

# Handelsbanken's Interim Report

JANUARY – SEPTEMBER 2019

## Summary January – September 2019, compared with January – September 2018

- The Bank is continuing to channel its resources towards core customers and core business, providing a foundation for further potential for growth and improved profitability.
- The Bank is in the process of implementing a number of measures expected to reduce annual expenses by approximately SEK 1.5bn, all other things being equal. The first effects of these measures are anticipated in 2020. A restructuring cost of SEK -900m had a negative impact on profit in the third quarter.
- Operating profit went down by 4% to SEK 16,101m (16,725). The underlying operating profit decreased by 2%.
- Return on equity went down to 11.9% (13.2), but was 12.6% if the restructuring cost is excluded.
- The period's profit after tax decreased by 6% to SEK 12,544m (13,341).
- Earnings per share decreased to SEK 6.43 (6.86).
- Income grew by 2% to SEK 33,188m (32,687). Adjusted for non-recurring items, income increased by 4%.
- Net interest income increased by 3% to SEK 24,045m (23,414).
- Net fee and commission income increased by 4% to SEK 7,931m (7,636).
- The C/I ratio rose to 48.8% (47.0), but fell to 46.1% if the restructuring cost is excluded.
- The credit loss ratio was 0.05% (0.04).
- The common equity tier 1 ratio decreased to 17.4% (21.7).

## Summary of Q3 2019, compared with Q2 2019

- Operating profit fell by 13% to SEK 4,641m (5,350). The underlying operating profit increased by 5%.
- The period's profit after tax decreased by 15% to SEK 3,571m (4,217).
- Earnings per share decreased to SEK 1.82 (2.17).
- Return on equity went down to 10.0% (12.3), but was 12.2% if the restructuring cost is excluded.
- Income fell by 2% to SEK 11,113m (11,284).
- Net interest income was largely unchanged at SEK 8,047m (8,064).
- Net fee and commission income grew by 1% to SEK 2,724m (2,695).
- The C/I ratio rose to 56.5% (48.8), but fell to 48.4% if the restructuring cost is excluded.
- The credit loss ratio was 0.03% (0.07).

# Contents

	Page
Group – Overview.....	3
Group performance.....	4
Group – Business segments.....	12
Handelsbanken Sweden.....	13
Handelsbanken UK.....	15
Handelsbanken Norway.....	17
Handelsbanken Denmark.....	19
Handelsbanken Finland.....	21
Handelsbanken the Netherlands.....	23
Handelsbanken Capital Markets.....	25
Other units not reported in the business segments.....	28
Key figures.....	29
The Handelsbanken share.....	29
Condensed set of financial statements – Group.....	30
Income statement.....	30
Earnings per share.....	30
Statement of comprehensive income.....	31
Quarterly performance.....	32
Balance sheet.....	33
Statement of changes in equity.....	34
Condensed statement of Cash flows.....	35
Note 1 Accounting policies.....	36
Note 2 Net interest income.....	37
Note 3 Net fee and commission income.....	37
Note 4 Net gains/losses on financial transactions.....	38
Note 5 Other expenses.....	38
Note 6 Credit losses.....	39
Note 7 Loans.....	40
Note 8 Credit risk exposure.....	44
Note 9 Derivatives.....	44
Note 10 Offsetting of financial instruments.....	45
Note 11 Goodwill and other intangible assets.....	46
Note 12 Due to credit institutions, deposits and borrowing from the public.....	46
Note 13 Issued securities.....	46
Note 14 Pledged assets, contingent liabilities and commitments.....	46
Note 15 Classification of financial assets and liabilities.....	47
Note 16 Fair value measurement of financial instruments.....	49
Note 17 Assets and liabilities by currency.....	51
Note 18 Own funds and capital requirements in the consolidated situation.....	52
Note 19 Risk and liquidity.....	59
Note 20 Related-party transactions.....	62
Note 21 Segment reporting.....	62
Note 22 Events after the balance sheet date.....	62
Condensed set of financial statements – Parent company.....	63
Information on phone conference, etc.....	72
Auditors' report concerning review of interim report.....	73
Share price performance and other information.....	74

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

## Group – Overview

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
<b>Summary income statement</b>									
Net interest income	8,047	8,064	0%	7,862	2%	24,045	23,414	3%	31,286
Net fee and commission income	2,724	2,695	1%	2,624	4%	7,931	7,636	4%	10,247
Net gains/losses on financial transactions	271	355	-24%	186	46%	886	605	46%	908
Risk result - insurance	15	48	-69%	10	50%	97	66	47%	106
Other dividend income	0	84	-100%	3	-99%	93	17	447%	218
Share of profit of associates	10	10	0%	10	0%	31	3		0
Other income	46	28	64%	33	39%	105	946	-89%	1,005
<b>Total income</b>	<b>11,113</b>	<b>11,284</b>	<b>-2%</b>	<b>10,728</b>	<b>4%</b>	<b>33,188</b>	<b>32,687</b>	<b>2%</b>	<b>43,770</b>
Staff costs	-4,143	-3,485	19%	-3,421	21%	-10,144	-10,001	1%	-13,465
Other expenses	-1,692	-1,608	5%	-1,554	9%	-4,795	-4,823	-1%	-6,712
Depreciation, amortisation and impairment of property, equipment and intangible assets	-447	-411	9%	-181	147%	-1,250	-542	131%	-713
<b>Total expenses</b>	<b>-6,282</b>	<b>-5,504</b>	<b>14%</b>	<b>-5,156</b>	<b>22%</b>	<b>-16,189</b>	<b>-15,366</b>	<b>5%</b>	<b>-20,890</b>
<b>Profit before credit losses</b>	<b>4,831</b>	<b>5,780</b>	<b>-16%</b>	<b>5,572</b>	<b>-13%</b>	<b>16,999</b>	<b>17,321</b>	<b>-2%</b>	<b>22,880</b>
Net credit losses	-192	-435	-56%	-230	-17%	-915	-605	51%	-881
Gains/losses on disposal of property, equipment and intangible assets	2	5	-60%	2	0%	17	9	89%	14
<b>Operating profit</b>	<b>4,641</b>	<b>5,350</b>	<b>-13%</b>	<b>5,344</b>	<b>-13%</b>	<b>16,101</b>	<b>16,725</b>	<b>-4%</b>	<b>22,013</b>
Taxes	-1,070	-1,133	-6%	-1,238	-14%	-3,557	-3,384	5%	-4,656
<b>Profit for the period</b>	<b>3,571</b>	<b>4,217</b>	<b>-15%</b>	<b>4,106</b>	<b>-13%</b>	<b>12,544</b>	<b>13,341</b>	<b>-6%</b>	<b>17,357</b>
<b>Summary balance sheet</b>									
Loans to the public	2,296,264	2,276,983	1%	2,193,712	5%	2,296,264	2,193,712	5%	2,189,092
<i>of which mortgage loans</i>	1,357,119	1,342,481	1%	1,282,952	6%	1,357,119	1,282,952	6%	1,299,732
<i>of which other loans</i>	939,145	934,502	0%	910,760	3%	939,145	910,760	3%	889,360
Deposits and borrowing from the public	1,157,242	1,105,365	5%	1,099,384	5%	1,157,242	1,099,384	5%	1,008,487
<i>of which households</i>	527,102	520,187	1%	484,770	9%	527,102	484,770	9%	486,209
Total equity	155,589	148,197	5%	141,210	10%	155,589	141,210	10%	142,261
Total assets	3,188,270	3,105,511	3%	3,087,236	3%	3,188,270	3,087,236	3%	2,978,174
<b>Summary of key figures</b>									
Return on equity	10.0%	12.3%		12.1%		11.9%	13.2%		12.8%
C/I ratio	56.5%	48.8%		48.1%		48.8%	47.0%		47.7%
Earnings per share, SEK	1.82	2.17		2.11		6.43	6.86		8.93
- after dilution	1.81	2.14		2.09		6.36	6.80		8.84
Common equity tier 1 ratio, CRR	17.4%	17.1%		21.7%		17.4%	21.7%		16.8%
Total capital ratio, CRR	22.1%	21.7%		27.1%		22.1%	27.1%		21.0%

## Group performance

### THE WAY FORWARD

For many years, Handelsbanken has run successfully through its geographical organisation of the Bank's operations, based on local presence, long-term relationships and strong, local decision-making power. This model is ideally suited to customers with stable cash flows who want a long-term relationship with their bank. Just like the Bank, these customers strive to have a good, stable financial position over a long time, with low risk. This applies equally to both private individuals and corporate customers. The long-term relationship is maintained through the various meeting places which the Bank provides and continues to develop, both personal and digital.

Using the business model as a starting point, the Bank's offering focuses mainly on private customers, property companies and other owner-managed companies. Through the branches, these customers are offered advice and personal service. Customer demand is mainly centred on various types of financing: mortgage loans, bilateral corporate financing and financing via the capital market, and risk management. The customers also demand a variety of offerings within savings: asset management, pensions and insurance, private banking and various insurance and protection solutions. In addition, there is a demand for different payment solutions, which are primarily managed via digital channels. A common thread across all product areas is a high level of expectation that the Bank clearly integrates sustainability issues into its customer relationships and offerings.

Within all of these areas, the Bank has high ambitions, and the intention is to strengthen the offering considerably, in order to facilitate a good rate of income growth and improved profitability. This will be achieved by distinctly focusing development resources on the Bank's core areas.

#### Financing

The Bank has a strong position within the mortgage loan market. With this as a starting-point, the intention is to further strengthen the offering and to remain the leading mortgage loan provider in Sweden. The Bank should serve as the obvious choice for customers who strive after sound, stable household finances. The mortgage loan offering will be given more prominence in more meeting places, and the mortgage loan product developed to include, among other things, green mortgages. The digitalisation of the mortgage loan process, which has thus far advanced the furthest in Norway, is progressing according to plan in Sweden. Advice relating to mortgage loans will be more clearly integrated into full advisory services for the relevant customers. The Bank believes that its enhanced offering will give it significant opportunities to achieve a larger

share of the Swedish mortgage market over time than it currently enjoys. In other home markets as well, the Bank's position in mortgage loan offerings is expected to improve from current levels.

For many years, the Bank has had a strong position in the financing of property companies and housing co-operative associations with stable cash flows and well-maintained properties in good locations. The Bank is generally also a leading corporate bank, which is reflected in the very high levels of customer satisfaction that the Bank benefits from in its home markets. The Bank's local presence and decision-making capacities are of particular importance for these customers. The Bank follows the customers over a long period of time and offers various forms of financing. Different research products and advisory services relating to, for example, sustainability, and advisory services relating to the procurement of capital, risk management, and acquisitions and divestments are important components of the offering. Through extended co-operation with providers of various business services, the Bank continues to expand its advisory services and business in its digital meeting places.

#### Savings

In recent years, the Bank has significantly improved its offering and its position within several asset management services in both Sweden and other home markets. This has generated a much larger volume of assets under management and a high degree of customer satisfaction and loyalty. Particularly through its sustainability profile, the Bank has had major success in attracting new customers and increased assets under management. In Sweden, the majority of the fund volume is now managed in funds with specific sustainability requirements. Performance within the occupational pension area has been positive in recent years, and provides a significant contribution to the increased volume of assets under management in the Group.

On this basis, the Bank intends to focus additional resources on savings services for both private and corporate customers. In 2018, the Bank launched the digital Savings Guide in Sweden. This is an entry-level tool for fund savings and has been very well received. Development of the tool is set to continue, and it will be integrated with other customer applications.

The offering of various insurance and protection solutions will be integrated into advisory services, to become a natural part of our advisors' expertise. The research information available from the Bank will be made more visible and will more clearly support the customers in the area of savings, through the Bank's advisory sessions at its different meeting places.

The Bank's profile as a natural private banking operator, for customers that require such a solution, is set to be further reinforced, particularly in Sweden,

where there is a substantial potential. A private banking offering already exists at all branches in Norway, which has been well received by customers. In the UK, the Bank has a strong profile in private banking since several years.

The Bank's market share of fund savings in Sweden is still significantly lower than its share of mortgage loans, in spite of several years of growth ahead of the market curve. Over the last decade, the Bank's share of the net inflow to the Swedish fund market has amounted to over 20%, which is in line with its market share of mortgage loans in Sweden. The enhanced focus on the area is expected to lead to continued good growth.

#### A more focused bank

The Bank deems that the potential for growth is substantial, with improved profitability and without any increase in risk, under the more focused concentration on the customers and product areas outlined above.

As the Bank continues to simplify and digitalise its processes, staff at the branches are provided with an ever improved foundation from which they can focus on proactive customer work with high added value.

In order to achieve the high ambitions the Bank has for its core business, as well as to ensure good income growth, with improved cost efficiency and profitability, the Bank is now implementing several measures.

As a part of the partial change in the strategic direction, a review has been carried out of the Bank's geographical presence outside the home markets, its customer offering and internal efficiency.

The review of the geographical presence has resulted in the Bank deciding to concentrate its presence outside the six home markets to the branches in Luxembourg and New York. The decision has therefore been made to gradually wind down the Bank's business operations in Asia. The Bank also intends to discontinue its operations in Germany. During the second quarter, as previously communicated, the decision was made to discontinue operations in Estonia, Latvia, Lithuania and Poland. The decision has also been made to reduce the parts of the customer offering that are not deemed to support the core business.

These actions will reduce complexity at the Bank and will cut both running costs and future investment requirements. They will also facilitate the rationalisation initiated within central units. The measures are currently being implemented and are mainly expected to be complete by the end of 2021. All in all, the measures are expected to lead to a reduction of annual expenses corresponding to around SEK 1.5bn, all else being equal. At year-end 2020, the assessment is that around two thirds of the effect will have been achieved, with the final third being achieved during 2022. The Bank's income is expected to decrease concurrently, by around SEK 0.5bn once the measures are carried out. The

conditions are thus deemed to be good for a sustained improvement of cost efficiency.

The Bank has decided to set up a restructuring reserve, into which SEK -900m has been transferred during the third quarter. The reserve is intended to cover costs for the discontinuation of the branches outside the home markets and of certain product areas, as well as for managing redundancies, primarily in central units.

Following the implementation of these measures, the Bank will have a more focused strategic direction, which will facilitate efficiency enhancements in its IT development portfolio. For the full year 2019, the Bank's total development costs are expected to amount to SEK 2.1-2.2bn, as previously announced. At the same time, adaptations to ensure regulatory compliance during 2019 have required a slower pace of development than previous years, and it has been possible to devote additional resources to business-related development. For the full year 2020, the Bank's estimation is that development costs will reach the same level as in 2019.

During 2019, the Bank has continued to intensify and accelerate the schedule for its work on financial crime prevention, particularly in the UK. For the full year 2019, the costs for this work are expected to increase by around SEK 600m compared with 2018, amounting to approximately SEK 1.2bn. For 2020, total costs related to financial crime prevention are expected to be in line with 2019.

#### JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

The Group's operating profit went down by 4% to SEK 16,101m (16,725). During the second quarter, a restructuring cost of SEK -30m relating to the discontinuation of the Baltic operations had a negative impact on profit, while during the third quarter, a restructuring cost of SEK -900m was decided on. Adjusted for these and other non-recurring items, and special items, as well as exchange rate effects, operating profit decreased by 2%. Exchange rate effects had a positive effect of SEK 131m on operating profit. Return on equity went down to 11.9% (13.2), but was 12.6% if the restructuring costs are excluded. The period's profit after tax decreased by 6% to SEK 12,544m (13,341) and earnings per share went down to SEK 6.43 (6.86). The C/I ratio was 48.8% (47.0), but fell to 46.1% if the restructuring costs are excluded.

The common equity tier 1 ratio was 17.4% (21.7).

## Non-recurring items and special items in the operating profit

SEK m	Jan-Sep 2019	Jan-Sep 2018
<b>Non-recurring items</b>		
Restructuring costs	-930	-
Amortisation of discontinued IT systems	-29	-
Dividend from VISA Sweden	55	-
Capital gains from the sale of shares in UC AB	-	837
Changes in the pension plan in the UK operations	-	141
<b>Total non-recurring items</b>	<b>-904</b>	<b>978</b>
<b>Special items</b>		
Oktogonen (the Bank's profit-sharing scheme)		
Provision/reversal previous year	829	-32
Provision current year	-	-609
<b>Total special items</b>	<b>829</b>	<b>-641</b>
<b>Total</b>	<b>-75</b>	<b>337</b>

## Income

SEK m	Jan-Sep 2019	Jan-Sep 2018	Change
Net interest income	24,045	23,414	3%
<i>of which government fees</i>	<i>-1,599</i>	<i>-2,102</i>	<i>-24%</i>
Net fee and commission income	7,931	7,636	4%
Net gains/losses on financial trans.	886	605	46%
Other	326	1,032	-68%
<b>Total income</b>	<b>33,188</b>	<b>32,687</b>	<b>2%</b>

Income grew by 2% to SEK 33,188m (32,687).

Adjusted for dividend income from VISA Sweden, amounting to SEK 55m, which the Bank received during the second quarter, as well as last year's sales of the Bank's shares in UC, which affected profits by SEK 837m, income increased by 4%.

Exchange rate effects had a positive effect on income amounting to SEK 374m.

Net interest income grew by 3%, or SEK 631m, to SEK 24,045m (23,414). Exchange rate effects positively affected net interest income by SEK 301m, while higher business volumes contributed SEK 1,175m. The net effect of changes to margins and increased funding costs was a reduction of net interest income amounting to SEK -760m.

The reduction of government fees had a positive impact of SEK 503m on net interest income. The fee to the Resolution Fund amounted to SEK -1,392m (-1,868). The resolution fee for 2019 is 0.09% (0.125) of adjusted balance sheet volumes. Including fees for various deposit guarantees, government fees amounted to a total of SEK -1,599m (-2,102). The remainder of the development of net interest income is attributable to a SEK -284m drop to net interest income in the liquidity portfolio, the transition to IFRS 16 – which burdened net interest income in an amount of SEK -56m – and other funding effects. The downturn in net interest income in the liquidity portfolio is offset by an

equivalent increase in net gains/losses on financial transactions.

Net fee and commission income went up by 4%, or SEK 295m, to SEK 7,931m (7,636). Exchange rate effects positively affected net fee and commission income by SEK 68m. Fund management, custody account management and other asset management commissions increased by SEK 145m, or 4%, to SEK 3,701m (3,556). Brokerage income decreased by 10% to SEK 471m (522), while advisory commissions increased to SEK 202m (144). Lending and deposit commissions rose by 5% to SEK 1,046m (996), while net payment commissions increased by 3% to SEK 1,497m (1,455). Net fee and commission income from card operations grew by 5% to SEK 969m (922).

Net gains/losses on financial transactions grew by 46% to SEK 886m (605). The increase was due to positive effects in the Bank's liquidity portfolio, which corresponded to the negative effects in net interest income.

Other income amounted to SEK 326m (1,032), with the figure for the previous year including the effect on profit of the sale of shares in UC for SEK 837m.

## Expenses

SEK m	Jan-Sep 2019	Jan-Sep 2018	Change
Staff costs	-10,144	-10,001	1%
<i>of which restructuring costs</i>	<i>-759</i>	<i>-</i>	
<i>of which Oktogonen</i>	<i>829</i>	<i>-641</i>	
<i>of which UK pension plan</i>	<i>-</i>	<i>141</i>	
Other expenses	-4,795	-4,823	-1%
<i>of which restructuring costs</i>	<i>-171</i>	<i>-</i>	
<i>of which rental costs</i>	<i>-146</i>	<i>-612</i>	
Depreciation and amortisation	-1,250	-542	131%
<i>of which right-of-use assets</i>	<i>-536</i>	<i>-</i>	
<b>Total expenses</b>	<b>-16,189</b>	<b>-15,366</b>	<b>5%</b>

SEK m	Jan-Sep 2019	Jan-Sep 2018	Change
UK and the Netherlands*	-3,636	-3,253	12%
Changed pension plan in Norway & UK	-	141	
Development costs	-1,509	-1,482	2%
Foreign currency effect	-234	-	
Other recurring costs, incl. Oktogonen	-10,810	-10,772	0%
<b>Total expenses</b>	<b>-16,189</b>	<b>-15,366</b>	<b>5%</b>

\* Adjusted for currency and changed pension plan.

## Development costs

SEK m	Jan-Sep 2019	Jan-Sep 2018	Change
Development spend	-1,981	-1,832	8%
<i>of which staff costs</i>	<i>-943</i>	<i>-803</i>	<i>17%</i>
<i>of which other costs</i>	<i>-1,038</i>	<i>-1,029</i>	<i>1%</i>
Capitalised costs	816	546	49%
<b>Development spend after capitalised costs</b>	<b>-1,165</b>	<b>-1,286</b>	<b>-9%</b>
Amortisation and impairment	-344	-196	76%
<b>Development costs</b>	<b>-1,509</b>	<b>-1,482</b>	<b>2%</b>

## Development investments – by category

SEK m	Jan-Sep 2019	Jan-Sep 2018	Change
Regulatory compliance	-488	-663	-26%
Technical development	-765	-618	24%
Business development	-527	-369	43%
UK & The Netherlands	-201	-182	10%
<b>Total development spend</b>	<b>-1,981</b>	<b>-1,832</b>	<b>8%</b>

Total expenses rose by 5% to SEK -16,189m (-15,366). Exchange rate effects increased expenses by SEK 234m. A restructuring cost of SEK -900m had a negative impact on profit in the third quarter. The underlying increase in expenses, adjusted for exchange rate effects, Oktogonen and non-recurring items, was 6%. The increase was primarily attributable to the further strengthening of the work to protect the Bank and its stakeholders from financial crime, together with the continued expansion of head office functions in the UK.

Development costs, including amortisation, rose by 2% to SEK -1,509m (-1,482). Total expenses for the Bank's development increased somewhat to SEK -1,981m (-1,832). Capitalised costs grew to SEK 816m (546). The rise in development costs is primarily due to increased business development, as well as technological developments. For the full year 2019, the Bank's estimation remains that development costs will be approximately SEK 2.1-2.2bn. Development costs related to conformance with regulations have accounted for a smaller proportion of total development costs, giving the Bank more flexibility to adapt the level of total development initiatives.

The expenses incurred by the Bank for its work to prevent financial crime increased to SEK 857m (425), a figure which refers to the expenses incurred at central units and regional head offices, but which does not include expenses relating to the work conducted at the local branches. This corresponded to an increase of SEK 432m during the first nine months of the year. The Bank decided earlier in the year to further increase the pace of this work and to accelerate the schedule for certain aspects, and therefore now assesses that financial crime prevention costs for the full year 2019 will amount to around SEK -1.2bn (-615m). During 2020, the Bank expects this cost item to remain in line with the 2019 level.

Staff costs increased by 1% to SEK -10,144m (-10,001). A total of SEK -738m of the restructuring cost which affected profit in the third quarter was comprised of staff costs. During the second quarter, the Bank reserved an amount of SEK -21m for the planned discontinuation of the branches in the Baltic States.

Staff costs in the period of comparison were positively affected in the amount of SEK 141m due to the one-off impact caused by the change of the pension plan in the UK. The reversal of the provisional allocation to Oktogonen for 2018 amounted to SEK

829m, and no provision has been made for the first nine months of 2019. The provisional allocation during the corresponding period in 2018 was SEK -641m. Exchange rate effects increased staff costs by SEK 144m. The underlying increase in staff costs, adjusted for the above items, was 6%.

Total pension costs increased to SEK -1,459m (1,023), with the period of comparison including the aforementioned positive one-off effect.

Staff costs relating to the Bank's development increased to SEK -943m (-803), with the increase partly due to the replacement of consultants with employed staff.

The average number of employees grew by 260 to 12,549 (12,289). The increase is primarily attributable to IT development, the continued expansion of head office functions in the UK, together with the continued strengthening of the Bank's work to prevent financial crime.

Other expenses fell by 1% to SEK -4,795m (-4,823). The amount includes restructuring costs of SEK -171m, of which SEK -162m was recognised during the third quarter. Exchange rate effects increased other expenses by SEK 82m.

Other costs attributable to the Bank's development amounted to SEK -1,038m (-1,029).

Depreciation and amortisation rose to SEK -1,250m (-542). In accordance with IFRS 16, the majority of rental costs for premises have been replaced with depreciation charges starting in 2019. The amortisation of right-of-use assets for rented premises amounted to SEK 536m (-). Amortisation linked to development was SEK -344m (-196). Exchange rate effects increased depreciation and amortisation by SEK -8m.

Adjusted for exchange rate effects and the restructuring cost, the sum total of other expenses, depreciation and amortisation grew by 7%.

## Credit losses

SEK m	Jan-Sep 2019	Jan-Sep 2018	Change
Net credit losses	-915	-605	-310
Credit loss ratio as % of loans	0.05	0.04	

Credit losses increased, amounting to SEK -915m (-605). The majority of the credit losses were attributable to a single exposure in Sweden. The credit loss ratio was 0.05% (0.04).

## Q3 2019 COMPARED WITH Q2 2019

Operating profit fell by 13% to SEK 4,641m (5,350), but adjusted for the restructuring cost of SEK -900m (-30), non-recurring items during the period of comparison and exchange rate effects, operating profit rose by 5%.

Exchange rate effects had a negative impact of SEK 25m on operating profit. The period's profit after tax decreased by 15% to SEK 3,571m (4,217). Earnings per

share decreased to SEK 1.82 (2.17). Return on equity went down to 10.0% (12.3), but was 12.2% if the restructuring cost is excluded. The C/I ratio rose to 56.5% (48.8), but fell to 48.4% with the same adjustment.

#### Non-recurring items and special items in operating profit

SEK m	Q3 2019	Q2 2019
<b>Non-recurring items</b>		
Restructuring costs	-900	-30
Amortisation of discontinued IT systems	-29	-
Dividend from VISA Sweden	-	55
<b>Total non-recurring items</b>	<b>-929</b>	<b>25</b>
<b>Special items</b>		
Oktagonen (the Bank's profit-sharing scheme)		
Provision/reversal previous year	-	2
Provision current year	-	-
<b>Total special items</b>	<b>0</b>	<b>2</b>
<b>Total</b>	<b>-929</b>	<b>27</b>

#### Income

SEK m	Q3 2019	Q2 2019	Change
Net interest income	8,047	8,064	0%
<i>of which government fees</i>	-533	-532	0%
Net fee and commission income	2,724	2,695	1%
Net gains/losses on financial trans.	271	355	-24%
Other	71	170	-58%
<b>Total income</b>	<b>11,113</b>	<b>11,284</b>	<b>-2%</b>

Income fell by 2% to SEK 11,113m (11,284).

Exchange rate effects had a negative impact on income of SEK 48m, and income went down 1% adjusted for this.

Net interest income was largely unchanged at SEK 8,047m (8,064). Exchange rate effects had a negative impact of SEK 43m. Larger business volumes made a positive contribution of SEK 75m. The net effect of changes to margins and funding costs was a reduction of net interest income amounting to SEK -92m. The negative net effect was attributable to Sweden, but the net effect was slightly positive in the home markets outside Sweden. The fact that the quarter had one more calendar day than the previous quarter had a positive effect of SEK 34m. Government fees were largely unchanged, amounting to SEK -533m (-532).

Net fee and commission income grew by 1% to SEK 2,724m (2,695). Exchange rate effects reduced net fee and commission income by SEK 4m. Fund management commissions increased by 3% to SEK 999m (973). Net payment commissions increased by 9% to SEK 547m (501), with net card commissions amounting to SEK 374m (313). During the quarter, annual discounts from the card companies were received for 2018, amounting to SEK 54m. Brokerage income decreased to SEK 138m (162), while advisory commissions went down to SEK

52m (75). Lending and deposit commissions grew slightly to SEK 353m (341).

Net gains/losses on financial transactions decreased to SEK 271m (355). The increase is mainly due to a downturn in business activity during the holiday period in customer-driven fixed income and currency trading.

Other income fell to SEK 71m (170), due to, among other things, a lower risk result insurance, as well as a dividend of SEK 55m being received from the VISA Sweden ekonomisk förening during the quarter of comparison.

#### Expenses

SEK m	Q3 2019	Q2 2019	Change
Staff costs	-4,143	-3,485	19%
<i>of which restructuring costs</i>	-738	-21	
<i>of which Oktagonen</i>	-	2	
Other expenses	-1,692	-1,608	5%
<i>of which restructuring costs</i>	-162	-9	
<i>of which rental costs</i>	-41	-48	
Depreciation and amortisation	-447	-411	9%
<i>of which right-of-use assets</i>	-185	-177	
<b>Total expenses</b>	<b>-6,282</b>	<b>-5,504</b>	<b>14%</b>

SEK m	Q3 2019	Q2 2019	Change
UK and the Netherlands*	-1,324	-1,276	4%
Development costs	-509	-515	-1%
Foreign currency effect	22		
Other recurring costs, incl. Oktagonen	-4,471	-3,713	20%
<b>Total expenses</b>	<b>-6,282</b>	<b>-5,504</b>	<b>14%</b>

\* Adjusted for currency.

