678,127	679,808	684,331
Derivative instruments	18,104		2,929			21,033	21,033
Short positions	4,105					4,105	4,105
Other liabilities	7				7,624	7,631	7,631
Subordinated liabilities					32,257	32,257	33,645
Total	**23,897**	**8,888**	**2,929**		**2,044,734**	**2,080,448**	**2,086,729**
Non-financial liabilities						4,760	
Total liabilities						**2,085,208**	

P37 Fair value measurement of financial instruments

Financial instruments at fair value 2022 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	1,465	-	-	1,465
Fair value through profit or loss, fair value option	131,113	-	-	131,113
Fair value through other comprehensive income	200	-	-	200
Loans to credit institutions	-	17,551	-	17,551
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	5,971	-	-	5,971
Fair value through profit or loss, fair value option	17,487	-	-	17,487
Fair value through other comprehensive income	9,124	758	-	9,882
Shares				
Fair value through profit or loss, mandatory	6,284	384	-	6,668
Fair value through other comprehensive income	174	117	152	443
Assets where the customer bears the value change risk	1,788	-	525	2,313
Derivative instruments	49	52,271	39	52,360
Total	**173,655**	**71,081**	**716**	**245,453**
Liabilities				
Liabilities where the customer bears the value change risk	1,788	-	525	2,313
Issued securities	-	1,635	-	1,635
Derivative instruments	54	36,892	39	36,985
Short positions	1,858	81	-	1,939
Total	**3,700**	**38,608**	**564**	**42,872**

Financial instruments at fair value 2021 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	2,188	325	-	2,513
Fair value through profit or loss, fair value option	97,628	-	-	97,628
Fair value through other comprehensive income	327	-	-	397
Loans to credit institutions	-	18,029	-	18,029
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	5,251	1,048	-	6,299
Fair value through profit or loss, fair value option	19,008	-	-	19,008
Fair value through other comprehensive income	2,291	6,725	-	9,016
Shares				
Fair value through profit or loss, mandatory	11,965	709	-	12,674
Fair value through other comprehensive income	-	200	607	807
Assets where the customer bears the value change risk	8,404	-	484	8,888
Derivative instruments	22	30,881	43	30,946
Total	**147,154**	**57,917**	**1,135**	**206,205**
Liabilities				
Liabilities where the customer bears the value change risk	8,404	-	484	8,888
Issued securities	-	1,681	-	1,681
Derivative instruments	51	20,939	43	21,033
Short positions	3,903	202	-	4,105
Total	**12,358**	**22,822**	**527**	**35,707**

The principles applied are described in note G41.

Change in holdings in financial instruments in level 3 2022 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	**608**	**43**	**-43**	**484**	**-484**
Acquisitions	-	34	-39	-	-
Repurchases/sales	-470	-43	41	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	14	-32	39	41	-41
Unrealised value change in other comprehensive income	-	-	-	-	-
Transfer from level 1 or 2	-	29	-29	-	-
Transfer to level 1 or 2	-	8	-8	-	-
Carrying amount at end of year	**152**	**39**	**-39**	**525**	**-525**

P37 Cont.

Change in holdings in financial instruments in level 3 2021

SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**514**	**80**	**-80**	**474**	**-474**
Acquisitions	32	1	-2	-	-
Repurchases/sales	-	9	-7	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	54	-131	130	10	-10
Unrealised value change in other comprehensive income	8	-	-	-	-
Transfer from level 1 or 2	-	10	-10	-	-
Transfer to level 1 or 2	-	74	-74	-	-
Carrying amount at end of year	**608**	**43**	**-43**	**484**	**-484**

Fair value of financial instruments at amortised cost 2022

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	376,010	-	-	376,010
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to credit institutions	36,180	971,524	403	1,008,107
Loans to the public	23,635	9,604	598,808	632,048
Assets where the customer bears the value change risk	73	-	-	73
Total	**435,898**	**981,128**	**599,211**	**2,016,238**
Liabilities				
Due to credit institutions	22,592	147,047	-	169,640
Deposits and borrowing from the public	1,111,096	25,650	-	1,136,746
Liabilities where the customer bears the value change risk	73	-	-	73
Issued securities	270,942	532,835	-	803,777
Subordinated liabilities	-	42,430	-	42,430
Total	**1,404,703**	**747,962**	**-**	**2,152,666**

Fair value of financial instruments at amortised cost 2021

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	338,768	-	-	338,768
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to credit institutions	3,891	964,586	393	968,870
Loans to the public	13,345	6,781	593,846	613,972
Assets where the customer bears the value change risk	64	-	-	64
Total	**356,068**	**971,367**	**594,239**	**1,921,764**
Liabilities				
Due to credit institutions	9,507	144,367	-	153,874
Deposits and borrowing from the public	1,157,669	15,489	-	1,173,158
Liabilities where the customer bears the value change risk	64	-	-	64
Issued securities	179,044	503,606	-	682,650
Subordinated liabilities	-	33,645	-	33,645
Total	**1,346,284**	**697,107**	**-**	**2,043,391**

P38 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	**2022**	**2021**
Cash	9,112	5,016
Government instruments and bonds	3,767	6,460
Equities	315	448
Other	804	683
Total	**13,998**	**12,607**
of which pledged assets that may be freely withdrawn by the Bank	*22*	*25*

Other pledged assets SEK m	**2022**	**2021**
Cash	176	201
Government instruments and bonds	10,692	5,767
Equities	3,726	7,008
Other	383	391
Total	**14,977**	**13,367**
of which pledged assets that may be freely withdrawn by the Bank	*2,191*	*3,556*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Collateral received
As a component in reverse repurchase agreements and securities loans, the Group has received assets that can be sold or repledged to a third party. The fair value of received assets of this type was SEK 35,395m (63,709) at the end of the financial year, where assets worth SEK 16,970m (26,632) had been sold or repledged to a third party.

Transferred financial assets reported on the balance sheet	2022		2021	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	4,039	208[1]	7,349	284[1]
Government instruments and bonds, repurchase agreements	3,350	2	4,142	67
Government instruments and bonds, other	43	-	1,946	-
Assets where the customer bears the value change risk	603	603	552	552
Total	**8,036**	**813**	**13,989**	**903**

[1] Received cash collateral.

