

Handelsbanken's Interim Report

JANUARY – SEPTEMBER 2014

Summary January – September 2014, compared with January – September 2013

- Operating profit went up by 9% to SEK 14,901m (13,630) and rose by 14% in home markets outside Sweden
- The period's profit after tax for total operations increased by 10% to SEK 11,842m (10,768)
- Earnings per share for total operations increased by 10% to SEK 18.63 (16.97)
- Return on equity for total operations was 14.1% (14.2)
- Income increased by 6% to SEK 28,758m (27,049)
- Net interest income went up by 2% to SEK 20,361m (19,897) and in home markets outside Sweden, net interest income increased by 12%
- The C/I ratio improved to 44.4% (46.4)
- The loan loss ratio was 0.08% (0.07)
- The common equity tier 1 ratio according to CRD IV increased to 20.7% (18.8) and the total capital ratio rose to 25.6% (21.6)
- The continued high liquidity reserve and rising deposit volumes reduce the structural requirement for market financing

Summary of Q3 2014, compared with Q2 2014

- Operating profit decreased by 3% to SEK 4,904m (5,077) but rose by 7% compared with the third quarter of 2013
- Adjusted for dividend income in the second quarter, operating profit went up by 1%
- The period's profit after tax for total operations decreased by 3% to SEK 3,899m (4,034) and earnings per share were SEK 6.13 (6.35)
- Return on equity for total operations declined to 13.8% (15.1)
- Income was unchanged, amounting to SEK 9,630m (9,647), while expenses fell by 2% to SEK -4,230m (-4,299)
- Net interest income rose by 4% to SEK 7,004m (6,704)

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Handelsbanken Group – Overview

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Summary income statement									
Net interest income	7,004	6,704	4%	6,683	5%	20,361	19,897	2%	26,669
Net fee and commission income	2,133	2,135	0%	1,896	13%	6,328	5,697	11%	7,804
Net gains/losses on financial transactions	389	466	-17%	354	10%	1,513	1,053	44%	1,357
Risk result - insurance	46	43	7%	30	53%	131	107	22%	142
Other dividend income	0	245	-100%	4	-100%	249	160	56%	161
Share of profit of associates	2	5	-60%	5	-60%	-4	2		9
Other income	56	49	14%	37	51%	180	133	35%	185
Total income	9,630	9,647	0%	9,009	7%	28,758	27,049	6%	36,327
Staff costs	-2,943	-2,910	1%	-2,845	3%	-8,740	-8,424	4%	-11,404
Other administrative expenses	-1,166	-1,267	-8%	-1,187	-2%	-3,681	-3,770	-2%	-5,181
Depreciation, amortisation and impairments of property, equipment and intangible assets	-121	-122	-1%	-125	-3%	-354	-360	-2%	-476
Total expenses	-4,230	-4,299	-2%	-4,157	2%	-12,775	-12,554	2%	-17,061
Profit before loan losses	5,400	5,348	1%	4,852	11%	15,983	14,495	10%	19,266
Net loan losses	-497	-272	83%	-284	75%	-1,084	-873	24%	-1,195
Gains/losses on disposal of property, equipment and intangible assets	1	1	0%	3	-67%	2	8	-75%	17
Operating profit	4,904	5,077	-3%	4,571	7%	14,901	13,630	9%	18,088
Taxes	-1,022	-1,074	-5%	-997	3%	-3,134	-2,949	6%	-3,915
Profit for the period from continuing operations	3,882	4,003	-3%	3,574	9%	11,767	10,681	10%	14,173
Profit for the period pertaining to discontinued operations, after tax	17	31	-45%	33	-48%	75	87	-14%	122
Profit for the period	3,899	4,034	-3%	3,607	8%	11,842	10,768	10%	14,295
Summary balance sheet									
Loans to the public	1,781,421	1,765,160	1%	1,682,552	6%	1,781,421	1,682,552	6%	1,696,339
<i>of which mortgage loans</i>	<i>1,005,787</i>	<i>994,531</i>	<i>1%</i>	<i>934,913</i>	<i>8%</i>	<i>1,005,787</i>	<i>934,913</i>	<i>8%</i>	<i>955,251</i>
Deposits and borrowing from the public	933,952	943,151	-1%	807,630	16%	933,952	807,630	16%	825,205
<i>of which households</i>	<i>311,028</i>	<i>308,777</i>	<i>1%</i>	<i>279,582</i>	<i>11%</i>	<i>311,028</i>	<i>279,582</i>	<i>11%</i>	<i>287,319</i>
Total equity	120,249	116,814	3%	106,512	13%	120,249	106,512	13%	111,339
Total assets	2,700,811	2,680,291	1%	2,511,967	8%	2,700,811	2,511,967	8%	2,484,721
Summary of key figures									
Return on equity, total operations *	13.8%	15.1%		14.2%		14.1%	14.2%		13.9%
Return on equity, continuing operations *	13.7%	15.0%		14.0%		14.0%	14.0%		13.8%
C/I ratio, continuing operations	43.9%	44.6%		46.1%		44.4%	46.4%		47.0%
Earnings per share, total operations, SEK	6.13	6.35		5.68		18.63	16.97		22.52
- after dilution	6.00	6.26		5.61		18.33	16.77		22.26
Common equity tier 1 ratio, CRD IV	20.7%	20.1%		18.8%		20.7%	18.8%		18.9%
Total capital ratio, CRD IV	25.6%	25.0%		21.6%		25.6%	21.6%		21.6%

* When calculating return on equity, equity is adjusted for the impact of unrealised changes in the value of financial assets classified as "Available for Sale" and for cash flow hedges and revaluation effects on defined-benefit pension plans.

Group performance

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

The period's profit after tax for total operations increased by 10% to SEK 11,842m (10,768). Earnings per share increased to SEK 18.63 (16.97). Return on equity for total operations was 14.1% (14.2).

The Group's operating profit grew by 9% to SEK 14,901m (13,630). In the home markets outside Sweden, the increase was 14%. The C/I ratio improved to 44.4% (46.4).

Income

SEK m	Jan-Sep 2014	Jan-Sep 2013	Change
Net interest income	20,361	19,897	2%
Net fee and commission income	6,328	5,697	11%
Net gains/losses on financial trans.	1,513	1,053	44%
Other income	556	402	38%
Total income	28,758	27,049	6%

Income increased by 6% to SEK 28,758m (27,049). The effect of exchange rate movements increased income by SEK 347m.

Net interest income rose by 2% to SEK 20,361m (19,897). Exchange rate movements positively affected net interest income by SEK 278m. Higher business volumes boosted net interest income by SEK 957m, while rising lending margins improved net interest income by SEK 212m. The positive effects were offset by the fact that lower short-term interest rates in Swedish kronor reduced deposit margins and interest income related to equity by a combined total of SEK 1,022m.

The benchmark effect in Stadshypotek totalled SEK -12m (-13), and the cost of the Swedish Stabilisation Fund and various deposit guarantees rose by SEK 69m to SEK -889m (-820).

Net interest income grew by 33% in the UK, by 28% in the Netherlands, by 18% in Finland, and by 6% in Denmark. Net interest income fell by 4% in Sweden, and by 3% in Norway.

The average volume of loans to the public grew by 4% to SEK 1,734bn (1,668). Exchange rate effects increased lending volumes by SEK 18bn. Household lending increased by 7% to SEK 851bn (793) and corporate lending grew by 1% to SEK 883bn (876).

The average volume of deposits and borrowing rose by 21% to SEK 863bn (711). The average volume of household deposits went up by 11% to SEK 292bn (264) and corporate deposits increased by 28% to SEK 572bn (447).

Net fee and commission income rose by 11% to SEK 6,328m (5,697), mainly as a result of higher asset management and payment commissions, but also due to higher insurance commissions. Fund management commissions rose by 23% to SEK 1,808m (1,471) and the net increase in commissions from card operations

was 21% to SEK 941m (777). Total net fee and commission income from payments increased by 17% to SEK 1,372m (1,172).

Net gains/losses on financial transactions grew by 44% to SEK 1,513m (1,053).

Expenses

SEK m	Jan-Sep 2014	Jan-Sep 2013	Change
Staff costs	-8,740	-8,424	4%
Other administrative expenses	-3,681	-3,770	-2%
Depreciation and amortisation	-354	-360	-2%
Total expenses	-12,775	-12,554	2%

Adjusted for exchange rate movements, total expenses were unchanged. Including exchange rate effects of SEK -217m, expenses rose by almost 2% to SEK -12,775m (-12,554).

Staff costs increased by 4% to SEK -8,740m (-8,424), of which two percentage points, or SEK -137m, was attributable to exchange rate effects. The underlying growth was due to annual salary increases and a higher number of employees. The provision to the Oktogonen Foundation decreased to SEK -549m (-768). Variable compensation, including social security costs and other payroll overheads, totalled SEK -94m (-100).

The average number of employees rose by 252 to 11,728 (11,476). More than the entire increase is attributable to the continuing expansion in the UK and the Netherlands, where the average number of employees grew by 332 and 29 respectively. In Sweden, the average number of employees decreased.

Other administrative expenses decreased by 2% to SEK -3,681m (-3,770), chiefly due to a fall in IT-related costs and purchased services. Adjusted for exchange rate effects, the decrease was 4%.

Loan losses

SEK m	Jan-Sep 2014	Jan-Sep 2013	Change
Net loan losses	-1,084	-873	211
Loan loss ratio as a % of loans	0.08	0.07	0.01
Impaired loans, net	3,324	2,891	15%
Proportion of impaired loans, %	0.18	0.17	0.01

Loan losses increased to SEK -1,084m (-873), and the loan loss ratio was 0.08% (0.07). Credit quality remained stable. Net impaired loans increased to SEK 3,324m (2,891), equivalent to 0.18% (0.17) of lending.

Q3 2014 COMPARED WITH Q2 2014

Operating profit fell by 3% to SEK 4,904m (5,077), but was 7% higher than the figure for the corresponding period of the previous year. Adjusted for dividend income of SEK 245m in the second quarter, operating profit went up by 1%. The C/I ratio went down to 43.9% (44.6).

The period's profit after tax for total operations declined by 3% to SEK 3,899m (4,034) and earnings per share were SEK 6.13 (6.35).

Return on equity was 13.8% (15.1).

Income

SEK m	Q3 2014	Q2 2014	Change
Net interest income	7,004	6,704	4%
Net fee and commission income	2,133	2,135	0%
Net gains/losses on financial trans.	389	466	-17%
Other income	104	342	-70%
Total income	9,630	9,647	0%

Income was more or less unchanged at SEK 9,630m (9,647). Adjusted for positive exchange rate movements of SEK 85m and seasonally high dividend income in the comparison quarter, underlying income grew by 2%.

Net interest income increased by SEK 300m, or 4%, to SEK 7,004m (6,704). Exchange rate movements affected net interest income positively by SEK 70m, and the benchmark effect in Stadshypotek increased by SEK 68m to SEK 33m (-35). Day effects increased net interest income by SEK 24m, while the Group's costs for the Stabilisation Fund and various deposit guarantees were SEK 17m lower than the previous quarter. These expenses totalled SEK -291m (-308).

Excluding the above-mentioned effects, net interest income grew by 2%, or SEK 121m. Rising business volumes in deposit and lending operations increased net interest income by SEK 73m, while the contribution from rising lending margins was SEK 82m. At the same time, lower short-term interest rates caused deposit margins to decrease by SEK 165m.

The remaining improvement in net interest income was attributable to the fact that substantial assets at, and claims on, central banks and other liquidity reserves, together with still-high inflows, have structurally reduced the Bank's need to issue bonds on the market.

The average volume of loans to the public increased by 2% to SEK 1,763bn (1,736). The total average volume of deposits and borrowing rose by 5% to SEK 907bn (861); corporate deposits grew by 7%, and household deposits by 3%.

Net fee and commission income decreased slightly to SEK 2,133m (2,135). Increasing fund management and payment commissions offset seasonally lower brokerage income. Rising inflows of new mutual fund volumes contributed to mutual fund commissions growing by 7% to SEK 649m (605). Net payment commissions grew by 5% to SEK 482m (461), mainly as a result of net card

income increasing by 5% to SEK 332m (316).

Brokerage income decreased by 24% to SEK 222m (293), due to lower customer activity during the third quarter.

Net gains/losses on financial transactions fell by 17% to SEK 389m (466). This decrease was mainly attributable to the generally lower activity level during the summer quarter.

Other income fell to SEK 104m (342), due to seasonally lower dividend income in the third quarter.

Expenses

SEK m	Q3 2014	Q2 2014	Change
Staff costs	-2,943	-2,910	1%
Other administrative expenses	-1,166	-1,267	-8%
Depreciation and amortisation	-121	-122	-1%
Total expenses	-4,230	-4,299	-2%

Total expenses decreased by 2% to SEK -4,230m (-4,299). Excluding exchange rate movements of SEK -45m, expenses decreased by 3%. Staff costs rose by 1% to SEK -2,943m (-2,910), due to exchange rate movements and an increased number of temporary employees during the summer vacation period. The provision to the Oktogonen profit-sharing foundation was unchanged at SEK -183m (-183), and the period's provision for variable compensation totalled SEK -31m (-30).

Other administrative expenses, which are seasonally lower in the third quarter, fell by 8% to SEK -1,166m (-1,267).

The average number of employees rose to 11,924 (11,626), as a result of the increased number of temporary employees during the summer months.

Expansion costs increased to SEK -133m (-121).

Loan losses

SEK m	Q3 2014	Q2 2014	Change
Net loan losses	-497	-272	225
Loan loss ratio as a % of loans	0.11	0.06	0.05
Impaired loans, net	3,324	2,392	39%
Proportion of impaired loans, %	0.18	0.13	0.05

Loan losses increased to SEK -497m (-272), due to higher provisions made on a few customer exposures. The loan loss ratio increased to 0.11% (0.06).

Credit quality remained stable. Net impaired loans increased to SEK 3,324m (2,392), equivalent to 0.18% (0.13) of lending.

PERFORMANCE IN THE BUSINESS SEGMENTS

(January – September 2014, compared with January – September 2013)

After profit distribution, operating profit from branch operations in Sweden decreased by 2% to SEK 9,691m (9,929). Both income and expenses fell by 1%. The loan loss ratio was 0.07% (0.03). Return on equity was 15.6%.

After profit distribution, branch operations in the UK increased their operating profit by 51% to SEK 1,219m (807). Income increased by 37%, while expenses rose by 38%. The loan loss ratio fell to 0.12% (0.19). Return on equity was 15.5%.

After profit distribution, branch operations in Denmark increased their operating profit by 5% to SEK 677m (643). Income grew by 11% and expenses increased by 6%. The loan loss ratio rose to 0.35% (0.20). Return on equity was 12.9%.

After profit distribution, branch operations in Finland increased their operating profit by 35% to SEK 777m (575). Income grew by 17%, while expenses increased by 2%. The loan loss ratio decreased to 0.20% (0.22). Return on equity was 13.5%.

After profit distribution, operating profit from branch operations in Norway decreased by 2% to SEK 1,923m (1,972). Income went down by 2%, while expenses rose by 5%. The loan loss ratio fell to 0.07% (0.08). Return on equity was 16.3%.

After profit distribution, branch operations in the Netherlands increased their operating profit by 32% to SEK 78m (59). Income grew by 29% and expenses increased by 30%. The loan loss ratio was 0.01% (0.01). Return on equity was 9.9%.

After profit distribution, Handelsbanken International increased its operating profit by 43% to SEK 194m (136), due to recoveries. Income decreased by 5%, while expenses rose by 1%. Net recoveries meant that the loan loss ratio improved to -0.24% (0.23). Return on equity was 5.7%.

After profit distribution, Handelsbanken Capital Markets increased its operating profit by 159% to SEK 399m (154). Income increased by 14%, while expenses decreased by 3%. Return on equity was 12.9%.

FUNDING AND LIQUIDITY

The Bank's deposit volumes have grown rapidly over the past few years, and this trend was maintained in the third quarter. The Bank has high liquidity requirements for the deposits that are used for funding long-term lending, and stable deposits have also continued to increase. This has reduced the need to refinance maturing bonds on the market. During the third quarter, the Bank issued bonds with a total value of SEK 30bn (Q3 2013: SEK 72bn). Senior bonds accounted for SEK

6bn of the issued volume, mainly in the form of Samurai bonds in JPY.

The volume of bonds issued during the nine-month period decreased to SEK 141bn (195).

Although the volume issued was less than the previous year, the liquidity reserve continued to exceed SEK 800bn. Cash funds and liquid assets invested with central banks amounted to SEK 435bn, while the volume of liquid bonds and other liquid assets totalled SEK 120bn. The remainder of the reserve mainly comprises an unutilised issue amount for covered bonds at Stadshypotek.