#### Development costs

SEK m	Q3 2019	Q2 2019	Change
Development spend	-590	-711	-17%
<i>of which staff costs</i>	-277	-321	-14%
<i>of which other costs</i>	-313	-390	-20%
Capitalised costs	218	305	-29%
<b>Development spend after capitalised costs</b>	<b>-372</b>	<b>-406</b>	<b>-8%</b>
Amortisation and impairment	-137	-109	26%
<b>Development costs</b>	<b>-509</b>	<b>-515</b>	<b>-1%</b>

Total expenses rose by 14% to SEK -6,282m (-5,504). A restructuring cost of SEK -900m had a negative impact on profit in the third quarter, as did an impairment charge of SEK -29m for redundant IT systems. During the comparison quarter, the Bank reserved an amount of SEK -30m for the planned discontinuation of the branches in the Baltic States. Adjusted for this, as well as the fact that exchange rate effects reduced expenses by SEK 22m, total expenses declined 2%.

Development costs, including amortisation, declined slightly to SEK -509m (-515). The expenses incurred by



the Bank for its work to prevent financial crime increased to SEK 325m (302).

Staff costs went up by SEK 658m to SEK -4,143m (-3,485). The increase is entirely attributable to the aforementioned restructuring cost, of which SEK -738m (-21) referred to staff costs. Exchange rate effects reduced staff costs by SEK 11m. No provisional allocation was made to the Oktogonen profit-sharing scheme during the quarter (2). Staff costs attributable to the Bank's IT development decreased to SEK -277m (-321). The average number of employees grew by 290 to 12,771 (12,481), due to the hiring of temporary staff during the holiday period.

Other expenses rose by 5% to SEK -1,692m (-1,608), of which SEK -162m (-9) referred to the aforementioned restructuring cost. Exchange rate effects increased other expenses by SEK 10m. Other expenses attributable to the Bank's development amounted to SEK -313m (-390).

Depreciation and amortisation increased to SEK -447m (-411); SEK -185m (-177) of this total was for depreciation on right-of-use assets tied to rented premises, while SEK -137m (-109) was for amortisation linked to development. In conjunction with the review of the Bank's customer offering, an impairment of SEK -29m was recognised during the quarter, tied to the retirement of IT systems.

Total investments in the Bank's development were SEK -590m (-711). Capitalised costs were SEK 218m (305). The capitalisation rate can vary between quarters, due to the nature of the projects to which the development relates.

#### Credit losses

	Q3	Q2	
SEK m	2019	2019	Change
Net credit losses	-192	-435	243
Credit loss ratio as % of loans	0.03	0.07	

Credit losses fell to SEK -192m (-435). The credit loss ratio was 0.03% (0.07). As during the previous quarter, the majority of the credit losses were attributable to a single exposure in Sweden. The underlying credit quality remained stable.

#### Taxes

The tax rate in the third quarter was 23.1% (21.2). As of 2019, the corporate tax rate in Sweden is 21.4% (22.0). The fact that interest expenses on subordinated loans are not tax-deductible had an impact of 1.5 percentage points on the tax rate, compared with the corporate tax rate.

### BUSINESS DEVELOPMENT

Just as in previous years, EPSI Rating and Swedish Quality Index (SQI) stated that Handelsbanken has more satisfied customers than the average for the sector – in

both the private and corporate markets, in all home markets.

#### January – September 2019 compared with January – September 2018

The average volume of loans to the public grew by 5%, or SEK 113bn, to SEK 2,275bn (2,162), of which SEK 22bn was due to exchange rate effects. Household lending increased by 5% to SEK 1,189bn (1,132), while corporate lending grew by 6% to SEK 1,087bn (1,030).

Average volumes of deposits and borrowing rose by 4% to SEK 1,123bn (1,078). Exchange rate effects had a positive effect of SEK 16bn on average volumes. The average volume of household deposits went up by 9% to SEK 502bn (461), while corporate deposits increased slightly to SEK 621bn (617).

The total volume of assets under management in the Bank's mutual funds at the end of the period was SEK 595bn (554). The net inflow to the mutual funds was SEK 12.3bn (18.2), of which SEK -0.1bn (4.7) came from the home markets outside Sweden.

#### Q3 2019 compared with Q2 2019

The average volume of loans to the public was largely unchanged at SEK 2,291bn (2,292). Exchange rate effects had a negative impact of SEK 8bn on average volumes. Household lending increased by 1% to SEK 1,201bn (1,191), while corporate lending went down slightly to SEK 1,090bn (1,101).

The total average volume of deposits and borrowing rose by 3% to SEK 1,149bn (1,121). Exchange rate effects reduced the average volume by SEK 4bn.

Household deposits rose by 2%, and the average volume of corporate deposits also increased, by 3%. The total volume of assets under management in the Bank's mutual funds at the end of the quarter was SEK 595bn (580). The net inflow to the mutual funds was SEK 6.9bn (2.6), of which SEK 0.3bn (-0.8) came from the home markets outside Sweden.

### FUNDING AND LIQUIDITY

Handelsbanken's bond issues during the nine-month period amounted to SEK 153bn (196), consisting of SEK 120bn (125) in covered bonds, SEK 28bn (55) in senior bonds and SEK 5bn in perpetual subordinated loans (16 in dated subordinated loans). During the third quarter, issuances of eligible bonds according to the BRRD2 framework began, with a seven-year senior bond of EUR 750m.

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. At the end of the quarter, the ratio of non-encumbered assets to all unsecured market funding was 232% (225 at the end of Q2 2019).

The Bank has a strong liquidity position. Cash funds and liquid assets deposited with central banks amounted to SEK 361bn (286 at the end of Q2 2019), while the

volume of liquid bonds and other liquid assets totalled SEK 210bn (228 at the end of Q2 2019).

At the end of the quarter, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated act, was 149% (143 at the end of Q2 2019). At the end of the quarter, the net stable funding ratio (NSFR) according to CRR2 was 112% (109 at the end of Q2 2019).

## CAPITAL

The Bank's capital goal is that its common equity tier 1 ratio should, under normal circumstances, exceed the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by 1-3 percentage points. At the end of the third quarter, the common equity tier 1 ratio was 17.4%. In the Bank's assessment, the Supervisory Authority's common equity tier 1 capital requirement at the same date was 15.7% (SEK 115bn), of which 3.8% (SEK 28bn) comprises the common equity tier 1 capital requirement in Pillar 2. The Bank's capitalisation was thus within the target range.

Capital for consolidated situation 30 September 2019 compared with 30 September 2018

SEK m	30 Sep 2019	30 Sep 2018	Change
Common equity tier 1 ratio, CRR	17.4%	21.7%	-4.3
Total capital ratio, CRR	22.1%	27.1%	-5.0
Risk exposure amount, CRR	737,171	547,977	35%
Common equity tier 1 capital	128,439	118,784	8%
Total own funds	162,931	148,669	10%

Own funds were SEK 163bn (149), and the Bank's total capital ratio amounted to 22.1% (27.1).

The common equity tier 1 capital was SEK 128bn (119), while the common equity tier 1 ratio was 17.4% (21.7).

The effect of the risk weight floor for Swedish mortgage loans moving to Pillar 1 amounted to -5.4 percentage points. Profit for the preceding 12-month period raised the common equity tier 1 ratio by 1.7 percentage points, after a deduction for the dividend generated. Conversions of the outstanding personnel convertible bond contributed an amount of 0.5 percentage points. Higher lending volumes reduced the common equity tier 1 ratio by -0.1 percentage point. The net effect of customer and volume migration was neutral. The change in net pensions had a negative impact of -0.4 percentage points. The discount rate for Swedish pension obligations was 1.4% (2.0). During the third quarter, additional bonds could be added to the selection of highly creditworthy bonds used to calculate the discount rate. Exchange rate effects contributed -0.1 percentage point and the introduction of IFRS 16 -0.2 percentage points. Other effects, net, reduced the common equity tier 1 ratio by -0.3 percentage points.

Capital for consolidated situation 30 September 2019 compared with 30 June 2019

SEK m	30 Sep 2019	30 Jun 2019	Change
Common equity tier 1 ratio, CRR	17.4%	17.1%	0.3
Total capital ratio, CRR	22.1%	21.7%	0.4
Risk exposure amount, CRR	737,171	729,198	1%
Common equity tier 1 capital	128,439	124,786	3%
Total own funds	162,931	158,172	3%

Own funds amounted to SEK 163bn (158) and the total capital ratio was 22.1% (21.7). The common equity tier 1 capital was SEK 128bn (125), and the common equity tier 1 ratio was 17.4% (17.1). After a deduction for the dividend generated, corresponding to a dividend ratio of 69%, profit for the period raised the common equity tier 1 ratio by 0.2 percentage points. Conversions of the outstanding personnel convertible bond contributed 0.3 percentage points.

Higher lending volumes reduced the common equity tier 1 ratio by -0.1 percentage point. The net effect of customer and volume migration, as well as exchange rate effects, was neutral. Other effects reduced the common equity tier 1 ratio by -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 third quarter, Group EC totalled SEK 61.4bn (63.0), while AFR was SEK 181.1bn (175.3). Thus, the ratio between AFR and EC was 295% (278). For the consolidated situation, EC totalled SEK 31.1bn (30.6), and AFR was SEK 178.4bn (172.8).

## Rating

During the quarter, Handelsbanken's long-term and short-term senior ratings with the rating agencies which monitor the Bank were unchanged (see table). The outlook for all ratings is stable.

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

## EVENTS AFTER THE END OF THE REPORTING PERIOD

For the convertible subordinated loan issued by the Bank in 2014 to the Group's employees, holders can convert to class A shares in Handelsbanken between 1 May 2019 and 30 November 2019. As of 30 September 2019, a total of 29.8 million new class A shares have been converted and reported to the stock exchange for admission to trade. Following the end of the quarter, with a registration date of 10 October 2019, a further 2.9 million class A shares were registered.

The total number of shares thus amounted to 1,976,863,481, of which 1,941,612,152 were class A shares.

# Handelsbanken Group – Business segments

January - September 2019	Home markets									Group Jan-Sep 2019
	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	13,154	4,471	2,938	1,253	1,035	588	328	278		24,045
Net fee and commission income	3,023	563	314	378	426	109	3,126	-8		7,931
Net gains/losses on financial transactions	342	151	51	75	37	14	828	-612		886
Risk result - insurance							97			97
Share of profit of associates								31		31
Other income	42	0	10	6	14	1	8	117		198
<b>Total income</b>	<b>16,561</b>	<b>5,185</b>	<b>3,313</b>	<b>1,712</b>	<b>1,512</b>	<b>712</b>	<b>4,387</b>	<b>-194</b>		<b>33,188</b>
Staff costs	-2,573	-1,764	-666	-578	-335	-301	-1,387	-2,358	-182	-10,144
Other expenses	-568	-734	-137	-106	-137	-58	-534	-2,521		-4,795
Internal purchased and sold services	-2,797	-565	-330	-304	-283	-103	-871	5,253		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-212	-189	-71	-36	-52	-40	-64	-586		-1,250
<b>Total expenses</b>	<b>-6,150</b>	<b>-3,252</b>	<b>-1,204</b>	<b>-1,024</b>	<b>-807</b>	<b>-502</b>	<b>-2,856</b>	<b>-212</b>	<b>-182</b>	<b>-16,189</b>
<b>Profit before credit losses</b>	<b>10,411</b>	<b>1,933</b>	<b>2,109</b>	<b>688</b>	<b>705</b>	<b>210</b>	<b>1,531</b>	<b>-406</b>	<b>-182</b>	<b>16,999</b>
Net credit losses	-927	5	-81	0	82	-2	7	1		-915
Gains/losses on disposal of property, equipment and intangible assets	4	5	4	4	-1	0	0	1		17
<b>Operating profit</b>	<b>9,488</b>	<b>1,943</b>	<b>2,032</b>	<b>692</b>	<b>786</b>	<b>208</b>	<b>1,538</b>	<b>-404</b>	<b>-182</b>	<b>16,101</b>
Profit allocation	1,499	29	83	52	130	1	-1,794			
<b>Operating profit after profit allocation</b>	<b>10,987</b>	<b>1,972</b>	<b>2,115</b>	<b>744</b>	<b>916</b>	<b>209</b>	<b>-256</b>	<b>-404</b>	<b>-182</b>	<b>16,101</b>
Internal income*	84	-1,184	-2,737	-239	-220	-297	-1,805	6,398		

January - September 2018	Home markets									Group Jan-Sep 2018
	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	12,749	4,089	2,860	1,290	981	499	342	604		23,414
Net fee and commission income	3,003	520	307	349	370	121	2,937	29		7,636
Net gains/losses on financial transactions	503	156	74	79	39	12	601	-859		605
Risk result - insurance							66			66
Share of profit of associates								3		3
Other income	42	0	5	8	13	1	9	885		963
<b>Total income</b>	<b>16,297</b>	<b>4,765</b>	<b>3,246</b>	<b>1,726</b>	<b>1,403</b>	<b>633</b>	<b>3,955</b>	<b>662</b>		<b>32,687</b>
Staff costs	-2,608	-1,424	-627	-548	-322	-264	-1,345	-2,808	-55	-10,001
Other expenses	-771	-625	-189	-135	-138	-68	-535	-2,362		-4,823
Internal purchased and sold services	-2,664	-579	-339	-269	-268	-86	-532	4,737		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-50	-54	-12	-7	-16	-12	-22	-369		-542
<b>Total expenses</b>	<b>-6,093</b>	<b>-2,682</b>	<b>-1,167</b>	<b>-959</b>	<b>-744</b>	<b>-430</b>	<b>-2,434</b>	<b>-802</b>	<b>-55</b>	<b>-15,366</b>
<b>Profit before credit losses</b>	<b>10,204</b>	<b>2,083</b>	<b>2,079</b>	<b>767</b>	<b>659</b>	<b>203</b>	<b>1,521</b>	<b>-140</b>	<b>-55</b>	<b>17,321</b>
Net credit losses	-141	-95	-301	7	-100	13	12	0		-605
Gains/losses on disposal of property, equipment and intangible assets	4	-1	3	3	0	-	0	0		9
<b>Operating profit</b>	<b>10,067</b>	<b>1,987</b>	<b>1,781</b>	<b>777</b>	<b>559</b>	<b>216</b>	<b>1,533</b>	<b>-140</b>	<b>-55</b>	<b>16,725</b>
Profit allocation	1,421	24	88	54	143	2	-1,732			
<b>Operating profit after profit allocation</b>	<b>11,488</b>	<b>2,011</b>	<b>1,869</b>	<b>831</b>	<b>702</b>	<b>218</b>	<b>-199</b>	<b>-140</b>	<b>-55</b>	<b>16,725</b>
Internal income*	-396	-953	-2,088	-233	-212	-245	-2,168	6,295		

The comparison figures have been adjusted due to a reorganisation which has meant that certain operations in the Handelsbanken Sweden and Handelsbanken Capital Markets business segments have been moved over to Group IT and the newly formed unit Group Products and Services. Income and expenses relating to Group IT and Group Products and Services are reported within Other units. At the same time, the model for the internal capital allocation to the business segments has been adjusted somewhat.

\* Internal income which is included in Total income comprises income from transactions between 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 between segments and Other.

The business segments consist of Handelsbanken Sweden, Handelsbanken UK, Handelsbanken Norway, Handelsbanken Denmark, Handelsbanken Finland, Handelsbanken the Netherlands and Handelsbanken Capital Markets. The income statements by segment include internal items such as internal interest,

commissions and payment for internal services rendered, primarily according to the cost price principle. The part of Handelsbanken Capital Markets' operating profit that does not involve risk-taking is allocated to branches with customer responsibility.

# Handelsbanken Sweden

Handelsbanken Sweden comprises branch operations in five regional banks, as well as the operations of Handelsbanken Finans, Ecster and Stadshypotek in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 383 branches throughout Sweden.

## INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	4,369	4,429	-1%	4,232	3%	13,154	12,749	3%	16,988
Net fee and commission income	1,068	1,021	5%	1,055	1%	3,023	3,003	1%	3,995
Net gains/losses on financial transactions	117	120	-3%	164	-29%	342	503	-32%	626
Other income	26	6	333%	6	333%	42	42	0%	55
<b>Total income</b>	<b>5,580</b>	<b>5,576</b>	<b>0%</b>	<b>5,457</b>	<b>2%</b>	<b>16,561</b>	<b>16,297</b>	<b>2%</b>	<b>21,664</b>
Staff costs	-840	-858	-2%	-868	-3%	-2,573	-2,608	-1%	-3,428
Other expenses	-176	-134	31%	-244	-28%	-568	-771	-26%	-1,036
Internal purchased and sold services	-967	-928	4%	-863	12%	-2,797	-2,664	5%	-3,616
Depreciation, amortisation and impairments of property, equipment and intangible assets	-70	-129	-46%	-17	312%	-212	-50	324%	-65
<b>Total expenses</b>	<b>-2,053</b>	<b>-2,049</b>	<b>0%</b>	<b>-1,992</b>	<b>3%</b>	<b>-6,150</b>	<b>-6,093</b>	<b>1%</b>	<b>-8,145</b>
<b>Profit before credit losses</b>	<b>3,527</b>	<b>3,527</b>	<b>0%</b>	<b>3,465</b>	<b>2%</b>	<b>10,411</b>	<b>10,204</b>	<b>2%</b>	<b>13,519</b>
Net credit losses	-231	-434	-47%	5		-927	-141		-202
Gains/losses on disposal of property, equipment and intangible assets	1	2	-50%	1	0%	4	4	0%	5
<b>Operating profit</b>	<b>3,297</b>	<b>3,095</b>	<b>7%</b>	<b>3,471</b>	<b>-5%</b>	<b>9,488</b>	<b>10,067</b>	<b>-6%</b>	<b>13,322</b>
Profit allocation	531	506	5%	491	8%	1,499	1,421	5%	1,883
<b>Operating profit after profit allocation</b>	<b>3,828</b>	<b>3,601</b>	<b>6%</b>	<b>3,962</b>	<b>-3%</b>	<b>10,987</b>	<b>11,488</b>	<b>-4%</b>	<b>15,205</b>
Internal income	95	104	-9%	-29		84	-396		-632
Cost/income ratio, %	33.6	33.7		33.5		34.1	34.4		34.6
Credit loss ratio, %	0.07	0.13		0.00		0.09	0.02		0.02
Allocated capital	83,018	81,040	2%	83,212	0%	83,018	83,212	0%	85,252
Return on allocated capital, %	14.5	14.0		14.9		13.9	14.6		14.4
Average number of employees	3,956	3,845	3%	4,134	-4%	3,880	4,012	-3%	3,985
Number of branches	383	384	0%	402	-5%	383	402	-5%	390

## BUSINESS VOLUMES

Average volumes, SEK bn	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Loans to the public*									
Household	863	855	1%	832	4%	855	823	4%	828
of which mortgage loans	818	809	1%	785	4%	809	775	4%	780
Companies	526	532	-1%	515	2%	528	509	4%	511
of which mortgage loans	333	327	2%	303	10%	326	298	9%	301
<b>Total</b>	<b>1,389</b>	<b>1,387</b>	<b>0%</b>	<b>1,347</b>	<b>3%</b>	<b>1,383</b>	<b>1,332</b>	<b>4%</b>	<b>1,339</b>
Deposits and borrowing from the public									
Household	381	372	2%	351	9%	371	343	8%	346
Companies	280	272	3%	242	16%	268	243	10%	246
<b>Total</b>	<b>661</b>	<b>644</b>	<b>3%</b>	<b>593</b>	<b>11%</b>	<b>639</b>	<b>586</b>	<b>9%</b>	<b>592</b>

\* Excluding loans to the National Debt Office.

## JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit decreased by 6% to SEK 9,488m (10,067) due to higher credit losses. Profit before credit losses increased by 1%. Return on allocated capital fell to 13.9% (14.6). The C/I ratio was 34.1% (34.4).

Net interest income rose by 3%, or SEK 405m, to SEK 13,154m (12,749). Government fees went down by SEK 233m and amounted to SEK -806m (-1,039), a decrease which is mainly due to the lower fee to the Resolution Fund. Higher lending volumes increased net interest income by SEK 534m, while higher deposit volumes contributed SEK 121m. The remainder of the change in net interest income is mainly due to the net amount of changed margins and increased funding costs falling by SEK 419m.

Net fee and commission income increased by 1%, or SEK 20m, to SEK 3,023m (3,003), where mutual fund commissions increased by SEK 21m to SEK 676m (655). New savings in the Bank's mutual funds in Sweden totalled SEK 12.4bn (13.5), corresponding to a market share of 23.2%, compared to the Bank's share of the Swedish mutual fund market of 11%. Commission income from custody accounts and other asset management rose by SEK 12m. Insurance commissions decreased by SEK 10m. Net fee and commission income from payments increased by SEK 11m.

Total expenses rose by 1% to SEK -6,150m (-6,093). Staff costs decreased by 1% to SEK -2,573m (-2,608). The average number of employees fell by 3% to 3,880 (4,012).

In accordance with IFRS 16, the majority of rental costs for premises are now to be recognised as depreciation charges.

Credit losses amounted to SEK -927m (-141). The majority of the losses were attributable to a single exposure. The credit loss ratio was 0.09% (0.02).

## Q3 2019 COMPARED WITH Q2 2019

Operating profit increased by 7% to SEK 3,297m (3,095), and return on allocated capital was 14.5% (14.0). The C/I ratio was 33.6% (33.7).

Net interest income declined by 1%, or SEK 60m, to SEK 4,369m (4,429). Government fees totalled SEK -269m (-270). Higher lending volumes increased net interest income by SEK 9m, while higher deposit volumes contributed SEK 16m. The effect of the additional calendar day compared to the preceding quarter was SEK 8m. The net amount of changed customer interest rates and increased funding costs had a negative impact of SEK -92m on net interest income. The gross margin on mortgage loans fell slightly during the quarter.

Net fee and commission income increased by 5%, or SEK 47m, to SEK 1,068m (1,021), primarily due to the fact that net payment commissions were SEK 44m

higher. Fund commissions rose by SEK 7m, while lending and deposit commissions were SEK 7m lower, compared with the previous quarter.

Expenses were largely unchanged, amounting to SEK -2,053m (-2,049). Staff costs decreased by SEK 18m, or 2%, to SEK -840m (-858). Other expenses increased by 2% to SEK -1,213m (-1,191).

Credit losses amounted to SEK -231m (-434). The majority of the losses were attributable to a single exposure. The credit loss ratio was 0.07% (0.13).

## BUSINESS DEVELOPMENT

Just as in previous years, the major Swedish Quality Index (SQI) survey found that Handelsbanken is "Best among the major banks". For private customers, Handelsbanken's index value was 71.5, as compared with the other major banks, all of which recorded scores in the 59.6-67.5 range. For corporate customers, Handelsbanken's index value was 66.5, as compared with the other major banks, all of which recorded scores in the 58.8-63.9 range.

In Finansbarometern's annual survey, in which companies with fewer than 20 employees rank their banks, Handelsbanken was once again voted Sweden's Small Enterprise Bank – for the eighth year running. The survey found, among other things, that Handelsbanken "has succeeded in establishing e-services to a degree that customers appreciate".

The work under way to simplify and enhance the efficiency of advisory meetings through digital support continued. This continues to yield good results in terms of both efficiency and business activity. For example, during the third quarter, the average amount for new monthly savings in private pensions from advisory sessions was 40% higher than during the corresponding period last year.

## January – September 2019 compared with January – September 2018

The average volume of mortgage loans to private individuals rose by 4% to SEK 809bn (775), while household deposits grew by 8% to SEK 371bn (343). The Bank continued to increase its share of the household deposits market. The average volume of corporate lending went up by 4% to SEK 528bn (509), while corporate deposits increased by 10% to SEK 268bn (243).

## Q3 2019 compared with Q2 2019

The average volume of mortgage loans to private individuals rose by 1% to SEK 818bn (809), while household deposits grew by 2% to SEK 381bn (372). The average volume of corporate lending went down by 1% to SEK 526bn (532), while corporate deposits increased by 3% to SEK 280bn (272).

## Handelsbanken UK

Handelsbanken UK comprises branch operations in five regional banks and the asset management company Heartwood Wealth Management. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 207 branches throughout the UK.

### INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	1,490	1,508	-1%	1,419	5%	4,471	4,089	9%	5,555
Net fee and commission income	189	193	-2%	179	6%	563	520	8%	704
Net gains/losses on financial transactions	50	54	-7%	52	-4%	151	156	-3%	210
Other income	0	0	0%	0	0%	0	0	0%	7
<b>Total income</b>	<b>1,729</b>	<b>1,755</b>	<b>-1%</b>	<b>1,650</b>	<b>5%</b>	<b>5,185</b>	<b>4,765</b>	<b>9%</b>	<b>6,476</b>
Staff costs	-581	-596	-3%	-533	9%	-1,764	-1,424	24%	-1,970
Other expenses	-273	-221	24%	-204	34%	-734	-625	17%	-881
Internal purchased and sold services	-187	-196	-5%	-204	-8%	-565	-579	-2%	-786
Depreciation, amortisation and impairments of property, equipment and intangible assets	-69	-91	-24%	-17	306%	-189	-54	250%	-72
<b>Total expenses</b>	<b>-1,110</b>	<b>-1,104</b>	<b>1%</b>	<b>-958</b>	<b>16%</b>	<b>-3,252</b>	<b>-2,682</b>	<b>21%</b>	<b>-3,709</b>
<b>Profit before credit losses</b>	<b>619</b>	<b>651</b>	<b>-5%</b>	<b>692</b>	<b>-11%</b>	<b>1,933</b>	<b>2,083</b>	<b>-7%</b>	<b>2,767</b>
Net credit losses	22	-2		-42		5	-95		-125
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	5	-1		-1
<b>Operating profit</b>	<b>641</b>	<b>649</b>	<b>-1%</b>	<b>650</b>	<b>-1%</b>	<b>1,943</b>	<b>1,987</b>	<b>-2%</b>	<b>2,641</b>
Profit allocation	12	8	50%	9	33%	29	24	21%	32
<b>Operating profit after profit allocation</b>	<b>653</b>	<b>657</b>	<b>-1%</b>	<b>659</b>	<b>-1%</b>	<b>1,972</b>	<b>2,011</b>	<b>-2%</b>	<b>2,673</b>
Internal income	-367	-411	11%	-338	-9%	-1,184	-953	-24%	-1,086
Cost/income ratio, %	63.8	62.6		57.7		62.4	56.0		57.0
Credit loss ratio, %	-0.05	0.00		0.08		-0.01	0.06		0.06
Allocated capital	16,462	16,059	3%	14,324	15%	16,462	14,324	15%	14,881
Return on allocated capital, %	12.5	12.9		14.4		13.1	15.0		14.7
Average number of employees	2,390	2,326	3%	2,274	5%	2,341	2,219	5%	2,230
Number of branches	207	207	0%	208	0%	207	208	0%	208

### BUSINESS VOLUMES

Average volumes, GBP m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Loans to the public									
Household	6,627	6,648	0%	6,606	0%	6,650	6,508	2%	6,544
Companies	14,861	14,724	1%	13,870	7%	14,678	13,576	8%	13,740
<b>Total</b>	<b>21,488</b>	<b>21,372</b>	<b>1%</b>	<b>20,476</b>	<b>5%</b>	<b>21,328</b>	<b>20,084</b>	<b>6%</b>	<b>20,284</b>
Deposits and borrowing from the public									
Household	4,786	4,698	2%	4,726	1%	4,710	4,527	4%	4,612
Companies	10,747	10,116	6%	9,091	18%	10,275	8,971	15%	9,213
<b>Total</b>	<b>15,533</b>	<b>14,814</b>	<b>5%</b>	<b>13,817</b>	<b>12%</b>	<b>14,985</b>	<b>13,498</b>	<b>11%</b>	<b>13,825</b>

## JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit declined by 2%, or SEK 44m, to SEK 1,943m (1,987). During the first quarter of 2018, a change was made to the pension plan in the UK, which caused a one-off positive effect of SEK 141m. Adjusted for this, combined with positive exchange rate effects of SEK 50m, operating profit grew by 3%, or SEK 47m. Return on allocated capital was 13.1% (15.0). The C/I ratio rose to 62.4% (56.0). Income improved by 9%, or SEK 420m, to SEK 5,185m (4,765). Expressed in local currency, income rose by 5%.

Net interest income improved by 9%, or SEK 382m, to SEK 4,471m (4,089). Exchange rate effects increased net interest income by SEK 134m, and expressed in local currency, net interest income grew by 6%. Higher lending volumes improved net interest income by SEK 201m, while lending margins decreased by SEK 46m. Higher deposit volumes increased net interest income by SEK 72m, while deposit margins went up by SEK 42m. The UK operations were no longer affected by fees for the Swedish deposit guarantee (SEK -16m), and government fees amounted to a total of SEK -122m (-176). From the year 2020, fees to the Swedish Resolution Fund will no longer negatively affect profit in the UK.