P39 Contingent liabilities

SEK m	**2022**	**2021**
Contingent liabilities		
Guarantees, credits	15,177	19,047
Guarantees, other	56,544	67,422
Irrevocable letters of credit	312	1,033
Other	-	-
Total	**72,032**	**87,502**
of which subject to impairment testing	*72,032*	*87,502*
Obligations		
Loan commitments	301,812	310,883
Unutilised part of granted overdraft facilities	105,414	114,829
Other[1]	262,296	210,531
Total	**669,523**	**636,243**
of which subject to impairment testing	*500,155*	*493,807*
Total contingent liabilities	**741,555**	**723,745**
Provision for expected credit losses reported as provisions, see note GP30.	283	277

[1] "Other" includes internal liquidity guarantees to subsidiaries amounting to SEK 249,197m (187,934).

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Handelsbanken is the subject of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in the Bank's favour. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss.

P40 Pension obligations

SEK m	2022	2021
Fair value of plan assets	31,667	35,174
Pension obligations	31,616	35,142
Net pensions[1]	**51**	**32**

[1] When Net pensions is negative, the deficit is not recognised as a liability on the balance sheet, because the surplus in Pensionskassan SHB, Tjänstepensionsförening can be used to cover the parent company's pension obligations, and because part of the commitment is conditional.

Pension obligations are calculated in accordance with the Swedish Financial Supervisory Authority's regulations, which for the Swedish obligations means in accordance with the Act on Safeguarding Pension Obligations and for foreign pension obligations in accordance with their corresponding local regulation. Plan assets are held by Svenska Handelsbankens Pensionsstiftelse, Pensionskassan SHB, Tjänstepensionsförening, and similar legal entities regarding foreign commitments. As neither the assets of Pensionskassan nor the actuarial provisions can be allocated to employers with insurance with Pensionskassan, these are not included in the above table. The pension obligations are SEK 6,136m (7,281) in the Bank's pension fund (Pensionskassan SHB, Tjänstepensionsförening) and the market value of the assets is SEK 15,221m (17,085). The surplus value in Pensionskassan SHB, Tjänstepensionsförening is thus SEK 9,085m (9,804).

SEK 7,847m (8,948) of the fair value of the plan assets in Svenska Handelsbankens Pensionsstiftelse consists of the provisions made in the years 1989–2004 to a special supplementary pension (SKP). The obligations include a commitment regarding SKP of the same amount as the fair value of the plan assets.

A part of this commitment, SEK 5,872m (6,694), is conditional.

Pension costs SEK m	2022	2021
Pensions paid	-1,328	-1,345
Pension premiums	-561	-514
Social security costs	-387	-209
Compensation from pension foundation	0	568
Provisions to pension foundation	-94	-45
Total pension costs[2]	**-2,370**	**-1,545**

[2] Pension costs in the parent company increased in 2022, arising from the Bank's decision not to claim reimbursement from the pension foundation for pension costs, with the aim of increasing the pension foundation's consolidation ratio. The Bank's decision not to claim reimbursement for pension costs in 2022 has resulted in a higher expense for special payroll tax in 2022.

The expected pensions to be paid next year for defined benefit pension plans amount to SEK 1,014m. The costs for pension premiums include premiums to the BTPK plan (defined contribution pension) of SEK 90m (94).

Plan assets SEK m	2022	2021
Opening balance	35,174	33,554
Return	-3,601	2,143
Provisions to pension foundation	94	45
Compensation from pension foundation	0	-568
Closing balance	**31,667**	**35,174**
Percentage return on plan assets	-10%	6%

Pension obligations SEK m	2022	2021
Opening balance	35,142	34,899
Technical fee	1,013	963
Interest	111	115
Indexation[3]	639	98
Early retirement	269	193
Pensions paid	-1,438	-1,345
Changed assumptions[4]	-4,008	196
Value change conditional obligation	-27	141
Effect of change of plan	-	-
Other change in capital value	-85	-118
Closing balance	**31,616**	**35,142**

[3] The hedging of pensions, both paid-up policies and pensions under disbursement, has gone up due to an increase in the indexing from 0.39% to 2.51% during 2022.
[4] The increase is mainly due to a raise in the discount rate.

Allocation of plan assets SEK m	2022	2021
Shares and fund shares[5]	29,016	32,806
Interest-bearing securities	1,515	2,066
Other plan assets[6]	1,136	302
Total	**31,667**	**35,174**

[5] The fund shares are mainly invested in fixed income funds and amount to SEK 19,388m (19,962).
[6] As of 31 December 2022, other plan assets include liquid funds. As at 31 December 2021, the amount also includes liquid funds and a liability for compensation that had not yet been paid out from the pension foundation.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. The value of the pension obligations is calculated annually on the balance sheet date, on actuarial grounds. As of 1 March 2020, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2020 are not affected and remain covered by the defined benefit pension plan.

In Sweden, the most important calculation assumptions are mortality and the discount rate. The mortality and discount rate assumptions follow the assumptions in the Act on Safeguarding Pension Obligations. The discount rate is 0.6% (0.0%) after deductions for tax and overhead costs.

Foreign pension obligations are calculated in accordance with local accounting requirements.