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of the period was 133%. In USD, the LCR was 175% and in EUR it was 143%. The Group's LCR according to the definition in CRD IV as of January 2013 is estimated to be approximately 151%.

CAPITAL

SEK m	30 Sep 2014	30 Jun 2014	Change
Common equity tier 1 ratio, CRD IV	20.7%	20.1%	0.6
Total capital ratio, CRD IV	25.6%	25.0%	0.6
Risk exposure amount CRD IV, SEK	485,263	497,050	-2%
Common equity tier 1 capital	100,287	99,797	0%
Total own funds	124,459	124,152	0%
Capital requirement, Basel I floor	90,039	88,657	2%
Total capital base, Basel I floor	126,686	126,380	0%

30 September 2014 compared with 30 June 2014

The capital base amounted to SEK 124bn (124) and the total capital ratio according to CRD IV rose to 25.6% (25.0).

Common equity tier 1 capital increased to SEK 100.3bn (99.8) and the common equity tier 1 ratio according to CRD IV rose by 0.6 percentage points to 20.7%, with the period's profit contributing 0.3 percentage points.

A reduced volume of lending (IRB) increased the common equity tier 1 ratio by 0.1 percentage points. Credit risk migration in the loan portfolio had no effect during the quarter, whereas the mix effect of the fact that new lending volumes are of better credit quality than the volumes leaving the portfolio made a positive contribution of 0.2 percentage points. An increased volume of collateral and maturity effects had a positive effect of 0.1 percentage points.

The effect of IAS 19 (pensions) reduced the common equity tier 1 ratio by 0.3 percentage points. The effect of exchange rate movements was marginal, and other effects (net) increased the common equity tier 1 ratio by 0.2 percentage points.

30 September 2014 compared with 30 September 2013 Common equity tier 1 capital increased by 8% to SEK 100.3bn (93.2) and the common equity tier 1 ratio rose to 20.7% (18.8). Of the increase of 1.9 percentage points, the period's profit contributed 0.7 percentage points after a deduction for the dividend paid. Higher business volumes and credit risk migration in the loan portfolio reduced the common equity tier 1 ratio by 0.2 and 0.1 percentage points respectively. The mix effect of the fact that new lending volumes are of better credit quality than the volumes leaving the portfolio made a positive contribution of 0.8 percentage points. The effect of IAS 19 (pensions) was -0.2 percentage points, while exchange rate movements made a positive contribution of 0.2 percentage points. The net effect of other factors, including final changes in CRD IV, increased the common equity tier 1 ratio by 0.7 percentage points.

Capital requirements for Swedish banks

On 8 September, following the Riksdag's 26 June decision regarding strengthened capital adequacy regulations, the Swedish Financial Supervisory Authority published a memorandum on the structure of the new capital requirements for Swedish banks.

The countercyclical buffer for Swedish exposures was set at 1%, applying from 13 September 2015. The capital requirement also includes increased risk weights for Norwegian mortgage loans. For Handelsbanken, the required combined common equity tier 1 ratio in Pillars 1 and 2 is assessed at 17.5%.

As previously, the common equity tier 1 requirement in Pillar 2, for risks that are not covered in Pillar 1, has

only been calculated as a standardised value of 1.5% for all systemically important Swedish banks. This autumn, the Swedish Financial Supervisory Authority will present standardised models to be used by the banks for calculating the size of the final add-on.

The Bank's assessment is that, taking account of the future regulations, the Group is well-capitalised.

For further information, see note 19.

RATING

During the third quarter, Handelsbanken's long-term and short-term ratings with the rating agencies which monitor the Bank were unchanged.

	Long-term	Short-term	Financial strength
Standard & Poor's	AA-	A-1+	
Fitch	AA-	F1+	
Moody's	Aa3	P-1	C
DBRS	AA (low)		

ORGANISATIONAL CHANGE

As detailed in a previous press release, Handelsbanken International ceased to be a separate business segment on 1 October; it is now part of Handelsbanken Capital Markets. This change will be reflected in external accounting starting from Q4 2014, and adjusted historical comparison figures will be presented in January 2015.

Handelsbanken Group – Business segments

January - September 2014		Branch operations - Home markets								Adj. & elim.	Group Jan-Sep 2014
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether-lands	Inter-national	Capital Markets	Other		
Net interest income	11,909	2,534	1,189	1,041	2,588	210	481	80	339	-10	20,361
Net fee and commission income	2,864	248	286	330	293	19	203	2,073	12		6,328
Net gains/losses on financial transactions	320	118	101	55	74	6	58	1,041	-260		1,513
Risk result - insurance								131			131
Share of profit of associates									-4		-4
Other income	63	15	18	5	14		9	4	301		429
Total income	15,156	2,915	1,594	1,431	2,969	235	751	3,329	388	-10	28,758
Staff costs	-2,581	-1,070	-435	-254	-528	-95	-392	-1,509	-1,877	1	-8,740
Other administrative expenses	-871	-228	-128	-112	-161	-19	-132	-494	-1,536		-3,681
Internal purchased and sold services	-2,110	-292	-192	-177	-290	-48	-94	35	3,158	10	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-65	-13	-14	-6	-8	-1	-8	-49	-190		-354
Total expenses	-5,627	-1,603	-769	-549	-987	-163	-626	-2,017	-445	11	-12,775
Profit before loan losses	9,529	1,312	825	882	1,982	72	125	1,312	-57	1	15,983
Net loan losses	-557	-117	-193	-164	-100	-1	48				-1,084
Gains/losses on disposal of property, equipment and intangible assets	0	1	1	0			0	0	0		2
Operating profit	8,972	1,196	633	718	1,882	71	173	1,312	-57	1	14,901
Profit allocation	719	23	44	59	41	7	21	-913	-1		
Operating profit after profit allocation	9,691	1,219	677	777	1,923	78	194	399	-58	1	14,901
Internal income *	-728	-900	-366	-336	-2,600	-119	-21	-1,011	6,081		

January - September 2013		Branch operations - Home markets								Adj. & elim.	Group Jan-Sep 2013
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether-lands	Inter-national	Capital Markets	Other		
Net interest income	12,358	1,905	1,122	882	2,672	164	484	123	220	-33	19,897
Net fee and commission income	2,550	140	237	305	274	17	235	1,951	-12		5,697
Net gains/losses on financial transactions	410	69	62	28	61	1	65	724	-367		1,053
Risk result - insurance								107			107
Share of profit of associates									2		2
Other income	18	9	13	4	9		4	8	228		293
Total income	15,336	2,123	1,434	1,219	3,016	182	788	2,913	71	-33	27,049
Staff costs	-2,486	-732	-404	-246	-501	-70	-384	-1,521	-2,048	-32	-8,424
Other administrative expenses	-864	-168	-126	-109	-166	-15	-123	-557	-1,642		-3,770
Internal purchased and sold services	-2,257	-235	-183	-177	-264	-39	-106	31	3,197	33	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-66	-27	-12	-8	-8	-1	-8	-39	-191		-360
Total expenses	-5,673	-1,162	-725	-540	-939	-125	-621	-2,086	-684	1	-12,554
Profit before loan losses	9,663	961	709	679	2,077	57	167	827	-613	-32	14,495
Net loan losses	-282	-170	-96	-147	-126	-1	-51				-873
Gains/losses on disposal of property, equipment and intangible assets	7	1	-		0		0	0	0		8
Operating profit	9,388	792	613	532	1,951	56	116	827	-613	-32	13,630
Profit allocation	541	15	30	43	21	3	20	-673	0		
Operating profit after profit allocation	9,929	807	643	575	1,972	59	136	154	-613	-32	13,630
Internal income *	-826	-906	-306	-318	-2,711	-107	-52	-1,002	6,228		

* Internal income which is included in total income comprises income from transactions with other operating segments and Other. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among segments and Other.

The business segments consist of the branch operations in Sweden, the UK, Denmark, Finland, Norway and the Netherlands, as well as Handelsbanken International and 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 Capital Markets' operating profit that does not involve risk-taking is distributed to the branch with customer responsibility.

Branch operations in Sweden

Branch operations in Sweden comprise six regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 462 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches. Stadshypotek is the Bank's mortgage company, and is completely integrated with the branch operations.

INCOME STATEMENT

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	4,025	3,947	2%	4,091	-2%	11,909	12,358	-4%	16,424
Net fee and commission income	975	969	1%	886	10%	2,864	2,550	12%	3,528
Net gains/losses on financial transactions	82	152	-46%	104	-21%	320	410	-22%	462
Other income	31	13	138%	8	288%	63	18	250%	27
Total income	5,113	5,081	1%	5,089	0%	15,156	15,336	-1%	20,441
Staff costs	-904	-837	8%	-831	9%	-2,581	-2,486	4%	-3,300
Other administrative expenses	-315	-290	9%	-261	21%	-871	-864	1%	-1,190
Internal purchased and sold services	-577	-769	-25%	-719	-20%	-2,110	-2,257	-7%	-3,027
Depreciation, amortisation and impairments of property, equipment and intangible assets	-27	-19	42%	-21	29%	-65	-66	-2%	-87
Total expenses	-1,823	-1,915	-5%	-1,832	0%	-5,627	-5,673	-1%	-7,604
Profit before loan losses	3,290	3,166	4%	3,257	1%	9,529	9,663	-1%	12,837
Net loan losses	-221	-88	151%	-44	402%	-557	-282	98%	-357
Gains/losses on disposal of property, equipment and intangible assets	0	-		3	-100%	0	7	-100%	9
Operating profit	3,069	3,078	0%	3,216	-5%	8,972	9,388	-4%	12,489
Profit allocation	262	248	6%	182	44%	719	541	33%	902
Operating profit after profit allocation	3,331	3,326	0%	3,398	-2%	9,691	9,929	-2%	13,391
Internal income	-245	-136	-80%	-218	-12%	-728	-826	12%	-1,104
Cost/income ratio, %	33.9	35.9		34.8		35.4	35.7		35.6
Loan loss ratio, %	0.08	0.03		0.02		0.07	0.03		0.03
Allocated capital	65,853	62,698	5%	58,388	13%	65,853	58,388	13%	61,805
Return on allocated capital, %	15.8	16.5		18.2		15.6	17.8		17.7
Average number of employees	4,545	4,316	5%	4,632	-2%	4,404	4,440	-1%	4,420
Number of branches	462	462	0%	461	0%	462	461	0%	462

BUSINESS VOLUMES

Average volumes, SEK bn	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Loans to the public*									
Household	651	639	2%	617	6%	640	610	5%	613
of which mortgage loans	597	588	2%	564	6%	588	556	6%	560
Corporate	482	487	-1%	493	-2%	485	490	-1%	490
of which mortgage loans	270	267	1%	251	8%	265	245	8%	248
Total	1,133	1,126	1%	1,110	2%	1,125	1,100	2%	1,103
Deposits and borrowing from the public									
Household	241	236	2%	222	9%	236	218	8%	220
Corporate	160	163	-2%	162	-1%	163	164	-1%	166
Total	401	399	1%	384	4%	399	382	4%	386

* Excluding loans to the National Debt Office.

JANUARY– SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Financial performance

Operating profit fell by 4% to SEK 8,972m (9,388), due to lower net interest income and higher loan losses.

Net interest income decreased by SEK 449m, or 4%, to SEK 11,909m (12,358). A lower interest rate environment reduced the deposit margin by SEK 464m, and interest income on allocated equity decreased by SEK 408m. Lending margins had a positive impact of SEK 216m, and growing deposit and lending volumes increased net interest income by SEK 284m. The benchmark effect in Stadshypotek amounted to SEK -12m (-13). Fees for the Stabilisation Fund and the deposit guarantee increased by SEK 20m to SEK -493m (-473).

Net fee and commission income grew by 12% to SEK 2,864m (2,550), chiefly due to increased payment and mutual fund commissions.

Net gains/losses on financial transactions declined by 22% to SEK 320m (410), mainly as a result of a lower volume of loans redeemed ahead of time and a lower currency gain.

Total expenses decreased by 1% to SEK -5,627m (-5,673). Staff costs increased by SEK 95m while other expenses decreased by SEK 141m. The C/I ratio improved to 35.4% (35.7).

Loan losses increased to SEK -557m (-282) and the loan loss ratio rose to 0.07% (0.03).

Business development

In its major customer satisfaction survey, Swedish Quality Index (SKI) found that Handelsbanken has the most satisfied customers in the banking sector. For private customers, Handelsbanken's index value was 74.3 (74.2), as compared with the other major banks, all of which recorded scores in the 64.0 – 69.6 range. For corporate customers, Handelsbanken's index value was 73.4 (71.1), as compared with the average for the other major banks of 68.1.

During the first eight months of the year, Handelsbanken was the only one of the major banks to increase its market share of household deposits in Sweden. The average volume of deposits from households increased to SEK 236bn (218), a rise of 8% compared with the equivalent period in the previous year. During the first nine months of the year, new savings in the Bank's mutual funds in Sweden amounted to SEK 22.5bn, corresponding to a market share of 20.1%.

The average volume of mortgage loans to private individuals increased by 6% to SEK 588bn (556), while the average volume of lending to companies fell by 1% to SEK 485bn (490).

One new branch, Lund West, was opened on 1 October 2014. This brings the total number of Handelsbanken branches in Sweden to 463.

Q3 2014 COMPARED WITH Q2 2014

Operating profit was unchanged at SEK 3,069m (3,078). Income increased by 1%, while expenses fell by 5%.

Net interest income increased by 2% to SEK 4,025m (3,947). Deposit margins went down by SEK 155m as a result of lower short-term interest rates. Lending margins improved, and had a SEK 113m positive impact on net interest income. At the same time, higher lending volumes positively affected net interest income by SEK 18m. Fees for the Swedish Stabilisation Fund and the deposit guarantee decreased by SEK 16m to SEK -157m (-173), while the benchmark effect in Stadshypotek increased by SEK 68m to SEK 33m (-35).

Loans to households continued to grow and the average volume of mortgage loans to private individuals increased by 2% to SEK 597bn (588). The gross margin on the mortgage portfolio – before advisory and administration expenses – was 0.96% (0.92). The average volume of corporate lending declined slightly to SEK 482bn (487).

Net fee and commission income increased by 1% to SEK 975m (969). Brokerage income fell, while asset management and insurance commissions grew. Payment commissions also increased in comparison with the preceding quarter.

Net gains/losses on financial transactions declined to SEK 82m (152).

Expenses decreased by 5% to SEK -1,823m (-1,915). Staff costs increased to SEK -904m, mainly due to an internal organisational change. The average number of employees grew by 5% to 4,545 (4,316), due to the organisational change and an increased number of holiday relief staff.

Other administrative expenses and expenses for internally purchased services decreased in total by 16%. Loan losses increased to SEK -221m (-88), mainly due to an increased provision for one exposure. The loan loss ratio was 0.08% (0.03).

Branch operations in the UK

Branch operations in the UK comprise four regional banks and the asset management company Heartwood. Handelsbanken Finans's operations in the UK are also included. 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 173 branches throughout the UK.