Net fee and commission income increased by 8% to SEK 563m (520), mainly due to a 7% rise, to SEK 255m (238), in asset management and advisory commissions at Heartwood Wealth Management. The assets managed in Heartwood Wealth Management totalled GBP 3.8bn (3.7), compared to GBP 3.5bn at year-end 2018.

Staff costs went up by SEK 340m to SEK -1,764m (-1,424). The depreciation of the Swedish krona accounted for SEK 64m of this increase. Adjusted for the aforementioned change to the pension plan during the previous year, staff costs rose by SEK 199m, or 13%. The average number of employees grew by 5% to 2,341 (2,219). Other expenses went up by SEK 109m to SEK -734m (-625). The rise in expenses is primarily attributable to the establishment of Handelsbanken plc, combined with the continued work to prevent financial crime.

In accordance with IFRS 16, the majority of rental costs for premises are now to be recognised as depreciation charges.

Credit losses consisted of net recoveries, and totalled SEK 5m (-95), corresponding to a credit loss ratio of -0.01% (0.06).

### Q3 2019 COMPARED WITH Q2 2019

Operating profit decreased slightly to SEK 641m (649). Exchange rate movements represented SEK 22m of this figure and, expressed in local currency, operating profit decreased by 1%. Return on allocated capital was 12.5% (12.9).

Income decreased by 1% to SEK 1,729m (1,755), while expenses increased somewhat to SEK -1,110m (-1,104).

Net interest income fell by 1% to SEK 1,490m (1,508). Expressed in local currency, net interest income rose by

1%. Higher lending volumes improved net interest income by SEK 8m, while lending margins decreased by SEK 6m. Larger deposit volumes improved net interest income by SEK 14m, while deposit margins were SEK 6m lower. That fact that the third quarter has one extra day positively affected net interest income by SEK 15m. The Bank does not believe the UK bank levy will negatively affect net interest income during 2019, and the expense of SEK 5m recorded during the first quarter was therefore reversed during Q2. Government fees totalled SEK -41m (-34).

Net fee and commission income decreased by 2% to SEK 189m (193), and net gains/losses on financial transactions totalled SEK 50m (54).

Expenses increased by 1% to SEK -1,110m (-1,104). Exchange rate movements reduced expenses by SEK 23m increase and, expressed in local currency, costs grew by 3%. The increased cost is largely the result of the work to prevent financial crime.

Staff costs decreased by 3%, or SEK 15m, which was attributable to exchange rate movements. The average number of employees grew by 3% to 2,390 (2,326).

Credit losses consisted of net recoveries and amounted to SEK 22m (-2). The credit loss ratio was -0.05% (0.00).

## BUSINESS DEVELOPMENT

The EPSI annual customer satisfaction survey showed that Handelsbanken once again had the most satisfied customers among banks in United Kingdom. Private customers gave the Bank a score of 84.6, compared to the sector average of 72.1. On the corporate side, the score was 83.1, compared to the sector average of 70.4.

In August, the UK Competition & Markets Authority (CMA) published the results of its independent service quality survey for business banking. Handelsbanken was in first place in four of the survey's five criteria.

Work continued during the period to further strengthen the Bank's local competency and capacity, as well as head office functions.

### January – September 2019 compared with January – September 2018

Business volumes continued to grow. The average volume of household deposits climbed by 4%, while household lending grew by 2%. Overall, the average volume of lending increased by 6% to GBP 21.3bn, while total deposits went up by 11% to GBP 15.0bn.

### Q3 2019 compared with Q2 2019

The average volume of household lending decreased marginally to GBP 6.6bn, while household deposits rose by 2% to GBP 4.8bn. The average volume of corporate lending increased by 1% to GBP 14.9bn, and corporate deposits also increased by 6% to GBP 10.7bn.

The net inflow to Heartwood Wealth Management during the third quarter totalled GBP 7.9m (29.4).



## Handelsbanken Norway

Handelsbanken Norway consists of the branch operations in Norway, which are organised as a regional bank, as well as Stadshypotek's operations in Norway. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 47 branches throughout Norway.

### INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	1,008	973	4%	969	4%	2,938	2,860	3%	3,832
Net fee and commission income	110	106	4%	109	1%	314	307	2%	413
Net gains/losses on financial transactions	15	21	-29%	26	-42%	51	74	-31%	88
Other income	1	8	-88%	1	0%	10	5	100%	7
<b>Total income</b>	<b>1,134</b>	<b>1,108</b>	<b>2%</b>	<b>1,105</b>	<b>3%</b>	<b>3,313</b>	<b>3,246</b>	<b>2%</b>	<b>4,340</b>
Staff costs	-223	-221	1%	-221	1%	-666	-627	6%	-824
Other expenses	-34	-29	17%	-74	-54%	-137	-189	-28%	-250
Internal purchased and sold services	-110	-115	-4%	-123	-11%	-330	-339	-3%	-460
Depreciation, amortisation and impairments of property, equipment and intangible assets	-23	-44	-48%	-4	475%	-71	-12	492%	-17
<b>Total expenses</b>	<b>-390</b>	<b>-409</b>	<b>-5%</b>	<b>-422</b>	<b>-8%</b>	<b>-1,204</b>	<b>-1,167</b>	<b>3%</b>	<b>-1,551</b>
<b>Profit before credit losses</b>	<b>744</b>	<b>699</b>	<b>6%</b>	<b>683</b>	<b>9%</b>	<b>2,109</b>	<b>2,079</b>	<b>1%</b>	<b>2,789</b>
Net credit losses	-18	-55	-67%	-172	-90%	-81	-301	-73%	-413
Gains/losses on disposal of property, equipment and intangible assets	1	1	0%	0		4	3		4
<b>Operating profit</b>	<b>727</b>	<b>645</b>	<b>13%</b>	<b>511</b>	<b>42%</b>	<b>2,032</b>	<b>1,781</b>	<b>14%</b>	<b>2,380</b>
Profit allocation	32	27	19%	28	14%	83	88	-6%	127
<b>Operating profit after profit allocation</b>	<b>759</b>	<b>672</b>	<b>13%</b>	<b>539</b>	<b>41%</b>	<b>2,115</b>	<b>1,869</b>	<b>13%</b>	<b>2,507</b>
Internal income	-996	-933	-7%	-760	-31%	-2,737	-2,088	-31%	-2,572
Cost/income ratio, %	33.4	36.0		37.2		35.5	35.0		34.7
Credit loss ratio, %	0.03	0.01		0.28		0.02	0.16		0.17
Allocated capital	18,849	18,404	2%	17,533	8%	18,849	17,533	8%	17,769
Return on allocated capital, %	12.6	11.5		9.6		12.2	11.6		11.5
Average number of employees	710	697	2%	719	-1%	702	697	1%	697
Number of branches	47	49	-4%	49	-4%	47	49	-4%	49

### BUSINESS VOLUMES

Average volumes, NOK bn	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Loans to the public									
Household	97.6	95.2	3%	91.7	6%	95.5	90.9	5%	91.4
Companies	166.3	166.2	0%	159.1	5%	164.5	158.2	4%	158.3
<b>Total</b>	<b>263.9</b>	<b>261.4</b>	<b>1%</b>	<b>250.8</b>	<b>5%</b>	<b>260.0</b>	<b>249.1</b>	<b>4%</b>	<b>249.7</b>
Deposits and borrowing from the public									
Household	22.3	21.3	5%	21.2	5%	21.5	20.5	5%	20.6
Companies	49.8	45.7	9%	42.7	17%	46.7	42.7	9%	43.4
<b>Total</b>	<b>72.1</b>	<b>67.0</b>	<b>8%</b>	<b>63.9</b>	<b>13%</b>	<b>68.2</b>	<b>63.2</b>	<b>8%</b>	<b>64.0</b>

## JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit increased by 14% to SEK 2,032m (1,781). The depreciation of the Swedish krona increased operating profit by SEK 22m, and expressed in local currency, operating profit went up by 13%, as a result of lower credit losses. Return on allocated capital was 12.2% (11.6). The C/I ratio was 35.5% (35.0).

Income climbed by 2% to SEK 3,313m (3,246), with exchange rate movements accounting for SEK 40m of the increase. Expressed in local currency, income growth was 1%.

Net interest income increased by SEK 78m, or 3%, to SEK 2,938m (2,860). Exchange rate effects positively affected net interest income by SEK 35m. Higher lending volumes boosted net interest income by SEK 78m, while lending margins decreased by SEK 117m. Higher deposit volumes increased net interest income by SEK 20m, while deposit margins improved by SEK 80m.

Fees for the Swedish Resolution Fund decreased by SEK 58m and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -154m (-214).

Net fee and commission income increased by 2% to SEK 314m (307), with exchange rate movements accounting for SEK 4m of the increase.

Net gains/losses on financial transactions totalled SEK 51m (74).

Staff costs increased by 6%, or SEK 39m, to SEK -666m (-627), of which SEK 8m was due to exchange rate movements. The average number of employees rose by 1% to 702 (697).

In accordance with IFRS 16, the majority of rental costs for premises are now to be recognised as depreciation charges.

Credit losses were SEK -81m (-301), and the credit loss ratio was 0.02% (0.16).

## Q3 2019 COMPARED WITH Q2 2019

Operating profit increased by 13% to SEK 727m (645). Exchange rate movements affected operating profit in the amount of SEK -7m, and expressed in local currency, operating profit grew by 14%.

Net interest income rose by 4%, or SEK 35m, to SEK 1,008m (973). Exchange rate movements had a negative impact of SEK 9m. Higher lending volumes increased net interest income by SEK 6m. Lower lending margins decreased net interest income by SEK 7m, which was mainly due to the statutory notice period for interest rate increases on household lending, set at six weeks. Higher deposit volumes increased net interest income by SEK 10m, while deposit margins improved by SEK 6m. The fact that the third quarter had one more calendar day than the previous quarter had a positive effect on net

interest income of SEK 10m. Government fees burdened net interest income by SEK -51m (-52).

Net fee and commission income grew by 4% to SEK 110m (106), primarily due to higher payment commissions. Net gains/losses on financial transactions totalled SEK 15m (21).

Expenses fell by 5% to SEK -390m (-409). Staff costs increased slightly, amounting to SEK -223m (-221). The average number of employees grew by 2% to 710 (697).

Credit losses were SEK -18m (-55), and the credit loss ratio, calculated on loans to the public, was 0.03% (0.01).

## BUSINESS DEVELOPMENT

EPSI's annual customer satisfaction survey showed that Handelsbanken once again had customers that were more satisfied than the average for banks in Norway. Private customers gave Handelsbanken a score of 77.2, compared to the sector average of 70.9. Corporate customers gave the Bank a score of 72.9, compared to the sector average of 70.6.

Work on efficiency enhancements and digitalisation continued, with for example "Digital on-boarding". Of the Bank's new private banking customers during the period, 67% used the digital self-service channel to become a customer at the Bank. In tandem with more efficient processes, this has freed up time for branch employees through a substantial reduction in administrative work. The time freed up has instead been devoted to, among other things, improving the availability of advisory services within private banking.

Around 100 private banking advisors have received training, ensuring that the Bank now has at least one such advisor at each branch. Handelsbanken's private banking offering has major potential in Norway – almost a fifth of Handelsbanken's private customers have a gross income in excess of NOK 1m.

## January – September 2019 compared with January – September 2018

Both the average volume of lending to and deposits from households increased by 5%. Overall, the average volume of lending increased by 4% to NOK 260.0bn, while total deposits went up by 8% to NOK 68.2bn.

New savings in the Bank's mutual funds in Norway during the period totalled SEK -0.2bn (2.2).

## Q3 2019 compared with Q2 2019

The average volume of household lending increased by 3%, while household deposits grew by 5%. Overall, the average volume of lending increased by 1% to NOK 263.9bn, while total deposits went up by 8% to NOK 72.1bn.

New savings in the Bank's mutual funds in Norway during the quarter totalled SEK 0.5bn (-1.3).

# Handelsbanken Denmark

Handelsbanken Denmark consists of the branch operations in Denmark, which are organised as a regional bank, as well as Stadshypotek's operations in Denmark. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 56 branches throughout Denmark.

## INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	427	414	3%	437	-2%	1,253	1,290	-3%	1,713
Net fee and commission income	126	134	-6%	117	8%	378	349	8%	478
Net gains/losses on financial transactions	28	25	12%	23	22%	75	79	-5%	103
Other income	2	2	0%	2	0%	6	8	-25%	10
<b>Total income</b>	<b>583</b>	<b>575</b>	<b>1%</b>	<b>579</b>	<b>1%</b>	<b>1,712</b>	<b>1,726</b>	<b>-1%</b>	<b>2,304</b>
Staff costs	-197	-191	3%	-188	5%	-578	-548	5%	-782
Other expenses	-36	-25	44%	-44	-18%	-106	-135	-21%	-214
Internal purchased and sold services	-105	-105	0%	-89	18%	-304	-269	13%	-364
Depreciation, amortisation and impairments of property, equipment and intangible assets	-11	-23	-52%	-2	450%	-36	-7	414%	-8
<b>Total expenses</b>	<b>-349</b>	<b>-344</b>	<b>1%</b>	<b>-323</b>	<b>8%</b>	<b>-1,024</b>	<b>-959</b>	<b>7%</b>	<b>-1,368</b>
<b>Profit before credit losses</b>	<b>234</b>	<b>231</b>	<b>1%</b>	<b>256</b>	<b>-9%</b>	<b>688</b>	<b>767</b>	<b>-10%</b>	<b>936</b>
Net credit losses	7	-1		4	75%	0	7		5
Gains/losses on disposal of property, equipment and intangible assets	0	2	-100%	1	-100%	4	3	33%	5
<b>Operating profit</b>	<b>241</b>	<b>232</b>	<b>4%</b>	<b>261</b>	<b>-8%</b>	<b>692</b>	<b>777</b>	<b>-11%</b>	<b>946</b>
Profit allocation	18	17	6%	19	-5%	52	54	-4%	70
<b>Operating profit after profit allocation</b>	<b>259</b>	<b>249</b>	<b>4%</b>	<b>280</b>	<b>-7%</b>	<b>744</b>	<b>831</b>	<b>-10%</b>	<b>1,016</b>
Internal income	-84	-79	-6%	-81	-4%	-239	-233	-3%	-209
Cost/income ratio, %	58.1	58.1		54.0		58.0	53.9		57.6
Credit loss ratio, %	-0.03	0.00		-0.02		0.00	-0.01		-0.01
Allocated capital	6,685	6,416	4%	6,397	5%	6,685	6,397	5%	6,464
Return on allocated capital, %	12.2	12.2		13.7		12.0	13.9		12.7
Average number of employees	593	607	-2%	611	-3%	604	616	-2%	615
Number of branches	56	56	0%	56	0%	56	56	0%	56

## BUSINESS VOLUMES

Average volumes, DKK bn	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Loans to the public									
Household	47.8	47.8	0%	46.5	3%	47.7	46.2	3%	46.4
Companies	30.7	30.3	1%	29.4	4%	30.1	29.3	3%	29.1
<b>Total</b>	<b>78.5</b>	<b>78.1</b>	<b>1%</b>	<b>75.9</b>	<b>3%</b>	<b>77.8</b>	<b>75.5</b>	<b>3%</b>	<b>75.5</b>
Deposits and borrowing from the public									
Household	15.7	15.4	2%	14.1	11%	15.3	13.7	12%	13.9
Companies	21.0	17.7	19%	21.5	-2%	20.0	20.5	-2%	20.1
<b>Total</b>	<b>36.7</b>	<b>33.1</b>	<b>11%</b>	<b>35.6</b>	<b>3%</b>	<b>35.3</b>	<b>34.2</b>	<b>3%</b>	<b>34.0</b>

## JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit fell by 11%, or SEK 85m, to SEK 692m (777), due to lower income and higher expenses. The depreciation of the Swedish krona increased operating profit by SEK 25m, and expressed in local currency, operating profit declined by 13%. Return on allocated capital was 12.0% (13.9). The C/I ratio was 58.0% (53.9).

Net interest income fell by 3%, or SEK 37m, to SEK 1,253m (1,290), but was positively affected in the amount of SEK 39m due to the depreciation of the Swedish krona. Expressed in local currency, net interest income decreased by 6%. Higher lending volumes increased net interest income by SEK 39m, but lower lending margins decreased net interest income by SEK 74m. Higher deposit volumes increased net interest income by SEK 4m, while deposit margins improved by SEK 8m.

The fee for the Swedish Resolution Fund was SEK 20m lower than during the period of comparison and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -63m (-83).

Net fee and commission income rose by 8% to SEK 378m (349). Exchange rate movements had a positive impact of SEK 11m and, expressed in local currency, net fee and commission income climbed by 5%, thanks to high levels of activity in practically all business areas.

Net gains/losses on financial transactions totalled SEK 75m (79).

Expenses increased by 7% to SEK -1,024m (-959). Exchange rate movements represented SEK 27m of the total SEK 65m increase and, expressed in local currency, expenses grew by 4%. Staff costs grew by 5% to SEK -578m (-548) but, expressed in local currency, the increase was 2%. The average number of employees fell by 2% to 604 (616).

In accordance with IFRS 16, the majority of rental costs for premises are now to be recognised as depreciation charges.

Credit losses consisted of marginal net recoveries and amounted to SEK 0m (7). The credit loss ratio was -0.00% (-0.01).

## Q3 2019 COMPARED WITH Q2 2019

Operating profit increased by 4% to SEK 241m (232). The effect of exchange rate movements on operating profit was SEK 1m.

Net interest income increased by 3% to SEK 427m (414). The depreciation of the Swedish krona had a positive effect of SEK 2m. Higher lending volumes increased net interest income by SEK 2m, but lower lending margins decreased net interest income by SEK 4m. Higher deposit volumes increased net interest income by SEK 2m, while a downturn in deposit margins had a slight negative impact. The fact that the third quarter has one additional calendar day than the period of comparison had a positive impact of SEK 4m on net interest income. The fee for the Swedish

Resolution Fund was unchanged at SEK -17m (-17), while the deposit guarantee burdened net interest income by SEK -4m (-4).

Net fee and commission income declined by 6% to SEK 126m (134), which is explained by the level of activity in the period of comparison being higher than normal. Compared with the third quarter of the previous year, net fee and commission income was 8% higher. Net gains/losses on financial transactions totalled SEK 28m (25).

Expenses increased by 1% to SEK -349m (-344). Expressed in local currency, expenses were also up by 1%.

Credit losses consisted of net recoveries of SEK 7m (-1). The credit loss ratio was -0.03% (0.00).

## BUSINESS DEVELOPMENT

EPSI's annual customer satisfaction survey showed that Handelsbanken once again had customers that were more satisfied than the average for banks in Denmark. Private customers gave the Bank a score of 75.7, compared to the sector average of 70.0. On the corporate side, the score was 71.9, compared to the sector average of 70.3.

Work on simplification, efficiency enhancements, digitalisation and improvements to the customer experience continued, with one initiative being improved systems support for both private and corporate customers. New launches included expanded digital signature capabilities and improved functionality in the "My Money" app, which is aimed at children. As previously announced, new functions were also released for a digital investment advice guide for private individuals in the first half of the year.

During the quarter, additional functions were introduced to Online Corporate Banking, including a simpler way of registering payment files.

## January – September 2019 compared with January – September 2018

The Bank continued to have a stable inflow of new volumes and customers. The average volume of household deposits increased by 12%, while household lending grew by 3%. Overall, the average volume of lending increased by 3% to DKK 77.8bn, while total deposits went up by 3% to DKK 35.3bn.

New savings in the Bank's mutual funds in Denmark totalled SEK 0.1bn (0.9).

## Q3 2019 compared with Q2 2019

The average volume of household lending was essentially unchanged, while household deposits grew by 2%. Corporate lending increased by 1%, while corporate deposits were up by 19%. Overall, the average volume of lending grew by 1% to DKK 78.5bn (78.1), and deposits increased by 11% to DKK 36.7bn (33.1).

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

## Handelsbanken Finland

Handelsbanken Finland consists of the branch operations in Finland, which are organised as a regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Finland. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 36 branches throughout Finland. Handelsbanken Finans offers finance company services and works through the Bank's branches.

### INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	366	332	10%	336	9%	1,035	981	6%	1,315
Net fee and commission income	152	141	8%	124	23%	426	370	15%	502
Net gains/losses on financial transactions	9	14	-36%	9	0%	37	39	-5%	45
Other income	5	2	150%	6	-17%	14	13	8%	16
<b>Total income</b>	<b>532</b>	<b>489</b>	<b>9%</b>	<b>475</b>	<b>12%</b>	<b>1,512</b>	<b>1,403</b>	<b>8%</b>	<b>1,878</b>
Staff costs	-110	-115	-4%	-110	0%	-335	-322	4%	-437
Other expenses	-42	-38	11%	-41	2%	-137	-138	-1%	-195
Internal purchased and sold services	-99	-101	-2%	-92	8%	-283	-268	6%	-365
Depreciation, amortisation and impairments of property, equipment and intangible assets	-18	-30	-40%	-6	200%	-52	-16	225%	-21
<b>Total expenses</b>	<b>-269</b>	<b>-284</b>	<b>-5%</b>	<b>-249</b>	<b>8%</b>	<b>-807</b>	<b>-744</b>	<b>8%</b>	<b>-1,018</b>
<b>Profit before credit losses</b>	<b>263</b>	<b>205</b>	<b>28%</b>	<b>226</b>	<b>16%</b>	<b>705</b>	<b>659</b>	<b>7%</b>	<b>860</b>
Net credit losses	31	52	-40%	-25		82	-100		-172
Gains/losses on disposal of property, equipment and intangible assets	-1	0		0		-1	0		0
<b>Operating profit</b>	<b>293</b>	<b>257</b>	<b>14%</b>	<b>201</b>	<b>46%</b>	<b>786</b>	<b>559</b>	<b>41%</b>	<b>688</b>
Profit allocation	47	42	12%	47	0%	130	143	-9%	183
<b>Operating profit after profit allocation</b>	<b>340</b>	<b>299</b>	<b>14%</b>	<b>248</b>	<b>37%</b>	<b>916</b>	<b>702</b>	<b>30%</b>	<b>871</b>
Internal income	-73	-77	5%	-72	-1%	-220	-212	-4%	-157
Cost/income ratio, %	46.5	53.5		47.7		49.1	48.1		49.4
Credit loss ratio, %	-0.08	-0.12		0.08		-0.06	0.08		0.14
Allocated capital	7,170	6,782	6%	6,435	11%	7,170	6,435	11%	6,687
Return on allocated capital, %	14.9	13.9		12.0		13.9	11.2		10.4
Average number of employees	514	514	0%	525	-2%	508	528	-4%	518
Number of branches	36	36	0%	40	-10%	36	40	-10%	36

### BUSINESS VOLUMES

Average volumes, EUR m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Loans to the public									
Household	4,352	4,336	0%	4,215	3%	4,330	4,168	4%	4,195
Companies	9,557	9,528	0%	9,274	3%	9,487	9,095	4%	9,145
<b>Total</b>	<b>13,909</b>	<b>13,864</b>	<b>0%</b>	<b>13,489</b>	<b>3%</b>	<b>13,817</b>	<b>13,263</b>	<b>4%</b>	<b>13,340</b>
Deposits and borrowing from the public									
Household	1,729	1,703	2%	1,611	7%	1,695	1,564	8%	1,579
Companies	2,931	2,558	15%	2,696	9%	2,746	2,773	-1%	2,816
<b>Total</b>	<b>4,660</b>	<b>4,261</b>	<b>9%</b>	<b>4,307</b>	<b>8%</b>	<b>4,441</b>	<b>4,337</b>	<b>2%</b>	<b>4,395</b>

## JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit rose by 41% to SEK 786m (559), due to net recoveries and positive exchange rate effects. The depreciation of the Swedish krona increased operating profit by SEK 18m, and expressed in local currency, operating profit improved by 36%. Profit before credit losses grew by 7%, and expressed in local currency, profit before credit losses saw an increase of 4%. Return on allocated capital was 13.9% (11.2). The C/I ratio was 49.1% (48.1).

Income increased by 8% to SEK 1,512m (1,403) and was positively affected by exchange rate movements in the amount of SEK 45m. Expressed in local currency, income growth was 4%.

Net interest income rose by 6%, or SEK 54m, to SEK 1,035m (981). Exchange rate movements represented SEK 32m of this increase and, expressed in local currency, net interest income grew by 2%. Higher lending volumes increased net interest income by SEK 33m, while improved lending margins contributed SEK 21m, of which one-off effects in the third quarter represented SEK 9m. Higher deposit volumes increased net interest income by SEK 3m, but somewhat lower deposit margins decreased net interest income marginally.

The fee for the Swedish Resolution Fund was SEK 21m lower than during the period of comparison and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -79m (-100).

Net fee and commission income rose by 15% to SEK 426m (370), principally due to payments and to lending and deposit commissions. Adjusted for exchange rate movements, net fee and commission income grew by 11% expressed in local currency.

Total expenses increased by 8%, or SEK 63m, to SEK -807m (-744). The depreciation of the Swedish krona accounted for SEK 23m of this increase. Expressed in local currency, expenses were up by 5%. Staff costs rose by 4% to SEK -335m (-322) but, expressed in local currency, the increase was 1%. The average number of employees fell by 4% to 508 (528).

In accordance with IFRS 16, the majority of rental costs for premises are now to be recognised as depreciation charges.

Credit losses consisted of net recoveries and amounted to SEK 82m (-100). The credit loss ratio was -0.06% (0.08).

### Q3 2019 COMPARED WITH Q2 2019

Operating profit rose by 14% to SEK 293m (257), due to lower expenses and credit losses. Profit before credit losses increased by 28% to SEK 263m (205). The effect of exchange rate movements was marginal.

Net interest income grew by 10% to SEK 366m (332). Higher lending volumes increased net interest income by SEK 1m. One-off effects during the quarter resulted in a SEK 9m improvement to the lending margin. Overall,

higher deposit volumes and lower deposit margins had a neutral effect on net interest income. The fact that the third quarter has one additional calendar day had a positive impact of SEK 3m on net interest income. The fee for the Swedish Resolution Fund was SEK -23m (-25), while the deposit guarantee burdened net interest income by SEK -3m (-3).

Net fee and commission income went up by 8% to SEK 152m (141), due mainly to higher lending commissions arising from a new fee model.

Expenses fell by 5% to SEK -269m (-284), with exchange rate movements having a marginal effect. Expressed in local currency, expenses fell by 7%, due to lower staff costs and lower depreciation/amortisation.

Staff costs decreased by 4% to SEK -110m (-115). The average number of employees was unchanged at 514 (514).

Credit losses consisted of net recoveries of SEK 31m (52) and the credit loss ratio was -0.08% (-0.12).

## BUSINESS DEVELOPMENT

In the annual customer satisfaction survey in Finland, EPSI once again concluded that “Handelsbanken has the most satisfied corporate customers”. Customer satisfaction among private customers also increased compared to the previous year. At no point in the last 15 years has the lead that Handelsbanken enjoys over the sector average been as large as it currently is. Private customers gave Handelsbanken a score of 80.2, compared to the sector average of 73.6. Corporate customers gave the Bank an index value of 80.0, as compared with the sector average of 72.2.

The development of the advisory tool continues, and it now supports advisors in taking into account customers’ sustainability preferences.

Handelsbanken Finland has introduced a new mortgage loan tool for the branches. This tool is an important part of providing full advisory services in the mortgage loan discussion, and also includes savings advice.

### January – September 2019 compared with January – September 2018

The average volume of household deposits increased by 8%, while household lending grew by 4%. The average volume of corporate lending increased by 4%, while corporate deposits were down by 1%. Overall, the average volume of lending increased by 4% to EUR 13.8bn, while total deposits went up by 2% to EUR 4.4bn.

New savings in the Bank’s mutual funds in Finland amounted to SEK 0.8bn (1.6).

### Q3 2019 compared with Q2 2019

The average volume of household deposits increased by 2%, while household lending was unchanged. The average volume of corporate deposits increased by 15%, while corporate lending were largely unchanged.

New savings in the Bank’s mutual funds in Finland amounted to SEK 0.2bn (0.8).