P41 Assets and liabilities by currency

2022 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	100,413	136,928	8,962	0	0	129,674	34	376,011
Loans to credit institutions	763,519	102,367	64,532	1	90,662	4,220	362	1,025,663
Loans to the public	190,462	224,337	195,710	9,901	3,956	11,150	2,205	637,721
of which corporates	*165,606*	*137,684*	*170,686*	*9,884*	*3,916*	*10,963*	*833*	*499,572*
of which households	*24,856*	*86,653*	*25,024*	*17*	*40*	*187*	*1,372*	*138,149*
Interest-bearing securities eligible as collateral with central banks	117,546	5,483	36	1	-	9,712	-	132,778
Bonds and other interest-bearing securities	22,996	1,472	8,352	-	-	519	-	33,339
Other items not broken down by currency	157,377	-	-	-	-	-	-	157,377
Total assets	**1,352,313**	**470,587**	**277,592**	**9,902**	**94,619**	**155,275**	**2,600**	**2,362,889**
Liabilities								
Due to credit institutions	30,011	55,820	4,800	2,401	60,938	15,553	93	169,616
Deposits and borrowing from the public	863,287	135,710	91,507	1,150	3,274	39,485	2,859	1,137,272
of which corporates	*381,556*	*104,049*	*58,151*	*1,103*	*2,403*	*36,537*	*2,061*	*585,861*
of which households	*481,731*	*31,660*	*33,355*	*47*	*871*	*2,948*	*798*	*551,410*
Issued securities	3,601	242,352	216	-	3,650	536,118	20,076	806,013
Subordinated liabilities	-	22,266	-	-	5,930	14,208	-	42,404
Other items not broken down by currency, incl. equity	207,584	-	-	-	-	-	-	207,584
Total liabilities and equity	**1,104,484**	**456,147**	**96,523**	**3,552**	**73,793**	**605,364**	**23,027**	**2,362,889**
Other assets and liabilities broken down by currency, net		-14,448	-180,963	-6,374	-20,813	449,992	20,493	
Net foreign currency position		-8	107	-24	13	-96	66	58

Note G2 describes the Bank's view of foreign exchange risk.

2021 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	93,293	149,547	4,578	28,282	-	63,008	60	338,768
Loans to credit institutions	709,934	49,326	75,885	51,749	96,217	3,258	528	986,897
Loans to the public	172,273	182,170	177,558	57,164	6,790	12,961	2,936	611,852
of which corporates	*144,009*	*106,658*	*152,752*	*43,339*	*6,745*	*12,773*	*1,463*	*467,739*
of which households	*28,264*	*75,512*	*24,806*	*13,825*	*45*	*188*	*1,473*	*144,113*
Interest-bearing securities eligible as collateral with central banks	91,630	5,658	335	2	-	2,913	-	100,538
Bonds and other interest-bearing securities	24,137	965	8,741	-	-	480	-	34,323
Other items not broken down by currency	157,756							157,756
Total assets	**1,249,023**	**387,666**	**267,097**	**137,197**	**103,007**	**82,620**	**3,524**	**2,230,134**
Liabilities								
Due to credit institutions	29,690	55,754	16,264	2,366	40,309	9,015	92	153,490
Deposits and borrowing from the public	847,998	148,403	89,683	52,164	5,163	27,588	2,173	1,173,172
of which corporates	*394,558*	*118,457*	*59,863*	*28,857*	*4,046*	*24,261*	*1,471*	*631,513*
of which households	*453,440*	*29,946*	*29,820*	*23,307*	*1,117*	*3,327*	*702*	*541,659*
Issued securities	4,470	293,135	205	7	24,887	339,775	17,329	679,808
Subordinated liabilities	3,003	15,547	-	-	0	13,707	-	32,257
Other items not broken down by currency, incl. equity	191,407							191,407
Total liabilities and equity	**1,076,568**	**512,839**	**106,152**	**54,537**	**70,359**	**390,085**	**19,594**	**2,230,134**
Other assets and liabilities broken down by currency, net		125,131	-160,782	-82,658	-32,524	307,452	16,124	
Net foreign currency position		-42	163	2	124	-13	54	288

P42 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associates and joint ventures		Other related parties	
SEK m	2022	2021	2022	2021	2022	2021
Loans to credit institutions	986,353	965,802	-	-	-	-
Loans to the public	1,136	1,132	1,289	439	-	-
Derivatives	16,098	2,428	-	-	-	-
Other assets	16,352	16,792	28	29	16	572
Total	**1,019,939**	**986,154**	**1,317**	**468**	**16**	**572**
Due to credit institutions	88,299	72,395	-	-	-	-
Deposits and borrowing from the public	18,637	13,594	127	113	1,528	1,058
Derivatives	7,941	7,236	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	116	84	-	-	-	-
Total	**114,993**	**93,309**	**127**	**113**	**1,528**	**1,058**
Contingent liabilities	12,081	15,853	-	-	6,136	7,281
Derivatives, nominal amounts	293,957	566,710	-	-	-	-

Related parties – income and expenses	Subsidiaries		Associates and joint ventures		Other related parties	
SEK m	2022	2021	2022	2021	2022	2021
Interest income	8,596	4,023	8	25	-	-
Interest expenses	-1,488	-281	-	0	-6	-
Fee and commission income	-	-	-	-	-	-
Fee and commission expenses	-	-	-220	-227	-	-
Net gains/losses on financial items at fair value	-	-	0	0	-	-
Other income	3,059	2,848	-	-	19	17
Other expenses	-421	-423	-102	-73	-	-
Total	**9,746**	**6,167**	**-314**	**-275**	**13**	**17**

Note P17 contains a specification of subsidiaries, associates and joint ventures. The associates and joint ventures operations comprise various types of services related to the financial markets. The following companies comprise the group of other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Tjänstepensionsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associates are provided in note P17.

On 21 October 2021, Svenska Handelsbanken AB acquired 30,461,977 class A shares in AB Industrivärden at a value of SEK 8,548m from Svenska Handelsbankens Pensionsstiftelse. These shares were then distributed to the Bank's shareholders in the form of a special dividend. All business transactions with related companies are undertaken on market-based terms.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 6,136m (7,281). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK - m (568) regarding pension costs, SEK - m (-) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 47m (63) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

P43 Proposed appropriation of profits

The Board proposes a dividend of SEK 8,00 per share, of which SEK 5,50 in ordinary dividend (SEK 5.00 for 2021). The Board's proposed appropriation of profits is shown on page 209.

P44 Share information

31 December 2022 Share class	Number	% of capital	% of votes	Share capital	Quota value
Class A	1,944,777,165	98.22	99.82	3,014,404,606	1.55
Class B	35,251,329	1.78	0.18	54,639,560	1.55
	1,980,028,494	**100.00**	**100.00**	**3,069,044,166**	

P45 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

P46 Disclosures regarding assets and liabilities held for sale and discontinued operations

Assets and liabilities in the Bank's operations in Finland constitute assets and liabilities held for sale and are disposal groups in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations. The operations in Denmark were divested during Q4 2022. The operations in Denmark and Finland constitute discontinued operations. For a description of the accounting policies, see note P1.