INCOME STATEMENT

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	933	834	12%	682	37%	2,534	1,905	33%	2,624
Net fee and commission income	89	83	7%	73	22%	248	140	77%	213
Net gains/losses on financial transactions	45	37	22%	25	80%	118	69	71%	120
Other income	8	4	100%	0		15	9	67%	13
Total income	1,075	958	12%	780	38%	2,915	2,123	37%	2,970
Staff costs	-393	-348	13%	-271	45%	-1,070	-732	46%	-1,059
Other administrative expenses	-78	-79	-1%	-59	32%	-228	-168	36%	-243
Internal purchased and sold services	-94	-102	-8%	-82	15%	-292	-235	24%	-317
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-6	-67%	-16	-88%	-13	-27	-52%	-41
Total expenses	-567	-535	6%	-428	32%	-1,603	-1,162	38%	-1,660
Profit before loan losses	508	423	20%	352	44%	1,312	961	37%	1,310
Net loan losses	-66	-51	29%	-65	2%	-117	-170	-31%	-168
Gains/losses on disposal of property, equipment and intangible assets	0	1	-100%	1	-100%	1	1	0%	1
Operating profit	442	373	18%	288	53%	1,196	792	51%	1,143
Profit allocation	6	8	-25%	6	0%	23	15	53%	30
Operating profit after profit allocation	448	381	18%	294	52%	1,219	807	51%	1,173
Internal income	-311	-289	-8%	-312	0%	-900	-906	1%	-1,212
Cost/income ratio, %	52.5	55.4		54.5		54.6	54.3		55.3
Loan loss ratio, %	0.19	0.15		0.22		0.12	0.19		0.14
Allocated capital	8,600	7,732	11%	7,010	23%	8,600	7,010	23%	7,644
Return on allocated capital, %	16.2	15.4		13.1		15.5	12.6		13.2
Average number of employees	1,608	1,547	4%	1,332	21%	1,544	1,212	27%	1,260
Number of branches	173	170	2%	151	15%	173	151	15%	161

BUSINESS VOLUMES

Average volumes, GBP m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Loans to the public									
Household	4,138	3,921	6%	3,344	24%	3,941	3,143	25%	3,252
Corporate	9,144	8,924	2%	8,509	7%	8,950	8,282	8%	8,381
Total	13,282	12,845	3%	11,853	12%	12,891	11,425	13%	11,633
Deposits and borrowing from the public									
Household	1,335	1,222	9%	779	71%	1,196	644	86%	688
Corporate	6,466	6,431	1%	3,093	109%	6,088	2,606	134%	2,988
Total	7,801	7,653	2%	3,872	101%	7,284	3,250	124%	3,676

JANUARY– SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Financial performance

Operating profit rose by 51% to SEK 1,196m (792), chiefly due to higher net interest income and improved net fee and commission income. Exchange rate movements increased operating profit by SEK 76m, and expressed in local currency, operating profit improved by 36%. Profits were burdened with expenses relating to continuing expansion; over the past 12 months, 21 new branches have been opened.

Profits before loan losses grew by 37% to SEK 1,312m (961), as a result of continuing growth in business volumes and customer numbers.

Income increased by 37% and net interest income grew by 33% to SEK 2,534m (1,905). The increase was attributable mainly to larger deposit and lending volumes, but higher lending margins also made a positive contribution. Deposit margins decreased slightly.

Net fee and commission income increased by 77% to SEK 248m (140). The increase was attributable mainly to increased asset management commissions, but also to higher payment commissions. Heartwood, which was acquired in May 2013, contributed asset management and advisory commissions of SEK 143m (54).

Net gains/losses on financial transactions went up by 71% to SEK 118m (69), as a result of growth in business volumes and customer numbers.

Expenses rose by 38% to SEK -1,603m (-1,162); this was attributable entirely to the expansion of operations. The average number of employees increased by 27% to 1,544 (1,212).

Loan losses went down to SEK -117m (-170), and the loan loss ratio fell to 0.12% (0.19).

Business development

According to the EPSI customer satisfaction survey, Handelsbanken had the most satisfied private and corporate customers among UK banks for the sixth year running. Private customers gave Handelsbanken an index value of 83.8 compared with a sector average of 74.7. Corporate customers gave the Bank an index value of 83.1 as compared to the sector average of 72.7.

Business volumes – particularly deposits – continued to grow. The average volume of lending increased by GBP 1.5bn, while deposits grew by GBP 4.0bn. Over a three-year period, the loan/deposit ratio has fallen from 399% to 170%.

The average volume of lending increased by 13% compared to the corresponding period in the previous year; within this figure, lending to households grew by 25%. The overall average volume of deposits was up 124%; household deposits increased by 86%.

Since the acquisition was made at the end of May 2013, Heartwood's assets under management have increased from GBP 1.5bn to GBP 2.2bn.

During the third quarter of the year, three new branches were opened, so that at the end of the quarter, the Bank had 173 branches in the UK. In addition, managers have been recruited for another six new branches.

The Bank has decided to establish a fifth regional bank in the UK, with its head office in Leeds. This is expected to be fully operational from 1 January 2015.

Q3 2014 COMPARED WITH Q2 2014

Operating profit increased by 18% to SEK 442m (373). Exchange rate effects had a positive effect of SEK 18m.

Income rose by 12%, due chiefly to higher net interest income, but also to improved net fee and commission income. Of this increase, four percentage points stemmed from exchange rate movements.

Net interest income grew by 12% to SEK 933m (834) due to higher volumes of lending, with increasing lending margins to companies also making a positive contribution. In local currency, the average volume of deposits grew by 2% and lending volumes increased by 3%.

Net fee and commission income rose by 7% to SEK 89m (83).

Expenses increased by 6% to SEK -567m (-535); 4 percentage points of this was attributable to exchange rate movements. The average number of employees rose by 4% to 1,608 (1,547).

Loan losses increased to SEK -66m (-51), and the loan loss ratio was 0.19% (0.15).

Branch operations in Denmark

Branch operations in Denmark comprise the regional bank, as well as Handelsbanken Finans's and 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 a full range of banking services at 57 branches throughout Denmark. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

INCOME STATEMENT

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	420	389	8%	403	4%	1,189	1,122	6%	1,519
Net fee and commission income	84	107	-21%	74	14%	286	237	21%	329
Net gains/losses on financial transactions	68	8		29	134%	101	62	63%	97
Other income	4	8	-50%	4	0%	18	13	38%	18
Total income	576	512	13%	510	13%	1,594	1,434	11%	1,963
Staff costs	-148	-147	1%	-137	8%	-435	-404	8%	-546
Other administrative expenses	-41	-44	-7%	-37	11%	-128	-126	2%	-175
Internal purchased and sold services	-65	-64	2%	-61	7%	-192	-183	5%	-252
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-5	0%	-4	25%	-14	-12	17%	-17
Total expenses	-259	-260	0%	-239	8%	-769	-725	6%	-990
Profit before loan losses	317	252	26%	271	17%	825	709	16%	973
Net loan losses	-172	-23		-29	493%	-193	-96	101%	-161
Gains/losses on disposal of property, equipment and intangible assets	1	-		-		1	-		-
Operating profit	146	229	-36%	242	-40%	633	613	3%	812
Profit allocation	17	14	21%	12	42%	44	30	47%	47
Operating profit after profit allocation	163	243	-33%	254	-36%	677	643	5%	859
Internal income	-122	-129	5%	-106	-15%	-366	-306	-20%	-395
Cost/income ratio, %	43.7	49.4		45.8		46.9	49.5		49.3
Loan loss ratio, %	0.95	0.13		0.18		0.35	0.20		0.25
Allocated capital	5,648	5,172	9%	5,447	4%	5,648	5,447	4%	5,348
Return on allocated capital, %	9.0	14.7		14.6		12.9	12.8		12.7
Average number of employees	632	635	0%	625	1%	633	623	2%	624
Number of branches	57	57	0%	55	4%	57	55	4%	56

BUSINESS VOLUMES

Average volumes, DKK bn	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Loans to the public									
Household	33.3	32.4	3%	29.4	13%	32.4	28.7	13%	29.1
Corporate	28.2	28.2	0%	29.8	-5%	28.1	30.7	-8%	30.0
Total	61.5	60.6	1%	59.2	4%	60.5	59.4	2%	59.1
Deposits and borrowing from the public									
Household	10.1	10.0	1%	9.2	10%	9.8	9.1	8%	9.1
Corporate	13.4	12.2	10%	12.3	9%	13.6	13.2	3%	13.6
Total	23.5	22.2	6%	21.5	9%	23.4	22.3	5%	22.7

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Financial performance

Operating profit grew by 3% to SEK 633m (613), chiefly due to higher income. Exchange rate movements increased operating profit by SEK 30m, and expressed in local currency, operating profit declined by 2%. Profit before loan losses increased by 16% to SEK 825m (709). Income increased by 11%, while expenses grew by only 6%.

Net interest income rose by 6% to SEK 1,189m (1,122). In local currency, the increase was 1%, which was due chiefly to lending business, where both volumes and margins rose. Deposit margins recovered somewhat, and made a positive contribution of SEK 20m to net interest income. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Danish state deposit guarantee, burdened net interest income by SEK -38m (-34).

Net fee and commission income grew by 21% to SEK 286m (237) mainly due to increased commissions on payments and lending.

Net gains/losses on financial transactions rose to SEK 101m (62).

Expenses increased by SEK 44m, or 6%, to SEK -769m (-725). Expenses, adjusted for the effects of exchange rate movements, increased by 1%. The average number of employees was 633 (623).

Loan losses rose to SEK -193m (-96), entirely due to provisions made on one exposure. The loan loss ratio rose to 0.35% (0.20).

Business development

The EPSI customer satisfaction survey showed that Handelsbanken had the most satisfied customers in Denmark. Private customers gave the Bank an index value of 76.5, as compared to the sector average of 69.5. From corporate customers the Bank received an index value of 73.2, as compared with the sector average of 68.0.

The Bank continued to have a stable inflow of new customers, and both business volumes and market shares continued to increase. The average volume of lending to households climbed by 13%, while corporate lending declined by 8%. In total, the average volume of loans to the public increased by 2%. The average volume of deposits from the public grew by DKK 1.1bn, or 5%, to DKK 23.4bn (22.3). Mutual fund savings also performed well, growing by 16%.

Earlier in the year, one new branch was opened, in Aarhus North, bringing the Bank's total number of branches in Denmark to 57.

Q3 2014 COMPARED WITH Q2 2014

Operating profit decreased by 36% to SEK 146m (229) due to higher loan losses. Profits before loan losses for the quarter grew by 26%. Income increased by 13%, while expenses fell slightly.

Income grew by 13%, with exchange rate movements accounting for 2 percentage points of this. Net interest income grew by 8% to SEK 420m (389), due to higher lending volumes. Lending margins decreased, and this was not fully offset by the slight improvement in deposit margins.

Net fee and commission income declined by 21% to SEK 84m (107), as a result of lower custody and asset management income, and lower lending commissions.

Net gains/losses on financial transactions increased by SEK 60m to SEK 68m (8).

Expenses amounted to SEK -259m (-260). Adjusted for exchange rate movements of SEK -5m, expenses decreased by 2%.

Loan losses amounted to SEK -172m (-23), and the loan loss ratio was thus 0.95% (0.13).

Branch operations in Finland

Branch operations in Finland comprise the 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 a full range of banking services at 46 branches throughout Finland. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

INCOME STATEMENT

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	357	340	5%	315	13%	1,041	882	18%	1,219
Net fee and commission income	113	109	4%	106	7%	330	305	8%	412
Net gains/losses on financial transactions	18	28	-36%	6	200%	55	28	96%	40
Other income	1	2	-50%	1	0%	5	4	25%	5
Total income	489	479	2%	428	14%	1,431	1,219	17%	1,676
Staff costs	-86	-83	4%	-79	9%	-254	-246	3%	-331
Other administrative expenses	-39	-38	3%	-35	11%	-112	-109	3%	-145
Internal purchased and sold services	-56	-60	-7%	-59	-5%	-177	-177	0%	-239
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-2	0%	-2	0%	-6	-8	-25%	-10
Total expenses	-183	-183	0%	-175	5%	-549	-540	2%	-725
Profit before loan losses	306	296	3%	253	21%	882	679	30%	951
Net loan losses	-10	-106	-91%	-77	-87%	-164	-147	12%	-268
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	0	-	-	0
Operating profit	296	190	56%	176	68%	718	532	35%	683
Profit allocation	19	19	0%	17	12%	59	43	37%	70
Operating profit after profit allocation	315	209	51%	193	63%	777	575	35%	753
Internal income	-116	-119	3%	-110	-5%	-336	-318	-6%	-417
Cost/income ratio, %	36.0	36.7		39.3		36.8	42.8		41.5
Loan loss ratio, %	0.04	0.42		0.34		0.20	0.22		0.30
Allocated capital	6,033	5,717	6%	6,288	-4%	6,033	6,288	-4%	6,121
Return on allocated capital, %	16.3	11.4		9.6		13.5	10.3		9.9
Average number of employees	506	500	1%	502	1%	497	492	1%	490
Number of branches	46	46	0%	45	2%	46	45	2%	45

BUSINESS VOLUMES

Average volumes, EUR m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Loans to the public									
Household	3,790	3,811	-1%	3,736	1%	3,796	3,667	4%	3,693
Corporate	8,590	8,369	3%	7,990	8%	8,389	7,917	6%	7,979
Total	12,380	12,180	2%	11,726	6%	12,185	11,584	5%	11,672
Deposits and borrowing from the public									
Household	1,240	1,235	0%	1,248	-1%	1,241	1,258	-1%	1,262
Corporate	3,426	3,119	10%	1,597	115%	3,196	1,533	108%	1,764
Total	4,666	4,354	7%	2,845	64%	4,437	2,791	59%	3,026

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Financial performance

Operating profit improved by 35% to SEK 718m (532), as a result of income growing by 17% while expenses went up by only 2%. Exchange rate effects increased the operating profit by SEK 26m, equivalent to 5 percentage points of the profit improvement.

Net interest income went up by 18% to SEK 1,041m (882), as a result of both growing business volumes and higher deposit margins. Deposit margins increased by SEK 52m, while lending margins rose marginally. In local currency, net interest income rose by 12%. Fees for the Swedish Stabilisation Fund and the deposit guarantee went up by SEK 12m and burdened net interest income by SEK -38m (-26).

Net fee and commission income went up by 8% to SEK 330m (305), due mainly to higher commissions from the savings business.

Net gains/losses on financial transactions increased to SEK 55m (28), chiefly as a result of higher activity levels in fixed income and foreign exchange business.

Total expenses increased by 2% to SEK -549m (-540). Adjusted for exchange rate movements of SEK -27m, expenses decreased by 3%. The average number of employees rose to 497 (492).

Loan losses increased to SEK -164m (-147) and the loan loss ratio was 0.20% (0.22).

Business development

According to the EPSI customer satisfaction survey, Handelsbanken had the most satisfied private and corporate customers among banks in Finland. Private customers gave the Bank an index value of 81.5 compared with a sector average of 74.7. Corporate customers gave the Bank an index value of 77.0 as compared to the sector average of 73.5.

Business volumes increased. The average volume of lending increased by 5% compared with the first nine months of the previous year. The Bank's lending to companies increased by 6%, and the average volume of lending to households rose by 4%; this growth rate exceeded that of the market as a whole.

The average volume of deposits from households decreased by 1%, while corporate deposits increased by 108%.

In 2014, the Bank has opened a new branch in Helsinki Ruoholahti, bringing the Bank's total number of branches in Finland to 46.

Q3 2014 COMPARED WITH Q2 2014

Operating profit rose by 56% to SEK 296m (190), due to lower loan losses. The effect of exchange rate movements was marginal. Profit before loan losses increased by 3% as a result of income growing by 2%, while expenses were unchanged.

Net interest income grew by 5% to SEK 357m (340). In local currency, the increase was 3%, which was attributable to higher business volumes.

Net fee and commission income grew by 4%, chiefly due to higher custody and asset management commissions, while net gains/losses on financial transactions decreased to SEK 18m (28).

Expenses remained unchanged, amounting to SEK -183m (-183).

Loan losses went down to SEK -10m (-106), and the loan loss ratio fell to 0.04% (0.42).

Branch operations in Norway

Branch operations in Norway comprise the regional bank, as well as Handelsbanken Finans's and 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 a full range of banking services at 51 branches throughout Norway. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

INCOME STATEMENT

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	886	859	3%	918	-3%	2,588	2,672	-3%	3,574
Net fee and commission income	99	97	2%	100	-1%	293	274	7%	364
Net gains/losses on financial transactions	34	23	48%	19	79%	74	61	21%	83
Other income	3	5	-40%	4	-25%	14	9	56%	12
Total income	1,022	984	4%	1,041	-2%	2,969	3,016	-2%	4,033
Staff costs	-185	-174	6%	-171	8%	-528	-501	5%	-662
Other administrative expenses	-45	-63	-29%	-53	-15%	-161	-166	-3%	-232
Internal purchased and sold services	-101	-99	2%	-85	19%	-290	-264	10%	-368
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-3	0%	-3	0%	-8	-8	0%	-10
Total expenses	-334	-339	-1%	-312	7%	-987	-939	5%	-1,272
Profit before loan losses	688	645	7%	729	-6%	1,982	2,077	-5%	2,761
Net loan losses	-32	-47	-32%	-25	28%	-100	-126	-21%	-169
Gains/losses on disposal of property, equipment and intangible assets	-	-		0		-	0		0
Operating profit	656	598	10%	704	-7%	1,882	1,951	-4%	2,592
Profit allocation	16	14	14%	7	129%	41	21	95%	43
Operating profit after profit allocation	672	612	10%	711	-5%	1,923	1,972	-2%	2,635
Internal income	-870	-898	3%	-911	5%	-2,600	-2,711	4%	-3,606
Cost/income ratio, %	32.2	34.0		29.8		32.8	30.9		31.2
Loan loss ratio, %	0.06	0.10		0.05		0.07	0.08		0.08
Allocated capital	12,421	11,532	8%	11,900	4%	12,421	11,900	4%	12,123
Return on allocated capital, %	16.9	16.5		18.6		16.3	17.0		17.0
Average number of employees	689	663	4%	654	5%	672	649	4%	650
Number of branches	51	50	2%	49	4%	51	49	4%	49

BUSINESS VOLUMES

Average volumes, NOK bn	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Loans to the public									
Household	76.6	75.8	1%	72.4	6%	75.8	71.3	6%	72.0
Corporate	112.9	113.3	0%	111.5	1%	113.2	110.4	3%	110.8
Total	189.5	189.1	0%	183.9	3%	189.0	181.7	4%	182.8
Deposits and borrowing from the public									
Household	15.9	15.0	6%	14.3	11%	15.2	13.8	10%	14.0
Corporate	49.8	45.1	10%	31.7	57%	46.2	34.3	35%	35.6
Total	65.7	60.1	9%	46.0	43%	61.4	48.1	28%	49.6

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Financial performance

Operating profit went down by 4% to SEK 1,882m (1,951). Exchange rate effects reduced operating profit by SEK 45m. Expressed in local currency, operating profit was 1% lower.