## Handelsbanken the Netherlands

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

### INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	206	196	5%	174	18%	588	499	18%	675
Net fee and commission income	35	36	-3%	39	-10%	109	121	-10%	160
Net gains/losses on financial transactions	3	3	0%	6	-50%	14	12	17%	21
Share of profit of associates				-			-		-
Other income	0	0	0%	0	0%	1	1	0%	2
<b>Total income</b>	<b>244</b>	<b>235</b>	<b>4%</b>	<b>219</b>	<b>11%</b>	<b>712</b>	<b>633</b>	<b>12%</b>	<b>858</b>
Staff costs	-99	-102	-3%	-90	10%	-301	-264	14%	-355
Other expenses	-19	-13	46%	-23	-17%	-58	-68	-15%	-103
Internal purchased and sold services	-36	-37	-3%	-28	29%	-103	-86	20%	-117
Depreciation, amortisation and impairments of property, equipment and intangible assets	-15	-20	-25%	-4	275%	-40	-12	233%	-17
<b>Total expenses</b>	<b>-169</b>	<b>-172</b>	<b>-2%</b>	<b>-145</b>	<b>17%</b>	<b>-502</b>	<b>-430</b>	<b>17%</b>	<b>-592</b>
<b>Profit before credit losses</b>	<b>75</b>	<b>63</b>	<b>19%</b>	<b>74</b>	<b>1%</b>	<b>210</b>	<b>203</b>	<b>3%</b>	<b>266</b>
Net credit losses	-1	0		1		-2	13		14
Gains/losses on disposal of property, equipment and intangible assets	-	0		-		0	-		-
<b>Operating profit</b>	<b>74</b>	<b>63</b>	<b>17%</b>	<b>75</b>	<b>-1%</b>	<b>208</b>	<b>216</b>	<b>-4%</b>	<b>280</b>
Profit allocation	1	-1		1	0%	1	2	-50%	2
<b>Operating profit after profit allocation</b>	<b>75</b>	<b>62</b>	<b>21%</b>	<b>76</b>	<b>-1%</b>	<b>209</b>	<b>218</b>	<b>-4%</b>	<b>282</b>
Internal income	-102	-101	-1%	-87	-17%	-297	-245	-21%	-296
Cost/income ratio, %	69.0	73.5		65.9		70.4	67.7		68.8
Credit loss ratio, %	0.01	0.00		-0.01		0.01	-0.04		-0.03
Allocated capital	2,066	1,936	7%	1,742	19%	2,066	1,742	19%	1,823
Return on allocated capital, %	11.3	10.2		13.5		11.2	13.5		12.9
Average number of employees	315	319	-1%	305	3%	318	298	7%	300
Number of branches	29	29	0%	29	0%	29	29	0%	29

### BUSINESS VOLUMES

Average volumes, EUR m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Loans to the public									
Household	2,985	2,854	5%	2,456	22%	2,864	2,338	22%	2,403
Companies	2,157	2,116	2%	2,054	5%	2,078	2,031	2%	2,016
<b>Total</b>	<b>5,142</b>	<b>4,970</b>	<b>3%</b>	<b>4,510</b>	<b>14%</b>	<b>4,942</b>	<b>4,369</b>	<b>13%</b>	<b>4,419</b>
Deposits and borrowing from the public									
Household	208	192	8%	136	53%	190	127	50%	132
Companies	1,057	1,208	-13%	955	11%	1,120	996	12%	1,008
<b>Total</b>	<b>1,265</b>	<b>1,400</b>	<b>-10%</b>	<b>1,091</b>	<b>16%</b>	<b>1,310</b>	<b>1,123</b>	<b>17%</b>	<b>1,140</b>

## JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit declined by 4% to SEK 208m (216), which was mainly down to reversals during the period of comparison. Exchange rate effects had a positive effect of SEK 6m on operating profit. In local currency, operating profit decreased by 7%. Return on allocated capital was 11.2% (13.5). The C/I ratio was 70.4% (67.7).

Net interest income increased by 18% to SEK 588m (499). Exchange rate movements represented SEK 16m of this increase and, expressed in local currency, net interest income grew by 14%. Higher lending volumes increased net interest income by SEK 71m, while lending margins had an impact of SEK 12m.

The fee for the Swedish Resolution Fund was SEK 3m lower than during the period of comparison and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -24m (-27).

Net fee and commission income fell by 10% to SEK 109m (121), due to lower brokerage and mutual fund commissions. The asset management company Optimix contributed SEK 94m (108). Exchange rate effects positively affected net fee and commission income by SEK 4m. Assets under management in Optimix totalled EUR 1.6bn at the end of the period, including the company's own mutual funds (1.7).

Expenses rose by 17% to SEK -502m (-430). Expressed in local currency, expenses were up by 13%, mainly as the result of continued expansion and IT development. The average number of employees went up by 7% to 318 (298).

In accordance with IFRS 16, the majority of rental costs for premises are now to be recognised as depreciation charges.

Credit losses arising from Stage 1 and Stage 2 provisions amounted to SEK -2m (13). The credit loss ratio was 0.01% (-0.04).

## Q3 2019 COMPARED WITH Q2 2019

Operating profit increased by 17% to SEK 74m (63). Income climbed by 4% to SEK 244m (235). The effect of exchange rate movements was marginal.

Net interest income grew by 5% to SEK 206m (196), primarily due to larger business volumes. The fact that the third quarter has one calendar day more than the period of comparison had a positive impact of SEK 2m on net interest income.

Net fee and commission income was SEK 35m (36).

Expenses decreased by 2%, or SEK 3m, to SEK -169m (-172).

The average number of employees was 315 (319), and staff costs went down slightly to SEK -99m (-102).

Credit losses arising from Stage 1 and Stage 2 provisions amounted to SEK -1m (0). The credit loss ratio was 0.01% (-0.00).

## BUSINESS DEVELOPMENT

EPSI's annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers – both private and corporate – of all banks in the Netherlands. Private customers gave the Bank a score of 77.7, compared to the sector average of 68.2. Corporate customers gave Handelsbanken a score of 75.3, compared to the sector average of 63.5.

## January – September 2019 compared with January – September 2018

The average volume of household deposits increased by 50%, while household lending grew by 22%. Overall, the average volume of lending increased by 13% to EUR 4.9bn, while total deposits went up by 17% to EUR 1.3bn.

## Q3 2019 compared with Q2 2019

The average volume of household deposits increased by 8%, while household lending grew by 5%. Overall, the average volume of lending increased by 3% to EUR 5.1bn, while total deposits went down by 10% to EUR 1.3bn, due to a lower level of corporate deposits.



## Handelsbanken Capital Markets

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

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

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

Pension & Life comprises the Handelsbanken Liv subsidiary and offers pension solutions and other insurance solutions for private and corporate customers.

International encompasses the Bank's branches and representative offices in 13 countries outside the Bank's home markets, as well as the units for Financial Institutions (global banking collaborations) and Transaction Banking.

A large part of the income from Handelsbanken Capital Markets' products, including asset management commissions and income from currency conversions, is reported directly in branch operations at the branch with customer responsibility, and is thus not included in the income statement below.

### INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	109	106	3%	112	-3%	328	342	-4%	440
Net fee and commission income	1,045	1,070	-2%	991	5%	3,126	2,937	6%	3,968
Net gains/losses on financial transactions	255	324	-21%	129	98%	828	601	38%	802
Risk result - insurance	15	48	-69%	10	50%	97	66	47%	106
Other income	2	3	-33%	9	-78%	8	9	-11%	17
<b>Total income</b>	<b>1,426</b>	<b>1,551</b>	<b>-8%</b>	<b>1,251</b>	<b>14%</b>	<b>4,387</b>	<b>3,955</b>	<b>11%</b>	<b>5,333</b>
Staff costs	-446	-478	-7%	-436	2%	-1,387	-1,345	3%	-1,791
Other expenses	-159	-183	-13%	-174	-9%	-534	-535	0%	-781
Internal purchased and sold services	-309	-288	7%	-168	84%	-871	-532	64%	-789
Depreciation, amortisation and impairments of property, equipment and intangible assets	-16	-41	-61%	-8	100%	-64	-22	191%	-28
<b>Total expenses</b>	<b>-930</b>	<b>-990</b>	<b>-6%</b>	<b>-786</b>	<b>18%</b>	<b>-2,856</b>	<b>-2,434</b>	<b>17%</b>	<b>-3,389</b>
<b>Profit before credit losses</b>	<b>496</b>	<b>561</b>	<b>-12%</b>	<b>465</b>	<b>7%</b>	<b>1,531</b>	<b>1,521</b>	<b>1%</b>	<b>1,944</b>
Net credit losses	-2	4		-1	100%	7	12	-42%	10
Gains/losses on disposal of property, equipment and intangible assets	-	0		0		0	0		0
<b>Operating profit</b>	<b>494</b>	<b>565</b>	<b>-13%</b>	<b>464</b>	<b>6%</b>	<b>1,538</b>	<b>1,533</b>	<b>0%</b>	<b>1,954</b>
Profit allocation	-641	-599	7%	-595	8%	-1,794	-1,732	4%	-2,297
<b>Operating profit after profit allocation</b>	<b>-147</b>	<b>-34</b>	<b>-332%</b>	<b>-131</b>	<b>-12%</b>	<b>-256</b>	<b>-199</b>	<b>-29%</b>	<b>-343</b>
Internal income	-713	-577	-24%	-724	2%	-1,805	-2,168	17%	-2,772
Cost/income ratio, %	118.5	104.0		119.8		110.1	109.5		111.6
Credit loss ratio, %	-0.01	-0.02		0.01		-0.02	-0.01		-0.02
Allocated capital	5,814	4,497	29%	4,708	23%	5,814	4,708	23%	4,425
Return on allocated capital, %	-7.9	-2.4		-8.8		-5.5	-4.6		-5.9
Average number of employees	994	997	0%	1,079	-8%	1,001	1,086	-8%	1,076

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

## JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit grew marginally to SEK 1,538m (1,533). During the third quarter, the decision was made to concentrate geographically the operations in Handelsbanken International to the branches in Luxembourg and New York. Business operations are also conducted in France and Spain from the Luxembourg branch. Business operations at the branches and representative offices in Asia will be discontinued. The Bank also intends to discontinue its operations in Germany. These measures will be implemented with all due care and attention paid to the rights of local stakeholders, and in full compliance with local regulations and the decisions of public authorities.

Total income grew by 11% to SEK 4,387m (3,955). Total expenses rose by 17% to SEK -2,856m (-2,434).

Net fee and commission income rose by 6% to SEK 3,126m (2,937), which was due to rising mutual fund volumes and an increase in advisory and insurance-related commissions.

Net gains/losses on financial transactions rose to SEK 828m (601), although the increase is explained by a change in the principle for profit allocation, and is offset on the expense side by higher distribution remuneration.

Staff costs grew by SEK 42m to SEK -1,387m (-1,345), with one contributing factor being the one-off expenses of SEK 21m recognised during the second quarter in connection with the closure of the branches in Estonia, Latvia and Lithuania. Adjusted for this and for exchange rate effects, staff costs were virtually unchanged. The average number of employees fell by 8% to 1,001 (1,086).

Other expenses were largely unchanged, amounting to SEK -534m (-535). Expenses for services bought and sold internally increased by SEK 339m to SEK -871m (-532), mainly due to higher distribution remuneration to the branch operations.

Credit losses consisted of net recoveries and totalled SEK 7m (12). The credit loss ratio was -0.02% (-0.01).

## Q3 2019 COMPARED WITH Q2 2019

Operating profit decreased by SEK 71m, or 13%, to SEK 494m (565).

Total income fell by 8% to SEK 1,426m (1,551). Net fee and commission income declined by 2% to SEK 1,045m (1,070), due to lower brokerage and advisory commissions during the holiday period. Net gains/losses on financial transactions fell to SEK 255m (324), due to a lower level of business activity in customer-driven fixed income and currency trading during the summer months.

Total expenses decreased by 6% to SEK -930m (-990). Staff costs declined by SEK 32m to SEK -446m (-478), although this was largely due to the restructuring cost of SEK -21m recognised during the second quarter.

The average number of employees totalled 994 (997). Other expenses went down to SEK -159m (-183), while services bought and sold internally totalled SEK -309m (-288).

Credit losses were SEK -2m (4), and the credit loss ratio was -0.01% (-0.02).

## BUSINESS DEVELOPMENT

### Markets

Foreign exchange business developed at a slightly weaker rate than the previous year, while fixed income business was slightly stronger. The financial performance of the equity business is in line with the previous year. Corporate Finance continued to perform well and, according to the market research company Mergermarket, the Bank is the second largest Nordic player as regards mergers and acquisitions of Swedish companies. There was a positive trend for the Bank's business volumes in the market for Capital Market funding, with interest in green bonds remaining high. A development of note was that the Bank has, for the first time, arranged green loans for certifiably sustainable forest land. In total, the Bank has arranged 88 bond issues during the year at a value of EUR 10.4bn.

### Asset management

Asset management operations continued to show a positive performance and net savings in Handelsbanken's mutual funds in Sweden during the first three quarters of the year totalled SEK 12.4bn (13.5). This meant that the Bank was the largest player, with a market share of 23% of the net flow, compared to the Bank's share of the Swedish mutual fund market of 11%.

Total net savings in the Group's funds amounted to SEK 12.3bn (18.2). The total fund volume, including exchange-traded funds, increased during the first three quarters of the year by 18% to SEK 595bn (503). Both the fund volume in Sweden and the aggregated fund volume in the other Nordic markets are the highest ever.

Total assets under management in the Group rose during the first three quarters of the year by 17% to SEK 725bn (619), also to the highest volume ever.

The market research company Kantar Sifo Prospera ranked Handelsbanken as the number one "External Asset Manager" in Sweden in its 2019 survey. Morningstar, a mutual fund research company, also ranked Handelsbanken Fonder highest of the Nordic banks when it evaluated the 30 largest fund managers on the Swedish market.

During the quarter, work on introducing enhanced sustainability requirements to the Bank's funds has continued, as a result of which the majority of the Bank's mutual funds are now managed according to these requirements. At year-end, 44% of the total mutual fund volume was managed according to the enhanced sustainability requirements. During the first nine months of the year, this proportion grew further, to the extent that

64% of the total mutual fund volume was managed according to the enhanced sustainability requirements.

#### Pension & Life

The Pension & Life business area performed well and the total premium volume increased by 11% compared with the corresponding period in the previous year. Occupational pensions performed well and the total premium flows increased by SEK 272m, or 13%, compared with the corresponding period in the previous year. The number of customers transferring their pension capital to Handelsbanken Liv continues to rise, and net transferred capital increased by 92%. Assets under management at Handelsbanken Liv increased by 21% during the first nine months of the year to SEK 168bn (139), the highest volume ever.

#### International

Handelsbanken International will be concentrating its operations to the branches in Luxembourg and New York. Increased regulatory requirements and investment needs, combined with changes to customer behaviour – with customers centralising their administration and decision-making to fewer units, such as Treasury Centres – have resulted in weak levels of profitability in the other units. Consequently, the decision has now been made to gradually wind down the operations in Asia. The Bank also intends to gradually discontinue its operations in Germany. As previously announced, the Bank decided during the second quarter to close its branches in Tallinn, Riga, Vilnius and Warsaw.

The average volume of deposits in Handelsbanken International increased by 6% to SEK 61.8bn (61.0). Lending decreased by 8% to SEK 29.7bn (31.9).

## Other units not reported in the business segments

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

### INCOME STATEMENT

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	72	106	-32%	183	-61%	278	604	-54%	768
Net fee and commission income	-1	-6	83%	10		-8	29		27
Net gains/losses on financial transactions	-206	-206	0%	-223	8%	-612	-859	29%	-987
Share of profit of associates	10	10	0%	10	0%	31	3		0
Other income	10	91	-89%	12	-17%	117	885	-87%	1,109
<b>Total income</b>	<b>-115</b>	<b>-5</b>		<b>-8</b>		<b>-194</b>	<b>662</b>		<b>917</b>
Staff costs	-1,590	-858	85%	-959	66%	-2,358	-2,808	-16%	-3,808
Other expenses	-953	-965	-1%	-750	27%	-2,521	-2,362	7%	-3,252
Internal purchased and sold services	1,813	1,770	2%	1,567	16%	5,253	4,737	11%	6,497
Depreciation, amortisation and impairments of property, equipment and intangible assets	-225	-33		-151	49%	-586	-369	59%	-485
<b>Total expenses</b>	<b>-955</b>	<b>-86</b>		<b>-293</b>	<b>226%</b>	<b>-212</b>	<b>-802</b>	<b>-74%</b>	<b>-1,048</b>
<b>Profit before credit losses</b>	<b>-1,070</b>	<b>-91</b>		<b>-301</b>	<b>-255%</b>	<b>-406</b>	<b>-140</b>	<b>-190%</b>	<b>-131</b>
Net credit losses	0	1	-100%	0	0%	1	0		2
Gains/losses on disposal of property, equipment and intangible assets	1	0		0		1	0		1
<b>Operating profit</b>	<b>-1,069</b>	<b>-90</b>		<b>-301</b>	<b>-255%</b>	<b>-404</b>	<b>-140</b>	<b>-189%</b>	<b>-128</b>
Profit allocation									
<b>Operating profit after profit allocation</b>	<b>-1,069</b>	<b>-90</b>		<b>-301</b>	<b>-255%</b>	<b>-404</b>	<b>-140</b>	<b>-189%</b>	<b>-128</b>
Internal income	2,240	2,074	8%	2,091	7%	6,398	6,295	2%	7,724
Average number of employees	3,299	3,176	4%	2,936	12%	3,195	2,833	13%	2,886

### JANUARY – SEPTEMBER 2019 COMPARED WITH JANUARY – SEPTEMBER 2018

Operating profit in other units not reported in the business segments amounted to SEK -404m (-140). During the third quarter, a restructuring cost of SEK -900m had a negative impact on profit. The cost is related to the management of redundancies within certain head office functions and operations outside the home markets, as well as to the streamlining of the Bank's range of products and services.

During the first quarter, the provisional allocation to the Oktogonen profit-sharing scheme for 2018, which amounted to SEK 827m, was reversed.

Dividends of SEK 55m (-) were received from VISA Sweden ekonomisk förening during the first half of the year.

The sale of shares in UC AB yielded a positive effect of SEK 837m during the preceding period.

The average number of employees grew by 13% to 3,195 (2,833). The number of employees in the IT department grew by 6% to 1,935 (1,830). In addition, the increase can be explained by the Bank's continued reinforcement of its control functions, mainly relating to work to prevent financial crime.

### Q3 2019 COMPARED WITH Q2 2019

Operating profit was SEK -1,069m (-90), which was negatively impacted by restructuring costs of SEK -900m. A further dividend was received from VISA Sweden ekonomisk förening during the quarter of comparison, amounting to SEK 55m (-). No provision was made to the Oktogonen profit-sharing scheme during the quarter.

The average number of employees totalled 3,299 (3,176); within this figure, the number of employees at the IT department was 1,940 (1,941).

## KEY FIGURES – GROUP

	Q3 2019	Q2 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Return on equity	10.0%	12.3%	12.1%	11.9%	13.2%	12.8%
C/I ratio	56.5%	48.8%	48.1%	48.8%	47.0%	47.7%
C/I ratio, incl. credit losses	58.3%	52.6%	50.2%	51.5%	48.9%	49.7%
Earnings per share, SEK	1.82	2.17	2.11	6.43	6.86	8.93
- after dilution	1.81	2.14	2.09	6.36	6.80	8.84
Ordinary dividend, SEK						5.50
Total dividend						5.50
Adjusted equity per share, SEK	75.56	73.38	73.51	75.56	73.51	72.90
Common equity tier 1 ratio, CRR	17.4%	17.1%	21.7%	17.4%	21.7%	16.8%
Total capital ratio, CRR	22.1%	21.7%	27.1%	22.1%	27.1%	21.0%
Average number of employees	12,771	12,481	12,583	12,549	12,289	12,307
Number of branches, Sweden	383	384	402	383	402	390
Number of branches outside Sweden	386	388	393	386	393	389

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

## THE HANDELSBANKEN SHARE

	Q3 2019	Q2 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Number of converted shares	22,815,619	6,940,748	-	29,756,367	1,609	1,609
Number of repurchased shares	-	-	-	-	-	-
Holding of own shares in trading book, end of period	-	-	-	-	-	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	1,973,931,527	1,951,115,908	1,944,175,160	1,973,931,527	1,944,175,160	1,944,175,160
Number of outstanding shares after dilution, end of period	1,979,823,260	1,978,421,423	1,976,024,661	1,979,823,260	1,976,024,661	1,976,884,889
Average number of shares converted during the period	12,911,686	2,883,789	1,609	5,312,454	819	1,018
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-	-
Average number of outstanding shares	1,957,086,846	1,947,058,949	1,944,175,160	1,949,487,614	1,944,174,370	1,944,174,569
- after dilution	1,978,421,423	1,977,200,315	1,976,962,335	1,976,884,889	1,974,525,521	1,974,525,521
Share price SHB class A, end of period, SEK	92.18	91.88	112.25	92.18	112.25	98.30
Share price SHB class B, end of period, SEK	93.00	95.00	111.80	93.00	111.80	101.20
Market capitalisation, end of period, SEK bn	182	179	218	182	218	191

# Condensed set of financial statements – Group

## INCOME STATEMENT – GROUP

SEK m		Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Interest income		13,429	13,839	-3%	12,798	5%	41,029	36,257	13%	49,171
<i>of which interest income according to the effective interest method and interest on derivatives for hedging</i>		13,370	13,638	-2%	12,559	6%	40,499	35,633	14%	48,341
Interest expense		-5,382	-5,775	-7%	-4,936	9%	-16,984	-12,843	32%	-17,885
<b>Net interest income</b>	Note 2	<b>8,047</b>	<b>8,064</b>	<b>0%</b>	<b>7,862</b>	<b>2%</b>	<b>24,045</b>	<b>23,414</b>	<b>3%</b>	<b>31,286</b>
Net fee and commission income	Note 3	2,724	2,695	1%	2,624	4%	7,931	7,636	4%	10,247
Net gains/losses on financial transactions	Note 4	271	355	-24%	186	46%	886	605	46%	908
Risk result - insurance		15	48	-69%	10	50%	97	66	47%	106
Other dividend income		0	84	-100%	3	-99%	93	17	447%	218
Share of profit of associates		10	10	0%	10	0%	31	3		-
Other income		46	28	64%	33	39%	105	946	-89%	1,005
<b>Total income</b>		<b>11,113</b>	<b>11,284</b>	<b>-2%</b>	<b>10,728</b>	<b>4%</b>	<b>33,188</b>	<b>32,687</b>	<b>2%</b>	<b>43,770</b>
Staff costs		-4,143	-3,485	19%	-3,421	21%	-10,144	-10,001	1%	-13,465
Other expenses	Note 5	-1,692	-1,608	5%	-1,554	9%	-4,795	-4,823	-1%	-6,712
Depreciation, amortisation and impairment of property, equipment and intangible assets		-447	-411	9%	-181	147%	-1,250	-542	131%	-713
<b>Total expenses</b>		<b>-6,282</b>	<b>-5,504</b>	<b>14%</b>	<b>-5,156</b>	<b>22%</b>	<b>-16,189</b>	<b>-15,366</b>	<b>5%</b>	<b>-20,890</b>
<b>Profit before credit losses</b>		<b>4,831</b>	<b>5,780</b>	<b>-16%</b>	<b>5,572</b>	<b>-13%</b>	<b>16,999</b>	<b>17,321</b>	<b>-2%</b>	<b>22,880</b>
Net credit losses	Note 6	-192	-435	-56%	-230	-17%	-915	-605	51%	-881
Gains/losses on disposal of property, equipment and intangible assets		2	5	-60%	2	0%	17	9	89%	14
<b>Operating profit</b>		<b>4,641</b>	<b>5,350</b>	<b>-13%</b>	<b>5,344</b>	<b>-13%</b>	<b>16,101</b>	<b>16,725</b>	<b>-4%</b>	<b>22,013</b>
Taxes		-1,070	-1,133	-6%	-1,238	-14%	-3,557	-3,384	5%	-4,656
<b>Profit for the period</b>		<b>3,571</b>	<b>4,217</b>	<b>-15%</b>	<b>4,106</b>	<b>-13%</b>	<b>12,544</b>	<b>13,341</b>	<b>-6%</b>	<b>17,357</b>
Attributable to										
Shareholders in Svenska Handelsbanken AB		3,570	4,217	-15%	4,105	-13%	12,542	13,339	-6%	17,354
Minority interest		1	0		1		2	2		3

## EARNINGS PER SHARE – GROUP

	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	3,570	4,217	-15%	4,105	-13%	12,542	13,339	-6%	17,354
- of which interest expense on convertible subordinated loan after tax	-3	-11	-73%	-27	-89%	-41	-78	-47%	-104
Average number of outstanding shares, million	1,957.1	1,947.1		1,944.2		1,949.5	1,944.2		1,944.2
Average number of outstanding shares after dilution, million	1,978.4	1,977.2		1,977.0		1,976.9	1,974.5		1,974.5
Earnings per share, SEK	1.82	2.17	-16%	2.11	-14%	6.43	6.86	-6%	8.93
- after dilution	1.81	2.14	-15%	2.09	-13%	6.36	6.80	-6%	8.84

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

## STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
<b>Profit for the period</b>	<b>3,571</b>	<b>4,217</b>	<b>-15%</b>	<b>4,106</b>	<b>-13%</b>	<b>12,544</b>	<b>13,341</b>	<b>-6%</b>	<b>17,357</b>
<b>Other comprehensive income</b>									
<b>Items that will not be reclassified to the income statement</b>									
Defined benefit pension plans	263	1,015	-74%	1,645	-84%	1,276	-600		-4,405
Instruments measured at fair value through other comprehensive income - equity instruments	22	80		31		258	126		-188
Tax on items that will not be reclassified to income statement	-57	-226	75%	-363	84%	-294	127		978
<i>of which defined benefit pension plans</i>	-54	-220	75%	-362	85%	-276	129		977
<i>of which equity instruments measured at fair value through other comprehensive income</i>	-3	-6		-1		-18	-2		1
<b>Total items that will not be reclassified to the income statement</b>	<b>228</b>	<b>869</b>	<b>-74%</b>	<b>1,313</b>	<b>-83%</b>	<b>1,240</b>	<b>-347</b>		<b>-3,615</b>
<b>Items that may subsequently be reclassified to the income statement</b>									
Cash flow hedges	1,267	3,319	-62%	-1,709		6,688	-2,064		768
Instruments measured at fair value through other comprehensive income - debt instruments	-2	5		1		10	0		-12
Translation differences for the period	550	-66		-1,181		1,937	3,157	-39%	-188
<i>of which hedging net investment in foreign operations</i>	-474	193		-115	-312%	-1,238	-672	-84%	-850
Tax on items that may subsequently be reclassified to the income statement	-169	-752	78%	401		-1,168	602		38
<i>of which cash flow hedges</i>	-271	-710	62%	376		-1,431	454		-159
<i>of which debt instruments measured at fair value through other comprehensive income</i>	0	0		0		-2	0		3
<i>of which hedging net investment in foreign operations</i>	102	-42		25	308%	265	148	79%	194
<b>Total items that may subsequently be reclassified to the income statement</b>	<b>1,646</b>	<b>2,506</b>	<b>-34%</b>	<b>-2,488</b>		<b>7,467</b>	<b>1,695</b>	<b>341%</b>	<b>606</b>
<b>Total other comprehensive income for the period</b>	<b>1,874</b>	<b>3,375</b>	<b>-44%</b>	<b>-1,175</b>		<b>8,707</b>	<b>1,348</b>		<b>-3,009</b>
<b>Total comprehensive income for the period</b>	<b>5,445</b>	<b>7,592</b>	<b>-28%</b>	<b>2,931</b>	<b>86%</b>	<b>21,251</b>	<b>14,689</b>	<b>45%</b>	<b>14,348</b>
Attributable to									
Shareholders in Svenska Handelsbanken AB	5,444	7,592	-28%	2,930	86%	21,249	14,687	45%	14,345
Minority interest	1	0		1	0%	2	2	0%	3

From January to September 2019, other comprehensive income totalled SEK 8,707m (1,348) after tax. In individual periods, the results of all items within other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

During the January to September period, other comprehensive income was positively affected in an amount of SEK 1,000m (-471) after tax, related to defined benefit pension plans. The value of the plan assets has increased to a greater extent than the pension obligations. This increase comes in spite of the fact that the discount rate for the Swedish pension obligations has decreased to 1.4% from 2.0% since year-end 2018.

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

market valuation is reported under Cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. During the period, these value changes on hedge derivatives in cash flow hedges were SEK 5,257m (-1,610) after tax. The value changes derive partly from exchange rate movements, but above all from changes in the discount rates of the respective currencies. During the year, SEK -7m (-34) was reclassified to the income statement as a result of ineffectiveness.

Unrealised changes in the value of equity instruments and debt instruments classified at fair value through other comprehensive income had impacts of SEK 240m (124) and SEK 8m (0) after tax, respectively.

Unrealised exchange rate effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations have affected other comprehensive income in the amount of SEK 2,202m (3,305) after tax during the year.