- The discontinued operations in Denmark consist of the Handelsbanken AB (publ) international branch in Denmark.
- The disposal group and discontinued operation in Finland consist of the Handelsbanken AB (publ) international branch in Finland.

Assets and liabilities held for sale 2022 SEK m	**Finland**
Assets	
Cash and balances with central banks	14
Other loans to central banks	28,015
Interest-bearing securities eligible as collateral with central banks	-
Loans to other credit institutions	5
Loans to the public	91,433
of which households	*24,845*
of which corporates	*66,587*
Bonds and other interest-bearing securities	-
Shares[1]	-
Shares in subsidiaries and investments in associates and joint ventures	-
Assets where the customer bears the value change risk	-
Intangible assets	92
Property and equipment	18
Other	365
Total	**119,942**
Liabilities	
Due to credit institutions	679
Deposits and borrowing from the public	57,361
of which households	*20,297*
of which corporates	*37,064*
Liabilities where the customer bears the value change risk	-
Provisions	202
Other	1,054
Total	**59,296**

Assets and liabilities held for sale 2021 SEK m	**Denmark**	**Finland**	**Total**
Assets			
Cash and balances with central banks	28,282	120,098	148,380
Other loans to central banks	207	0	207
Interest-bearing securities eligible as collateral with central banks	0	0	0
Loans to other credit institutions	36	57	93
Loans to the public	60,953	81,465	142,418
of which households	*13,864*	*24,214*	*38,078*
of which corporates	*47,089*	*57,251*	*104,340*
Bonds and other interest-bearing securities	0	0	0
Shares[1]	454	0	454
Shares in subsidiaries and investments in associates and joint ventures	139	-	139
Assets where the customer bears the value change risk	6,770	0	6,770
Intangible assets	21	110	131
Property and equipment	22	16	38
Other	306	314	620
Total	**97,190**	**202,060**	**299,250**
Liabilities			
Due to credit institutions	230	344	574
Deposits and borrowing from the public	54,135	59,984	114,119
of which households	*23,663*	*19,699*	*43,362*
of which corporates	*30,472*	*40,285*	*70,757*
Liabilities where the customer bears the value change risk	6,770	0	6,770
Provisions	57	78	135
Other	290	960	1,250
Total	**61,482**	**61,366**	**122,848**

[1] An accumulated amount of SEK -m (46) related to these assets has been recognised in Other comprehensive income and in the fair value reserve in equity.

P46 Cont.

Discontinued operations
Income, expenses and profit, discontinued operations

Denmark and Finland SEK m	**2022**	**2021**
Net interest income	2,203	1,613
Net fee and commission income	989	1,062
Net gains/losses on financial transactions	-9	222
Risk result		0
Other income	64	175
Total income	**3,248**	**3,072**
Staff costs	-1,645	-1,402
Other expenses	-1,612	-1,254
Depreciation, amortisation and impairment of property, equipment and intangible assets	-66	-274
Total expenses	**-3,323**	**-2,930**
Net credit losses	47	60
Gains/losses on disposal of property, equipment and intangible assets		
Risk tax and resolution fee	-104	-98
Operating profit	**-132**	**104**
Appropriations	20	32
Profit for the year from discontinued operations, before tax	**-112**	**136**
Taxes	-289	-273
Profit for the year from discontinued operations, after tax	**-401**	**-137**
Other expenses attributable to discontinued operations[1]	-27	-
Taxes	6	-
Profit for the year from discontinued operations, after tax, before capital gains/losses	**-422**	**-137**
Capital gains on sale of disposal groups constituting discontinued operations, before tax	**1,513**	
Taxes	-319	
Capital gains on sale of disposal groups constituting discontinued operations, after tax	**1,194**	
Total profit for the year from discontinued operations, after tax	**772**	**-137**
Material internal transactions with continuing operations, which are eliminated in the income statement above[2]:		
Income	-313	320
Expenses	-197	-227

[1] Certain expenses arise in Sweden as a result of the divestment of the discontinued operations, deriving from requirements linked to the discontinuation of the operations. These include, for example, consultancy fees and legal costs.

[2] Only external income and expenses are included in profit for the year from both continuing and discontinued operations. The discontinued operations have material internal transactions with the continuing operations, which are thus eliminated in the accounting. For example, all funding and liquidity management has been centralised at the Group Treasury unit in Sweden. Thus, loans to the public in Denmark and Finland are funded through internal loans from Group Treasury. Interest expenses deriving from internal borrowing are eliminated in the accounting, and are therefore not included in the net interest income figure above.

P46 Cont.

Denmark SEK m	2022	2021
Net interest income	1,137	1,067
Net fee and commission income	674	724
Net gains/losses on financial transactions	-45	171
Risk result	-	0
Other income	45	34
Total income	**1,811**	**1,996**
Staff costs	-1,017	-870
Other expenses	-795	-584
Depreciation, amortisation and impairment of property, equipment and intangible assets	-30	-41
Total expenses	**-1,842**	**-1,495**
Net credit losses	52	20
Gains/losses on disposal of property, equipment and intangible assets		
Risk tax and resolution fee	-33	-36
Operating profit	**-12**	**485**
Appropriations	20	32
Profit for the year from discontinued operations, before tax	**8**	**517**
Taxes	41	-87
Profit for the year from discontinued operations, after tax	**49**	**430**
Capital gains on sale of disposal groups constituting discontinued operations, before tax	**1513**	
Taxes	-319	
Capital gains on sale of disposal groups constituting discontinued operations, after tax	**1,194**	
Total profit for the year from discontinued operations, after tax	**1,243**	**430**
Material internal transactions with continuing operations, which are eliminated in the income statement above[1]:		
Income	-107	-122
Expenses	-72	-69

Finland SEK m	2022	2021
Net interest income	1,066	546
Net fee and commission income	315	338
Net gains/losses on financial transactions	36	51
Risk result	-	0
Other income	19	141
Total income	**1,437**	**1,076**
Staff costs	-628	-532
Other expenses	-817	-670
Depreciation, amortisation and impairment of property, equipment and intangible assets	-36	-233
Total expenses	**-1,481**	**-1,435**
Net credit losses	-5	40
Gains/losses on disposal of property, equipment and intangible assets		
Risk tax and resolution fee	-71	-62
Operating profit	**-120**	**-381**
Appropriations		
Profit for the year from discontinued operations, before tax	**-120**	**-381**
Taxes	-330	-186
Profit for the year from discontinued operations, after tax	**-450**	**-567**
Material internal transactions with continuing operations, which are eliminated in the income statement above[1]:		
Income	-206	442
Expenses	-125	-158

[1] Only external income and expenses are included in profit for the year from both continuing and discontinued operations. The discontinued operations have material internal transactions with the continuing operations, which are thus eliminated in the accounting. For example, all funding and liquidity management has been centralised at the Group Treasury unit in Sweden. Thus, loans to the public in Denmark and Finland are funded through internal loans from Group Treasury. Interest expenses deriving from internal borrowing are eliminated in the accounting, and are therefore not included in the net interest income figure above.