Net interest income declined by 3% till SEK 2,588m (2,672), but adjusted for exchange rate movements of SEK -62m, net interest income fell by 1%. Increasing volumes of business made a positive contribution of SEK 181m. At the same time, lending margins declined by SEK 97m, and a lower interest rate level led to a SEK 74m decrease in net interest income on allocated capital. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Norwegian state deposit guarantee, increased by SEK 17m, burdening net interest income by SEK -76m (-59).

Net fee and commission income increased by 7% to SEK 293m (274), chiefly due to higher income from fund management and increased commissions on lending.

Expenses went up by 5% to SEK -987m (-939). Expressed in local currency, expenses were up by 7%. Staff costs increased by 5%, due to annual salary adjustments and a 4% rise in the average number of employees.

Loan losses went down to SEK -100m (-126), and the loan loss ratio was 0.07% (0.08).

Business development

As in previous years, Handelsbanken had private and corporate customers that were more satisfied than the average among banks in Norway, according to the annual EPSI customer satisfaction survey. Private customers gave the Bank an index value of 74.9, as compared to the sector average of 69.6.

Business volumes continued to grow. The average volume of lending rose by 4%, with household lending increasing by 6% and corporate lending by 3%.

The average volume of deposits from households increased by 10%, while corporate deposits grew by 35%.

During the first half of the year a new branch was opened in Oslo Økern, and in the third quarter a new branch was opened in Leangen in Trondheim. This brings the Bank's total number of branches in Norway to 51.

Q3 2014 COMPARED WITH Q2 2014

Operating profit increased by 10% to SEK 656m (598). The effect of exchange rate movements was marginal.

Net interest income increased by SEK 27m, or 3%, to SEK 886m (859). In local currency, net interest income declined by just under 2%.

Net fee and commission income grew by 2%, and net gains/losses on financial transactions increased to SEK 34m (23).

Expenses decreased by 1% to SEK -334m (-339). Adjusted for exchange rate effects, the decrease was 2%. Adjusted for holiday pay of SEK 5m, staff costs rose by SEK 6m; SEK 4m of this was attributable to contractual salary increases, with the remainder deriving from the greater number of temporary employees during the summer. The average number of employees rose to 689 (663).

Loan losses went down to SEK -32m (-47), and the loan loss ratio fell to 0.06% (0.10).

Branch operations in the Netherlands

Since January 2013, branch operations in the Netherlands have been a home market with a regional bank. 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 20 branches in the Netherlands.

INCOME STATEMENT

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	73	67	9%	61	20%	210	164	28%	230
Net fee and commission income	7	7	0%	6	17%	19	17	12%	23
Net gains/losses on financial transactions	1	3	-67%	0		6	1	500%	1
Other income	-	-		-		-	-		-
Total income	81	77	5%	67	21%	235	182	29%	254
Staff costs	-34	-32	6%	-25	36%	-95	-70	36%	-96
Other administrative expenses	-7	-6	17%	-5	40%	-19	-15	27%	-21
Internal purchased and sold services	-17	-15	13%	-13	31%	-48	-39	23%	-56
Depreciation, amortisation and impairments of property, equipment and intangible assets	-	-1		-1		-1	-1	0%	-1
Total expenses	-58	-54	7%	-44	32%	-163	-125	30%	-174
Profit before loan losses	23	23	0%	23	0%	72	57	26%	80
Net loan losses	-	-2		0		-1	-1	0%	-7
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	23	21	10%	23	0%	71	56	27%	73
Profit allocation	1	1	0%	0		7	3	133%	4
Operating profit after profit allocation	24	22	9%	23	4%	78	59	32%	77
Internal income	-36	-38	5%	-35	-3%	-119	-107	-11%	-140
Cost/income ratio, %	70.7	69.2		65.7		67.4	67.6		67.4
Loan loss ratio, %	-	0.04		0.01		0.01	0.01	-13%	0.05
Allocated capital	859	742	16%	805	7%	859	805	7%	818
Return on allocated capital, %	8.4	9.7		8.9		9.9	8.0		7.7
Average number of employees	135	128	5%	103	31%	128	99	29%	102
Number of branches	20	18	11%	16	25%	20	16	25%	18

BUSINESS VOLUMES

Average volumes, EUR m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Loans to the public									
Household	760	682	11%	515	48%	689	448	54%	478
Corporate	1,121	1,145	-2%	1,256	-11%	1,242	1,246	0%	1,250
Total	1,881	1,827	3%	1,771	6%	1,931	1,694	14%	1,728
Deposits and borrowing from the public									
Household	34	29	17%	26	31%	30	25	20%	26
Corporate	1,099	1,067	3%	836	31%	1,042	803	30%	918
Total	1,133	1,096	3%	862	31%	1,072	828	29%	944

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Financial performance

Operating profit increased by 27% to SEK 71m (56). Income rose by 29%, while continuing investments in operations led to a 30% increase in expenses.

Net interest income rose by 28% to SEK 210m (164), mainly due to growing business volumes.

Expenses rose to SEK -163m (-125), owing to the expansion of the branch network and the regional head office. The average number of employees rose to 128 (99).

Loan losses were SEK -1m (-1), which corresponds to a loan loss ratio of 0.01% (0.01).

Business development

According to the EPSI customer satisfaction survey, Handelsbanken, as in previous years, had the most satisfied private and corporate customers among banks in the Netherlands. Private customers gave the Bank an index value of 73.3 compared with a sector average of 63.3. Corporate customers gave the Bank an index value of 66.4 as compared to the sector average of 56.6.

Average lending volumes rose by EUR 237m, or 14%, while deposits grew by EUR 244m, or 29%. Household deposits grew by 20%, while lending to households increased by 54%. Corporate lending was unchanged, while the average volume of deposits from companies went up by 30%.

During the third quarter, two new branches were opened in Arnhem and Apeldoorn, bringing the total number of Handelsbanken branches in the Netherlands to 20. In addition, a branch manager was recruited for a future branch to be opened in Alphen aan den Rijn.

Q3 2014 COMPARED WITH Q2 2014

Operating profit rose by 10% to SEK 23m (21), chiefly due to the fact that no loan losses arose during the quarter. Total income increased by 5% to SEK 81m (77). Net interest income rose by 9% to SEK 73m (67).

Expenses rose to SEK -58m (-54), as a result of the continuing expansion. The average number of employees increased by 5% to 135 (128).

No loan losses arose during the quarter, as compared with SEK -2m in the preceding quarter.

Handelsbanken International

Handelsbanken International's main task is to support the Bank's customers in the home markets with their international business. The Bank has operations in 28 locations (19 branches and nine representative offices) in 18 countries outside its home markets.

INCOME STATEMENT

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	154	153	1%	170	-9%	481	484	-1%	660
Net fee and commission income	69	72	-4%	75	-8%	203	235	-14%	308
Net gains/losses on financial transactions	14	15	-7%	22	-36%	58	65	-11%	79
Other income	3	4	-25%	0		9	4	125%	6
Total income	240	244	-2%	267	-10%	751	788	-5%	1,053
Staff costs	-134	-132	2%	-125	7%	-392	-384	2%	-510
Other administrative expenses	-46	-45	2%	-42	10%	-132	-123	7%	-181
Internal purchased and sold services	-24	-35	-31%	-34	-29%	-94	-106	-11%	-153
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-2	50%	-2	50%	-8	-8	0%	-11
Total expenses	-207	-214	-3%	-203	2%	-626	-621	1%	-855
Profit before loan losses	33	30	10%	64	-48%	125	167	-25%	198
Net loan losses	4	45	-91%	-44		48	-51		-65
Gains/losses on disposal of property, equipment and intangible assets	-	0		0		0	0	-33%	0
Operating profit	37	75	-51%	20	85%	173	116	49%	133
Profit allocation	2	6	-67%	9	-78%	21	20	5%	38
Operating profit after profit allocation	39	81	-52%	29	34%	194	136	43%	171
Internal income	-7	-5	-40%	-3	-133%	-21	-52	60%	-50
Cost/income ratio, %	85.5	85.6		73.6		81.1	76.9		78.4
Loan loss ratio, %	-0.05	-0.67		0.58		-0.20	0.23		0.22
Allocated capital	2,847	3,711	-23%	4,507	-37%	2,847	4,507	-37%	4,221
Return on allocated capital, %	4.4	6.8		2.0		5.7	3.3		3.1
Average number of employees	499	502	-1%	511	-2%	501	516	-3%	511
Number of branches	19	19	0%	19	0%	19	19	0%	19

BUSINESS VOLUMES

Average volumes, SEK bn	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Loans to the public									
Household	4.0	3.9	3%	3.4	18%	3.9	3.4	15%	3.5
Corporate	28.4	28.2	1%	29.7	-4%	28.4	29.9	-5%	29.7
Total	32.4	32.1	1%	33.1	-2%	32.3	33.3	-3%	33.2
Deposits and borrowing from the public									
Household	3.1	2.4	29%	2.3	35%	2.6	2.4	8%	2.4
Corporate	45.8	32.1	43%	25.1	82%	35.5	23.5	51%	26.3
Total	48.9	34.5	42%	27.4	78%	38.1	25.9	47%	28.7

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Financial performance

Operating profit rose by 49% to SEK 173m (116), as a result of net recoveries on previously booked loan losses.

Net interest income decreased marginally to SEK 481m (484). Exchange rate effects had a SEK 13m positive impact on net interest income.

Net fee and commission income fell by 14% to SEK 203m (235), chiefly due to lower custody and payment commissions.

Net gains/losses on financial transactions, which mainly consists of foreign exchange-related earnings and early redemption charges, amounted to SEK 58m (65).

Expenses were largely unchanged, amounting to SEK -626m (-621). The average number of employees fell to 501 (516).

Recoveries exceeded new provisions, and loan losses amounted to SEK 48m (-51), corresponding to a loan loss ratio of -0.20% (0.23).

Business development

The average volume of lending decreased by 3% from the previous year to SEK 32.3bn (33.3). Deposits grew by 47% to SEK 38.1bn (25.9), as a result of corporate deposits increasing by 51% to SEK 35.5bn (23.5).

Q3 2014 COMPARED WITH Q2 2014

Operating profit declined to SEK 37m (75), mainly due to lower recoveries of previously booked loan losses. Profit before loan losses increased to SEK 33m (30).

Income declined by 2% to SEK 240m (244), while expenses fell by 3% to SEK 207m (214).

Recoveries exceeded new provisions. Loan losses amounted to SEK 4m, corresponding to a loan loss ratio of -0.05% (-0.67).

Handelsbanken Capital Markets

Capital Markets comprises Handelsbanken's investment bank and asset management operations, including insurance savings. The unit has a functional and product responsibility throughout the Group for trading in financial instruments, structured products, cash management, corporate finance and debt capital markets, as well as for economic and financial research. The unit is also responsible for all savings products except for savings in bank accounts.

In the table below, the income figures and comments for Capital Markets' products throughout the Group are presented first, followed by the equivalent figures and comments for the Handelsbanken Capital Markets segment.

INCOME DISTRIBUTION IN THE GROUP FOR HANDELSBANKEN CAPITAL MARKETS' PRODUCTS

January - September 2014				Total income in the group from Capital Markets' products	Change Jan-Jun 2014 / Jan-Jun 2013
SEK m	Capital Markets	Branch operations	Other		
Net interest income	80			80	-35%
Commission income	2,333	1,716	-84	3,965	12%
of which brokerage income	503	340		843	-4%
of which mutual funds and custody	1,218	1,049	-58	2,209	25%
of which insurance	178	327	-23	482	14%
Net fee and commission income	2,073	1,679	-10	3,742	21%
Net gains/losses on financial trans.	1,041	262	-1	1,302	17%
Risk result - insurance	131			131	22%
Other income	4			4	-50%
Total income	3,329	1,941	-11	5,259	19%

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

The Group's brokerage income decreased by 4% to SEK 843m (877). Asset management commissions increased by 25% to SEK 2,209m (1,774). Mutual fund commissions grew by 23% to SEK 1,808m (1,471), mainly due to increasing net flows and positive changes in the funds' values.

Insurance commissions grew to SEK 482m (423), due to increases in both the number of people insured and assets under management.

Net gains/losses on financial transactions increased by 17% to SEK 1,302m (1,112). Currency transactions related to branch operations, which are included in net gains/losses on financial transactions, resulted in a currency gain of SEK 262m (389).

Q3 2014 COMPARED WITH Q2 2014

Brokerage income went down by 24% to SEK 222m (293), which was mainly attributable to a lower activity level during the summer quarter. Asset management commissions rose by 7% to SEK 785m (735), chiefly due to larger management volumes.

Net gains/losses on financial transactions went down to SEK 312m (552). This decrease was mainly attributable to the generally lower activity level during the summer quarter.

Currency transactions for customers in the branch operations gave a net gain of SEK 22m (128).

Business development

In the first three quarters of the year, new savings in Handelsbanken's mutual funds in Sweden were SEK 22.5bn, corresponding to a market share of 20.1%. In the Group as a whole, net savings in Handelsbanken's funds totalled SEK 26bn during the first nine months of the year. Morningstar, an independent mutual fund research company, gave Handelsbanken's funds the highest average grade of the 30 largest fund managers in Sweden in its three-year rating of mutual funds on the Swedish market.

Total fund volume, including exchange-traded funds, increased during the first nine months of the year by 18% to SEK 319bn (271), the highest ever volume. Total assets under management in the Group rose during the same period by 13% to SEK 512bn (452).

According to TNS Sifo Prospera's annual survey, Swedish institutional investors rank Handelsbanken as No.1 for asset management.

Handelsbanken was the largest player in Sweden for capital-protected investments aimed at the general public, with a market share of 21% of new sales (23).

Demand for the Bank's occupational pension solutions continued to grow. In the first nine months of the year, new sales of occupational pensions were up by 46% from the corresponding period of the previous year.

Demand for capital market funding remained healthy, with an increasing number of issuers. In the first nine months of the year, the Bank arranged just over 100 bond issues with a combined value of over EUR 10bn.

INCOME STATEMENT IN HANDELSBANKEN CAPITAL MARKETS BUSINESS SEGMENT

All results for Handelsbanken Capital Markets products which are attributable to customers in branch operations are reported in branch operations. In the Capital Markets segment, only the results of transactions with institutional counterparties and corporate finance are reported, together with the risk result and yield split in the insurance operations.