## QUARTERLY PERFORMANCE – GROUP

SEK m	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Interest income	13,429	13,839	13,761	12,914	12,798
Interest expense	-5,382	-5,775	-5,827	-5,042	-4,936
Net interest income	8,047	8,064	7,934	7,872	7,862
Net fee and commission income	2,724	2,695	2,512	2,611	2,624
Net gains/losses on financial transactions	271	355	260	303	186
Risk result - insurance	15	48	34	40	10
Other dividend income	0	84	9	201	3
Share of profit of associates	10	10	11	-3	10
Other income	46	28	31	59	33
<b>Total income</b>	<b>11,113</b>	<b>11,284</b>	<b>10,791</b>	<b>11,083</b>	<b>10,728</b>
Staff costs	-4,143	-3,485	-2,516	-3,464	-3,421
Other expenses	-1,692	-1,608	-1,495	-1,889	-1,554
Depreciation, amortisation and impairment of property, equipment and intangible assets	-447	-411	-392	-171	-181
<b>Total expenses</b>	<b>-6,282</b>	<b>-5,504</b>	<b>-4,403</b>	<b>-5,524</b>	<b>-5,156</b>
<b>Profit before credit losses</b>	<b>4,831</b>	<b>5,780</b>	<b>6,388</b>	<b>5,559</b>	<b>5,572</b>
Net credit losses	-192	-435	-288	-276	-230
Gains/losses on disposal of property, equipment and intangible assets	2	5	10	5	2
<b>Operating profit</b>	<b>4,641</b>	<b>5,350</b>	<b>6,110</b>	<b>5,288</b>	<b>5,344</b>
Taxes	-1,070	-1,133	-1,354	-1,272	-1,238
<b>Profit for the period</b>	<b>3,571</b>	<b>4,217</b>	<b>4,756</b>	<b>4,016</b>	<b>4,106</b>
Earnings per share, SEK	1.82	2.17	2.45	2.07	2.11
- after dilution	1.81	2.14	2.42	2.05	2.09



## BALANCE SHEET – GROUP

SEK m		30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
<b>Assets</b>						
Cash and balances with central banks		314,002	271,300	352,142	317,217	357,440
Other loans to central banks	Note 7	46,867	27,249	39,899	33,557	48,428
Interest-bearing securities eligible as collateral with central banks		152,409	177,062	148,563	122,260	145,589
Loans to other credit institutions	Note 7	35,204	33,573	50,175	22,137	35,722
Loans to the public	Note 7	2,296,264	2,276,983	2,258,016	2,189,092	2,193,712
Value change of interest-hedged item in portfolio hedge		30	34	35	33	31
Bonds and other interest-bearing securities		55,726	56,498	59,374	50,729	56,571
Shares		18,472	17,939	13,124	13,821	13,881
Investments in associates		285	276	268	259	263
Assets where the customer bears the value change risk		166,512	161,103	152,779	136,346	152,042
Derivative instruments	Note 9, 10	67,973	51,377	57,763	58,041	52,615
Reinsurance assets		12	12	12	12	14
Intangible assets	Note 11	11,091	10,974	10,749	10,455	10,390
Property and equipment		6,716	6,482	6,392	2,229	2,243
Current tax assets		2,719	1,635	711	617	2,252
Deferred tax assets		1,241	1,122	1,200	1,044	376
Net pension assets		-	-	-	-	1,084
Assets held for sale		-	-	-	19	18
Other assets		9,773	8,160	15,043	16,880	11,416
Prepaid expenses and accrued income		2,974	3,732	3,943	3,426	3,149
<b>Total assets</b>		<b>3,188,270</b>	<b>3,105,511</b>	<b>3,170,188</b>	<b>2,978,174</b>	<b>3,087,236</b>
<b>Liabilities and equity</b>						
Due to credit institutions	Note 12	210,506	192,494	196,941	194,082	194,657
Deposits and borrowing from the public	Note 12	1,157,242	1,105,365	1,119,830	1,008,487	1,099,384
Liabilities where the customer bears the value change risk		166,512	161,104	152,779	136,346	152,040
Issued securities	Note 13	1,405,904	1,402,604	1,449,392	1,394,647	1,393,819
Derivative instruments	Note 9, 10	15,094	15,497	15,849	17,360	19,137
Short positions		4,271	8,055	10,888	6,163	7,081
Insurance liabilities		570	579	568	542	546
Current tax liabilities		2,841	2,204	1,577	1,118	2,174
Deferred tax liabilities		7,421	7,081	6,187	5,786	5,959
Provisions		1,168	302	222	222	239
Net pension liabilities		1,864	2,182	3,236	3,226	-
Other liabilities		18,376	18,663	31,074	12,984	16,351
Accrued expenses and deferred income		3,605	3,511	4,274	3,865	3,812
Subordinated liabilities		37,307	37,673	37,588	51,085	50,827
<b>Total liabilities</b>		<b>3,032,681</b>	<b>2,957,314</b>	<b>3,030,405</b>	<b>2,835,913</b>	<b>2,946,026</b>
Minority interest		8	7	13	12	11
Share capital		3,060	3,024	3,013	3,013	3,013
Share premium		8,225	6,292	5,629	5,629	5,629
Reserves		13,805	11,931	8,556	5,098	9,455
Retained earnings		117,949	117,971	117,817	111,155	109,763
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		12,542	8,972	4,755	17,354	13,339
<b>Total equity</b>		<b>155,589</b>	<b>148,197</b>	<b>139,783</b>	<b>142,261</b>	<b>141,210</b>
<b>Total liabilities and equity</b>		<b>3,188,270</b>	<b>3,105,511</b>	<b>3,170,188</b>	<b>2,978,174</b>	<b>3,087,236</b>

## STATEMENT OF CHANGES IN EQUITY – GROUP

January – September 2019 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Minority	Total
<b>Opening equity 2019</b>	<b>3,013</b>	<b>5,629</b>	<b>1,283</b>	<b>1,263</b>	<b>304</b>	<b>2,248</b>	<b>128,509</b>	<b>12</b>	<b>142,261</b>
Profit for the period							12,542	2	12,544
Other comprehensive income			1,000	5,257	248	2,202		0	8,707
<i>of which reclassified within equity</i>						-133			-133
<b>Total comprehensive income for the period</b>			<b>1,000</b>	<b>5,257</b>	<b>248</b>	<b>2,202</b>	<b>12,542</b>	<b>2</b>	<b>21,251</b>
Reclassified to retained earnings							133		133
Dividend							-10,693		-10,693
Effects of convertible subordinated loans	47	2,596							2,643
Change of minority interests							-	-6	-6
<b>Closing equity</b>	<b>3,060</b>	<b>8,225</b>	<b>2,283</b>	<b>6,520</b>	<b>552</b>	<b>4,450</b>	<b>130,491</b>	<b>8</b>	<b>155,589</b>

January - December 2018 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Minority	Total
<b>Closing equity 2017</b>	<b>3,013</b>	<b>5,629</b>	<b>4,711</b>	<b>654</b>	<b>499</b>	<b>2,242</b>	<b>124,845</b>	<b>11</b>	<b>141,604</b>
Effect of transition to IFRS 9					1		-640		-639
Tax effect due to transition to IFRS 9					0		139		139
<b>Opening equity 2018</b>	<b>3,013</b>	<b>5,629</b>	<b>4,711</b>	<b>654</b>	<b>500</b>	<b>2,242</b>	<b>124,344</b>	<b>11</b>	<b>141,104</b>
Profit for the period							17,354	3	17,357
Other comprehensive income			-3,428	609	-196	6		0	-3,009
<i>of which reclassified within equity</i>			1		-5	-1,388			-1,392
<b>Total comprehensive income for the period</b>			<b>-3,428</b>	<b>609</b>	<b>-196</b>	<b>6</b>	<b>17,354</b>	<b>3</b>	<b>14,348</b>
Reclassified to retained earnings							1,392		1,392
Dividend							-14,581		-14,581
Effects of convertible subordinated loans	0	0							0
Change of minority interests							-	-2	-2
<b>Closing equity</b>	<b>3,013</b>	<b>5,629</b>	<b>1,283</b>	<b>1,263</b>	<b>304</b>	<b>2,248</b>	<b>128,509</b>	<b>12</b>	<b>142,261</b>

January - September 2018 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Minority	Total
<b>Closing equity 2017</b>	<b>3,013</b>	<b>5,629</b>	<b>4,711</b>	<b>654</b>	<b>499</b>	<b>2,242</b>	<b>124,845</b>	<b>11</b>	<b>141,604</b>
Effect of transition to IFRS 9					1		-640		-639
Tax effect due to transition to IFRS 9					0		139		139
<b>Opening equity 2018</b>	<b>3,013</b>	<b>5,629</b>	<b>4,711</b>	<b>654</b>	<b>500</b>	<b>2,242</b>	<b>124,344</b>	<b>11</b>	<b>141,104</b>
Profit for the period							13,339	2	13,341
Other comprehensive income			-471	-1,610	124	3,305		0	1,348
<b>Total comprehensive income for the period</b>			<b>-471</b>	<b>-1,610</b>	<b>124</b>	<b>3,305</b>	<b>13,339</b>	<b>2</b>	<b>14,689</b>
Dividend							-14,581		-14,581
Effects of convertible subordinated loans	0	0							0
Change of minority interests							-	-2	-2
<b>Closing equity</b>	<b>3,013</b>	<b>5,629</b>	<b>4,240</b>	<b>-956</b>	<b>624</b>	<b>5,547</b>	<b>123,102</b>	<b>11</b>	<b>141,210</b>

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

During the period January to September 2019, convertibles for a nominal value of SEK 2 643m (0), relating to subordinated convertible bonds were converted into 29 756 367 Class A shares (1 609). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

## CONDENSED STATEMENT OF CASH FLOWS – GROUP

SEK m	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating profit, total operations	16,101	16,725	22,013
Adjustment for non-cash items in profit/loss	1,061	1,663	3,360
Paid income tax	-3,943	-3,843	-5,106
Changes in the assets and liabilities of operating activities	-11,807	99,976	56,395
<b>Cash flow from operating activities</b>	<b>1,412</b>	<b>114,521</b>	<b>76,662</b>
Acquisition / disposal of subsidiaries	-	-	-
Change in shares	-52	241	43
Change in property and equipment	-402	-297	-383
Change in intangible assets	-817	-546	-786
<b>Cash flow from investing activities</b>	<b>-1,271</b>	<b>-602</b>	<b>-1,126</b>
Repayment of subordinated loans	-17,730	-	-
Issued subordinated loans	4,908	15,449	15,449
Dividend paid	-10,693	-14,581	-14,581
<b>Cash flow from financing activities</b>	<b>-23,515</b>	<b>868</b>	<b>868</b>
<b>Liquid funds at beginning of the period</b>	<b>317,217</b>	<b>226,314</b>	<b>226,314</b>
Cash flow for the period	-23,374	114,787	76,404
Exchange rate difference on liquid funds	20,159	16,339	14,499
<b>Liquid funds at end of the period*</b>	<b>314,002</b>	<b>357,440</b>	<b>317,217</b>

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

## NOTES

### Note 1 Accounting policies

#### Accounting policies

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

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

On 1 January 2019, IFRS 16 Leases entered into force in the EU, replacing IAS 17. The main change arising from the new standard is that all leases (with the exception of short-term contracts and contracts of minor value) must be recognised as an asset (right-of-use asset) and as a liability on the lessee's balance sheet. In the income statement, the straight-line expense for the operating lease has been replaced by a charge for depreciation on the leased asset and an interest expense attributable to the lease liability.

Handelsbanken adopted the standard on 1 January 2019, applying the modified retrospective method upon implementation. The comparative figures for previous periods have not been restated, and opening retained earnings have not been affected by an initial impact in conjunction with the transition, as the Bank has applied the alternative of recognising all assets (right-of-use assets), as at the

first date of application, at an amount corresponding to the lease liability, adjusted for any prepaid or accrued lease fees related to the lease agreement.

At the time of the transition to IFRS 16, the asset (right-of-use assets) amounted to SEK 4.2bn and the lease liability to SEK 4.2bn. The main impact on the Group's accounts derives from accounting for contracts for the rental of premises. The standard imposes new disclosure requirements for lessees, which will be presented in the Annual Report for 2019. The transition to IFRS 16 has not had any material impact on Handelsbanken's financial reports, capital adequacy or large exposures.

In other respects, the interim report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the Annual Report for 2018.

#### Future regulatory changes

##### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts has been published by the International Accounting Standards Board (IASB). Assuming that IFRS 17 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard is to be applied as of the 2022 financial year. IFRS 17 entails a change in how insurance contracts are recognised, presented and measured, and implies extended disclosure requirements. The Bank is currently analysing the financial effects of the new standard.

##### Other changes in IFRS

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

## Note 2 Net interest income

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
<b>Interest income</b>									
Loans to credit institutions and central banks	715	811	-12%	874	-18%	2,448	2,203	11%	3,160
Loans to the public	11,200	11,147	0%	10,523	6%	33,122	30,891	7%	41,469
Interest-bearing securities eligible as collateral with central banks	4	134	-97%	100	-96%	306	266	15%	387
Bonds and other interest-bearing securities	125	150	-17%	200	-38%	419	663	-37%	811
Derivative instruments	856	1,166	-27%	703	22%	3,376	1,126	200%	1,817
Other interest income	327	351	-7%	333	-2%	1,012	998	1%	1,334
<b>Total</b>	<b>13,227</b>	<b>13,759</b>	<b>-4%</b>	<b>12,733</b>	<b>4%</b>	<b>40,683</b>	<b>36,147</b>	<b>13%</b>	<b>48,978</b>
Interest income reported in Net gains/losses on financial transactions	-202	-80	-153%	-65	-211%	-346	-110	-215%	-193
<b>Total interest income</b>	<b>13,429</b>	<b>13,839</b>	<b>-3%</b>	<b>12,798</b>	<b>5%</b>	<b>41,029</b>	<b>36,257</b>	<b>13%</b>	<b>49,171</b>
<i>of which interest income according to the effective interest method and interest on derivatives for hedging</i>	<i>13,370</i>	<i>13,638</i>	<i>-2%</i>	<i>12,559</i>	<i>6%</i>	<i>40,499</i>	<i>35,633</i>	<i>14%</i>	<i>48,341</i>
<b>Interest expense</b>									
Due to credit institutions and central banks	-190	-238	-20%	-329	-42%	-718	-1,090	-34%	-1,362
Deposits and borrowing from the public	-526	-513	3%	-511	3%	-1,609	-1,335	21%	-1,814
Issued securities	-4,875	-5,267	-7%	-4,846	1%	-15,727	-13,361	18%	-18,458
Derivative instruments	1,143	1,154	-1%	1,836	-38%	3,808	6,099	-38%	8,070
Subordinated liabilities	-334	-311	7%	-387	-14%	-1,021	-1,127	-9%	-1,543
Government fees	-533	-532	0%	-701	-24%	-1,599	-2,102	-24%	-2,771
Other interest expenses	-60	-61	-2%	-21	186%	-160	-182	-12%	-309
<b>Total</b>	<b>-5,375</b>	<b>-5,768</b>	<b>-7%</b>	<b>-4,959</b>	<b>8%</b>	<b>-17,026</b>	<b>-13,098</b>	<b>30%</b>	<b>-18,187</b>
Interest expense reported in Net gains/losses on financial transactions	7	7	0%	-23		-42	-255	-84%	-302
<b>Total interest expense</b>	<b>-5,382</b>	<b>-5,775</b>	<b>-7%</b>	<b>-4,936</b>	<b>9%</b>	<b>-16,984</b>	<b>-12,843</b>	<b>32%</b>	<b>-17,885</b>
<i>of which interest expense according to the effective interest method and interest on derivatives for hedging</i>	<i>-4,849</i>	<i>-5,243</i>	<i>-8%</i>	<i>-4,235</i>	<i>14%</i>	<i>-15,385</i>	<i>-10,741</i>	<i>43%</i>	<i>-15,114</i>
<b>Net interest income</b>	<b>8,047</b>	<b>8,064</b>	<b>0%</b>	<b>7,862</b>	<b>2%</b>	<b>24,045</b>	<b>23,414</b>	<b>3%</b>	<b>31,286</b>

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 expense.

## Note 3 Net fee and commission income

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Brokerage and other securities commissions	138	162	-15%	164	-16%	471	522	-10%	690
Mutual funds	999	973	3%	956	4%	2,860	2,786	3%	3,692
Custody and other asset management fees	292	293	0%	279	5%	841	770	9%	1,043
Advisory services	52	75	-31%	29	79%	202	144	40%	214
Insurance	183	197	-7%	182	1%	566	536	6%	714
Payments	974	953	2%	930	5%	2,775	2,652	5%	3,605
Loans and deposits	353	341	4%	330	7%	1,046	996	5%	1,340
Guarantees	107	103	4%	99	8%	308	290	6%	390
Other	129	132	-2%	115	12%	389	363	7%	495
<b>Total fee and commission income</b>	<b>3,227</b>	<b>3,229</b>	<b>0%</b>	<b>3,084</b>	<b>5%</b>	<b>9,458</b>	<b>9,059</b>	<b>4%</b>	<b>12,183</b>
Securities	-56	-58	-3%	-54	4%	-179	-166	8%	-222
Payments	-427	-452	-6%	-388	10%	-1,278	-1,197	7%	-1,630
Other	-20	-24	-17%	-18	11%	-70	-60	17%	-84
<b>Total fee and commission expenses</b>	<b>-503</b>	<b>-534</b>	<b>-6%</b>	<b>-460</b>	<b>9%</b>	<b>-1,527</b>	<b>-1,423</b>	<b>7%</b>	<b>-1,936</b>
<b>Net fee and commission income</b>	<b>2,724</b>	<b>2,695</b>	<b>1%</b>	<b>2,624</b>	<b>4%</b>	<b>7,931</b>	<b>7,636</b>	<b>4%</b>	<b>10,247</b>

## Note 4 Net gains/losses on financial transactions

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Amortised cost	56	47	19%	48	17%	141	131	8%	180
<i>of which loans</i>	82	69	19%	83	-1%	220	254	-13%	357
<i>of which interest-bearing securities</i>	0	0		0		0	0		0
<i>of which issued securities</i>	-26	-22	-18%	-35	26%	-79	-123	36%	-177
Fair value through other comprehensive income	0	-1		0		-1	0		0
<i>of which expected credit losses</i>	0	-1		0		-1	0		-1
Fair value through profit or loss, fair value option	211	691	-69%	-624		1,536	-630		-129
<i>of which interest-bearing securities</i>	211	691	-69%	-624		1,536	-630		
Fair value through profit or loss, mandatory including FX effects	16	-376		811	-98%	-788	1,222		1,107
Hedge accounting	-3	-6	50%	0		7	-21		-44
<i>of which net gains/losses on fair value hedges</i>	-1	-5	80%	5		14	13	8%	-4
<i>of which cash flow hedge ineffectiveness</i>	-2	-1	-100%	-5	60%	-7	-34	79%	-40
Result from financial components in insurance contract	-9	0		-49	82%	-9	-97	91%	-206
<b>Total</b>	<b>271</b>	<b>355</b>	<b>-24%</b>	<b>186</b>	<b>46%</b>	<b>886</b>	<b>605</b>	<b>46%</b>	<b>908</b>

## Note 5 Other expenses

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Property and premises	-154	-163	-6%	-326	-53%	-487	-966	-50%	-1,310
External IT costs	-556	-559	-1%	-507	10%	-1,642	-1,594	3%	-2,191
Communication	-77	-89	-13%	-80	-4%	-256	-257	0%	-344
Travel and marketing	-57	-82	-30%	-56	2%	-206	-210	-2%	-305
Purchased services	-498	-517	-4%	-387	29%	-1,474	-1,236	19%	-1,760
Supplies	-45	-44	2%	-36	25%	-137	-124	10%	-178
Other administrative expenses	-305	-154	98%	-162	88%	-593	-436	36%	-624
<b>Other expenses</b>	<b>-1,692</b>	<b>-1,608</b>	<b>5%</b>	<b>-1,554</b>	<b>9%</b>	<b>-4,795</b>	<b>-4,823</b>	<b>-1%</b>	<b>-6,712</b>

Note 6 Credit losses

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
<b>Expected credit losses on balance sheet items</b>									
The period's provision Stage 3	-261	-656	-60%	-382	-32%	-1,355	-1,047	29%	-1,155
Reversal of Stage 3 provisions to Stage 1 or Stage 2	32	225	-86%	61	-48%	295	222	33%	265
<b>Total expected credit losses Stage 3</b>	<b>-229</b>	<b>-431</b>	<b>-47%</b>	<b>-321</b>	<b>-29%</b>	<b>-1,060</b>	<b>-825</b>	<b>28%</b>	<b>-890</b>
The period's net provision Stage 2	58	-4		45	29%	68	63	8%	33
The period's net provision Stage 1	-15	-14	7%	44		-39	97		93
<b>Total expected credit losses in Stage 1 and Stage 2</b>	<b>43</b>	<b>-18</b>		<b>89</b>	<b>-52%</b>	<b>29</b>	<b>160</b>	<b>-82%</b>	<b>126</b>
<b>Total expected credit losses on balance sheet items</b>	<b>-186</b>	<b>-449</b>	<b>-59%</b>	<b>-232</b>	<b>-20%</b>	<b>-1,031</b>	<b>-665</b>	<b>55%</b>	<b>-764</b>
<b>Expected credit losses on off-balance sheet items</b>									
The period's net provision Stage 3	-1	-43	-98%	-1	0%	-44	-41	7%	-
The period's net provision Stage 2	-2	2		1		1	10	-90%	23
The period's net provision Stage 1	-5	1		0		3	31	-90%	33
<b>Total expected credit losses on off-balance sheet items</b>	<b>-8</b>	<b>-40</b>	<b>-80%</b>	<b>0</b>		<b>-40</b>	<b>0</b>		<b>56</b>
<b>Write-offs</b>									
Actual credit losses for the period	-138	-99	39%	-136	1%	-353	-2,594	-86%	-3,060
Utilised share of previous provision Stage 3	110	84	31%	107	3%	304	2,518	-88%	2,711
<b>Total write-offs</b>	<b>-28</b>	<b>-15</b>	<b>87%</b>	<b>-29</b>	<b>-3%</b>	<b>-49</b>	<b>-76</b>	<b>-36%</b>	<b>-349</b>
<b>Recoveries</b>									
	<b>30</b>	<b>69</b>	<b>-57%</b>	<b>31</b>	<b>-3%</b>	<b>205</b>	<b>136</b>	<b>51%</b>	<b>176</b>
<b>Net credit losses</b>	<b>-192</b>	<b>-435</b>	<b>-56%</b>	<b>-230</b>	<b>-17%</b>	<b>-915</b>	<b>-605</b>	<b>51%</b>	<b>-881</b>
<i>of which loans to the public</i>	<i>-188</i>	<i>-396</i>	<i>-53%</i>	<i>-229</i>	<i>-18%</i>	<i>-880</i>	<i>-605</i>	<i>45%</i>	<i>-929</i>

Loans to the public – Key figures

	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Credit loss ratio %, acc	0.05	0.06	0.05	0.04	0.04
Total credit loss reserve ratio, %	0.20	0.20	0.18	0.17	0.18
Credit loss reserve ratio Stage 1, %	0.02	0.02	0.01	0.01	0.01
Credit loss reserve ratio Stage 2, %	0.95	1.05	1.07	0.95	1.00
Credit loss reserve ratio Stage 3, %	44.69	44.20	36.46	38.00	39.54
Proportion of loans Stage 3, %	0.20	0.20	0.25	0.22	0.22

For definitions, please see the Fact Book which is available at [handelsbanken.com/ir](http://handelsbanken.com/ir).

## Note 7 Loans

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

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Cash and balances with central banks	314,002	271,300	352,142	317,217	357,440
Other loans to central banks	46,867	27,249	39,899	33,557	48,428
Interest-bearing securities eligible as collateral with central banks	2,396	1,667	1,496	1,236	1,360
Loans to other credit institutions	35,204	33,573	50,175	22,137	35,722
<i>of which reverse repos</i>	4,102	5,334	13,562	2,756	9,353
Loans to the public	2,296,264	2,276,983	2,258,016	2,189,092	2,193,712
<i>of which reverse repos</i>	11,638	10,096	8,128	9,049	8,645
Bonds and interest-bearing securities	5,158	5,175	5,206	5,373	5,996
<b>Total</b>	<b>2,699,891</b>	<b>2,615,947</b>	<b>2,706,934</b>	<b>2,568,612</b>	<b>2,642,658</b>

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

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Volume, gross	2,704,544	2,620,492	2,711,095	2,572,424	2,646,623
<i>of which Stage 1</i>	2,643,011	2,559,315	2,650,656	2,506,117	2,584,909
<i>of which Stage 2</i>	53,052	52,936	51,347	58,576	53,838
<i>of which Stage 3</i>	8,481	8,241	9,092	7,731	7,876
Provisions	-4,655	-4,547	-4,161	-3,813	-3,965
<i>of which Stage 1</i>	-363	-346	-329	-316	-314
<i>of which Stage 2</i>	-503	-559	-552	-560	-537
<i>of which Stage 3</i>	-3,789	-3,642	-3,280	-2,937	-3,114

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

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Loans to the public, gross	2,300,913	2,281,521	2,262,167	2,192,893	2,197,670
<i>of which Stage 1</i>	2,239,583	2,220,600	2,202,113	2,126,983	2,136,226
<i>of which Stage 2</i>	52,852	52,680	51,057	58,179	53,568
<i>of which Stage 3</i>	8,478	8,241	8,997	7,731	7,876
Provisions	-4,649	-4,538	-4,151	-3,801	-3,958
<i>of which Stage 1</i>	-359	-341	-326	-312	-311
<i>of which Stage 2</i>	-501	-555	-545	-552	-533
<i>of which Stage 3</i>	-3,789	-3,642	-3,280	-2,937	-3,114



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

30 September 2019				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-316	-560	-2,937	-3,813
Derecognised assets	25	45	75	145
Write-offs	1	1	302	304
Remeasurements due to changes in credit risk	-167	-139	-9	-315
Changes due to update in the methodology for estimation	-4	-5	-	-9
Foreign exchange effect, etc	-13	-14	-82	-109
Purchased or originated assets	-31	-12	-15	-58
Transfer to Stage 1	-25	57	4	36
Transfer to Stage 2	84	-210	6	-120
Transfer to Stage 3	83	334	-1,133	-716
<b>Provision at end of period</b>	<b>-363</b>	<b>-503</b>	<b>-3,789</b>	<b>-4,655</b>

31 December 2018				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-401	-576	-4,696	-5,673
Derecognised assets	51	109	145	305
Write-offs	0	26	2,685	2,711
Remeasurements due to changes in credit risk	-126	-619	-175	-920
Changes due to update in the methodology for estimation	29	154	-	183
Foreign exchange effect, etc	-7	-23	-40	-70
Purchased or originated assets	-59	-82	-16	-157
Transfer to Stage 1	-13	44	0	31
Transfer to Stage 2	94	-245	2	-149
Transfer to Stage 3	116	652	-842	-74
<b>Provision at end of period</b>	<b>-316</b>	<b>-560</b>	<b>-2,937</b>	<b>-3,813</b>

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

30 September 2019				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-312	-552	-2,937	-3,801
Derecognised assets	23	44	75	142
Write-offs	1	1	302	304
Remeasurements due to changes in credit risk	-163	-143	-9	-315
Changes due to update in the methodology for estimation	-4	-5	-	-9
Foreign exchange effect, etc	-13	-14	-82	-109
Purchased or originated assets	-31	-12	-15	-58
Transfer to Stage 1	-27	57	4	34
Transfer to Stage 2	84	-210	6	-120
Transfer to Stage 3	83	333	-1,133	-717
<b>Provision at end of period</b>	<b>-359</b>	<b>-501</b>	<b>-3,789</b>	<b>-4,649</b>

31 December 2018				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-400	-573	-4,696	-5,669
Derecognised assets	50	109	145	304
Write-offs	0	26	2,685	2,711
Remeasurements due to changes in credit risk	-118	-619	-175	-912
Changes due to update in the methodology for estimation	28	153	-	181
Foreign exchange effect, etc	-7	-23	-40	-70
Purchased or originated assets	-58	-81	-16	-155
Transfer to Stage 1	-13	44	0	31
Transfer to Stage 2	90	-240	2	-148
Transfer to Stage 3	116	652	-842	-74
<b>Provision at end of period</b>	<b>-312</b>	<b>-552</b>	<b>-2,937</b>	<b>-3,801</b>

The change analysis illustrates 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 exchange rate effects, etc., is calculated before any transfer of 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.