Cash flows, discontinued operations

Denmark and Finland SEK m	2022	2021
Cash flow from operating activities	-124,478	30,979
Cash flow from investing activities	-11	-189
Cash flow from financing activities	-	-
Cash flow for the year from discontinued operations	**-124,490**	**30,790**

The operations in Denmark were divested during Q4. The cash flow statement for discontinued operations 2022 thus covers the operations in Finland only. Cash flows from the divestment of the operations in Denmark are included in the cash flows from investing activities in the Condensed statement of cash flows – Parent (see page 215).

P47 Capital adequacy

EU KM1 – Key metrics template

	Key figures	2022	2021
	Available own funds (amounts)		
1	Common equity tier 1 capital	130,069	129,054
2	Tier 1 capital	145,652	142,567
3	Total capital	164,704	159,803
	RWAs		
4	Total risk-weighted exposure amount	442,406	426,749
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	29.4%	30.2%
6	Tier 1 ratio (%)	32.9%	33.4%
7	Total capital ratio (%)	37.2%	37.4%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.7%	1.6%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.0%*	*0.9%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.3%*	*1.2%*
EU 7d	Total SREP own funds requirements (%)	9.7%	9.6%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	1.0%	0.2%
EU 9a	Systemic risk buffer (%)		
10	Global systemically important institution buffer (%)		
EU 10a	Other systemically important institution buffer (%)		
11	Combined buffer requirement (%)	3.5%	2.7%
EU 11a	Overall capital requirements (%)	13.2%	12.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	23.9%	23.8%
	Leverage ratio		
13	Total exposure measure	1,575,111	1,500,320
14	Leverage ratio (%)	9.2%	9.5%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU 14b	*of which: to be made up of CET1 capital (percentage points)*		
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%
EU 14d	Leverage ratio buffer requirement (%)		
EU 14e	Overall leverage ratio requirement (%)		
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	785,155	682,980
EU 16a	Cash outflows – Total weighted value	628,587	593,559
EU 16b	Cash inflows – Total weighted value	156,413	118,459
16	Total net cash outflows (adjusted value)	472,174	475,100
17	Liquidity coverage ratio (%)	170%	144%
	Net Stable Funding Ratio		
18	Total available stable funding	1,306,873	1,271,284
19	Total required stable funding	1,236,689	1,293,235
20	NSFR ratio (%)	106%	98%

P47 Cont.

EU OV1 – Overview of total risk exposure amounts

The table shows risk-weighted exposure amounts (RWA) for credit risk, counterparty risk, market risk and operational risk the end of 2022 and the previous year. Credit risk is calculated according to the standardised approach, the foundation IRB approach and the advanced IRB approach. Market risk and operational risk are calculated according to the standardised approach.

Overview of total risk exposure amounts		Total risk exposure amounts (TREA)	Total risk exposure amounts (TREA)	Total own funds requirements
SEK m		2022	2021	2022
1	**Credit risk (excluding CCR)**	**358,567**	**356,666**	**28,685**
2	*of which standardised approach*	*147,329*	*146,667*	*11,786*
3	*of which the foundation IRB (F-IRB) approach*	*46,651*	*40,123*	*3,732*
4	*of which slotting approach*			
EU 4a	*of which equities under the simple risk-weighted approach*	*1,968*	*3,310*	*157*
5	*of which the advanced IRB (A-IRB) approach*	*132,266*	*136,021*	*10,581*
5a	*of which risk weight floors*	*30,353*	*30,545*	*2,428*
6	**CCR**	**11,819**	**12,255**	**945**
7	*of which standardised approach*	*8,241*	*8,924*	*659*
8	*of which internal model method (IMM)*			
EU 8a	*of which exposures to a CCP*	*174*	*212*	*14*
EU 8b	*of which credit valuation adjustment – CVA*	*2,802*	*2,614*	*224*
9	*of which other CCR*	*602*	*505*	*48*
10	N/A			
11	N/A			
12	N/A			
13	N/A			
14	N/A			
15	**Settlement risk**		**15**	
16	**Securitisation exposures in the non-trading book (after the cap)**			
17	*of which SEC-IRBA approach*			
18	*of which SEC-ERBA (including IAA)*			
19	*of which SEC-SA approach*			
EU 19a	*of which 1250% / deduction*			
20	**Position, foreign exchange and commodities risks (Market risk)**	**34,928**	**18,696**	**2,794**
21	*of which standardised approach*	*34,928*	*18,696*	*2,794*
22	*of which IMA*			
23	**Operational risk**	**37,092**	**39,118**	**2,967**
EU 23a	*of which basic indicator approach*			
EU 23b	*of which standardised approach*	*37,092*	*39,118*	*2,967*
EU 23c	*of which advanced measurement approach*			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
25	N/A			
26	N/A			
27	N/A			
28	N/A			
29	**Total**	442,406	426,749	35,392

Market risk under the standardised approach

The table shows capital requirements for market risk according to the standardised approach at year-end 2022.