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	21	31	-32%	34	-38%	80	123	-35%	151
Net fee and commission income	672	699	-4%	588	14%	2,073	1,951	6%	2,658
Net gains/losses on financial transactions	291	424	-31%	215	35%	1,041	724	44%	977
Risk result - insurance	46	43	7%	30	53%	131	107	22%	142
Other income	2	4	-50%	10	-80%	4	8	-50%	10
Total income	1,032	1,201	-14%	877	18%	3,329	2,913	14%	3,938
Staff costs	-489	-496	-1%	-505	-3%	-1,509	-1,521	-1%	-2,033
Other administrative expenses	-146	-170	-14%	-164	-11%	-494	-557	-11%	-785
Internal purchased and sold services	22	23	-4%	13	69%	35	31	13%	31
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-23	-26%	-14	21%	-49	-39	26%	-50
Total expenses	-630	-666	-5%	-670	-6%	-2,017	-2,086	-3%	-2,837
Profit before loan losses	402	535	-25%	207	94%	1,312	827	59%	1,101
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0		0	0		0
Operating profit	402	535	-25%	207	94%	1,312	827	59%	1,101
Profit allocation	-322	-310	4%	-233	38%	-913	-673	36%	-1,134
Operating profit after profit allocation	80	225	-64%	-26		399	154	159%	-33
Internal income	-372	-355	-5%	-290	-28%	-1,011	-1,002	-1%	-1,414
Cost/income ratio, %	88.7	74.7		104.0		83.5	93.1		101.2
Allocated capital	3,610	3,073	17%	3,241	11%	3,610	3,241	11%	3,061
Return on allocated capital, %	6.9	22.9		-		12.9	4.3		-
Average number of employees	1,379	1,388	-1%	1,486	-7%	1,398	1,469	-5%	1,464

INCOME DISTRIBUTION

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Asset management and custody	294	274	7%	248	19%	818	685	19%	945
Handelsbanken Liv	192	206	-7%	164	17%	592	501	18%	690
Investment banking	546	721	-24%	465	17%	1,919	1,727	11%	2,303
Total income	1,032	1,201	-14%	877	18%	3,329	2,913	14%	3,938

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Operating profit improved by 59% to SEK 1,312m (827). Asset management operations, excluding Handelsbanken Liv, increased their profit to SEK 440m (301), while in the investment bank, profits rose to SEK 561m (316).

Net interest income decreased to SEK 80m (123). Net gains/losses on financial transactions improved in all major asset categories, increasing to SEK 1,041m (724).

Net fee and commission income grew by 6% to SEK 2,073m (1,951), chiefly due to higher asset management commissions, which increased by 25% to SEK 1,218m (972).

The risk result in Handelsbanken Liv rose to SEK 131m (107).

In total, income rose by 14% to SEK 3,329m (2,913), while expenses fell by 3% to SEK -2,017m (-2,086).

The average number of employees fell by 5% to 1,398 (1,469).

Q3 2014 COMPARED WITH Q2 2014

Operating profit went down by 25% to SEK 402m (535).

Income decreased by 14% to SEK 1,032m (1,201), while expenses fell by 5%.

Net fee and commission income was seasonally lower, decreasing by 4%. Net gains/losses on financial transactions went down to SEK 291m (424), as a result of generally lower business activity in the third quarter.

Expenses decreased by 5% to SEK -630m (-666), mainly as a result of lower administrative expenses. Staff costs fell by 1%, mainly as a result of a 1% fall in the average number of employees to 1,379 (1,388).

Other units not reported in the business segments

Reported below are the income and expenses related to treasury and the central head office departments and also provisions to the Oktogonen profit-sharing foundation. 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 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	120	97	24%	21	471%	339	220	54%	313
Net fee and commission income	25	-8		-12		12	-12		-31
Net gains/losses on financial transactions	-164	-224	27%	-66	-148%	-260	-367	29%	-502
Share of profit of associates	2	5	-60%	5	-60%	-4	2		9
Other income	4	254	-98%	14	-71%	301	228	32%	255
Total income	-13	124		-38	66%	388	71	446%	44
Staff costs	-571	-661	-14%	-680	-16%	-1,877	-2,048	-8%	-2,858
Other administrative expenses	-449	-532	-16%	-531	-15%	-1,536	-1,642	-6%	-2,209
Internal purchased and sold services	927	1,108	-16%	1,028	-10%	3,158	3,197	-1%	4,336
Depreciation, amortisation and impairments of property, equipment and intangible assets	-62	-61	2%	-62	0%	-190	-191	-1%	-249
Total expenses	-155	-146	6%	-245	-37%	-445	-684	-35%	-980
Profit before loan losses	-168	-22		-283	41%	-57	-613	91%	-936
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	-		-1		0	0		7
Operating profit	-168	-22		-284	41%	-57	-613	91%	-929
Profit allocation	-1	0		0		-1	0		0
Operating profit after profit allocation	-169	-22		-284	40%	-58	-613	91%	-929
Internal income	2,079	1,969	6%	1,985	5%	6,081	6,228	-2%	8,338
Average number of employees	1,931	1,947	-1%	1,980	-2%	1,951	1,976	-1%	1,982

JANUARY – SEPTEMBER 2014 COMPARED WITH JANUARY – SEPTEMBER 2013

Operating profit was SEK -57m (-613). This profit figure includes capital gains of SEK 306m from the divestment of shares. The figure also includes the provision to the Oktogonen profit-sharing foundation, which totalled SEK -549m (-768).

Q3 2014 COMPARED WITH Q2 2014

Operating profit decreased to SEK -168m (-22). The provision to the Oktogonen profit-sharing foundation was unchanged at SEK -183m (-183). The average number of employees fell by 1% to 1,931 (1,947).

KEY FIGURES – GROUP

	Q3 2014	Q2 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Return on equity, total operations *	13.8%	15.1%	14.2%	14.1%	14.2%	13.9%
Return on equity, continuing operations *	13.7%	15.0%	14.0%	14.0%	14.0%	13.8%
C/I ratio, continuing operations	43.9%	44.6%	46.1%	44.4%	46.4%	47.0%
C/I ratio, continuing operations, incl. loan losses	49.1%	47.4%	49.3%	48.2%	49.6%	50.3%
Earnings per share, total operations, SEK	6.13	6.35	5.68	18.63	16.97	22.52
- after dilution	6.00	6.26	5.61	18.33	16.77	22.26
Ordinary dividend, SEK						11.50
Total dividend						16.50
Adjusted equity per share, SEK **	186.37	182.69	169.01	186.37	169.01	177.71
Common equity tier 1 ratio, CRD IV	20.7%	20.1%	18.8%	20.7%	18.8%	18.9%
Total capital ratio, CRD IV	25.6%	25.0%	21.6%	25.6%	21.6%	21.6%
Capital base in relation to capital requirement according to Basel I floor	141%	143%	125%	141%	125%	124%
Average number of employees, continuing operations	11,924	11,626	11,825	11,728	11,476	11,503
Number of branches in Sweden	462	462	461	462	461	462
Number of branches outside Sweden	366	360	335	366	335	348

* When calculating return on equity, equity is adjusted for the impact of unrealised changes in the value of financial assets classified as "Available for Sale" and for cash flow hedges and revaluation effects on defined-benefit pension plans.

** When calculating equity per share, equity is adjusted for the impact of cash flow hedges and for dilution.

THE HANDELSBANKEN SHARE

	Q3 2014	Q2 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Number of converted shares	8,043	2,940	82,160	29,924	2,665,255	2,838,683
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	635,675,719	635,667,676	635,472,367	635,675,719	635,472,367	635,645,795
Number of outstanding shares after dilution, end of period	657,500,628	657,648,638	647,601,244	657,500,628	647,601,244	647,601,239
Average number of shares converted during the year	29,137	20,699	2,642,647	18,655	1,930,024	2,139,580
Average holdings of own shares (repurchased and holdings in trading book)	-	124,324	-	54,524	205,696	157,183
Average number of outstanding shares	635,674,932	635,542,170	635,449,759	635,609,926	634,531,440	634,789,509
- after dilution	657,648,368	649,774,633	647,719,618	651,797,283	647,485,349	647,533,862
Share price ordinary class A, SEK	339.50	327.10	274.90	339.50	274.90	316.00
Market capitalisation, SEK bn	216	208	175	216	175	201

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Interest income		12,591	12,926	-3%	13,569	-7%	38,387	40,890	-6%	54,463
Interest expense		-5,587	-6,222	-10%	-6,886	-19%	-18,026	-20,993	-14%	-27,794
Net interest income	Note 2	7,004	6,704	4%	6,683	5%	20,361	19,897	2%	26,669
Net fee and commission income	Note 3	2,133	2,135	0%	1,896	13%	6,328	5,697	11%	7,804
Net gains/losses on financial transactions	Note 4	389	466	-17%	354	10%	1,513	1,053	44%	1,357
Risk result - insurance		46	43	7%	30	53%	131	107	22%	142
Other dividend income		0	245	-100%	4	-100%	249	160	56%	161
Share of profit of associates		2	5	-60%	5	-60%	-4	2		9
Other income		56	49	14%	37	51%	180	133	35%	185
Total income		9,630	9,647	0%	9,009	7%	28,758	27,049	6%	36,327
Staff costs		-2,943	-2,910	1%	-2,845	3%	-8,740	-8,424	4%	-11,404
Other administrative expenses	Note 5	-1,166	-1,267	-8%	-1,187	-2%	-3,681	-3,770	-2%	-5,181
Depreciation, amortisation and impairments of property, equipment and intangible assets		-121	-122	-1%	-125	-3%	-354	-360	-2%	-476
Total expenses		-4,230	-4,299	-2%	-4,157	2%	-12,775	-12,554	2%	-17,061
Profit before loan losses		5,400	5,348	1%	4,852	11%	15,983	14,495	10%	19,266
Net loan losses	Note 6	-497	-272	83%	-284	75%	-1,084	-873	24%	-1,195
Gains/losses on disposal of property, equipment and intangible assets		1	1	0%	3	-67%	2	8	-75%	17
Operating profit		4,904	5,077	-3%	4,571	7%	14,901	13,630	9%	18,088
Taxes		-1,022	-1,074	-5%	-997	3%	-3,134	-2,949	6%	-3,915
Profit for the period from continuing operations		3,882	4,003	-3%	3,574	9%	11,767	10,681	10%	14,173
Profit for the period pertaining to discontinued operations, after tax	Note 7	17	31	-45%	33	-48%	75	87	-14%	122
Profit for the period		3,899	4,034	-3%	3,607	8%	11,842	10,768	10%	14,295
Attributable to										
Shareholders in Svenska Handelsbanken AB		3,899	4,033	-3%	3,607	8%	11,841	10,768	10%	14,295
Minority interest		0	1		0		1	0		0

EARNINGS PER SHARE – GROUP

	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	3,899	4,033	-3%	3,607	8%	11,841	10,768	10%	14,295
- of which interest expense on convertible subordinated loan after tax	-49	-32	53%	-27	81%	-108	-91	19%	-119
Average number of outstanding shares, million	635.7	635.5		635.4		635.6	634.5		634.8
Average number of outstanding shares after dilution, million	657.6	649.8		647.7		651.8	647.5		647.5
Earnings per share, continuing operations, SEK	6.10	6.30	-3%	5.63	8%	18.51	16.83	10%	22.33
- after dilution	5.97	6.21	-4%	5.56	7%	18.21	16.63	10%	22.07
Earnings per share, discontinued operations, SEK	0.03	0.05	-40%	0.05	-40%	0.12	0.14	-14%	0.19
- after dilution	0.03	0.05	-40%	0.05	-40%	0.12	0.14	-14%	0.19
Earnings per share, total operations, SEK	6.13	6.35	-3%	5.68	8%	18.63	16.97	10%	22.52
- after dilution	6.00	6.26	-4%	5.61	7%	18.33	16.77	9%	22.26

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 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Profit for the period	3,899	4,034	-3%	3,607	8%	11,842	10,768	10%	14,295
Other comprehensive income									
Items that cannot be reclassified into profit or loss									
Defined-benefit plans	-2,962	286		851		-2,259	1,061		1,402
Taxes on items that cannot be reclassified into profit or loss	651	-63		-188		496	-235		-307
Total items that cannot be reclassified into profit or loss	-2,311	223		663		-1,763	826		1,095
Items that can be reclassified into profit or loss									
Cash flow hedges	1,399	2,596	-46%	173		5,304	-2,365		-3,410
Available-for-sale instruments	-250	-58	-331%	308		-160	360		535
Translation differences for the period	1,218	2,421	-50%	-496		5,527	-1,179		763
of which hedging net investment in foreign operations	334	1,210	-72%	238	40%	2,922	-499		767
Taxes on items that can be reclassified into profit or loss	-328	-819	60%	-149	-120%	-1,761	586		514
of which cash flow hedges	-308	-571	46%	-38		-1,161	520		744
of which available-for-sale instruments	54	18	200%	-58		43	-44		-61
of which hedging net investment in foreign operations	-74	-266	72%	-53	-40%	-643	110		-169
Total items that can be reclassified into profit or loss	2,039	4,140	-51%	-164		8,910	-2,598		-1,598
Total other comprehensive income for the period	-272	4,363		499		7,147	-1,772		-503
Total comprehensive income for the period	3,627	8,397	-57%	4,106	-12%	18,989	8,996	111%	13,792
Attributable to									
Shareholders in Svenska Handelsbanken AB	3,627	8,396	-57%	4,106	-12%	18,988	8,996	111%	13,792
Minority interest	0	1	-100%	0	0%	1	0		0

Discontinued operations only affects Translation differences for the period and Defined-benefit plans in Other comprehensive income.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Interest income	12,591	12,926	12,870	13,573	13,569
Interest expense	-5,587	-6,222	-6,217	-6,801	-6,886
Net interest income	7,004	6,704	6,653	6,772	6,683
Net fee and commission income	2,133	2,135	2,060	2,107	1,896
Net gains/losses on financial transactions	389	466	658	304	354
Risk result - insurance	46	43	42	35	30
Other dividend income	0	245	4	1	4
Share of profit of associates	2	5	-11	7	5
Other income	56	49	75	52	37
Total income	9,630	9,647	9,481	9,278	9,009
Staff costs	-2,943	-2,910	-2,887	-2,980	-2,845
Other administrative expenses	-1,166	-1,267	-1,248	-1,411	-1,187
Depreciation, amortisation and impairments of property, equipment and intangible assets	-121	-122	-111	-116	-125
Total expenses	-4,230	-4,299	-4,246	-4,507	-4,157
Profit before loan losses	5,400	5,348	5,235	4,771	4,852
Net loan losses	-497	-272	-315	-322	-284
Gains/losses on disposal of property, equipment and intangible assets	1	1	0	9	3
Operating profit	4,904	5,077	4,920	4,458	4,571
Taxes	-1,022	-1,074	-1,038	-966	-997
Profit for the period from continuing operations	3,882	4,003	3,882	3,492	3,574
Profit for the period pertaining to discontinued operations, after tax	17	31	27	35	33
Profit for the period	3,899	4,034	3,909	3,527	3,607
Earnings per share, continuing operations, SEK	6.10	6.30	6.11	5.50	5.63
- after dilution	5.97	6.21	6.04	5.44	5.56
Earnings per share, discontinued operations, SEK	0.03	0.05	0.04	0.05	0.05
- after dilution	0.03	0.05	0.04	0.05	0.05
Earnings per share, total operations, SEK	6.13	6.35	6.15	5.55	5.68
- after dilution	6.00	6.26	6.08	5.49	5.61

BALANCE SHEET – GROUP

SEK m		30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Assets						
Cash and balances with central banks		399,457	417,306	367,464	334,794	345,109
Other loans to central banks	Note 8	37,394	59,780	42,941	35,160	34,403
Interest-bearing securities eligible as collateral with central banks		74,287	56,610	61,782	57,451	63,245
Loans to other credit institutions	Note 8	70,959	76,519	58,295	62,898	72,984
Loans to the public	Note 8	1,781,421	1,765,160	1,727,011	1,696,339	1,682,552
Value change of interest-hedged item in portfolio hedge		82	90	95	96	2,143
Bonds and other interest-bearing securities		63,563	53,057	59,175	64,125	63,947
Shares		37,655	41,870	48,345	48,595	41,929
Investments in associates		268	263	267	272	278
Assets where the customer bears the value change risk		90,569	88,879	83,246	80,930	77,496
Derivative instruments	Note 9	94,379	78,068	68,435	69,961	74,627
Reinsurance assets		4	4	4	4	1
Intangible assets	Note 10	8,001	7,968	7,890	7,835	7,716
Property and equipment		2,208	2,266	2,187	2,205	2,114
Current tax assets		1,316	692	360	405	785
Deferred tax assets		330	309	243	269	407
Net pension assets		-	2,385	2,134	1,733	1,907
Assets held for sale		1,238	1,166	1,294	1,247	1,159
Other assets		31,381	21,800	37,892	13,262	32,460
Prepaid expenses and accrued income		6,299	6,099	6,780	7,140	6,705
Total assets		2,700,811	2,680,291	2,575,840	2,484,721	2,511,967
Liabilities and equity						
Due to credit institutions	Note 11	201,737	205,649	173,675	171,624	169,761
Deposits and borrowing from the public	Note 11	933,952	943,151	867,225	825,205	807,630
Liabilities where the customer bears the value change risk		90,611	88,942	83,294	80,977	77,559
Issued securities	Note 12	1,183,993	1,174,512	1,173,702	1,150,641	1,180,015
Derivative instruments	Note 9	61,171	52,253	61,555	61,529	71,564
Short positions		16,854	19,644	21,001	22,845	18,371
Insurance liabilities		656	646	1,304	622	632
Current tax liabilities		1,005	648	343	831	1,069
Deferred tax liabilities		8,822	8,903	7,999	7,413	7,568
Provisions		64	112	117	141	123
Net pension liabilities		595	-	-	-	-
Liabilities related to assets held for sale		567	589	575	539	537
Other liabilities		28,262	18,710	29,977	13,189	31,303
Accrued expenses and deferred income		22,729	20,143	20,730	21,861	23,412
Subordinated liabilities		29,544	29,575	26,523	15,965	15,911
Total liabilities		2,580,562	2,563,477	2,468,020	2,373,382	2,405,455
Minority interest		3	3	2	2	2
Share capital		2,956	2,956	2,956	2,956	2,955
Share premium		3,203	3,444	2,847	2,843	2,813
Reserves		8,984	9,256	4,893	1,837	568
Retained earnings		93,262	93,213	93,213	89,406	89,406
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		11,841	7,942	3,909	14,295	10,768
Total equity		120,249	116,814	107,820	111,339	106,512
Total liabilities and equity		2,700,811	2,680,291	2,575,840	2,484,721	2,511,967