## Loans to the public – by sector

30 September 2019	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
SEK m							
Private individuals	1,125,665	18,523	2,089	-136	-120	-720	1,145,301
<i>of which mortgage loans</i>	916,505	12,371	574	-38	-32	-33	929,347
<i>of which other loans with property mortgages</i>	165,417	4,604	739	-14	-18	-229	170,499
<i>of which other loans to private individuals</i>	43,743	1,548	776	-84	-70	-458	45,455
Housing co-operative associations	240,786	2,486	43	-11	-15	-15	243,274
<i>of which mortgage loans</i>	204,108	936	23	-4	0	-11	205,052
Property management	626,795	16,954	1,394	-101	-153	-286	644,603
Manufacturing	25,107	2,145	1,505	-12	-56	-1,186	27,503
Retail	25,905	1,571	176	-15	-27	-113	27,497
Hotel and restaurant	8,577	323	23	-8	-6	-17	8,892
Passenger and goods transport by sea	5,488	152	1,681	-2	0	-512	6,807
Other transport and communication	12,986	849	94	-7	-9	-92	13,821
Construction	18,701	2,034	314	-15	-27	-255	20,752
Electricity, gas and water	18,488	1,290	12	-2	-12	-10	19,766
Agriculture, hunting and forestry	16,214	1,642	102	-8	-16	-32	17,902
Other services	20,206	1,283	307	-15	-25	-173	21,583
Holding, investment and insurance companies, funds etc.	59,161	1,470	158	-15	-11	-128	60,635
Government and municipalities	9,837	299	-	-1	-1	-	10,134
<i>of which Swedish national debt office</i>	-	-	-	-	-	-	-
Other corporate lending	25,667	1,831	580	-11	-23	-250	27,794
<b>Total</b>	<b>2,239,583</b>	<b>52,852</b>	<b>8,478</b>	<b>-359</b>	<b>-501</b>	<b>-3,789</b>	<b>2,296,264</b>

31 December 2018	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
SEK m							
Private individuals	1,075,441	21,118	2,326	-117	-110	-755	1,097,903
<i>of which mortgage loans</i>	881,551	14,777	588	-35	-33	-36	896,812
<i>mortgages</i>	145,349	4,267	509	-12	-17	-119	149,977
<i>individuals</i>	48,541	2,074	1,229	-70	-60	-600	51,114
Housing co-operative associations	226,387	2,989	72	-10	-12	-15	229,411
<i>of which mortgage loans</i>	191,140	1,358	26	-4	0	-10	192,510
Property management	579,606	17,689	1,365	-88	-203	-367	598,002
Manufacturing	23,508	3,548	445	-10	-66	-272	27,153
Retail	20,311	1,774	153	-12	-27	-110	22,089
Hotel and restaurant	8,721	256	31	-6	-5	-22	8,975
Passenger and goods transport by sea	5,665	150	1,574	-1	-3	-405	6,980
Other transport and communication	12,744	1,684	107	-6	-10	-80	14,439
Construction	20,264	1,036	171	-15	-38	-122	21,296
Electricity, gas and water	19,400	1,109	53	-2	-9	-53	20,498
Agriculture, hunting and forestry	14,791	892	83	-7	-13	-40	15,706
Other services	22,800	884	353	-13	-23	-168	23,833
Holding, investment and insurance companies, funds etc.	72,371	3,083	283	-12	-20	-202	75,503
Government and municipalities	10,598	277	-	-1	0	-	10,874
<i>of which Swedish national debt office</i>	120	-	-	-	-	-	120
Other corporate lending	14,376	1,690	715	-12	-13	-326	16,430
<b>Total</b>	<b>2,126,983</b>	<b>58,179</b>	<b>7,731</b>	<b>-312</b>	<b>-552</b>	<b>-2,937</b>	<b>2,189,092</b>

## Specification of Loans to the public – Property management

30 September 2019 SEK m	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
<b>Loans in Sweden</b>							
State-owned property companies	6,336	-	-	0	-	-	6,336
Municipal-owned property companies	7,542	-	-	0	-	-	7,542
Residential property companies	114,010	2,769	40	-5	-7	-22	116,785
<i>of which mortgage loans</i>	101,630	2,318	3	-4	-5	0	103,942
Other property management	122,966	2,707	144	-12	-13	-63	125,729
<i>of which mortgage loans</i>	60,093	1,100	15	-3	-5	-2	61,198
<b>Total loans in Sweden</b>	<b>250,854</b>	<b>5,476</b>	<b>184</b>	<b>-17</b>	<b>-20</b>	<b>-85</b>	<b>256,392</b>
<b>Loans outside Sweden</b>							
UK	143,865	6,832	818	-40	-64	-118	151,293
Norway	124,304	2,127	104	-27	-17	-38	126,453
Denmark	22,752	654	124	-6	-15	-25	23,484
Finland	43,427	1,705	140	-4	-36	-14	45,218
The Netherlands	36,953	149	-	-6	0	-	37,096
Other countries	4,640	11	24	-1	-1	-6	4,667
<b>Total loans outside Sweden</b>	<b>375,941</b>	<b>11,478</b>	<b>1,210</b>	<b>-84</b>	<b>-133</b>	<b>-201</b>	<b>388,211</b>
<b>Total loans - Property management</b>	<b>626,795</b>	<b>16,954</b>	<b>1,394</b>	<b>-101</b>	<b>-153</b>	<b>-286</b>	<b>644,603</b>

31 December 2018 SEK m	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
<b>Loans in Sweden</b>							
State-owned property companies	5,066	-	-	0	-	-	5,066
Municipal-owned property companies	7,782	189	-	0	0	-	7,971
Residential property companies	110,102	1,510	44	-6	-6	-24	111,620
<i>of which mortgage loans</i>	95,995	1,341	5	-4	-4	-	97,333
Other property management	124,384	2,485	193	-12	-13	-114	126,923
<i>of which mortgage loans</i>	55,132	1,182	2	-3	-5	0	56,308
<b>Total loans in Sweden</b>	<b>247,334</b>	<b>4,184</b>	<b>237</b>	<b>-18</b>	<b>-19</b>	<b>-138</b>	<b>251,580</b>
<b>Loans outside Sweden</b>							
UK	130,699	5,773	728	-28	-91	-131	136,950
Norway	106,962	4,625	175	-26	-38	-52	111,646
Denmark	20,102	585	98	-7	-19	-28	20,731
Finland	38,630	2,507	102	-3	-36	-12	41,188
The Netherlands	31,440	13	-	-4	0	-	31,449
Other countries	4,439	2	25	-2	-	-6	4,458
<b>Total loans outside Sweden</b>	<b>332,272</b>	<b>13,505</b>	<b>1,128</b>	<b>-70</b>	<b>-184</b>	<b>-229</b>	<b>346,422</b>
<b>Total loans - Property management</b>	<b>579,606</b>	<b>17,689</b>	<b>1,365</b>	<b>-88</b>	<b>-203</b>	<b>-367</b>	<b>598,002</b>

## Note 8 Credit risk exposure

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Cash and balances with central banks	314,002	271,300	352,142	317,217	357,440
Other loans to central banks	46,867	27,249	39,899	33,557	48,428
Interest-bearing securities eligible as collateral with central banks	152,409	177,062	148,563	122,260	145,589
Loans to other credit institutions	35,204	33,573	50,175	22,137	35,722
<i>of which reverse repos</i>	4,102	5,334	13,562	2,756	9,353
Loans to the public	2,296,264	2,276,983	2,258,016	2,189,092	2,193,712
<i>of which reverse repos</i>	11,638	10,096	8,128	9,049	8,645
Bonds and other interest-bearing securities	55,726	56,498	59,374	50,729	56,571
Derivative instruments*	67,973	51,377	57,763	58,041	52,615
Contingent liabilities	94,658	95,958	98,441	92,939	89,952
Commitments	464,455	458,288	467,662	458,772	463,080
<b>Total</b>	<b>3,527,558</b>	<b>3,448,288</b>	<b>3,532,035</b>	<b>3,344,744</b>	<b>3,443,109</b>

\* Refers to the total of positive market values.

## Note 9 Derivatives

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
<b>Positive market values</b>					
Trading	43,833	35,043	32,542	28,854	27,289
Fair value hedges	610	318	68	37	55
Cash flow hedges	58,903	48,756	49,231	50,200	45,082
Amounts offset	-35,373	-32,740	-24,078	-21,050	-19,811
<b>Total</b>	<b>67,973</b>	<b>51,377</b>	<b>57,763</b>	<b>58,041</b>	<b>52,615</b>
<b>Negative market values</b>					
Trading	39,296	38,063	30,607	29,104	29,438
Fair value hedges	859	699	370	241	150
Cash flow hedges	4,039	3,474	5,436	5,835	7,706
Amounts offset	-29,100	-26,739	-20,564	-17,820	-18,157
<b>Total</b>	<b>15,094</b>	<b>15,497</b>	<b>15,849</b>	<b>17,360</b>	<b>19,137</b>
<b>Nominal value</b>					
Trading	3,762,217	3,913,117	4,037,949	4,235,753	4,171,570
Fair value hedges	131,089	109,579	87,678	79,795	81,540
Cash flow hedges	907,758	915,437	981,870	996,906	1,022,442
Amounts offset	-2,237,868	-2,397,991	-2,293,025	-2,241,073	-2,107,319
<b>Total</b>	<b>2,563,196</b>	<b>2,540,142</b>	<b>2,814,472</b>	<b>3,071,381</b>	<b>3,168,233</b>

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

## Note 10 Offsetting of financial instruments

30 September 2019	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	103,346	34,278	137,624
Amounts offset	-35,373	-13,575	-48,948
<b>Carrying amount on the balance sheet</b>	<b>67,973</b>	<b>20,703</b>	<b>88,676</b>
<b>Related amounts not offset on the balance sheet</b>			
Financial instruments, netting arrangements	-12,540	-	-12,540
Financial assets received as collateral	-41,176	-20,696	-61,872
<b>Total amounts not offset on the balance sheet</b>	<b>-53,716</b>	<b>-20,696</b>	<b>-74,412</b>
<b>Net amount</b>	<b>14,257</b>	<b>7</b>	<b>14,264</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	44,194	13,575	57,769
Amounts offset	-29,100	-13,575	-42,675
<b>Carrying amount on the balance sheet</b>	<b>15,094</b>	<b>-</b>	<b>15,094</b>
<b>Related amounts not offset on the balance sheet</b>			
Financial instruments, netting arrangements	-12,540	-	-12,540
Financial assets pledged as collateral	-183	-	-183
<b>Total amounts not offset on the balance sheet</b>	<b>-12,723</b>	<b>-</b>	<b>-12,723</b>
<b>Net amount</b>	<b>2,371</b>	<b>-</b>	<b>2,371</b>

31 December 2018	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	79,091	20,041	99,132
Amounts offset	-21,050	-7,155	-28,205
<b>Carrying amount on the balance sheet</b>	<b>58,041</b>	<b>12,886</b>	<b>70,927</b>
<b>Related amounts not offset on the balance sheet</b>			
Financial instruments, netting arrangements	-12,604	-	-12,604
Financial assets received as collateral	-38,698	-12,886	-51,584
<b>Total amounts not offset on the balance sheet</b>	<b>-51,302</b>	<b>-12,886</b>	<b>-64,188</b>
<b>Net amount</b>	<b>6,739</b>	<b>-</b>	<b>6,739</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	35,180	7,155	42,335
Amounts offset	-17,820	-7,155	-24,975
<b>Carrying amount on the balance sheet</b>	<b>17,360</b>	<b>-</b>	<b>17,360</b>
<b>Related amounts not offset on the balance sheet</b>			
Financial instruments, netting arrangements	-12,604	-	-12,604
Financial assets pledged as collateral	-1,766	-	-1,766
<b>Total amounts not offset on the balance sheet</b>	<b>-14,370</b>	<b>-</b>	<b>-14,370</b>
<b>Net amount</b>	<b>2,990</b>	<b>-</b>	<b>2,990</b>

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

The amount offset for derivative assets includes offset cash collateral of SEK 9,234m (5,106) derived from the balance sheet item Deposits and borrowing from the public. The amount offset for derivative liabilities includes offset cash collateral of SEK 2,960m (1,877), derived from the balance sheet item Loans to the public.

## Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Sep 2019	Jan-Sep 2018	Full year 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Opening residual value	6,922	6,798	6,798	3,533	3,063	3,063	10,455	9,861	9,861
Additional during the period	-	-	-	817	546	786	817	546	786
The period's amortisation	-	-	-	-336	-251	-344	-336	-251	-344
The period's impairments	-	-	-	-60	-	-4	-60	-	-4
Foreign exchange effect	165	189	124	50	45	32	215	234	156
<b>Closing residual value</b>	<b>7,087</b>	<b>6,987</b>	<b>6,922</b>	<b>4,004</b>	<b>3,403</b>	<b>3,533</b>	<b>11,091</b>	<b>10,390</b>	<b>10,455</b>

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

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Due to credit institutions	210,506	192,494	196,941	194,082	194,657
<i>of which repos</i>	-	135	-	-	49
Deposits and borrowing from the public	1,157,242	1,105,365	1,119,830	1,008,487	1,099,384
<i>of which repos</i>	-	-	2,750	-	8,243

## Note 13 Issued securities

SEK m	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
<b>Issued securities at beginning of year</b>	<b>1,394,647</b>	<b>1,276,595</b>	<b>1,276,595</b>
Issued	798,882	859,450	1,116,122
Repurchased	-16,236	-43,578	-74,918
Matured	-821,580	-754,036	-967,815
Foreign exchange effect etc.	50,191	55,388	44,663
<b>Issued securities at end of period</b>	<b>1,405,904</b>	<b>1,393,819</b>	<b>1,394,647</b>

## Note 14 Pledged assets, contingent liabilities and commitments

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Assets pledged for own debt	888,691	893,549	908,530	850,368	902,214
Other pledged assets	45,417	99,774	40,788	48,622	35,036
Contingent liabilities	94,658	95,958	98,441	92,939	89,952
Commitments	464,455	458,288	467,662	458,772	463,080

## Note 15 Classification of financial assets and liabilities

30 September 2019 SEK m	Fair value through profit or loss				Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income			
<b>Assets</b>							
Cash and balances with central banks					314 002	<b>314 002</b>	314 002
Other loans to central banks					46 867	<b>46 867</b>	46 867
Interest-bearing securities eligible as collateral with central banks	3 760	146 253		405	1 991	<b>152 409</b>	152 409
Loans to other credit institutions					35 204	<b>35 204</b>	35 170
Loans to the public					2 296 264	<b>2 296 264</b>	2 310 429
Value change of interest-hedged item in portfolio hedge					30	<b>30</b>	
Bonds and other interest-bearing securities	15 013	35 555		5 158		<b>55 726</b>	55 726
Shares	16 293			2 179		<b>18 472</b>	18 472
Assets where the customer bears the value change risk	166 448				64	<b>166 512</b>	166 512
Derivative instruments	19 185		48 788			<b>67 973</b>	67 973
Other assets	10				9 763	<b>9 773</b>	9 773
<b>Total</b>	<b>220 709</b>	<b>181 808</b>	<b>48 788</b>	<b>7 742</b>	<b>2 704 185</b>	<b>3 163 232</b>	<b>3 177 333</b>
Investments in associates						<b>285</b>	
Non-financial assets						<b>24 753</b>	
<b>Total assets</b>						<b>3 188 270</b>	
<b>Liabilities</b>							
Due to credit institutions					210 506	<b>210 506</b>	212 577
Deposits and borrowing from the public					1 157 242	<b>1 157 242</b>	1 157 224
Liabilities where the customer bears the value change risk		166 448			64	<b>166 512</b>	166 512
Issued securities	2 518				1 403 386	<b>1 405 904</b>	1 425 089
Derivative instruments	13 218		1 876			<b>15 094</b>	15 094
Short positions	4 271					<b>4 271</b>	4 271
Other liabilities	12				18 364	<b>18 376</b>	18 376
Subordinated liabilities					37 307	<b>37 307</b>	37 565
<b>Total</b>	<b>20 019</b>	<b>166 448</b>	<b>1 876</b>		<b>2 826 869</b>	<b>3 015 212</b>	<b>3 036 708</b>
Non-financial liabilities						<b>17 469</b>	
<b>Total liabilities</b>						<b>3 032 681</b>	

31 December 2018	Fair value through profit or loss			Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option	Derivatives identified as hedge instruments				
SEK m							
<b>Assets</b>							
Cash and balances with central banks					317,217	<b>317,217</b>	317,217
Other loans to central banks					33,557	<b>33,557</b>	33,557
Interest-bearing securities eligible as collateral with central banks	2,567	118,457		405	831	<b>122,260</b>	122,260
Loans to other credit institutions					22,137	<b>22,137</b>	22,072
Loans to the public					2,189,092	<b>2,189,092</b>	2,199,205
Value change of interest-hedged item in portfolio hedge					33	<b>33</b>	
Bonds and other interest-bearing securities	8,748	36,608		5,373		<b>50,729</b>	50,729
Shares	11,981			1,840		<b>13,821</b>	13,821
Assets where the customer bears the value change risk	136,287				59	<b>136,346</b>	136,346
Derivative instruments	12,547		45,494			<b>58,041</b>	58,041
Other assets	19				16,861	<b>16,880</b>	16,880
<b>Total</b>	<b>172,149</b>	<b>155,065</b>	<b>45,494</b>	<b>7,618</b>	<b>2,579,787</b>	<b>2,960,113</b>	<b>2,970,128</b>
Investments in associates						<b>259</b>	
Non-financial assets						<b>17,802</b>	
<b>Total assets</b>						<b>2,978,174</b>	
<b>Liabilities</b>							
Due to credit institutions					194,082	<b>194,082</b>	196,447
Deposits and borrowing from the public					1,008,487	<b>1,008,487</b>	1,008,562
Liabilities where the customer bears the value change risk		136,287			59	<b>136,346</b>	136,346
Issued securities	2,250				1,392,397	<b>1,394,647</b>	1,403,560
Derivative instruments	13,155		4,205			<b>17,360</b>	17,360
Short positions	6,163					<b>6,163</b>	6,163
Other liabilities	20				12,964	<b>12,984</b>	12,984
Subordinated liabilities					51,085	<b>51,085</b>	51,081
<b>Total</b>	<b>21,588</b>	<b>136,287</b>	<b>4,205</b>		<b>2,659,074</b>	<b>2,821,154</b>	<b>2,832,503</b>
Non-financial liabilities						<b>14,759</b>	
<b>Total liabilities</b>						<b>2,835,913</b>	



## Note 16 Fair value measurement of financial instruments

30 September 2019 SEKm	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	145,479	4,939	-	150,418
Bonds and other interest-bearing securities	49,010	6,716	-	55,726
Shares	14,602	2,567	1,303	18,472
Assets where the customer bears the value change risk	165,119	824	505	166,448
Derivative instruments	426	67,418	129	67,973
<b>Total</b>	<b>374,636</b>	<b>82,464</b>	<b>1,937</b>	<b>459,037</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	165,119	824	505	166,448
Issued securities	-	2,518	-	2,518
Derivative instruments	471	14,493	130	15,094
Short positions	4,116	155	-	4,271
<b>Total</b>	<b>169,706</b>	<b>17,990</b>	<b>635</b>	<b>188,331</b>
<b>31 December 2018 SEKm</b>				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	119,338	2,091	-	121,429
Bonds and other interest-bearing securities	48,802	1,927	-	50,729
Shares	10,662	2,024	1,135	13,821
Assets where the customer bears the value change risk	134,715	1,088	484	136,287
Derivative instruments	421	57,796	-176	58,041
<b>Total</b>	<b>313,938</b>	<b>64,926</b>	<b>1,443</b>	<b>380,307</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	134,715	1,088	484	136,287
Issued securities	-	2,250	-	2,250
Derivative instruments	501	17,035	-176	17,360
Short positions	6,060	103	-	6,163
<b>Total</b>	<b>141,276</b>	<b>20,476</b>	<b>308</b>	<b>162,060</b>

**Valuation process**

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

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

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

**Valuation hierarchy**

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the degree of transparency regarding market data used in the valuation. The categorisation is shown as levels 1–3 in the tables. Financial instruments which are valued at a direct and liquid market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed shares and short-term positions in corresponding assets. Level 1 also includes the majority of shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities. Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities and interest- and currency-related derivatives. Financial instruments for which the valuation is materially 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 2018), the instrument has been moved between the levels in the table.

During the period January – September 2019, some of the volumes were moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 668m, shares worth SEK 475m and derivatives worth SEK 5m were transferred from level 1 to level 2. On the liabilities side, derivatives worth SEK 91m were transferred from level 1 to level 2. Changes in level 3 holdings during the period are shown in a separate table below.

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

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

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

#### Differences between the transaction price and the value produced using a valuation model

The models use input data in the form of market prices and other variables that are deemed to affect pricing. The models and input data which form the basis of the valuations are regularly validated to ensure that they are consistent with market practice and established financial theory. In cases where there are material positive differences between the value calculated with the help of a valuation model at initial recognition and the transaction price (day 1 gain/loss), the difference is distributed over the life of the financial instrument. Such differences occur when the applied valuation model does not fully capture all the components which affect the value of the instrument.

As a consequence of the application of this principle, SEK 115m (82) has been recognised in net gains/losses on financial transactions during the period January – September 2019. At the end of the period, non-recognised day 1 gains/losses totalled SEK 665m; at year-end 2018, the corresponding figure was SEK 602m.

The Bank regularly conducts separate valuations of the total credit risk component (own credit risk as well as counterparty risk) in outstanding model-valued derivatives. Changes in fair value due to changed credit risk are recognised in profit/loss to the extent that the overall effect exceeds non-recognised day 1 effects.

#### Change in holdings in level 3

January - September 2019 SEKm	Shares	Derivative assets	Derivative liabilities	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
<b>Carrying amount at beginning of year</b>	<b>1,135</b>	<b>-176</b>	<b>176</b>	<b>-</b>	<b>484</b>	<b>-484</b>
Acquisitions	50	12	-12	-	-	-
Repurchases/sales	-33	3	-	-	-	-
Matured during the period	-	-	-	-	-	-
Unrealised value change in income statement	20	-4	-1	-	21	-21
Unrealised value change in other comprehensive income	131	-	-	-	-	-
Changes in the methodology	-	352	-352	-	-	-
Transfer from level 1 or 2	-	8	-8	-	-	-
Transfer to level 1 or 2	-	-66	67	-	-	-
<b>Carrying amount at end of period</b>	<b>1,303</b>	<b>129</b>	<b>-130</b>	<b>-</b>	<b>505</b>	<b>-505</b>

January - December 2018 SEKm	Shares	Derivative assets	Derivative liabilities	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount 31 Dec 2017	1,246	-87	88	13	464	-464
Effect of transition to IFRS 9	-	-	-	-13	-	-
<b>Carrying amount at beginning of year</b>	<b>1,246</b>	<b>-87</b>	<b>88</b>	<b>-</b>	<b>464</b>	<b>-464</b>
Acquisitions	24	-20	14	-	-	-
Repurchases/sales	-33	10	4	-	-	-
Matured during the period	-	-	-	-	-	-
Unrealised value change in income statement	6	-107	100	-	20	-20
Unrealised value change in other comprehensive income	-108	-	-	-	-	-
Transfer from level 1 or 2	-	-3	3	-	-	-
Transfer to level 1 or 2	-	31	-33	-	-	-
<b>Carrying amount at end of period</b>	<b>1,135</b>	<b>-176</b>	<b>176</b>	<b>-</b>	<b>484</b>	<b>-484</b>

## Note 17 Assets and liabilities by currency

30 September 2019								
SEKm	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	41	126,372	5,224	343	83,222	97,731	1,069	314,002
Other loans to central banks	4,165	-	13,102	28,512	929	-	159	46,867
Loans to other credit institutions	2,181	5,102	2,115	734	1,279	22,306	1,487	35,204
Loans to the public	1,369,076	246,655	283,403	108,519	259,942	23,566	5,103	2,296,264
<i>of which corporates</i>	500,787	160,046	177,719	40,516	180,350	23,416	3,687	1,086,521
<i>of which households</i>	868,289	86,609	105,684	68,003	79,592	150	1,416	1,209,743
Interest-bearing securities eligible as collateral with central banks	140,065	8,515	1,215	20	-	621	1,973	152,409
Bonds and other interest-bearing securities	45,444	2,084	4,121	-	-	4,077	-	55,726
Other items not broken down by currency	287,798							287,798
<b>Total assets</b>	<b>1,848,770</b>	<b>388,728</b>	<b>309,180</b>	<b>138,128</b>	<b>345,372</b>	<b>148,301</b>	<b>9,791</b>	<b>3,188,270</b>
<b>Liabilities</b>								
Due to credit institutions	40,026	119,657	9,088	6,394	2,974	30,495	1,872	210,506
Deposits and borrowing from the public	661,090	138,597	73,821	55,623	181,995	40,119	5,997	1,157,242
<i>of which corporates</i>	268,334	113,771	49,234	33,505	123,694	36,131	5,470	630,139
<i>of which households</i>	392,756	24,826	24,587	22,118	58,301	3,988	527	527,103
Issued securities	462,734	361,559	26,416	91	71,566	455,511	28,027	1,405,904
Subordinated liabilities	3,558	16,287	-	-	82	17,380	-	37,307
Other items not broken down by currency, incl. equity	377,311							377,311
<b>Total liabilities and equity</b>	<b>1,544,719</b>	<b>636,100</b>	<b>109,325</b>	<b>62,108</b>	<b>256,617</b>	<b>543,505</b>	<b>35,896</b>	<b>3,188,270</b>
Other assets and liabilities broken down by currency (net)		247,535	-199,717	-75,924	-88,656	395,156	26,179	
<b>Net foreign currency position</b>		<b>163</b>	<b>138</b>	<b>96</b>	<b>99</b>	<b>-48</b>	<b>74</b>	<b>522</b>

31 December 2018								
SEKm	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	56	133,057	3,548	505	73,394	105,765	892	317,217
Other loans to central banks	10,128	-	-	22,583	846	-	-	33,557
Loans to other credit institutions	2,071	7,090	820	151	543	10,188	1,274	22,137
Loans to the public	1,338,696	225,596	255,700	99,330	238,624	24,637	6,509	2,189,092
<i>of which corporates</i>	493,278	147,086	160,461	34,663	163,535	24,514	5,090	1,028,627
<i>of which households</i>	845,418	78,511	95,239	64,667	75,089	123	1,419	1,160,466
Interest-bearing securities eligible as collateral with central banks	89,716	7,139	5	14	-	24,567	819	122,260
Bonds and other interest-bearing securities	39,784	2,122	1,217	-	558	7,048	-	50,729
Other items not broken down by currency	243,182							243,182
<b>Total assets</b>	<b>1,723,633</b>	<b>375,004</b>	<b>261,290</b>	<b>122,583</b>	<b>313,965</b>	<b>172,205</b>	<b>9,494</b>	<b>2,978,174</b>
<b>Liabilities</b>								
Due to credit institutions	53,343	104,355	6,416	5,432	839	13,714	9,983	194,082
Deposits and borrowing from the public	603,103	108,519	64,004	43,719	161,974	23,835	3,333	1,008,487
<i>of which corporates</i>	238,197	86,964	42,505	23,915	106,423	21,444	2,830	522,278
<i>of which households</i>	364,906	21,555	21,499	19,803	55,551	2,390	504	486,208
Issued securities	461,015	297,125	25,165	86	85,509	494,203	31,544	1,394,647
Subordinated liabilities	8,691	31,222	-	-	-	11,172	-	51,085
Other items not broken down by currency, incl. equity	329,873							329,873
<b>Total liabilities and equity</b>	<b>1,456,025</b>	<b>541,221</b>	<b>95,585</b>	<b>49,237</b>	<b>248,322</b>	<b>542,924</b>	<b>44,860</b>	<b>2,978,174</b>
Other assets and liabilities broken down by currency (net)		166,291	-165,567	-73,215	-65,607	370,651	35,422	
<b>Net foreign currency position</b>		<b>74</b>	<b>138</b>	<b>131</b>	<b>36</b>	<b>-68</b>	<b>56</b>	<b>367</b>

## Note 18 Own funds and capital requirements in the consolidated situation

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

**Own funds** *Presentation in accordance with the requirements of Commission Implementing regulation (EU) No 1423/2013. Excluded rows are deemed not relevant for Handelsbanken at present.*

	Amount at disclosure date SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	Regulation (EU) No 575/2013 art. ref.
<b>Common equity tier 1 (CET1) capital: Instruments and reserves</b>							
1	Capital instruments and the related share premium accounts <i>of which: share capital</i>	11,206 11,206	8,949 8,949	8,177 8,177	8,177 8,177	8,177 8,177	26.1, 27, 28, 29 EBA list 26.3
2	Retained earnings	119,814	119,836	119,683	113,799	112,407	26.1 c
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	13,884	12,313	9,032	5,536	9,857	26.1
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	3,860	3,005	1,376	5,881	579	26.2
<b>6</b>	<b>Common equity tier 1 (CET1) capital before regulatory adjustments</b>	<b>148,764</b>	<b>144,103</b>	<b>138,268</b>	<b>133,393</b>	<b>131,020</b>	
<b>Common equity tier 1 (CET1) capital: regulatory adjustments</b>							
7	Additional value adjustments (negative amount)	-392	-434	-417	-375	-397	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-11,036	-10,922	-10,685	-10,390	-10,323	36.1 b, 37
11	Fair value reserves related to gains or losses on cash flow hedges	-6,520	-5,524	-2,915	-1,263	956	33.1 a
12	Negative amounts resulting from the calculation of expected loss amounts	-1,881	-1,937	-2,088	-2,047	-1,907	36.1 d, 40, 159
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	-	-	-	33.1 b
15	Defined benefit pension fund assets (negative amount)	-	-	-	-	-	36.1 e, 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-474	-478	-504	-508	-565	36.1 f, 42
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	-	-	-	36.1 i, 43, 45, 47, 48.1 b, 49.1-49.3, 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-22	-22	-	-	-	36 (1) (k) 36 (1) (k) (ii), 243 (1) (b), 244 (1)
20c	<i>of which: securitisation positions (negative amount)</i>	-22	-22	-	-	-	(b), 258
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-	-	-	-	36.1 c, 38, 48.1 a
22	Amount exceeding the 15% threshold (negative amount)	-	-	-	-	-	48.1
23	<i>of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities</i>	-	-	-	-	-	36.1 i, 48.1 b
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	-	-	-	-	36.1 c, 38, 48.1 a
25a	Losses for the current financial year (negative amount)	-	-	-	-	-	36.1 a
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	-	-	-	36.1 l
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	-	-	-	36.1 j
<b>28</b>	<b>Total regulatory adjustments to common equity tier 1 (CET1) capital</b>	<b>-20,325</b>	<b>-19,317</b>	<b>-16,609</b>	<b>-14,583</b>	<b>-12,236</b>	
<b>29</b>	<b>Common equity tier 1 (CET1) capital</b>	<b>128,439</b>	<b>124,786</b>	<b>121,659</b>	<b>118,810</b>	<b>118,784</b>	