Market risk under the standardised approach	Capital requirements	
SEK m	2022	2021
Outright products		
Interest rate risk (general and specific)	176	199
Equity price risk (general and specific)	1	1
Foreign exchange risk	2,598	1,281
Commodity risk	0	1
Options		
Simplified method	-	-
Delta-plus method	-	-
Scenario approach	19	14
Securitisation (specific risk)	-	-
Total capital requirements for market risk	2,794	1,496

Signatures of the Board and Chief Executive Officer

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance, and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 20 FEBRUARY 2023

Pär Boman
Chairman of the Board

Fredrik Lundberg
Vice Chairman

Jon Fredrik Baksaas
Board Member

Stina Bergfors
Board Member

Hans Biörck
Board Member

Kerstin Hessius
Board Member

Ulf Riese
Board Member

Arja Taaveniku
Board Member

Carina Åkerström
President and Group Chief Executive

Auditor's report

Unofficial translation

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2022 except for the sustainability report on pages 36-73. The annual accounts and consolidated accounts of the company are included on pages 6-258 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company and the group as of December 31, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of December 31, 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Provision for expected credit losses

Detailed information and description of the area is presented in the annual accounts and consolidated accounts. Credit risk exposure and how it is handled is described in note G2 on page 113. The Group's reported expected credit losses are specified in note G10. Information concerning the parent company is presented in note P2 and P10. Regarding the area relevant accounting policies for the group, these can be found in note G1, section 10 on page 102 and in note G1, section 22 on page 109. Note P1 shows that the accounting principles of the parent company concerning credit granting and provision for expected credit loss corresponds with the accounting principles of the group.

Description of audit matter

As of 31 December, 2022 lending to the public amounts to 2 315 818 (637 721) SEK m for the group (parent) which amount to 67 (27) % of total assets. The total credit risk exposure, including off-balance commitments, amounts to 3 709 066 (2 999 427) SEK m.

Provision for expected credit losses on lending to the public amounts to 2 454 (1 542) SEK m for which 1 197 (608) SEK m is based on model based calculations (Stages 1 and 2) and 1 257 (934) SEK m is based on manual calculations (Stage 3). The Bank performs adjustments on the model-based calculations in Stages 1 and 2 to take into consideration factors which is not accounted for in the model.

Expected credit losses shall be measured in a way that reflects an unbiased and probably weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of economic conditions. To make the provision the Bank is required to make estimates and assumptions regarding for example criteria to identify a significant increase in credit risk and methods to calculate expected credit losses. Due to the complexity of the calculation and the fact that it requires the Bank to make estimates and assumptions with a significant impact on reported amounts, provisioning for expected credit losses is considered a key audit matter.

How this matter has been considered in the audit

We have evaluated whether the Bank's assessment of probability of default, loss given default, exposure at default and expected credit loss as well as significant increase in credit risk is in accordance with IFRS 9.

We have obtained an understanding of and tested the design of key controls in the credit process including credit decision, credit review, rating classification as well as identifying and determining credits deemed to be in default. We have also tested controls related to input to model data and general IT controls including handling of authorization for these systems. Our assessment is that we can have a control-based approach in our audit.

Furthermore, we have on a sample basis challenged the Bank's initial and current credit rating. We have tested that data used from supporting systems used in the model is complete and accurate.

We have reviewed and assessed the model including assumptions and parameters and checked the functionality of the model. We have also reviewed and assessed the outcome of the model validations that have been carried out and assessed the reasonableness of the macroeconomic data used. We have assessed the reasonableness of the manual adjustments, including the expert-based provision, performed by the Bank. In our audit, we used our internal model specialists to support us when performing the audit procedures.

We have also reviewed that the disclosures in the financial reports regarding credit risk are appropriate.

Fair value measurement of financial instrument with no market prices available

Detailed information and description of the key audit matter is provided in the annual accounts and consolidated accounts. Financial instruments measured at fair value are described in note G42 for the group and P37 for the parent company. Relevant accounting principles for the group are described in note G1, section 9 on page 101. Note P1 shows that the parent company's accounting principles for financial instruments measured at fair value is consistent with the group's accounting principles.

Description of audit matter	*How this matter has been considered in the audit*
The Bank has financial instruments where market price is missing, thus fair value is determined using valuation models based on market data. These financial instruments are categorized as level 2 under IFRS fair value valuation hierarchy. Svenska Handelsbanken has also, to some extent, financial instruments whose valuation to fair value is determined using valuation models for which the value is affected by the input data that cannot be verified by external market data. These financial instruments are categorized as level 3 under IFRS fair value valuation hierarchy. The group (parent company) has financial assets and financial liabilities in level 2 of 38 179 (71 081) SEK m and 31 410 (38 608) SEK m respectively. Financial assets and liabilities in level 3 amouns to 737 (716) SEK m and 564 (564) SEK m respectively. The main part of the financial instruments in level 2 is made out of derivative contracts, among them interest rate swaps and various types of linear currency derivatives, and business bonds. Corporate bonds and derivative contracts in level 2 are valued by valuation models based on market rates and other market prices. Financial instruments in level 3 primarily consist of unlisted shares in joint ventures, investments in the insurance business as well as certain derivative contracts valued by non-observable data. Due to the complexity of calculations and the fact that the Bank has to make assessments with a significant impact on reported amounts, valuation of financial instruments with no market prices is considered to be a key audit matter.	We have assessed whether the Banks method for valuating financial instruments with no market prices available including the classification in the valuation hierarchy is in accordance with IFRS 13. We have tested the key controls in the valuation process, including the bank's assessment and approving of assumptions and methods used in model-based calculation, control of data quality as well as handling of change regarding internal valuation models. We have also tested the general IT-controls including the handling of authorization regarding these systems. Our assessment is that these key controls are designed, implemented and operatively effective and hence we have determined that we can rely on these key controls in our audit. Further, we have evaluated the methods and assumptions made when valuating financial instruments with no market prices available. We have compared the valuation models with valuation guidelines and appropriate industry practice. We have compared assumptions and price sources and examined any significant deviations. We have also checked the accuracy of the estimations by conducting sample tests and performing our own independent valuations. We have engaged our internal valuation specialists to support us when performing our audit procedures. We have also assessed the disclosures in the financial statements regarding valuation of financial instruments to fair value are appropriate.