STATEMENT OF CHANGES IN EQUITY – GROUP

January - September 2014 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,956	2,843	3,110	-1,517	1,043	-799	103,701	2	111,339
Profit for the period							11,841	1	11,842
Other comprehensive income			-1,763	4,143	-117	4,884		0	7,147
Total comprehensive income for the period			-1,763	4,143	-117	4,884	11,841	1	18,989
Dividend							-10,488		-10,488
Effects of convertible subordinated loans *	0	360					49		409
Change of minority interests							0	0	0
Closing equity	2,956	3,203	1,347	2,626	926	4,085	105,103	3	120,249

January - September 2013 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,943	2,337		1,149	569	-1,393	101,290	2	106,897
Effects of implementing revised IAS 19			2,015				-5,062		-3,047
Opening equity after adjustment	2,943	2,337	2,015	1,149	569	-1,393	96,228	2	103,850
Profit for the period							10,768	0	10,768
Other comprehensive income			826	-1,845	316	-1,069		0	-1,772
Total comprehensive income for the period			826	-1,845	316	-1,069	10,768	0	8,996
Dividend							-6,822		-6,822
Effects of convertible subordinated loans	12	476							488
Change of minority interests							0	0	0
Closing equity	2,955	2,813	2,841	-696	885	-2,462	100,174	2	106,512

* The inherent value of the option to convert in issued convertible debt instruments is recognised in the share premium reserve. The net effect of the 2014 convertible instrument of debt amounted to SEK 466m. During the period, the share premium reserve has been adjusted by SEK 243m for deferred tax on the convertible instrument of debt. This amount will be recognised in the income statement over the remaining maturity.

During the period January to September 2014, convertibles for a nominal value of SEK 6m (500) relating to the 2008 subordinated convertible bond were converted into 29,924 class A shares (2,665,255). 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 2014	Jan-Sep 2013	Full year 2013
Cash flow from operating activities	27,149	122,732	107,784
Cash flow from investing activities	934	-370	-592
Cash flow from financing activities	2,898	-10,870	-10,870
Cash flow for the period	30,981	111,492	96,322
Liquid funds at beginning of the period	334,794	236,545	236,545
Cash flow for the period	30,981	111,492	96,322
Exchange rate differences on liquid funds	33,683	-2,928	1,927
Liquid funds at end of period	399,458	345,109	334,794

NOTES

Note 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. The accounting policies also follow the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25 Annual reports in credit institutions and securities companies. RFR 1 Supplementary accounting rules for groups 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 RFR 2 Accounting for legal entities, and statements from the Swedish Financial Reporting Board.

Changed accounting policies

On 1 January 2014, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosures of Interest in Other Entities came into effect for application in the EU. The new regulations mean that the previous stipulations in IAS 27 and SIC 12 concerning when a company is to be consolidated in the consolidated accounts are being replaced by a number of assessment criteria for when an entity controls another entity. One of the effects of the new regulations is that fund units owned by the Bank through unit-linked insurance contracts will not be included in the assessment of whether controlling influence of a fund management company applies. The new regulations have led to the following balance sheet adjustments, set out in the table below. The changes also imply extra disclosures, particularly relating to shares in non-consolidated structured entities. The application of the new regulations does not affect the income statement, and has no effect on the Bank's capital adequacy.

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 2013.

Regulatory changes

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, was adopted by IASB in July. Assuming that IFRS 9 is adopted by the EU, and IASB's proposed date of implementation is retained, this standard will be applied as of the 2018 financial year. The standard encompasses three areas: classification and measurement, impairment, and hedge accounting.

IFRS 15 Revenue from contracts with customers has also been adopted by the IASB. Assuming that IFRS 15 is adopted by the EU, and IASB's proposed date of implementation is retained, this standard will be applied as of the 2017 financial year.

The IFRIC 21 Levies interpretative communication has been adopted for application by the EU. IFRIC 21 will be applied as of the 2015 financial year. This regulatory change is not expected to have a material impact on the Group's financial position and earnings, nor will it have an impact on the capital adequacy.

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

SEK m	31 Mar 2013	Adjust- ment	31 Mar 2013	30 June 2013	Adjust- ment	30 Jun 2013	30 Sep 2013	Adjust- ment	30 Sep 2013	31 Dec 2013	Adjust- ment	31 Dec 2013
Assets where the customer bears the value change risk	75,098	-3,546	71,552	77,144	-3,945	73,199	81,766	-4,270	77,496	86,015	-5,085	80,930
Liabilities where the customer bears the value change risk	75,118	-3,546	71,572	77,173	-3,945	73,228	81,829	-4,270	77,559	86,062	-5,085	80,977

Note 2 Net interest income

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Interest income									
Loans to credit institutions and central banks	399	447	-11%	424	-6%	1,253	1,173	7%	1,575
Loans to the public	12,370	12,623	-2%	13,114	-6%	37,585	39,512	-5%	52,614
Interest-bearing securities eligible as collateral with central banks	160	208	-23%	259	-38%	530	1,865	-72%	2,106
Interest-bearing securities	240	292	-18%	451	-47%	794	1,609	-51%	1,898
Derivative instruments	-779	-771	-1%	-689	-13%	-2,324	-1,962	-18%	-2,556
Other interest income	358	353	1%	376	-5%	1,092	1,110	-2%	1,459
Total interest income	12,748	13,152	-3%	13,935	-9%	38,930	43,307	-10%	57,096
Of which interest income reported in Net gains/losses on financial transactions	157	226	-31%	366	-57%	543	2,417	-78%	2,633
Interest income according to income statement	12,591	12,926	-3%	13,569	-7%	38,387	40,890	-6%	54,463
Interest expense									
Due to credit institutions and central banks	-282	-264	7%	-284	-1%	-773	-1,027	-25%	-1,287
Deposits and borrowing from the general public	-856	-1,082	-21%	-1,113	-23%	-2,968	-3,439	-14%	-4,608
Issued securities	-5,170	-5,447	-5%	-5,735	-10%	-16,176	-17,286	-6%	-23,137
Derivative instruments	1,332	1,177	13%	924	44%	3,720	2,589	44%	3,591
Subordinated liabilities	-318	-293	9%	-292	9%	-942	-941	0%	-1,214
Other interest expense	-350	-394	-11%	-627	-44%	-1,112	-2,926	-62%	-3,294
Total interest expense	-5,644	-6,303	-10%	-7,127	-21%	-18,251	-23,030	-21%	-29,949
Of which interest expense reported in Net gains/losses on financial transactions	-57	-81	-30%	-241	-76%	-225	-2,037	-89%	-2,155
Interest expense according to income statement	-5,587	-6,222	-10%	-6,886	-19%	-18,026	-20,993	-14%	-27,794
Net interest income	7,004	6,704	4%	6,683	5%	20,361	19,897	2%	26,669

Note 3 Net fee and commission income

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Brokerage and other securities commissions	222	293	-24%	250	-11%	843	877	-4%	1,189
Mutual funds	649	605	7%	513	27%	1,808	1,471	23%	2,008
Custody and other asset management fees	136	130	5%	111	23%	401	303	32%	427
Advisory services	51	62	-18%	35	46%	162	210	-23%	278
Insurance	161	163	-1%	142	13%	482	423	14%	571
Payments	813	784	4%	738	10%	2,305	2,037	13%	2,813
Loans and deposits	272	289	-6%	272	0%	840	840	0%	1,124
Guarantees	109	101	8%	115	-5%	318	330	-4%	438
Other	117	113	4%	108	8%	336	319	5%	446
Commission income	2,530	2,540	0%	2,284	11%	7,495	6,810	10%	9,294
Securities	-47	-60	-22%	-63	-25%	-176	-181	-3%	-228
Payments	-331	-323	2%	-304	9%	-933	-865	8%	-1,175
Other	-19	-22	-14%	-21	-10%	-58	-67	-13%	-87
Commission expense	-397	-405	-2%	-388	2%	-1,167	-1,113	5%	-1,490
Net fee and commission income	2,133	2,135	0%	1,896	13%	6,328	5,697	11%	7,804

Note 4 Net gains/losses on financial transactions

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Trading, derivatives, FX effect etc	-230	-302	24%	441		-689	2,016		2,049
Other financial instruments at fair value in profit/loss	529	627	-16%	-101		1,689	-969		-785
<i>of which interest-bearing securities</i>	534	638	-16%	-93		1,708	-884		-707
<i>of which loans</i>	-5	-11	55%	-8	38%	-19	-85	78%	-78
Financial instruments at amortised cost	50	159	-69%	32	56%	225	41	449%	126
<i>of which loans</i>	149	209	-29%	97	54%	453	260	74%	416
<i>of which liabilities</i>	-99	-50	-98%	-65	-52%	-228	-219	-4%	-290
Financial instruments available for sale	60	-3		9		370	7		24
Hedge accounting	-19	-16	-19%	-11	-73%	-80	20		2
<i>of which net gains/losses on fair value hedges</i>	-21	-21	0%	-23	9%	-79	-2		-26
<i>of which hedge ineffectiveness</i>	2	5	-60%	12	-83%	-1	22		28
Gains/losses on unbundled insurance contracts	-1	1		-16	94%	-2	-62	97%	-59
Total	389	466	-17%	354	10%	1,513	1,053	44%	1,357

Note 5 Other administrative expenses

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Property and premises	-291	-299	-3%	-268	9%	-877	-830	6%	-1,118
External IT costs	-376	-398	-6%	-394	-5%	-1,184	-1,237	-4%	-1,704
Communication	-83	-82	1%	-85	-2%	-262	-274	-4%	-369
Travel and marketing	-65	-91	-29%	-75	-13%	-234	-270	-13%	-378
Purchased services	-218	-247	-12%	-227	-4%	-703	-754	-7%	-1,031
Supplies	-52	-39	33%	-47	11%	-144	-144	0%	-202
Other expenses	-81	-111	-27%	-91	-11%	-277	-261	6%	-379
Other administrative expenses	-1,166	-1,267	-8%	-1,187	-2%	-3,681	-3,770	-2%	-5,181

Note 6 Loan losses and impaired loans

Loan losses

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Specific provision for individually valued loan receivables									
Provision for the period	-556	-238	134%	-272	104%	-1,363	-875	56%	-1,287
Reversal of previous provisions	53	-34		68	-22%	255	174	47%	289
Total	-503	-272	85%	-204	147%	-1,108	-701	58%	-998
Collective provisions									
Net provision for the period for individually valued receivables	26	-4		2		23	-50		-60
Net provision for the period for homogeneous loan receivables	0	1	-100%	8	-100%	5	11	-55%	15
Total	26	-3		10	160%	28	-39		-45
Other provisions									
Losses on off-balance sheet items	6	0		-		0	-		-9
Reversal of losses on off-balance-sheet items	0	0	0%	-		1	0		0
Change in collective provision for off-balance-sheet items	1	7	-86%	-2		16	-3		-10
Total	7	7	0%	-2		17	-3		-19
Write-offs									
Actual loan losses for the period	-203	-709	-71%	-376	-46%	-1,394	-1,151	21%	-1,503
Utilised share of previous provisions	131	662	-80%	236	-44%	1,231	884	39%	1,174
Recoveries	45	43	5%	52	-13%	142	137	4%	196
Total	-27	-4		-88	-69%	-21	-130	-84%	-133
Net loan losses	-497	-272	83%	-284	75%	-1,084	-873	24%	-1,195

Impaired loans

Impaired loans includes all loans for which not all the contracted cash flows will probably be fulfilled. The full amount of all loans which give rise to a specific provision is included in impaired loans, including amounts which are covered by collateral. This means that the impaired loans reserve ratio is stated without taking into account collateral received. Thus this key figure may vary substantially between the quarters, even though the provisioning policies are unchanged.

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Impaired loans	7,156	5,824	6,763	6,944	6,799
Specific provision for individually assessed loans	-3,405	-2,980	-3,347	-3,454	-3,467
Provision for collectively assessed homogeneous groups of loans with limited value	-88	-88	-88	-92	-94
Collective provisions	-339	-364	-357	-357	-347
Impaired loans, net	3,324	2,392	2,971	3,041	2,891
Total impaired loans reserve ratio	53.5%	58.9%	56.1%	56.2%	57.5%
Proportion of impaired loans, %	0.18%	0.13%	0.17%	0.18%	0.17%
Impaired loans reserve ratio excl. collective provisions	48.8%	52.7%	50.8%	51.1%	52.4%
Loan loss ratio as a % of loans, accumulated	0.08%	0.07%	0.07%	0.07%	0.07%
Loans past due > 60 days	6,024	5,665	5,596	6,185	6,661
Loans past due > 60 days, which are not impaired	2,058	1,675	1,838	2,150	2,478

Impaired loans and loans which are overdue by more than 60 days, by sector

30 September 2014		Impaired loans			Loans past due > 60 days, which are not impaired
SEK m	Gross	Provisions	Net*	Of which past due >60 days	
Private individuals	1,551	-759	792	633	1,276
Housing co-operative associations	54	-23	31	13	40
Property management	1,215	-471	744	596	296
Manufacturing	821	-651	170	68	98
Retail	639	-357	282	112	4
Hotel and restaurant	49	-25	24	22	7
Passenger and goods transport by sea	1,517	-354	1,163	-	-
Other transport and communication	97	-79	18	17	10
Construction	201	-121	80	65	182
Electricity, gas and water	34	-19	15	15	2
Agriculture, hunting and forestry	25	-16	9	8	1
Other services	238	-126	112	102	46
Holding, investment and insurance companies, funds etc.	79	-28	51	50	76
Other corporate lending	636	-464	172	172	20
Credit institutions	-	-	-	-	-
Total	7,156	-3,493	3,663	1,873	2,058

* Book value after deduction of specific provisions.

31 December 2013		Impaired loans			Loans past due > 60 days, which are not impaired
SEK m	Gross	Provisions	Net*	Of which past due >60 days	
Private individuals	1,634	-790	844	689	1,316
Housing co-operative associations	101	-33	68	45	7
Property management	1,299	-394	905	560	526
Manufacturing	890	-517	373	189	9
Retail	705	-362	343	210	42
Hotel and restaurant	37	-24	13	11	9
Passenger and goods transport by sea	424	-423	1	1	1
Other transport and communication	110	-80	30	28	5
Construction	194	-116	78	71	88
Electricity, gas and water	72	-44	28	28	7
Agriculture, hunting and forestry	33	-25	8	7	2
Other services	153	-101	52	43	33
Holding, investment and insurance companies, funds etc.	1,138	-569	569	61	4
Other corporate lending	154	-68	86	74	101
Credit institutions	-	-	-	-	-
Total	6,944	-3,546	3,398	2,017	2,150

* Book value after deduction of specific provisions.

Note 7 Discontinued operations

Discontinued operations comprise the results from the Plastal Industri AB subsidiary, including the acquired parts of the Plastal Group. The Bank intends to divest Plastal Industri AB.