## Own funds, cont

	Amount at disclosure date SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	Regulation (EU) No 575/2013 art. ref.
<b>Additional tier 1 (AT1) capital: instruments</b>							
30	Capital instruments and the related share premium accounts	16,618	15,712	15,690	10,701	10,647	51, 52
32	<i>of which: classified as liabilities under applicable accounting standards</i>	16,618	15,712	15,690	10,701	10,647	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-	-	-	2,352	2,352	486.3
<b>36</b>	<b>Additional tier 1 (AT1) capital before regulatory adjustments</b>	<b>16,618</b>	<b>15,712</b>	<b>15,690</b>	<b>13,053</b>	<b>12,999</b>	
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>							
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-	-	-400	-400	52.1 b, 56 a, 57
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	-	-	-	56 d, 59, 79
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-	-	-	-	-	56 e
<b>43</b>	<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-400</b>	<b>-400</b>	
<b>44</b>	<b>Additional tier 1 (AT1) capital</b>	<b>16,618</b>	<b>15,712</b>	<b>15,690</b>	<b>12,653</b>	<b>12,599</b>	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>145,057</b>	<b>140,498</b>	<b>137,349</b>	<b>131,463</b>	<b>131,383</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>							
46	Capital instruments and the related share premium accounts	19,003	18,803	18,563	33,704	33,885	62, 63
50	Credit risk adjustments	-	-	-	-	-	62 c och d
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>19,003</b>	<b>18,803</b>	<b>18,563</b>	<b>33,704</b>	<b>33,885</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>							
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	-	-15,379	-15,470	63 b i, 66 a, 67
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1,129	-1,129	-1,129	-1,129	-1,129	66d, 69, 79
<b>57</b>	<b>Total regulatory adjustments to tier 2 (T2) capital</b>	<b>-1,129</b>	<b>-1,129</b>	<b>-1,129</b>	<b>-16,508</b>	<b>-16,599</b>	
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>17,874</b>	<b>17,674</b>	<b>17,434</b>	<b>17,196</b>	<b>17,286</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>162,931</b>	<b>158,172</b>	<b>154,783</b>	<b>148,659</b>	<b>148,669</b>	
<b>60</b>	<b>Total risk-weighted assets</b>	<b>737,171</b>	<b>729,198</b>	<b>743,566</b>	<b>707,579</b>	<b>547,977</b>	
<b>Capital ratios and buffers</b>							
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	17.4	17.1	16.4	16.8	21.7	92.2 a
62	Tier 1 capital (as a percentage of total risk exposure amount)	19.7	19.3	18.5	18.6	24.0	92.2 b
63	Total capital (as a percentage of total risk exposure amount)	22.1	21.7	20.8	21.0	27.1	92.2 c
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	7.3	7.0	7.0	7.0	6.7	CRD 128, 129, 130, 131, 133
65	<i>of which: capital conservation buffer requirement</i>	2.5	2.5	2.5	2.5	2.5	
66	<i>of which: countercyclical buffer requirement</i>	1.8	1.5	1.5	1.5	1.2	
67	<i>of which: systemic risk buffer requirement</i>	3.0	3.0	3.0	3.0	3.0	
67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	-	-	-	-	-	
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	12.9	12.6	11.9	12.3	17.2	CRD 128

## Own funds, cont.

Amount at disclosure date SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	Regulation (EU) No 575/2013 art. ref.
<b>Amounts below the thresholds for deduction (before risk weighting)</b>						
72	0	0	0	0	48	36.1 h, 46, 45, 56 c, 59, 60, 66 c, 69, 70
73	-	-	-	-	-	36.1 i, 45, 48
75	-2	-2	0	-960	-311	36.1 c, 38, 48
<b>Applicable caps on the inclusion of provisions tier 2 capital</b>						
76	-	-	-	-	-	62
77	1,067	1,083	1,160	1,093	1,126	62
78	-	-	-	-	-	62
79	3,417	3,368	3,397	3,247	2,261	62
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>						
80	-	-	-	58	58	484.3, 486.2, 486.5
81	-	-	-	-	-	484.3, 486.2, 486.5
82	-	-	-	2,445	2,445	484.4, 486.3, 486.5
83	-	-	-	-	-	484.4, 486.3, 486.5
84	-	-	-	1,481	1,481	484.5, 486.4, 486.5
85	-	-	-	-	-	484.5, 486.4, 486.5

## Capital requirements

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Credit risk according to standardised approach	6,832	6,929	7,426	6,996	7,208
Credit risk according to IRB Approach	31,846	31,568	32,098	30,247	30,147
Risk weight floor Swedish mortgage loans	13,714	13,339	13,201	13,050	
Market risks	859	752	1,000	781	867
Credit valuation adjustment risk (CVA)	441	466	478	417	501
Operational risk	5,282	5,282	5,282	5,115	5,115
Combined buffer requirement	54,149	51,317	52,373	49,681	36,966
<b>Total capital requirement</b>	<b>113,123</b>	<b>109,653</b>	<b>111,858</b>	<b>106,287</b>	<b>80,804</b>

As of 1 January 2018, capital requirements and reporting according to the Basel I floor ceased, as a result of Article 500(1) of the Capital Requirements Regulation 575/2013/EU).

## Risk exposure amount

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Credit risk according to standardised approach	85,395	86,616	92,828	87,451	90,106
Credit risk according to IRB Approach	398,071	394,595	401,231	378,089	376,834
Risk weight floor Swedish mortgage loans	171,428	166,742	165,008	163,123	
Market risk	10,732	9,398	12,502	9,765	10,835
Credit valuation adjustment risk (CVA)	5,522	5,824	5,974	5,219	6,270
Operational risk	66,023	66,023	66,023	63,932	63,932
<b>Total risk exposure amount</b>	<b>737,171</b>	<b>729,198</b>	<b>743,566</b>	<b>707,579</b>	<b>547,977</b>

## Capital requirement credit risks, standardised approach\*\*

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Sovereign and central banks	314	403	4	0	0	0	1.2	0.0
Municipalities	-	25	-	5	-	0	0.0	20.0
Multilateral development banks	375	183	0	0	0	0	0.0	0.0
International organisations	-	-	-	-	-	-	-	-
Institutions	9,696	9,570	735	897	59	72	7.6	9.4
Corporates	7,708	10,282	7,596	10,191	608	815	98.6	99.1
Households	9,712	9,198	7,071	6,867	566	549	72.8	74.7
Collateral in real estate	140,476	125,107	50,375	46,682	4,030	3,735	35.9	37.3
Past due items	645	705	759	878	61	70	117.6	124.6
High risk items	15	-	23	-	2	-	150.0	-
Collective investment undertakings	-	-	-	-	-	-	-	-
Equities	6,254	6,254	15,636	15,636	1,251	1,251	250.0	250.0
Other items	4,400	6,604	3,196	6,295	255	504	72.7	95.3
<b>Total</b>	<b>179,595</b>	<b>168,331</b>	<b>85,395</b>	<b>87,451</b>	<b>6,832</b>	<b>6,996</b>	<b>47.5</b>	<b>52.0</b>

\*\* Information about capital requirements for the exposure classes where there are exposures.

## Credit risks IRB approach

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Sovereign and central banks</b>	<b>447,234</b>	<b>436,476</b>	<b>7,563</b>	<b>7,694</b>	<b>605</b>	<b>616</b>	<b>1.7</b>	<b>1.8</b>
<b>Corporate</b>	<b>934,653</b>	<b>899,041</b>	<b>258,968</b>	<b>250,750</b>	<b>20,718</b>	<b>20,060</b>	<b>27.7</b>	<b>27.9</b>
Corporate lending	919,836	888,991	254,904	247,764	20,393	19,821	27.7	27.9
<i>of which other loans foundation approach *</i>	120,536	125,126	36,905	37,526	2,953	3,002	30.6	30.0
<i>of which other loans advanced approach *</i>	799,300	763,865	217,999	210,238	17,440	16,819	27.3	27.5
<i>of which large companies</i>	150,052	154,297	55,156	57,241	4,412	4,579	36.8	37.1
<i>of which medium-sized companies</i>	91,278	85,130	39,697	37,275	3,176	2,982	43.5	43.8
<i>of which property companies</i>	557,970	524,438	123,146	115,722	9,852	9,258	22.1	22.1
Counterparty risk	14,817	10,050	4,064	2,986	325	239	27.4	29.7
<b>Housing co-operative associations</b>	<b>232,899</b>	<b>216,026</b>	<b>10,673</b>	<b>9,902</b>	<b>854</b>	<b>791</b>	<b>4.6</b>	<b>4.6</b>
<b>Retail</b>	<b>1,120,458</b>	<b>1,079,337</b>	<b>86,865</b>	<b>85,185</b>	<b>6,949</b>	<b>6,815</b>	<b>7.8</b>	<b>7.9</b>
Private individuals	1,095,989	1,054,730	77,813	77,746	6,225	6,220	7.1	7.4
<i>of which property loans</i>	1,043,207	991,558	64,991	62,459	5,199	4,997	6.2	6.3
<i>of which other loans</i>	52,782	63,172	12,822	15,287	1,026	1,223	24.3	24.2
Small companies	24,469	24,607	9,052	7,438	724	595	37.0	30.2
<i>of which property loans</i>	12,238	7,280	4,740	1,409	379	113	38.7	19.4
<i>of which other loans</i>	12,231	17,327	4,312	6,029	345	482	35.3	34.8
<b>Institutions</b>	<b>87,084</b>	<b>78,120</b>	<b>18,289</b>	<b>14,858</b>	<b>1,463</b>	<b>1,189</b>	<b>21.0</b>	<b>19.0</b>
Lending to institutions	19,538	17,559	7,212	5,640	577	452	36.9	32.1
Counterparty risk	67,546	60,561	11,077	9,218	886	737	16.4	15.2
<b>Equity exposures</b>	<b>2,486</b>	<b>2,121</b>	<b>8,703</b>	<b>7,410</b>	<b>696</b>	<b>593</b>	<b>350.1</b>	<b>349.4</b>
<i>of which listed shares</i>	617	545	1,791	1,581	143	126	290.0	290.0
<i>of which other shares</i>	1,869	1,576	6,912	5,829	553	467	370.0	370.0
<b>Non credit-obligation assets</b>	<b>7,010</b>	<b>2,239</b>	<b>7,010</b>	<b>2,239</b>	<b>561</b>	<b>179</b>	<b>100.0</b>	<b>100.0</b>
<b>Securitisation positions</b>	-	<b>22</b>	-	<b>51</b>	-	<b>4</b>	-	<b>229.2</b>
<i>of which Traditional securitisation</i>	-	22	-	51	-	4	-	229.2
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
<b>Total IRB approach</b>	<b>2,831,824</b>	<b>2,713,382</b>	<b>398,071</b>	<b>378,089</b>	<b>31,846</b>	<b>30,247</b>	<b>14.1</b>	<b>13.9</b>
<b>Risk weight floor, Swedish mortgage loans**</b>			<b>171,428</b>	<b>163,123</b>	<b>13,714</b>	<b>13,050</b>		
<b>Total IRB approach with impact of risk weight floor, Swedish mortgage loans</b>	<b>2,831,824</b>	<b>2,713,382</b>	<b>569,499</b>	<b>541,212</b>	<b>45,560</b>	<b>43,297</b>	<b>20.1</b>	<b>19.9</b>

\* The foundation approach means the IRB approach without own estimates of LGD and CCF. The advanced approach means the IRB approach with own estimates of LGD and CCF.

\*\* The exposure amount which is affected by the rules for risk weight floor, Swedish mortgage loans was SEK 828,236m at 30 September 2019.

\*\*\* As of 30 September 2019 the Bank reports exposure amounts for repos and securities loans as a net amount. The comparative figures for 31 December 2018 have been adjusted according to the same method.

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

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

Handelsbanken uses the IRB approach without own estimates of LGD and CCF for exposures to sovereigns and institutions, for certain product and collateral types for corporate exposures in the whole of the regional banking operations, and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB, Ecster AB and Handelsbanken Finans (Shanghai) Financial Leasing Co. Ltd and Rahoitus Oy.

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

As of 1 December 2018, operations in the UK are conducted in the subsidiary Handelsbanken plc. Previously, the operations were conducted in the form of an international branch. In the consolidated situation at Group level, capital adequacy for corporate exposure in the UK is set using the IRB approach, while the local capital requirement is set using the standardised approach.

At the end of the quarter, the IRB approach was applied to 82% of the total risk-weighted exposure amount for credit risk, excluding the effect of the risk weight floor on Swedish mortgage loans. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach.



Repos and securities loans for institutions are reported separately in the Credit risk exposures approved for the IRB approach table, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirement is due to the exposure being reported gross and being secured.

The total average risk weight for exposures approved for the IRB approach was stable during the quarter and amounted to 14.1% (14.3). Adjusted for the move of the risk weight floor for Swedish mortgage loans from Pillar 2 to Pillar 1, the total average risk weight is 20.1%.

Credit quality is good. Of Handelsbanken's corporate exposures, 98% were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between 1 and 5 on the Bank's nine-point risk rating scale. The IRB approach is based on

historical losses from both the financial crisis of recent years and the Swedish banking crisis in the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low credit losses over a long period. The risk measurements applied contain margins of conservatism to ensure that the risk is not underestimated.

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

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

### Capital requirement market risks

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
<b>Outright products</b>					
Interest rate risk	847	736	981	764	846
<i>of which general risk</i>	674	564	682	631	706
<i>of which specific risk</i>	173	172	299	133	140
Equity price risk	3	6	5	7	8
<i>of which general risk</i>	1	2	2	2	3
<i>of which specific risk</i>	2	4	3	5	5
<i>of which mutual funds</i>	0	0	0	0	0
Exchange rate risk	-	-	-	-	-
Commodities risk	6	6	9	7	8
<b>Options</b>					
Scenario approach	3	4	5	3	5
<i>of which interest rate risk</i>	0	0	0	0	0
<i>of which equity risk</i>	3	4	5	3	5
<i>of which exchange rate risk</i>	-	-	-	-	-
<i>of which commodity risk</i>	0	0	0	0	0
Securitisation (specific risk)	-	-	-	-	-
Settlement risk	0	0	0	0	-
<b>Total capital requirement for market risks</b>	<b>859</b>	<b>752</b>	<b>1,000</b>	<b>781</b>	<b>867</b>

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

### Capital requirement operational risk

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

## Leverage ratio

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Balance sheet according to accounting regulations	3,188,270	3,105,511	3,170,188	2,978,174	3,087,236
Deduction for assets not included in the banking group	-160,187	-155,110	-147,117	-130,857	-146,782
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-20,017	-8,795	-14,062	-18,501	-13,807
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	6,031	6,042	4,040	3,850	5,125
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>539,204</i>	<i>534,972</i>	<i>545,597</i>	<i>535,815</i>	<i>529,010</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-344,914</i>	<i>-342,393</i>	<i>-348,783</i>	<i>-343,827</i>	<i>-336,752</i>
Assets reported off the balance sheet, net	194,290	192,579	196,814	191,988	192,258
Additional adjustment	-20,325	-19,317	-16,609	-14,583	-12,236
<b>Assets on which the leverage ratio is calculated</b>	<b>3,188,062</b>	<b>3,120,910</b>	<b>3,193,254</b>	<b>3,010,071</b>	<b>3,111,794</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	145,057	140,498	137,349	131,463	131,383
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	4.6%	4.5%	4.3%	4.4%	4.2%

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

## Note 19 Risk and liquidity

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

### Risk and uncertainty factors

Handelsbanken provides credit through its branch operations, exercising a low risk tolerance. The credit process is based on the conviction that a decentralised organisation with local presence ensures high quality in credit decisions. Handelsbanken's exposure to market risks is also low. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. The situation with regard to regulatory developments continues to evolve rapidly. The UK's decision to leave the EU means there is uncertainty regarding the regulations that will

apply to the Bank's British operations. The Bank is preparing for the implementation of Brexit in close consultation with public authorities in both Sweden and the UK. The Bank's low tolerance of risk means that Handelsbanken is also well-equipped to operate under substantially more difficult market conditions than those experienced during the past few years. The Bank's liquidity position is described in more detail below under the heading Liquidity and funding.

### Liquidity and funding

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

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

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves in all currencies of relevance to the Bank. The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises liquid securities, such as government bonds, covered bonds and other securities of high credit quality. These can also provide the Bank with immediate liquidity. These parts of the liquidity reserve are illustrated in the table below and amounted to SEK 565bn at 30 September 2019. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-creating measures.

### Balances with central banks and banks, and securities holdings in the liquidity reserve

Market value, SEKm	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
<b>Level 1 assets</b>	<b>556,338</b>	<b>509,424</b>	<b>580,629</b>	<b>504,480</b>	<b>580,686</b>
Cash and balances with central banks	318,301	297,576	391,127	350,679	411,136
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	181,846	167,132	143,286	117,120	136,578
Securities issued by municipalities and PSEs	1,922	1,034	1,002	482	749
Extremely high quality covered bonds	54,269	43,682	45,214	36,199	32,223
<b>Level 2 assets</b>	<b>8,240</b>	<b>8,840</b>	<b>8,105</b>	<b>7,167</b>	<b>6,821</b>
Level 2A assets	8,184	8,711	7,964	7,084	6,704
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	1,681	1,232	592	4	52
High quality covered bonds	6,501	7,477	7,372	7,080	6,652
Corporate debt securities (lowest rating AA-)	2	2	-	-	-
Level 2B assets	56	129	141	83	117
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	56	129	141	83	117
Shares (major stock index)	-	-	-	-	-
<b>Total liquid assets</b>	<b>564,578</b>	<b>518,264</b>	<b>588,734</b>	<b>511,647</b>	<b>587,507</b>
of which in SEK	187,295	200,666	157,472	128,606	158,523
of which in EUR	138,009	103,118	136,112	140,937	124,234
of which in USD	102,373	93,125	149,682	137,142	178,496
of which in other currencies	136,901	121,355	145,468	104,962	126,254

30 September 2019					
Market value, SEK m	SEK	EUR	USD	Other	Total
<b>Level 1 assets</b>	<b>185,974</b>	<b>136,793</b>	<b>98,373</b>	<b>135,198</b>	<b>556,338</b>
Cash and balances with central banks	4,212	126,389	97,701	89,999	318,301
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	130,921	9,755	672	40,498	181,846
Securities issued by municipalities and PSEs	1,922	-	-	-	1,922
Extremely high quality covered bonds	48,919	649	-	4,701	54,269
<b>Level 2 assets</b>	<b>1,321</b>	<b>1,216</b>	<b>4,000</b>	<b>1,703</b>	<b>8,240</b>
Level 2A assets	1,321	1,160	4,000	1,703	8,184
<i>Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs</i>	-	-	-	1,681	1,681
<i>High quality covered bonds</i>	1,321	1,158	4,000	22	6,501
<i>Corporate debt securities (lowest rating AA-)</i>	-	2	-	-	2
Level 2B assets	-	56	-	-	56
<i>Asset-backed securities</i>	-	-	-	-	-
<i>High quality covered bonds</i>	-	-	-	-	-
<i>Corporate debt securities (rated A+ to BBB-)</i>	-	56	-	-	56
<i>Shares (major stock index)</i>	-	-	-	-	-
<b>Total liquid assets</b>	<b>187,295</b>	<b>138,009</b>	<b>102,373</b>	<b>136,901</b>	<b>564,578</b>

The table is presented in accordance with the new sector-wide template for the liquidity reserve, drawn up by the Swedish Bankers' Association.

## Maturities for financial assets and liabilities

30 September 2019	Up to 30 days	31 days - 6 mths	6 - 12 mths	1 - 2 yrs	2 - 5 yrs	5 yrs -	Unspec. maturity	Total
<b>Assets</b>								
Cash and balances with central banks	360,848	-	-	-	-	-	-	360,848
Interest-bearing securities eligible as collateral with central banks *	152,222	-	-	-	-	-	-	152,222
Bonds and other interest-bearing securities *	55,467	-	-	-	-	-	-	55,467
Loans to credit institutions	27,917	2,637	281	482	1,193	2,623	0	35,133
<i>of which reverse repos</i>	4,102	-	-	-	-	-	-	4,102
Loans to the public	48,300	278,358	187,493	210,097	452,374	1,116,412	-	2,293,034
<i>of which reverse repos</i>	11,638	-	-	-	-	-	-	11,638
Other **	26,260	-	-	-	-	-	265,306	291,566
<i>of which shares and participating interests</i>	18,472	-	-	-	-	-	-	18,472
<i>of which claims on investment banking settlements</i>	7,788	-	-	-	-	-	-	7,788
<b>Total</b>	<b>671,014</b>	<b>280,995</b>	<b>187,774</b>	<b>210,579</b>	<b>453,567</b>	<b>1,119,035</b>	<b>265,306</b>	<b>3,188,270</b>
<b>Liabilities</b>								
Due to credit institutions ***	111,093	55,112	8,071	3,493	753	3,479	28,432	210,433
<i>of which repos</i>	-	-	-	-	-	-	-	0
<i>of which deposits from central banks</i>	20,988	38,415	-	-	-	-	34	59,437
Deposits and borrowing from the public ***	39,997	27,260	4,133	856	351	6,869	1,076,690	1,156,156
<i>of which repos</i>	0	-	-	-	-	-	-	0
Issued securities	88,093	271,155	280,240	179,400	479,463	101,580	-	1,399,931
<i>of which covered bonds</i>	15,118	5,134	74,027	101,061	356,722	86,306	-	638,368
<i>of which certificates and other securities with original maturity of less than one year</i>	67,537	244,195	139,675	-	-	-	-	451,407
<i>of which senior bonds and other securities with original maturity of more than one year</i>	5,438	21,826	66,538	78,339	122,741	15,274	-	310,156
Subordinated liabilities	-	2	533	12,039	24,033	-	-	36,607
Other **	8,887	-	-	-	-	-	376,256	385,143
<i>of which short positions</i>	4,271	-	-	-	-	-	-	4,271
<i>of which investment banking settlement debts</i>	4,616	-	-	-	-	-	-	4,616
<b>Total</b>	<b>248,070</b>	<b>353,529</b>	<b>292,977</b>	<b>195,788</b>	<b>504,600</b>	<b>111,928</b>	<b>1,481,378</b>	<b>3,188,270</b>

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

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

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

## Liquidity coverage ratio (LCR)

	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Liquidity coverage ratio (LCR) - sub-components, SEK m					
<b>High quality liquidity assets</b>	<b>559,523</b>	<b>513,836</b>	<b>584,304</b>	<b>508,009</b>	<b>584,187</b>
<b>Cash outflows</b>	<b>448,213</b>	<b>416,446</b>	<b>450,738</b>	<b>404,045</b>	<b>426,051</b>
Deposits from the public and small enterprises	63,247	61,209	59,248	58,078	57,537
Unencumbered capital market financing	334,075	307,937	346,392	300,759	321,409
Encumbered capital market financing	8,554	7,990	7,309	4,609	9,411
Other cash outflows	42,337	39,310	37,789	40,599	37,694
<b>Cash inflows</b>	<b>72,686</b>	<b>56,113</b>	<b>77,571</b>	<b>55,956</b>	<b>62,939</b>
Inflows from fully performing exposures	24,543	21,081	38,793	25,418	26,041
Other cash inflows	48,143	35,032	38,778	30,538	36,898
<b>Liquidity coverage ratio (LCR), %</b>	<b>149</b>	<b>143</b>	<b>157</b>	<b>146</b>	<b>161</b>

The liquidity coverage ratio (LCR) has been a binding requirement for banks in the EU since the European Commission introduced its Delegated Regulation. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The requirement applies at aggregate level and the ratio must be at least 100%. Minimum requirements for the net stable funding ratio (NSFR) – the structural liquidity measure that is the ratio between available stable funding and the stable funding required – become effective in the EU in June 2021.

At the end of June, the Group's aggregated LCR was 149%, in accordance with the European Commission's delegated act, which shows that the Bank has substantial resistance to short-term disruptions in the funding markets. During the first nine months of the year, the LCR was 158%, as an average of daily observations according to the same definition.

## Stress test with liquidity-creating measures

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

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

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

## Non-encumbered assets, NEA

30 September 2019		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio***	571	59%
Mortgage loans	675	128%
Other household lending	204	149%
Property company lending lowest risk class (1-3)	300	180%
Other corporate lending lowest risk class (1-3)	171	198%
Loans to credit institutions lowest risk class (1-3)	19	200%
Other corporate lending	294	230%
Other assets	19	232%
<b>Total non-encumbered assets (NEA)</b>	<b>2,253</b>	<b>232%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>62</b>	
Encumbered assets with underlying liabilities	873	
<b>Total assets, Group</b>	<b>3,188</b>	

31 December 2018		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio***	582	60%
Mortgage loans	645	127%
Other household lending	184	146%
Property company lending lowest risk class (1-3)	288	176%
Other corporate lending lowest risk class (1-3)	151	192%
Loans to credit institutions lowest risk class (1-3)	16	194%
Other corporate lending	214	216%
Other assets	0	216%
<b>Total non-encumbered assets (NEA)</b>	<b>2,080</b>	<b>216%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>60</b>	
Encumbered assets with underlying liabilities	838	
<b>Total assets, Group</b>	<b>2,978</b>	

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

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

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

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

## Note 20 Related-party transactions

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

## Note 21 Segment reporting

Information about the Bank's segment reporting is provided on pages 13-28.

## Note 22 Events after the balance sheet date

Information regarding material events after the balance sheet date is provided on page 11.

## Condensed set of financial statements – Parent company

### INCOME STATEMENT – PARENT COMPANY

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Net interest income	3,258	3,260	0%	4,478	-27%	9,716	13,193	-26%	17,234
Dividends received	96	1,005	-90%	72	33%	1,220	346	253%	11,023
Net fee and commission income	1,534	1,526	1%	1,600	-4%	4,485	4,689	-4%	6,218
Net gains/losses on financial transactions	218	240	-9%	250	-13%	653	629	4%	1,020
Other operating income	702	680	3%	469	50%	1,937	2,225	-13%	2,805
<b>Total income</b>	<b>5,808</b>	<b>6,711</b>	<b>-13%</b>	<b>6,869</b>	<b>-15%</b>	<b>18,011</b>	<b>21,082</b>	<b>-15%</b>	<b>38,300</b>
Staff costs	-3,408	-2,888	18%	-3,147	8%	-8,027	-9,796	-18%	-12,255
Other administrative expenses	-1,504	-1,394	8%	-1,501	0%	-4,241	-4,643	-9%	-6,332
Depreciation, amortisation and impairment of property, equipment and intangible assets	-542	-503	8%	-317	71%	-1,531	-943	62%	-1,350
<b>Total expenses before credit losses</b>	<b>-5,454</b>	<b>-4,785</b>	<b>14%</b>	<b>-4,965</b>	<b>10%</b>	<b>-13,799</b>	<b>-15,382</b>	<b>-10%</b>	<b>-19,937</b>
<b>Profit before credit losses</b>	<b>354</b>	<b>1,926</b>	<b>-82%</b>	<b>1,904</b>	<b>-81%</b>	<b>4,212</b>	<b>5,700</b>	<b>-26%</b>	<b>18,363</b>
Net credit losses	-191	-444	-57%	-222	-14%	-921	-595	55%	-835
Impairment of financial assets	-11	-48	-77%	-	-	-148	-	-	-
<b>Operating profit</b>	<b>152</b>	<b>1,434</b>	<b>-89%</b>	<b>1,682</b>	<b>-91%</b>	<b>3,143</b>	<b>5,105</b>	<b>-38%</b>	<b>17,528</b>
Appropriations	32	31	3%	31	3%	93	91	2%	332
<b>Profit before tax</b>	<b>184</b>	<b>1,465</b>	<b>-87%</b>	<b>1,713</b>	<b>-89%</b>	<b>3,236</b>	<b>5,196</b>	<b>-38%</b>	<b>17,860</b>
Taxes	-93	-168	-45%	-462	-80%	-659	-1,209	-45%	-4,005
<b>Profit for the period</b>	<b>91</b>	<b>1,297</b>	<b>-93%</b>	<b>1,251</b>	<b>-93%</b>	<b>2,577</b>	<b>3,987</b>	<b>-35%</b>	<b>13,855</b>

### STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q3 2019	Q2 2019	Change	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Full year 2018
<b>Profit for the period</b>	<b>91</b>	<b>1,297</b>	<b>-93%</b>	<b>1,251</b>	<b>-93%</b>	<b>2,577</b>	<b>3,987</b>	<b>-35%</b>	<b>13,855</b>
<b>Other comprehensive income</b>									
<b>Items that will not be reclassified to the income statement</b>									
Instruments measured at fair value through other comprehensive income - equity instruments	22	80		31		258	126		-188
Tax on items that will not be reclassified to income statement	-3	-6		-1		-18	-2		1
<i>of which equity instruments measured at fair value through other comprehensive income</i>	-3	-6		-1		-18	-2		1
<b>Total items that will not be reclassified to the income statement</b>	<b>19</b>	<b>74</b>		<b>30</b>		<b>240</b>	<b>124</b>		<b>-187</b>
<b>Items that may subsequently be reclassified to the income statement</b>									
Cash flow hedges	4	1,022	-100%	-600		1,750	-817		829
Instruments measured at fair value through other comprehensive income - debt instruments	-2	5		1		10	0		-12
Translation differences for the period	109	157	-31%	-1,011		608	2,399	-75%	41
<i>of which hedging net investment in foreign operations</i>	-197	-10		-144	-37%	-648	-573	-13%	-848
Tax on items that may subsequently be reclassified to the income statement	41	-216		164	-75%	-238	306		19
<i>of which cash flow hedges</i>	-1	-219	100%	132		-375	180		-178
<i>of which debt instruments measured at fair value through other comprehensive income</i>	0	0		0		-2	0		3
<i>of which hedging net investment in foreign operations</i>	42	3		32	31%	139	126	10%	194
<b>Total items that may subsequently be reclassified to the income statement</b>	<b>152</b>	<b>968</b>	<b>-84%</b>	<b>-1,446</b>		<b>2,130</b>	<b>1,888</b>	<b>13%</b>	<b>877</b>
<b>Total other comprehensive income for the period</b>	<b>171</b>	<b>1,042</b>	<b>-84%</b>	<b>-1,416</b>		<b>2,370</b>	<b>2,012</b>	<b>18%</b>	<b>690</b>
<b>Total comprehensive income for the period</b>	<b>262</b>	<b>2,339</b>	<b>-89%</b>	<b>-165</b>		<b>4,947</b>	<b>5,999</b>	<b>-18%</b>	<b>14,545</b>

## Comment on results – Parent company January – September 2019 compared with January – September 2018

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, since 1 December 2018, in the UK, where operations are conducted through Handelsbanken plc. Thus, the performance of the parent company is not equivalent to the performance of business operations in the Group as a whole.