Other information than annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–5, 36–73 and 265–267. The remuneration report for 2022 is also other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

Report on the annual accounts and consolidated accounts, cont.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Svenska Handelsbanken AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report
Opinion
In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Svenska Handelsbanken AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion
We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Svenska Handelsbanken AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firms appliy International Standard on Quality Management 1, which requires the company to design, implement and manage a quality management system including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

Auditor's report on the statutory sustainability report

It is the board of directors who is responsible for the statutory sustainability report [on pages 36-73] and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockhom, was appointed auditor of Svenska Handelsbanken AB by the general meeting of the shareholders on March 23, 2022 and has been the company's auditor since March 29, 2017.

Ernst & Young AB, Hamngatan 26, 111 47 Stockholm, was appointed auditor of Svenska Handelsbanken AB by the general meeting of the shareholders on the March 23, 2022 and has been the company's auditor since April 28, 1998.

Stockholm, February 23, 2023

PricewaterhouseCoopers AB	Ernst & Young AB
Johan Rippe Authorized Public Accountant	Åsa Lundvall Authorized Public Accountant

Auditor's Limited Assurance Report on Svenska Handelsbanken AB (publ)'s Sustainability Report.

This is the translation of the auditor's report in Swedish.
To Svenska Handelsbanken AB (publ) corporate identity number 502007-7862

INTRODUCTION

We have been engaged by the Board of Directors of Svenska Handelsbanken AB (publ) (Handelsbanken) to undertake a limited assurance of Svenska Handelsbanken's Sustainability Report for the year 2022 that constitutes of page 36–73 of Handelsbanken's annual report, and the separate Sustainability Factbook for the year 2022, available at Handelsbankens webpage (www.handelsbanken.com). The company has defined the scope of its sustainability report on page 16 in the Sustainability Factbook. We refer to these publications collectively as the "Sustainability Report".

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 16 in the Sustainability Factbook 2022, and consists of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted limited assurance procedures in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. A limited assurance engagement has a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firms apply ISQM 1 (International Standard on Quality Management) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Svenska Handelsbanken AB according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement do not allow us to obtain such assurance that we would become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

CONCLUSION

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 23 February, 2023

Pricewaterhouse Coopers AB

Johan Rippe
Authorised Public Accountant

Karin Juslin
Sustainability specialist

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Marianne Förander
Sustainability Expert Member of FAR

Definitions and explanations

ALTERNATIVE PERFORMANCE MEASURES

The Bank's financial reports contain alternative performance measures which Handelsbanken considers to provide valuable information to the reader, since they are used by Senior Management for internal financial control and follow-up of performance and also for comparison between reporting periods.

Alternative Performance Measures (APMs) are financial measures of performance, financial position or cash flow that are neither defined in IFRS nor the capital requirement regulations. These need not be comparable with similar key figures (performance measures) presented by other companies. Calculations of certain key metrics are reported in the Fact Book which is available at handelsbanken.com/ir.

ADJUSTED EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of equity. Adjusted equity is then divided by the number of ordinary shares at the year-end reduced by buybacks. Where applicable, the dilution effect is taken into account.

C/I RATIO

Total expenses in relation to total income. In segment reporting, profit allocation is included in total income.

CREDIT LOSS RATIO

Losses on loans to the public in relation to gross loans to the public at the beginning of the year.

EARNINGS PER SHARE

The profit for the year divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

ECONOMIC CAPITAL (EC)

Economic capital is a model for calculating economic capital which, in one measurement, identifies the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

INTEREST RATE MARGIN

Net interest income for the period calculated for the full year, in relation to average total assets.

P/E RATIO

Share price at year-end divided by earnings per share for the year.

PROPORTION OF LOANS IN STAGE 3

Net loans to the public in Stage 3 in relation to gross loans to the public.

RESERVE RATIO STAGE 1

Provisions in Stage 1 for loans to the public in relation to gross loans to the public in Stage 1.

RESERVE RATIO STAGE 2

Provisions in Stage 2 for loans to the public in relation to gross loans to the public in Stage 2.

RESERVE RATIO STAGE 3

Provisions in Stage 3 for loans to the public in relation to gross loans to the public in Stage 3.

RETURN ON ALLOCATED CAPITAL

The segment's operating profit after profit allocation and tax, calculated using a tax rate of 20.6%, in relation to the average capital allocated quarterly during the year.

RETURN ON EQUITY

The year's profit in relation to average equity. Average equity for the last four quarters is adjusted for value changes on financial assets classified as fair value through other comprehensive income, derivatives in cash flow hedges, revaluation effects from defined benefit pension plans and a weighted average of new share issues, dividends, and repurchases of own shares.

RETURN ON TOTAL ASSETS

The year's profit in relation to the average of total assets for the past five quarters.

TOTAL RESERVE RATIO

Total provisions for loans to the public in relation to gross loans to the public.

TOTAL RETURN

The total of the year's change in share price and paid dividend per share divided by the share price at the end of the previous year.

KEY FIGURES AND DEFINITIONS DEFINED IN THE CAPITAL REQUIREMENTS REGULATION

ADDITIONAL OWN FUNDS REQUIREMENT
The requirement consists of an additional minimum requirement based on a formal decision from the regulatory authorities within the Pillar 2 framework and concerns risks that a bank is or could be exposed to that are not covered by the general minimum requirements.

ADDITIONAL TIER 1 CAPITAL
Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

CAPITAL REQUIREMENTS
The statutory capital requirement means that an institution which is subject to CRR must have a common equity tier 1 ratio of at least 4.5%, a tier 1 ratio of at least 6% and a total capital ratio of at least 8%. This means that own funds for the respective ratio must be at least the stated percentage of the risk exposure amount.
For definitions of the respective own funds amounts, see Common equity tier 1 capital, Tier 1 capital and Total capital. In addition to the general requirements, the supervisory authority may add institution-specific requirements in accordance with Pillar 2 of the regulations.

COMMON EQUITY TIER 1 CAPITAL
Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill and other intangible assets etc. and the difference between an expected loss and provisions made for probable credit losses.

COMMON EQUITY TIER 1 RATIO
Common equity tier 1 capital in relation to total risk exposure amount.

COMMON EQUITY TIER 1 RATIO AVAILABLE FOR USE AS A BUFFER
The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal capital requirements.

CREDIT CONVERSION FACTOR (CCF)
Credit Conversion Factor (CCF) is a percentage value by which off-balance sheet exposures are multiplied to calculate the exposure amount. The credit conversion factor corresponds to the expected utilisation level of the exposure in the event of default.