Note 8 Loans and credit exposure

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Loans to the public	1,781,421	1,765,160	1,727,011	1,696,339	1,682,552
of which reverse repos	14,372	19,418	18,539	15,711	22,932
Loans to other credit institutions	70,959	76,519	58,295	62,898	72,984
of which reverse repos	42,019	37,497	30,436	33,874	38,562
Other loans to central banks	37,394	59,780	42,941	35,160	34,403
of which reverse repos	1,216	994	1,436	360	2,326

Loans to the public, by sector

SEK m	30 September 2014			31 December 2013		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	837,825	-759	837,066	788,495	-790	787,705
<i>of which mortgage loans</i>	673,790	-26	673,764	642,459	-54	642,405
<i>of which other loans with property mortgages</i>	89,351	-100	89,251	77,461	-111	77,350
<i>of which other loans to private individuals</i>	74,683	-633	74,050	68,575	-625	67,950
Housing co-operative associations	149,836	-23	149,813	140,320	-33	140,287
<i>of which mortgage loans</i>	134,972	-9	134,963	128,524	-9	128,515
Property management	485,216	-471	484,745	461,726	-394	461,332
Manufacturing	41,091	-651	40,440	39,051	-517	38,534
Retail	29,294	-357	28,937	31,570	-362	31,208
Hotels and restaurants	7,526	-25	7,501	7,396	-24	7,372
Passenger and goods transport by sea	14,330	-354	13,976	14,733	-423	14,310
Other transport and communication	19,865	-79	19,786	26,972	-80	26,892
Construction	15,940	-121	15,819	12,295	-116	12,179
Electricity, gas, water	23,400	-19	23,381	23,620	-44	23,576
Agriculture, hunting and forestry	10,558	-16	10,542	8,365	-25	8,340
Other services	20,638	-126	20,512	22,996	-101	22,895
Holding, investment, insurance, funds, etc.	66,353	-28	66,325	73,272	-569	72,703
Government and municipalities	26,764	-	26,764	20,935	-	20,935
Other corporate lending	36,617	-464	36,153	28,496	-68	28,428
Total loans to the public, before collective provisions	1,785,253	-3,493	1,781,760	1,700,242	-3,546	1,696,696
Collective provisions			-339			-357
Total loans to the public			1,781,421			1,696,339

Specification of Loans to the public – Property management

SEK m	30 September 2014			31 December 2013		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Loans in Sweden						
State-owned property companies	7,373	-	7,373	7,798	-	7,798
Municipal-owned property companies	16,529	-	16,529	15,430	-	15,430
Residential property companies	86,765	-19	86,746	73,571	-15	73,556
<i>of which mortgage loans</i>	69,620	-3	69,617	57,726	-1	57,725
Other property management	140,412	-92	140,320	151,410	-110	151,300
<i>of which mortgage loans</i>	71,419	-4	71,415	75,969	-3	75,966
Total loans in Sweden	251,079	-111	250,968	248,209	-125	248,084
Loans outside Sweden						
Denmark	13,327	-118	13,209	12,108	-117	11,991
Finland	24,431	-	24,431	23,612	-	23,612
Norway	81,289	-65	81,224	76,457	-60	76,397
UK	97,047	-165	96,882	81,129	-69	81,060
The Netherlands	10,376	-	10,376	12,633	-	12,633
Other countries	7,667	-12	7,655	7,578	-23	7,555
Total loans outside Sweden	234,137	-360	233,777	213,517	-269	213,248
Total loans - Property management	485,216	-471	484,745	461,726	-394	461,332

Credit risk exposure

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Loans to the public	1,781,421	1,765,160	1,727,011	1,696,339	1,682,552
<i>of which reverse repos</i>	14,372	19,418	18,539	15,711	22,932
Loans to other credit institutions	70,959	76,519	58,295	62,898	72,984
<i>of which reverse repos</i>	42,019	37,497	30,436	33,874	38,562
Unutilised part of granted overdraft facilities *	106,122	91,754	91,538	99,660	98,937
Committed loan offers	263,807	263,690	258,152	246,518	247,486
Other commitments	6,761	11,696	9,552	9,046	16,248
Guarantees, credits	9,733	9,472	8,390	8,371	9,002
Guarantees, other	59,882	60,754	58,838	58,568	58,623
Documentary credits	5,453	5,260	5,702	7,190	7,559
Derivative instruments **	94,379	78,068	68,435	69,961	74,627
Treasury bills and other eligible bills	74,287	56,610	61,782	57,451	63,245
Bonds and other interest-bearing securities	63,563	53,057	59,175	64,125	63,947
Total	2,536,367	2,472,040	2,406,870	2,380,127	2,395,210

* As of 2014, unutilised overdraft facilities which the counterparty does not have at its disposal at the time of recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been restated.

** Refers to the total of positive market values.

Note 9 Derivatives

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Positive market values					
Trading	69,371	55,453	52,799	51,868	56,410
Fair value hedges	144	215	194	198	10,274
Cash flow hedges	35,616	30,940	22,281	23,930	12,105
Amounts set off in the balance sheet	-10,752	-8,540	-6,839	-6,035	-4,162
Total	94,379	78,068	68,435	69,961	74,627
Negative market values					
Trading	62,160	51,337	56,801	54,591	60,439
Fair value hedges	388	653	733	762	2,023
Cash flow hedges	9,375	8,803	10,860	12,211	13,264
Amounts set off in the balance sheet	-10,752	-8,540	-6,839	-6,035	-4,162
Total	61,171	52,253	61,555	61,529	71,564
Nominal value					
Trading	5,494,991	5,669,267	6,323,042	6,374,976	6,776,464
Fair value hedges	32,969	44,946	58,967	63,580	240,982
Cash flow hedges	791,553	769,971	734,681	703,460	543,797
Total	6,319,513	6,484,184	7,116,690	7,142,016	7,561,243

Derivative contracts are presented gross in the table. Offsetting amounts disclosed in Note 17 consist of the offsetted market value of contracts for which the bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis in the balance sheet per counterparty and currency.

Note 10 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Sep 2014	Jan-Sep 2013	Full year 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Opening residual value	6,431	6,273	6,273	1,404	933	933	7,835	7,206	7,206
Additional during the period	-	144	144	141	510	596	141	654	740
The period's amortisation	-	-	-	-116	-104	-140	-116	-104	-140
The period's impairments	-	-	-	-6	-2	-2	-6	-2	-2
Foreign exchange effect	119	-44	14	28	6	17	147	-38	31
Closing residual value	6,550	6,373	6,431	1,451	1,343	1,404	8,001	7,716	7,835

Note 11 Due to credit institutions, deposits and borrowing from the public

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Due to credit institutions	201,737	205,649	173,675	171,624	169,761
<i>of which repos</i>	77	4,467	910	748	816
Deposits and borrowing from the public	933,952	943,151	867,225	825,205	807,630
<i>of which repos</i>	6,381	14,339	6,834	7,604	10,442

Note 12 Issued securities

SEK m	30 Sep 2014
Issued securities at beginning of year	1,150,641
Issued	719,394
Repurchased	71,134
Matured	654,329
Foreign exchange effect etc	39,421
Issued securities at end of period	1,183,993

Note 13 Assets pledged, contingent liabilities and other commitments

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Assets pledged for own debt	790,203	780,047	766,480	754,265	751,303
Other pledged assets	33,016	32,924	44,230	41,679	36,265
Contingent liabilities	75,068	75,486	72,930	74,129	75,184
Other commitments *	376,690	367,140	359,242	355,224	362,671

* As of 2014, unutilised overdraft facilities which the counterparty does not have at its disposal at the time of recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been restated.

The total contingent liabilities mainly consist of guarantees.

Note 14 Classification of financial assets and liabilities

The tables show valuation categories for financial instruments in accordance with IAS 39.

30 September 2014	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and other receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other							
SEK m									
Assets									
Cash and balances with central banks					399,012		445	399,457	399,457
Other loans to central banks					37,394			37,394	37,394
Interest-bearing securities eligible as collateral with central banks	38,074	34,256		750		1,207		74,287	74,292
Loans to other credit institutions					70,959			70,959	70,715
Loans to the public		2,389			1,779,032			1,781,421	1,794,229
Value change of interest hedged item in portfolio hedge					82			82	
Bonds and other interest-bearing securities	26,179	34,818		253		2,313		63,563	63,558
Shares	27,922	1,822				7,911		37,655	37,655
Investments in associates							268	268	268
Assets where the customer bears the value change risk		90,206			363			90,569	90,569
Derivative instruments	58,619		35,760					94,379	94,379
Other assets	36				30,719		626	31,381	31,381
Prepaid expenses and accrued income	575	397		1	3,615	2	1,709	6,299	6,299
Total financial assets	151,405	163,888	35,760	1,004	2,321,176	11,433	3,048	2,687,714	2,700,196
Other non-financial assets								13,097	
Total assets								2,700,811	
Liabilities									
Due to credit institutions							201,737	201,737	203,758
Deposits and borrowing from the public							933,952	933,952	933,941
Liabilities where the customer bears the value change risk		90,248					363	90,611	90,611
Issued securities	13,922						1,170,071	1,183,993	1,210,664
Derivative instruments	51,408		9,763					61,171	61,171
Short positions	16,854							16,854	16,854
Other liabilities	213						28,049	28,262	28,262
Accrued expenses and deferred income	439						22,290	22,729	22,729
Subordinated liabilities							29,544	29,544	33,367
Total financial liabilities	82,836	90,248	9,763				2,386,006	2,568,853	2,601,357
Other non-financial liabilities								11,709	
Total liabilities								2,580,562	

31 December 2013	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and other receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other							
SEK m									
Assets									
Cash and balances with central banks					334,185		609	334,794	334,794
Other loans to central banks					35,160			35,160	35,160
Interest-bearing securities eligible as collateral with central banks	32,611	19,819		3,463		1,558		57,451	57,471
Loans to other credit institutions					62,898			62,898	62,413
Loans to the public		2,580			1,693,759			1,696,339	1,701,517
Value change of interest hedged item in portfolio hedge					96			96	
Bonds and other interest-bearing securities	26,959	35,331		933		902		64,125	64,123
Shares	41,542	1,328				5,725		48,595	48,595
Investments in associates							272	272	272
Assets where the customer bears the value change risk		80,234			696			80,930	80,930
Derivative instruments	46,692		23,269					69,961	69,961
Other assets	68				12,846		348	13,262	13,262
Prepaid expenses and accrued income	480	791		117	3,848		1,904	7,140	7,140
Total financial assets	148,352	140,083	23,269	4,513	2,143,488	8,185	3,133	2,471,023	2,475,638
Other non-financial assets								13,698	
Total assets								2,484,721	
Liabilities									
Due to credit institutions							171,624	171,624	173,128
Deposits and borrowing from the public							825,205	825,205	824,904
Liabilities where the customer bears the value change risk		80,281					696	80,977	80,977
Issued securities	17,420						1,133,221	1,150,641	1,167,147
Derivative instruments	48,790		12,739					61,529	61,529
Short positions	22,845							22,845	22,845
Other liabilities	19						13,170	13,189	13,189
Accrued expenses and deferred income	357						21,504	21,861	21,861
Subordinated liabilities							15,965	15,965	17,710
Total financial liabilities	89,431	80,281	12,739				2,181,385	2,363,836	2,383,290
Other non-financial liabilities								9,546	
Total liabilities								2,373,382	

Note 15 Fair value measurement of financial instruments

30 September 2014 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	72,020	1,517	-	73,537
Loans to the public	-	2,375	14	2,389
Bonds and other interest-bearing securities	61,637	1,673	-	63,310
Shares	35,422	836	1,397	37,655
Assets where the customer bears the value change risk	89,564	-	642	90,206
Derivative instruments	687	93,692	-	94,379
Total financial assets at fair value	259,330	100,093	2,053	361,476
Liabilities				
Liabilities where the customer bears the value change risk	89,606	-	642	90,248
Issued securities	-	13,836	86	13,922
Derivative instruments	1,349	59,822	-	61,171
Short positions	16,809	45	-	16,854
Total financial liabilities at fair value	107,764	73,703	728	182,195

31 December 2013 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	53,988	-	-	53,988
Loans to the public	-	2,562	18	2,580
Bonds and other interest-bearing securities	52,612	10,580	-	63,192
Shares	45,384	1,823	1,388	48,595
Assets where the customer bears the value change risk	79,744	-	490	80,234
Derivative instruments	1,333	68,628	-	69,961
Total financial assets at fair value	233,061	83,593	1,896	318,550
Liabilities				
Liabilities where the customer bears the value change risk	79,791	-	490	80,281
Issued securities	4	17,332	84	17,420
Derivative instruments	2,158	59,371	-	61,529
Short positions	21,951	894	-	22,845
Total financial liabilities at fair value	103,904	77,597	574	182,075

Handelsbanken's independent risk control function is responsible for checking and validating the fair value measurement of financial instruments. In general, the valuations are based on externally generated data as far as is possible, considering the circumstances in each case.

Financial instruments for which price information is easily available, and which are representative of real and frequently occurring transactions, are valued at their current market price. The current bid price is used for financial assets and the current ask price is used for financial liabilities. 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 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 be based on price comparisons, present value calculations, option valuation theory, etc., depending on the nature of the instrument.

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 valuation techniques at initial recognition and the transaction price (day -1 effect), the difference is distributed over the maturity period of the financial instrument. Such differences occur when the applied valuation model does not capture all the components which affect the value of the instrument. As a consequence of the application of this principle, SEK 69m has been amortised in net gains/losses on financial transactions during the period January – September 2014. At the end of the period, non-amortised day -1 gains amounted to SEK 438m. In addition, the Bank makes an independent valuation of the total credit risk component (own credit risk as well as counterparty risk) in outstanding mark-to-model method OTC 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.

Valuation hierarchy

In the tables, financial instruments at fair value have been classified in terms of how the valuations have been carried out and the amount of market data used in the valuation. If the classification on the balance sheet date has changed from the classification at the preceding year-end, the instrument will have been moved between the levels in the table. During the January – September 2014 period, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. As a result of this, interest-bearing securities worth SEK 190m have been moved from level 1 to level 2, and interest-bearing securities worth SEK 782m have been moved from level 2 to level 1. The changes in level 3 are shown in a separate table.

Financial instruments which are valued at the current market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed equities, and short positions in corresponding assets. Level 1 also includes shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities (assets and liabilities where the customer bears the value change risk).

Financial instruments which are valued using valuation models which are substantially based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities, as well as interest rate and currency-related derivatives.

Financial instruments valued using models which are based on input data that is not possible to verify using external market information and which have affected the valuation to a material extent, are categorised as level 3. These holdings essentially consist of holdings in private equity funds and unlisted equities. No reasonable changes in the assumptions on which the models used are based would have a significant impact on the valuation.

Investments in private equity funds 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, e.g. P/E ratios. Most of these holdings represent plan assets in the Group's insurance operations. Value changes on the plan assets are included in the basis for calculating the yield split in the insurance operations.

The Group's holdings of unlisted securities mainly consist of the Bank's participating interests in various types of joint operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration on the Bank's home markets. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. Changes in level 3 holdings during the period are shown in a separate table. In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in other comprehensive income.

Reconciliation of financial instruments in level 3

January - September 2014 SEK m	Shares	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1,388	18	490	-490	-84
Acquisitions/issues	48	-	-	-	-10
Repurchases/sales	-55	-	-	-	-
Matured during the period	-	-5	-	-	-
Unrealised value change in income statement	-23	0	140	-140	8
Unrealised value change in other comprehensive income	39	0	12	-12	-
Transfer from level 1 or 2	-	1	-	-	-
Transfer to level 1 or 2	-	-	-	-	-
Carrying amount at end of period	1,397	14	642	-642	-86

January - December 2013 SEK m	Shares	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1,560	24	-	-	-77
Acquisitions/issues	107	-	-	-	-1
Repurchases/sales	-304	-	-	-	-
Matured during the period	-1	-2	-	-	-
Unrealised value change in income statement	-12	0	-	-	-6
Unrealised value change in other comprehensive income	38	1	-	-	-
Transfer from level 1 or 2	-	3	490	-490	-
Transfer to level 1 or 2	-	-8	-	-	-
Carrying amount at end of period	1,388	18	490	-490	-84

Note 16 Related-party transactions

On 25 March 2014, Svenska Handelsbanken AB, Handelsbanken's Pension Foundation and Handelsbanken's Pension Fund made mutual reallocations of their respective shareholdings; the Bank divested several shareholdings and, at the same time, purchased shares in Industrivärden and SCA. Following these transactions, Svenska Handelsbanken AB controls 10.46% of the votes in Industrivärden (7.5% of the capital) and 10.15% of the votes in SCA (2.1% of the capital). These transactions generated a capital gain of SEK 306m for the Bank. All business transactions with associated companies are made on market terms.