The parent company's operating profit decreased by 38% to SEK 3,143m (5,105), chiefly owing to reduced net interest income. Profit for the period decreased by 35% to SEK 2,577m (3,987). Net interest income decreased by 26% to SEK 9,716m (13,193), and net fee and commission income decreased by 4% to SEK 4,485m (4,689). The primary reason for the decrease in profit reported by the parent company is the fact that the UK operations are no longer included on the parent company's balance sheet, as well as the negative impact of the restructuring costs of SEK 930m on the parent company's results. Since year-end, the parent company's equity has decreased to SEK 118,058m (121,062).

### BALANCE SHEET – PARENT COMPANY

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
<b>Assets</b>					
Cash and balances with central banks	230,780	187,741	266,465	243,824	357,440
Interest-bearing securities eligible as collateral with central banks	148,949	173,550	145,275	118,918	142,218
Loans to credit institutions	925,555	869,080	901,510	841,085	736,921
Loans to the public	642,351	645,083	645,544	611,699	862,370
Bonds and other interest-bearing securities	59,192	56,610	66,735	50,993	53,599
Shares	17,525	17,068	12,218	13,156	12,905
Shares in subsidiaries and investments in associates	72,154	72,155	72,188	72,267	48,651
Assets where the customer bears the value change risk	6,158	5,982	5,683	5,240	5,531
Derivative instruments	68,116	51,701	58,447	59,109	54,284
Intangible assets	3,048	3,031	2,917	2,772	2,898
Property, equipment and leasing assets	5,609	5,600	5,558	5,434	2,927
Current tax assets	2,634	1,545	625	531	2,165
Deferred tax assets	759	589	441	285	215
Other assets	7,818	6,771	13,792	25,910	9,184
Prepaid expenses and accrued income	1,944	2,491	2,574	2,476	2,228
<b>Total assets</b>	<b>2,192,592</b>	<b>2,098,997</b>	<b>2,199,972</b>	<b>2,053,699</b>	<b>2,293,536</b>
<b>Liabilities and equity</b>					
Due to credit institutions	264,898	247,654	252,246	261,735	210,052
Deposits and borrowing from the public	969,990	929,760	946,086	839,835	1,100,088
Liabilities where the customer bears the value change risk	6,158	5,982	5,683	5,240	5,531
Issued securities	729,773	696,019	767,014	716,531	750,391
Derivative instruments	44,127	39,857	38,804	36,226	38,512
Short positions	4,271	8,055	10,888	6,163	7,081
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	1,235	1,105	745	528	257
Provisions	1,108	201	114	109	179
Other liabilities	12,736	13,970	25,307	12,044	15,487
Accrued expenses and deferred income	2,128	2,039	1,933	2,255	3,186
Subordinated liabilities	37,307	37,673	37,588	51,085	50,827
<b>Total liabilities</b>	<b>2,073,731</b>	<b>1,982,315</b>	<b>2,086,408</b>	<b>1,931,751</b>	<b>2,181,591</b>
<b>Untaxed reserves</b>	<b>803</b>	<b>832</b>	<b>860</b>	<b>886</b>	<b>611</b>
Share capital	3,060	3,024	3,013	3,013	3,013
Share premium	8,225	6,292	5,629	5,629	5,629
Other funds	11,018	10,800	9,616	8,285	9,698
Retained earnings	93,178	93,248	93,257	90,280	89,007
Profit for the period	2,577	2,486	1,189	13,855	3,987
<b>Total equity</b>	<b>118,058</b>	<b>115,850</b>	<b>112,704</b>	<b>121,062</b>	<b>111,334</b>
<b>Total liabilities and equity</b>	<b>2,192,592</b>	<b>2,098,997</b>	<b>2,199,972</b>	<b>2,053,699</b>	<b>2,293,536</b>



## CHANGE IN EQUITY – PARENT COMPANY

January – September 2019 SEK m	Restricted equity			Unrestricted equity					Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *			
<b>Opening equity 2018</b>	<b>3,013</b>	<b>2,682</b>	<b>2,497</b>	<b>5,629</b>	<b>564</b>	<b>304</b>	<b>2,238</b>	<b>104,135</b>	<b>121,062</b>	
Profit for the period								2,577	2,577	
Other comprehensive income <i>of which reclassified within equity</i>					1,375	248	747	-99	2,370	
<b>Total comprehensive income for the period</b>					<b>1,375</b>	<b>248</b>	<b>747</b>	<b>2,577</b>	<b>4,947</b>	
Reclassified to retained earnings								99	99	
Dividend								-10,693	-10,693	
Effects of convertible subordinated loans	47			2,596					2,643	
Fund for internally developed software			363					-363	0	
<b>Closing equity</b>	<b>3,060</b>	<b>2,682</b>	<b>2,860</b>	<b>8,225</b>	<b>1,939</b>	<b>552</b>	<b>2,985</b>	<b>95,755</b>	<b>118,058</b>	

January – December 2018 SEK m	Restricted equity			Unrestricted equity					Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *			
<b>Closing equity 2017</b>	<b>3,013</b>	<b>2,682</b>	<b>2,223</b>	<b>5,629</b>	<b>-87</b>	<b>499</b>	<b>2,003</b>	<b>104,238</b>	<b>120,200</b>	
Effect of transition to IFRS 9						1		-366	-365	
Tax effect due to transition to IFRS 9						0		81	81	
<b>Opening equity 2018</b>	<b>3,013</b>	<b>2,682</b>	<b>2,223</b>	<b>5,629</b>	<b>-87</b>	<b>500</b>	<b>2,003</b>	<b>103,953</b>	<b>119,916</b>	
Profit for the period								13,855	13,855	
Other comprehensive income <i>of which reclassified within equity</i>					651	-196	235	-1,191	690	
<b>Total comprehensive income for the period</b>					<b>651</b>	<b>-196</b>	<b>235</b>	<b>13,855</b>	<b>14,545</b>	
Reclassified to retained earnings								1,196	1,196	
Dividend								-14,581	-14,581	
Group contributions provided								-11	-11	
Tax effect on Group contribution								-3	-3	
Effects of convertible subordinated loans	0			0					0	
Fund for internally developed software			274					-274		
<b>Closing equity</b>	<b>3,013</b>	<b>2,682</b>	<b>2,497</b>	<b>5,629</b>	<b>564</b>	<b>304</b>	<b>2,238</b>	<b>104,135</b>	<b>121,062</b>	

January – September 2018 SEK m	Restricted equity			Unrestricted equity					Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *			
<b>Closing equity 2017</b>	<b>3,013</b>	<b>2,682</b>	<b>2,223</b>	<b>5,629</b>	<b>-87</b>	<b>499</b>	<b>2,003</b>	<b>104,238</b>	<b>120,200</b>	
Effect of transition to IFRS 9						1		-366	-365	
Tax effect due to transition to IFRS 9						0		81	81	
<b>Opening equity 2018</b>	<b>3,013</b>	<b>2,682</b>	<b>2,223</b>	<b>5,629</b>	<b>-87</b>	<b>500</b>	<b>2,003</b>	<b>103,953</b>	<b>119,916</b>	
Profit for the period								3,987	3,987	
Other comprehensive income					-637	124	2,525	0	2,012	
<b>Total comprehensive income for the period</b>					<b>-637</b>	<b>124</b>	<b>2,525</b>	<b>3,987</b>	<b>5,999</b>	
Dividend								-14,581	-14,581	
Effects of convertible subordinated loans	0			0					0	
Fund for internally developed software			365					-365		
<b>Closing equity</b>	<b>3,013</b>	<b>2,682</b>	<b>2,588</b>	<b>5,629</b>	<b>-724</b>	<b>624</b>	<b>4,528</b>	<b>92,994</b>	<b>111,334</b>	

\* Included in fair value fund.

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

During the period January to September 2019, convertibles for a nominal value of SEK 2 643m (0), relating to subordinated convertible bonds were converted into 29 756 367 Class A-shares (1 609). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

## CONDENSED STATEMENT OF CASH FLOWS – PARENT COMPANY

SEK m	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating profit	3,143	5,105	17,528
Adjustment for non-cash items in profit/loss	1,422	1,906	-6,432
Paid income tax	-2,765	-3,227	-4,386
Changes in the assets and liabilities of operating activities	-14,835	100,675	13,435
<b>Cash flow from operating activities</b>	<b>-13,035</b>	<b>104,459</b>	<b>20,145</b>
Acquisition / divestment of subsidiaries	-	-	-
Change in shares	-52	-1,038	-24,890
Change in property and equipment	-1,314	-785	-3,558
Change in intangible assets	-633	-531	-521
<b>Cash flow from investing activities</b>	<b>-1,999</b>	<b>-2,354</b>	<b>-28,969</b>
Repayment of subordinated loans	-17,730	-	-
Issued subordinated loans	4,908	15,449	15,449
Dividend paid	-10,693	-14,581	-14,581
Received Group contributions	10,104	11,814	11,814
<b>Cash flow from financing activities</b>	<b>-13,411</b>	<b>12,682</b>	<b>12,682</b>
<b>Liquid funds at beginning of the year</b>	<b>243,824</b>	<b>226,314</b>	<b>226,314</b>
Cash flow for the period	-28,445	114,787	3,858
Exchange rate difference on liquid funds	15,401	16,339	13,652
<b>Liquid funds at end of year*</b>	<b>230,780</b>	<b>357,440</b>	<b>243,824</b>

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

## OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

**Own funds** Presentation in accordance with the requirements of Commission Implementing regulation (EU) No 1423/2013. Excluded rows are deemed not relevant for Handelsbanken at present.

	Amount at disclosure date SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	Regulation (EU) No 575/2013 art. ref.
<b>Common equity tier 1 (CET1) capital: Instruments and reserves</b>							
1	Capital instruments and the related share premium accounts <i>of which: share capital</i>	11,206 11,206	8,949 8,949	8,177 8,177	8,177 8,177	8,177 8,177	26.1, 27, 28, 29 EBA list 26.3
2	Retained earnings	98,718	98,740	98,607	95,457	94,275	26.1 c
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	5,558	5,676	4,722	3,539	4,834	26.1
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	786	758	362	3,161	182	26.2
<b>6</b>	<b>Common equity tier 1 (CET1) capital before regulatory adjustments</b>	<b>116,268</b>	<b>114,123</b>	<b>111,868</b>	<b>110,334</b>	<b>107,468</b>	
<b>Common equity tier 1 (CET1) capital: regulatory adjustments</b>							
7	Additional value adjustments (negative amount)	-132	-271	-193	-193	-238	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-2,872	-2,826	-2,685	-2,514	-2,606	36.1 b, 37
11	Fair value reserves related to gains or losses on cash flow hedges	-1,940	-1,936	-1,133	-564	724	33.1 a
12	Negative amounts resulting from the calculation of expected loss amounts	-1,275	-1,254	-3,029	-3,068	-2,586	36.1 d, 40, 159
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	-	-	-	33.1 b
15	Defined benefit pension fund assets (negative amount)	-	-	-	-	-	36.1 e, 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-474	-478	-504	-508	-565	36.1 f, 42
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	-	-	-	36.1 i, 43, 45, 47, 48.1 b, 49.1-49.3, 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-22	-22	-	-	-	36 (1) (k) 36 (1) (k) (ii), 243 (1) (b), 244 (1)
20c	<i>of which: securitisation positions (negative amount)</i>	-22	-22	-	-	-	(b), 258
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-	-	-	-	36.1 c, 38, 48.1 a
22	Amount exceeding the 15% threshold (negative amount)	-	-	-	-	-	48.1
23	<i>of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities</i>	-	-	-	-	-	36.1 i, 48.1 b
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	-	-	-	-	
25a	Losses for the current financial year (negative amount)	-	-	-	-	-	36.1 a
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	-	-	-	36.1 l
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	-	-	-	36.1 j
<b>28</b>	<b>Total regulatory adjustments to common equity tier 1 (CET1) capital</b>	<b>-6,715</b>	<b>-6,787</b>	<b>-7,544</b>	<b>-6,847</b>	<b>-5,271</b>	
<b>29</b>	<b>Common equity tier 1 (CET1) capital</b>	<b>109,553</b>	<b>107,336</b>	<b>104,325</b>	<b>103,487</b>	<b>102,197</b>	

## Own funds – parent company, cont.

	Amount at disclosure date SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	Regulation (EU) No 575/2013 art. ref.
<b>Additional tier 1 (AT1) capital: instruments</b>							
30	Capital instruments and the related share premium accounts	16,618	15,712	15,690	10,701	10,647	51, 52
32	<i>of which: classified as liabilities under applicable accounting standards</i>	16,618	15,712	15,690	10,701	10,647	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-	-	-	2,352	2,352	486.3
<b>36</b>	<b>Additional tier 1 (AT1) capital before regulatory adjustments</b>	<b>16,618</b>	<b>15,712</b>	<b>15,690</b>	<b>13,053</b>	<b>12,999</b>	
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>							
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-	-	-400	-400	52.1 b, 56 a, 57
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	-	-	-	56 d, 59, 79
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-	-	-	-	-	56 e
<b>43</b>	<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-400</b>	<b>-400</b>	
<b>44</b>	<b>Additional tier 1 (AT1) capital</b>	<b>16,618</b>	<b>15,712</b>	<b>15,690</b>	<b>12,653</b>	<b>12,599</b>	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>126,171</b>	<b>123,048</b>	<b>120,015</b>	<b>116,140</b>	<b>114,796</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>							
46	Capital instruments and the related share premium accounts	19,003	18,803	18,563	33,704	18,415	62, 63
50	Credit risk adjustments	-	-	-	-	-	62 c och d
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>19,003</b>	<b>18,803</b>	<b>18,563</b>	<b>33,704</b>	<b>18,415</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>							
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	-	-15,379	-	63 b i, 66 a, 67
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1,129	-1,129	-1,129	-1,129	-1,129	66d, 69, 79
<b>57</b>	<b>Total regulatory adjustments to tier 2 (T2) capital</b>	<b>-1,129</b>	<b>-1,129</b>	<b>-1,129</b>	<b>-16,508</b>	<b>-1,129</b>	
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>17,874</b>	<b>17,674</b>	<b>17,434</b>	<b>17,196</b>	<b>17,286</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>144,045</b>	<b>140,722</b>	<b>137,449</b>	<b>133,336</b>	<b>132,082</b>	
<b>60</b>	<b>Total risk-weighted assets</b>	<b>468,516</b>	<b>468,536</b>	<b>649,050</b>	<b>624,981</b>	<b>614,049</b>	
<b>Capital ratios and buffers</b>							
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	23.4	22.9	16.1	16.6	16.6	92.2 a
62	Tier 1 capital (as a percentage of total risk exposure amount)	26.9	26.3	18.5	18.6	18.7	92.2 b
63	Total capital (as a percentage of total risk exposure amount)	30.7	30.0	21.2	21.3	21.5	92.2 c
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	4.2	3.9	4.0	4.0	3.9	CRD 128, 129, 130, 131, 133
65	<i>of which: capital conservation buffer requirement</i>	2.5	2.5	2.5	2.5	2.5	
66	<i>of which: countercyclical buffer requirement</i>	1.7	1.4	1.5	1.5	1.4	
67	<i>of which: systemic risk buffer requirement</i>	-	-	-	-	-	
67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	-	-	-	-	-	
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	18.9	18.4	11.6	12.1	12.1	CRD 128

Own funds – parent company, cont.

Amount at disclosure date SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	Regulation (EU) No 575/2013 art. ref.
<b>Amounts below the thresholds for deduction (before risk weighting)</b>						
72	0	0	0	0	48	36.1 h, 46, 45, 56 c, 59, 60, 66 c, 69, 70
73	-	-	-	-	-	36.1 i, 45, 48
75	-1	-2	0	-202	-215	36.1 c, 38, 48
<b>Applicable caps on the inclusion of provisions tier 2 capital</b>						
76	-	-	-	-	-	62
77	1,998	2,010	1,220	1,085	1,390	62
78	-	-	-	-	-	62
79	1,448	1,432	2,939	2,885	2,658	62
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>						
80	-	-	-	58	58	484.3, 486.2, 486.5
81	-	-	-	-	-	484.3, 486.2, 486.5
82	-	-	-	2,445	2,445	484.4, 486.3, 486.5
83	-	-	-	-	-	484.4, 486.3, 486.5
84	-	-	-	1,481	1,481	484.5, 486.4, 486.5
85	-	-	-	-	-	484.5, 486.4, 486.5

*Rounding differences may occur in the table*

## Capital requirement – Parent company

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Credit risk according to standardised approach	12,787	12,862	7,805	6,941	8,898
Credit risk according to IRB Approach	18,808	18,606	38,730	38,019	35,445
Risk weight floor Swedish mortgage loans	494	478	461	426	
Market risk	1,500	1,621	1,000	781	867
Credit valuation adjustment risk (CVA)	442	466	478	418	501
Operational risk	3,450	3,450	3,450	3,413	3,413
Combined buffer requirement	19,807	18,477	25,955	24,863	23,886
<b>Total capital requirement</b>	<b>57,288</b>	<b>55,960</b>	<b>77,879</b>	<b>74,861</b>	<b>73,010</b>

## Capital requirement credit risks, standardised approach \* – Parent company

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Sovereign and central banks	-	-	-	-	-
Municipalities	-	-	-	0	-
Multilateral development banks	-	-	-	-	-
International organisations	-	-	-	-	-
Institutions	1,414	1,314	1,713	1,105	134
Corporates	473	645	812	706	803
Households	234	250	245	244	940
Collateral in real estate	1,843	1,641	1,551	1,477	3,433
Past due items	24	24	23	22	45
Equities	8,631	8,622	2,988	2,988	2,988
Other items	168	366	473	399	555
<b>Total</b>	<b>12,787</b>	<b>12,862</b>	<b>7,805</b>	<b>6,941</b>	<b>8,898</b>

\* Information about capital requirements for the exposure classes where there are exposures.

## Capital requirement credit risks, IRB approach – Parent company

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Sovereign and central banks	419	364	440	423	527
Corporates	13,746	13,946	14,330	14,045	18,366
Households	2,457	2,311	2,266	2,260	2,130
Private individuals	1,813	1,777	1,745	1,744	1,641
<i>of which property loans</i>	1,354	1,107	1,076	1,068	1,015
<i>of which other loans</i>	459	670	669	676	626
Small companies	644	534	521	516	489
Institutions	1,455	1,272	1,550	1,178	1,251
Equity exposures	668	649	20,072	20,050	13,089
<i>of which listed shares</i>	143	153	133	126	145
<i>of which other shares</i>	525	496	19,939	19,924	12,944
Non credit-obligation assets	63	64	64	59	78
Securitisation positions	-	-	8	4	4
<b>Total IRB approach</b>	<b>18,808</b>	<b>18,606</b>	<b>38,730</b>	<b>38,019</b>	<b>35,445</b>
<b>Risk weight floor Swedish mortgage loans</b>	<b>494</b>	<b>478</b>	<b>460</b>	<b>426</b>	
<b>Total IRB approach with impact of risk weight floor, Swedish mortgage loans</b>	<b>19,302</b>	<b>19,084</b>	<b>39,190</b>	<b>38,445</b>	

## Capital requirement market risks – Parent company

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Position risk in the trading book	853	746	991	774	859
Interest rate risk	847	736	981	764	846
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
Equity price risk	6	10	10	10	13
Exchange rate risk	641	869	-	-	-
Commodities risk	6	6	9	7	8
Settlement risk	0	0	0	0	-
<b>Total capital requirement for market risks</b>	<b>1,500</b>	<b>1,621</b>	<b>1,000</b>	<b>781</b>	<b>867</b>

## Leverage ratio – Parent company

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Balance sheet according to accounting regulations	2,192,592	2,098,997	2,199,972	2,053,699	2,293,536
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-16,966	-6,002	-11,463	-16,735	-12,442
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	6,031	6,167	4,175	3,850	5,473
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>514,518</i>	<i>509,471</i>	<i>518,605</i>	<i>517,183</i>	<i>568,462</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-315,449</i>	<i>-334,331</i>	<i>-340,598</i>	<i>-335,815</i>	<i>-366,548</i>
Assets reported off the balance sheet, net	199,069	175,140	178,007	181,368	201,914
Additional adjustment	-717,197	-688,063	-828,589	-706,084	-666,519
<b>Assets on which the leverage ratio is calculated</b>	<b>1,663,529</b>	<b>1,586,239</b>	<b>1,542,102</b>	<b>1,516,098</b>	<b>1,821,962</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	126,171	123,048	120,015	116,140	114,796
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	7.6%	7.8%	7.8%	7.7%	6.3%

## SUBMISSION OF REPORT

I hereby submit this interim report.

Stockholm, 23 October 2019

Carina Åkerström  
President and Group Chief Executive

## PRESS AND TELEPHONE CONFERENCE

A press and analyst conference is arranged for 10:30 a.m. (CET) on 23 October at the Bank's head office.

A telephone conference will be held at 11:45 a.m. (CET) on 23 October.

Press releases, presentations, a fact book and a recording of the telephone conference are available at [handelsbanken.com/ir](http://handelsbanken.com/ir).

The highlights of the annual report for January – December 2019 will be published on 5 February 2020. This report has been subject to review by the company's auditor.

### **For further information, please contact:**

Carina Åkerström, President & Group Chief Executive  
Tel: +46 (0)8 22 92 20

Rolf Marquardt, CFO  
Tel: +46 (0)8 22 92 20

Lars Höglund, Head of Investor Relations  
Tel: +46 (0)8 701 51 70, [laho01@handelsbanken.se](mailto:laho01@handelsbanken.se)



## Auditors' report concerning review of interim report

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

### INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 September 2019 and for the nine-month period ending as at this date. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

### FOCUS AND SCOPE OF THE REVIEW

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

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

### CONCLUSION

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

Stockholm, 23 October 2019

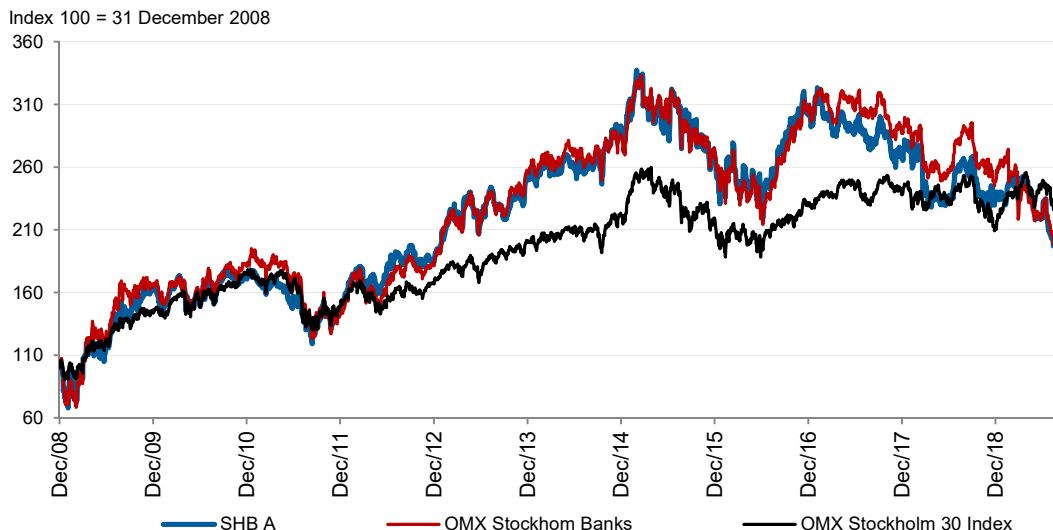
Ernst & Young AB  
Jesper Nilsson, Authorised Public Accountant

PricewaterhouseCoopers AB  
Johan Rippe, Authorised Public Accountant

## Share price performance and other information

The Swedish stock market (OMX Stockholm 30 Index) grew by 17.0% during the first half of the year. The Stockholm stock exchange's bank index fell by 9.4%. Handelsbanken's class A shares closed at SEK 92.18, a decline of 6.2%, but including the dividend paid, amounting to SEK 5.50, the total return was -0.6%.

### SHARE PRICE PERFORMANCE PREVIOUS 10 YEARS



### ANALYSTS WHO MONITOR THE BANK

Company	Analyst	Email address
ABG SUNDAL COLLIER	Magnus Andersson	magnus.andersson@abgsc.se
ARCTIC SECURITIES	Roy Tilley	roy.tilley@arcticsec.no
AUTONOMOUS	Jacob Kruse	jkruise@autonomous-research.com
BANK OF AMERICA MERRILL LYNCH	Sofia Carlström	sofia.carlstrom@baml.com
BARCLAYS	Paulina Sokolova	paulina.x.sokolova@barclays.com
BERENBERG BANK	Adam Barrass	adam.barrass@berenberg.com
CARNEGIE	Jens Hallen	jens.hallen@carnegie.se
CITIGROUP	Ronit Ghose	ronit.ghose@citi.com
CREDIT SUISSE	Marcell Houben	marcell.houben@credit-suisse.com
DANSKE BANK	Andreas Håkansson	andreas.hakansson@danskebank.com
DEUTSCHE BANK	Kazim Andac	kazim.andac@db.com
DNB	Nicholas McBeath	nicholas.mcbeath@dnb.se
EXANE BNP PARIBAS	Jeremy Sigee	jeremy.sigee@exanebnpparibas.com
GOLDMAN SACHS	Pawel Dziedzic	pawel.dziedzic@gs.com
JEFFERIES INTERNATIONAL	Kapilan Pillai	kpillai@jefferies.com
J P MORGAN	Connor Middleton	connor.middleton@jpmorgan.com
KEEFE, BRUYETTE & WOODS	Richard Smith	smithric@kbw.com
KEPLERCHEUVREUX	Robin Rane	rrane@keplercheuvreux.com
MEDIOBANCA	Riccardo Rovere	riccardo.rovere@mediobanca.it
MORGAN STANLEY	Bruce Hamilton	bruce.hamilton@morganstanley.com
NORDEA	Rickard Henze	rickard.henze@nordea.com
PARETO	Simon Julin	simon.julin@paretosec.com
REDBURN	Chris Hartley	chris.hartley@redburn.com
ROYAL BANK OF CANADA	Adrian Cighi	adrian.cighi@rbccm.com
SEB ENSKILDA EQUITIES	Peter Kessiakoff	peter.kessiakoff@seb.se
SOCIETE GENERALE	Geoff Dawes	geoff.dawes@sgcib.com
UBS	Johan Ekblom	johan.ekblom@ubs.com

## Handelsbanken

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