CREDIT VALUATION ADJUSTMENT (CVA) RISK
Credit valuation adjustment (CVA) risk means the risk that the market value of a derivative will decrease, owing to deterioration of the creditworthiness of the counterparty. The CVA is a component in the regulations for the valuation of derivatives. An exposure to a counterparty with weaker creditworthiness must have a lower carrying amount than the equivalent exposure to a counterparty with better creditworthiness. In this context, credit valuation adjustment risk means that if a given counterparty's creditworthiness weakens, the balance sheet values of all derivative transactions with this counterparty with a positive market value decrease – and thus the Bank's equity decreases.

EXPOSURE AMOUNT
Exposure amount (exposure at default) is the amount which is subject to capital adequacy requirements. For off-balance-sheet items, the amounts are recalculated using the credit conversion factor (CCF). For derivatives, the exposure value is calculated according to the standardised approach for counterparty risk (SA-CCR).

EXPOSURE VALUE
Exposure value is the same as exposure amount. The exposure value concept is used in the standardised approach for credit risk.

GUIDANCE IN PILLAR 2
Guidance in accordance with Pillar 2 of the regulations allows the supervisory authority to inform the bank of the capital level which it deems the bank must maintain, excluding the minimum and buffer requirements maintained to cover risks and manage future financial strain.

LEVERAGE RATIO
Tier 1 capital in relation to total liabilities, including certain off-balance-sheet items recalculated with conversion factors defined in the standardised approach and regulatory adjustments from own funds.

LIQUIDITY COVERAGE RATIO (LCR)
High-quality liquid assets in relation to an estimated net outflow of liquidity over a period of 30 days.

OWN FUNDS
Own funds are the sum of tier 1 and tier 2 capital.

RISK EXPOSURE AMOUNT
The capital requirement in accordance with CRR is multiplied by 12.5. Risk exposure amount is used in conjunction with market risk and operational risk.

RISK WEIGHT
A measure to describe the level of risk an exposure is expected to have according to the capital adequacy regulations.

RISK-WEIGHTED EXPOSURE AMOUNT
Exposure amount multiplied by risk weight. Risk-weighted exposure amount is used in conjunction with credit risk and counterparty risk.

TIER 1 CAPITAL
Common equity tier 1 capital including additional tier 1 capital.

TIER 1 RATIO
Tier 1 capital in relation to total risk exposure amount.

TIER 2 CAPITAL
Tier 2 capital is a sub-component of own funds and mainly comprises subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in tier 2 capital.

TOTAL CAPITAL RATIO
Total capital in relation to total risk exposure amount.

TOTAL RISK EXPOSURE AMOUNT
Total risk exposure amount is the sum of risk exposure amount and risk-weighted exposure amount.

EXPLANATIONS

CRR
Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

DEFAULTS
A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: a) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security; b) the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

EXPECTED LOSS (EL)
Expected loss or EL means the ratio of the amount expected to be lost on an exposure from a potential default of a counterparty or dilution over a one year period to the amount outstanding at default.

FORBEARANCE MEASURE
A forbearance measure is a concession by an institution towards an obligor that is experiencing or is likely to experience difficulties in meeting its financial commitments.

INTERNAL RATINGS-BASED APPROACH (IRB APPROACH)
The internal ratings-based approach is the approach provided for in Chapter 3 of Regulation (EU) No 575/2013 for the calculation of risk-weighted exposure amounts for the purposes of points (a) and (f) of Article 92(3).

ITRAXX
ITRAXX Financials is an index of CDS spreads (credit default swaps) for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

LOSS GIVEN DEFAULT (LGD)
Loss given default or LGD means the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default.

MREL REQUIREMENT
Minimum requirement for own funds and eligible liabilities (MREL). The MREL requirement is expressed as a share of own funds and eligible liabilities relative to the risk weighted exposure amount and the non risk-weighted exposure amount, respectively. The requirement is determined annually by the Swedish resolution authority, in accordance with the Swedish Resolution Act (SFS 2015:1016).

NET STABLE FUNDING RATIO (NSFR)
The structural liquidity measure that is a ratio between available stable funding and the stable funding required.

NON-RECURRING ITEMS
Non-recurring items are items which Handelsbanken deems to be of a one-off nature. These are specified in Handelsbanken's Fact Book, which is available at handelsbanken.com/ir.

OWN FUNDS AND ELIGIBLE LIABILITIES
The sum total of own funds and eligible liabilities according to the Swedish Resolution Act (SFS 2015:1016), intended to meet the MREL requirement.

OTC DERIVATIVES
Over-the-counter derivatives are uncleared tailor-made derivatives.

PREMIUMS WRITTEN
A concept used within the Bank's insurance operations denoting mainly the total of insurance premiums paid in during the year.

PROBABILITY OF DEFAULT (PD)
Probability of default or PD means the probability of default of a counterparty over a one-year period.

RISK RESULT
A concept used in the Bank's insurance operations. The year's risk result is the difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance events.

SECURITISATION
Securitisation means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics: a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme; c) the transaction or scheme does not create exposures with all the characteristics listed in Article 147(8) of Regulation (EU) No 575/2013.

SOCIAL SECURITY COSTS
Fees for financing social security systems. This comprises employers' contributions and special payroll tax in Sweden and equivalent taxes and charges for operations elsewhere.

SPECIAL ITEMS
Special items are items which tend to vary between financial reporting periods, such as provisions to the Oktogonen profit-sharing scheme, and which Handelsbanken has specified in detail to facilitate comparison of financial performance.

STANDARDISED APPROACH
The standardised approach is the approach provided for in Chapter 2 of Regulation (EU) No 575/2013 for the calculation of risk-weighted exposure amounts for the purposes of points (a) and (f) of Article 92(3). The standardised approach means that the risk weights used when calculating the capital requirement for credit risk are specified in the regulations.

TOTAL LIABILITIES AND OWN FUNDS
The sum total of the Bank's total liabilities and own funds.

YIELD SPLIT
When the total yield exceeds the guaranteed return for insurance with a guaranteed return, the insurance company will receive 10% of the total yield as its share in the yield split.

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