Note 17 Offsetting of financial instruments

30 September 2014 SEK m	Derivatives	Repurchase agreements, securities lending/borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amounts of recognised financial assets	105,131	59,211	164,342
Gross amounts of recognised financial liabilities set off in the balance sheet	-10,752	-	-10,752
Net amounts of financial assets presented in the balance sheet	94,379	59,211	153,590
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-48,107	-	-48,107
Collateral received	-20,955	-59,200	-80,155
Net amount	25,317	11	25,328
Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements			
Gross amounts of recognised financial liabilities	71,923	6,458	78,381
Gross amounts of recognised financial assets set off in the balance sheet	-10,752	-	-10,752
Net amounts of financial liabilities presented in the balance sheet	61,171	6,458	67,629
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-48,107	-	-48,107
Assets pledged	-5,542	-4,648	-10,190
Net amount	7,522	1,810	9,332

31 December 2013 SEK m	Derivatives	Repurchase agreements, securities lending/borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amounts of recognised financial assets	75,996	53,586	129,582
Gross amounts of recognised financial liabilities set off in the balance sheet	-6,035	-	-6,035
Net amounts of financial assets presented in the balance sheet	69,961	53,586	123,547
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-41,036	-	-41,036
Collateral received	-10,540	-53,569	-64,109
Net amount	18,385	17	18,402
Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements			
Gross amounts of recognised financial liabilities	67,564	8,352	75,916
Gross amounts of recognised financial assets set off in the balance sheet	-6,035	-	-6,035
Net amounts of financial liabilities presented in the balance sheet	61,529	8,352	69,881
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-41,036	-	-41,036
Assets pledged	-4,793	-7,889	-12,682
Net amount	15,700	463	16,163

Derivative instruments are set off in the balance sheet when the settlement of two or more derivatives reflects the Bank's anticipated cash flows. 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.

Note 18 Assets and liabilities by currency

30 September 2014								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	201	85,349	3,198	83	47,636	262,600	390	399,457
Other loans to central banks	1,216	97	18,010	17,749	322	-	0	37,394
Loans to other credit institutions	3,444	8,796	61	2,419	700	50,734	4,805	70,959
Loans to the public	1,148,353	169,551	197,221	69,635	158,396	25,702	12,563	1,781,421
<i>of which corporates</i>	491,566	123,535	108,791	28,754	109,213	25,572	11,299	898,730
<i>of which households</i>	656,787	46,016	88,430	40,881	49,183	130	1,264	882,691
Interest-bearing securities eligible as collateral with central banks	39,350	6,395	1,282	6	-	26,052	1,202	74,287
Bonds and other interest-bearing securities	55,242	4,081	3,105	0	800	335	0	63,563
Other items not broken down by currency	273,730							273,730
Total assets	1,521,536	274,269	222,877	89,892	207,854	365,423	18,960	2,700,811
Liabilities								
Due to credit institutions	30,105	63,053	24,824	7,146	5,623	60,767	10,219	201,737
Deposits and borrowing from the public	429,894	111,005	65,352	32,350	102,188	187,223	5,940	933,952
<i>of which corporates</i>	181,422	97,500	47,510	20,209	85,379	185,239	5,667	622,926
<i>of which households</i>	248,472	13,505	17,842	12,141	16,809	1,984	273	311,026
Issued securities	466,723	233,145	21,199	315	78,073	352,951	31,587	1,183,993
Subordinated liabilities	10,256	18,165	-	-	-	134	989	29,544
Other items not broken down by currency, incl. equity	351,585							351,585
Total liabilities and equity	1,288,563	425,368	111,375	39,811	185,884	601,075	48,735	2,700,811
Other assets and liabilities broken down by currency (net)		151,013	-111,303	-50,067	-21,909	235,687	29,847	
Net foreign currency position		-86	199	14	61	35	72	295

31 December 2013								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	342	48,191	4,263	85	46,585	235,126	202	334,794
Other loans to central banks	2,540	130	11,105	21,156	229	-	0	35,160
Loans to other credit institutions	4,120	11,124	132	151	583	43,811	2,977	62,898
Loans to the public	1,121,986	164,903	182,613	62,231	129,807	24,378	10,421	1,696,339
<i>of which corporates</i>	494,774	123,076	101,809	24,965	90,892	24,313	9,199	869,028
<i>of which households</i>	627,212	41,827	80,804	37,266	38,915	65	1,222	827,311
Interest-bearing securities eligible as collateral with central banks	26,826	6,727	1,137	6	-	21,202	1,553	57,451
Bonds and other interest-bearing securities	54,921	5,651	2,667	75	-	734	77	64,125
Other items not broken down by currency	233,954							233,954
Total assets	1,444,689	236,726	201,917	83,704	177,204	325,251	15,230	2,484,721
Liabilities								
Due to credit institutions	29,695	24,208	5,252	13,315	12,156	75,355	11,643	171,624
Deposits and borrowing from the public	429,266	83,433	52,273	32,072	69,091	153,580	5,490	825,205
<i>of which corporates</i>	192,500	70,681	36,810	20,758	59,905	151,938	5,293	537,885
<i>of which households</i>	236,766	12,752	15,463	11,314	9,186	1,642	197	287,320
Issued securities	477,393	227,389	18,769	226	89,640	317,453	19,771	1,150,641
Subordinated liabilities	10,472	4,427	-	-		143	923	15,965
Other items not broken down by currency, incl. equity	321,286							321,286
Total liabilities and equity	1,268,112	339,457	76,294	45,613	170,887	546,531	37,827	2,484,721
Other assets and liabilities broken down by currency (net)		102,703	-125,629	-38,049	-6,362	221,290	22,683	
Net foreign currency position		-28	-6	42	-45	10	86	59

Note 19 Capital base and capital requirements in the consolidated situation

Figures reported in this section refer to the minimum capital requirements under Pillar 1, according to the capital adequacy regulations applying from time to time. On 1 January 2014, the European Capital Requirements Regulation (CRR) came into force. The capital base and capital requirement as of 2014 are calculated in accordance with the new EU regulations.

Capital base*

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
TIER 1 CAPITAL					
Equity, Group	120,249	116,814	107,820	111,339	106,512
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year**	-6,059	-4,085	-1,904	-10,485	-5,123
Result from unconsolidated entities	-556	-335	-180	-680	-326
Equity not part of the consolidated situation	570	421	1,031	1,727	1,842
Minority interests	-3	-3	-2	-2	-2
Equity (consolidated entities)	114,201	112,812	106,765	101,899	102,903
Deducted items					
Goodwill and other intangible assets	-7,991	-7,958	-7,883	-7,835	-8,164
Value adjustments (fair value)	-1	-1	-1	-67	-7
Special deduction for IRB institutions	-2,226	-2,228	-2,216	-1,986	-1,750
Positions in securitisation	-	-	-492	-490	-486
Net pension assets	-	-13	-47	-	-
Adjustments in accordance with stability filter	-	-	-	-	-
Cash flow hedges	-2,626	-1,535	490	1,518	696
Unrealised accumulated gains, shares	-1,070	-1,280	-1,323	-	-
Common equity tier 1 capital, gross	100,287	99,797	95,293	93,039	93,192
Threshold deductions					
Capital contributions to unconsolidated financial entities >10% CET1	-	-	-	-	-
Deferred tax assets >10% CET1	-	-	-	-	-
Amount of capital contributions and deferred tax assets >15%	-	-	-	-	-
Common equity tier 1 capital	100,287	99,797	95,293	93,039	93,192
Additional tier 1 instruments	7,874	7,896	7,746	10,602	10,577
Total tier 1 capital	108,161	107,693	103,039	103,641	103,769
TIER 2 CAPITAL					
Subordinated loans	17,427	17,588	17,393	3,882	4,313
Deducted items					
Tier 2 contribution in unconsolidated financial entities	-1,129	-1,129	-1,129	-1,129	-1,129
Total tier 2 capital	16,298	16,459	16,264	2,753	3,184
Total own funds	124,459	124,152	119,303	106,394	106,953

* The historical comparison figures for 2013 in the table relate to CRR/CRD IV and are estimates based on the Bank's interpretation of the regulations at the respective reporting date and assuming full implementation of the regulations.

** Handelsbanken has received the consent of the Swedish Financial Supervisory Authority to calculate the deduction for generated dividends based on historical ordinary dividends, i.e. excluding extraordinary dividends.

Capital ratios and buffers*

	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Common equity tier 1 ratio, CRD IV	20.7%	20.1%	19.5%	18.9%	18.8%
Tier 1 ratio, CRD IV	22.3%	21.7%	21.1%	21.0%	21.0%
Total capital ratio, CRD IV	25.6%	25.0%	24.5%	21.6%	21.6%
Risk exposure amount CRD IV, SEK m	485,263	497,050	487,913	492,785	495,174
Capital base in relation to capital requirement according to Basel I floor	141%	143%	141%	124%	125%
Institution-specific buffer requirements**	2.5%				
of which capital conservation buffer requirement	2.5%				
Common equity tier 1 capital available for use as a buffer	16.2%				

* The historical comparison figures regarding the key ratios according to CRR/CRD IV for 2013 are estimates based on the Bank's interpretation of the regulations at the respective reporting date and assuming full implementation of the regulations.

** Information is only provided regarding the buffer requirements which have come into force.

Capital requirements for Swedish banks

On 8 September, following the Riksdag's 26 June decision regarding strengthened capital adequacy regulations, the Swedish Financial Supervisory Authority published a memorandum on the structure of the new capital requirements for Swedish banks.

This memorandum includes the overall capital assessment in Pillar 2, capital requirements for systemically important banks, an increase in the capital add-on for Swedish mortgage loans, and the countercyclical capital buffer.

The memorandum states that systemically important Swedish banks must have a system risk buffer of common equity tier 1 capital of 5 percentage points, including 2 percentage points as a buffer in Pillar 2. In addition, the risk weight floor for Swedish mortgage loans within Pillar 2 has now been set at 25%. The Swedish Financial Supervisory Authority has now also included the risk weight floor for Norwegian exposures. The countercyclical buffer for Swedish exposures is currently set at 1%, and it applies from 13 September 2015.

The Pillar 2 capital requirement, excluding the systemic risk buffer and the risk weight floor for mortgage loans, will be divided up into a Pillar 2 Basic requirement and a capital planning buffer. The latter will be in the form of an add-on in Pillar 2, only to the extent that it exceeds the capital conservation buffer in Pillar 1. As a rule, the Pillar 2 Basic requirement is to be covered by the same type of capital as the Pillar 1 requirements. The capital planning buffer, however, is to be covered by common equity tier 1 capital.

In the memorandum, the total common equity tier 1 capital requirements of the systemically important banks are calculated, including a standard Pillar 2 add-on of 1.5 percentage points; Handelsbanken's requirement is estimated at 17.5%. This autumn, the Supervisory Authority will present standardised calculation models for how the add-on is to be calculated – the standard add-on given in the memorandum is only an estimate.

Capital requirement

	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
SEK m					
Credit risk according to standardised approach	5,632	5,992	5,731	4,225	4,089
Credit risk according to IRB approach	27,261	28,161	27,729	28,015	28,385
Market risks	1,027	696	700	770	711
Credit value adjustment risk (CVA)	462	476	434		
Operational risk	4,439	4,439	4,439	4,246	4,246
Total capital requirement	38,821	39,764	39,033	37,256	37,431
Adjustment according to Basel I floor	51,218	48,893	46,859	44,039	43,363
Capital requirement, Basel I floor	90,039	88,657	85,892	81,295	80,794
Total capital base, Basel I floor	126,686	126,380	121,519	100,406	101,360

Capital requirement credit risks standardised approach

SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
Sovereign and central banks	477,853	406,996	0.0	0.0	4	12
Municipalities	62,823	57,231	0.0	0.0	1	2
Multilateral development banks	1,005	1,647	0.0	0.0	0	0
Institutions	3,724	2,238	30.6	25.4	91	45
Corporates	12,468	23,032	80.9	100.0	807	1,842
Households	18,895	11,117	74.7	75.0	1,129	667
Collateral in real estate	52,304	36,378	36.5	37.8	1,527	1,102
Past due items	144	168	131.8	136.2	15	18
Equities	7,061	0	231.5	0.0	1,308	0
Other items	9,970	14,748	94.1	45.5	750	537
Total	646,247	553,555	10.9	9.5	5,632	4,225

Credit risks IRB

SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
Corporates	948,059	915,218	24.6	28.4	18,655	20,824
<i>of which repos and securities loans</i>	6,364	8,376	0.9	0.5	5	3
<i>of which other loans foundation approach</i>	131,010	140,425	34.7	35.8	3,640	4,023
<i>of which other loans advanced approach</i>	810,685	766,417	23.1	27.4	15,010	16,798
<i>of which large companies</i>	159,265	153,810	46.9	52.5	6,008	6,458
<i>of which medium-sized companies</i>	74,166	72,305	48.7	57.4	2,890	3,323
<i>of which property companies</i>	428,940	401,705	16.5	20.0	5,662	6,435
<i>of which housing co-operative associations</i>	148,314	138,597	3.8	5.2	450	582
Households	859,420	818,080	8.0	8.3	5,508	5,405
Private individuals	831,634	789,722	7.4	7.3	4,898	4,604
<i>of which property loans</i>	743,724	705,004	5.4	5.2	3,202	2,934
<i>of which other loans</i>	87,910	84,718	24.1	24.6	1,696	1,670
Small companies	27,786	28,358	27.4	35.3	610	801
Institutions	120,336	100,503	14.0	11.9	1,347	954
<i>of which repos and securities loans</i>	56,066	48,863	1.8	0.8	82	31
<i>of which other loans</i>	64,270	51,640	24.6	22.3	1,265	923
Equity exposures	6,508	5,693	302.0	143.6	1,572	654
<i>of which listed shares</i>	5,532	4,369	290.0	133.0	1,283	465
<i>of which other shares</i>	976	1,324	370.0	180.7	289	189
Exposures without a counterparty	2,207	2,204	100.0	100.0	177	176
Securitisation positions	289	878	8.0	3.1	2	2
<i>of which Traditional securitisation</i>	289	878	8.0	3.1	2	2
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-
Total IRB	1,936,819	1,842,576	17.6	19.0	27,261	28,015
<i>of which repos and securities loans</i>	62,430	57,239	1.7	0.7	87	34
<i>of which other loans foundation approach</i>	204,284	200,840	40.7	36.0	6,656	5,778
<i>of which other loans advanced approach</i>	1,670,105	1,584,497	15.3	17.5	20,518	22,203

Handelsbanken applies an internal method called the IRB model for categorising risk and calculation of credit risk. The capital adequacy regulations contain two different IRB approaches: a foundation approach and an advanced approach. In the foundation approach, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other risk parameters are set by the Financial Supervisory Authority. In the advanced approach, the Bank also uses its own methods to calculate the loss given default (LGD), the exposure at default (EAD) and the maturity factor (M).

Handelsbanken uses the foundation IRB method for exposures to institutions and 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, Handelsbanken Finans (Shanghai) Financial Leasing Co Ltd and Rahoitus Oy. The advanced IRB approach is applied to the majority of exposures to large corporates, medium-sized companies, property companies and housing co-operative associations in regional bank operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy.

At the end of the quarter, the IRB approach was applied to approx. 83% of the total risk exposure amount. For the remaining credit risk exposures, the capital requirement was measured using capital adequacy standard regulations. Repos and securities loans are reported separately in the table of capital requirements according to

the IRB model, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirement is because the exposure is presented gross and the exposure is secured.

The total average risk weight for the IRB exposures decreased during the quarter, and as at 30 September 2014 it was 17.6%. The main reason for the decrease in the average risk weight is the fact that the credit volume to counterparties with low risk weights in relative terms has increased, while lending to counterparties with high risk weights in relative terms has decreased.

Credit quality is good. 95% of Handelsbanken's corporate exposures was to customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point rating scale. The advanced IRB models are based on historical losses from both the recent financial crisis and the Swedish banking crisis of the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low loan losses over a long period. The risk measurements applied contain safety margins 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 in the different exposure classes. Handelsbanken has classified its lending to housing co-operative associations as corporate, while some other banks have opted to classify this as retail lending.

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

Capital requirement market risks

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Position risk in the trading book	1,018	686	691	756	701
Interest rate risk	1,003	667	675	745	690
<i>of which general risk</i>	644	459	441	493	466
<i>of which specific risk</i>	354	202	228	252	224
<i>of which positions in securitisation instruments</i>	0	0	0	0	0
<i>of which non-delta risk</i>	5	6	6	-	-
Equity price risk	15	19	16	11	11
<i>of which general risk</i>	2	3	4	3	4
<i>of which specific risk</i>	4	8	8	6	6
<i>of which mutual funds</i>	1	1	1	2	1
<i>of which non-delta risk</i>	8	7	3	-	-
Exchange rate risk	-	-	-	-	-
<i>of which non-delta risk</i>	-	-	-	-	-
Commodities risk	9	10	9	14	10
<i>of which non-delta risk</i>	0	0	1	-	-
Settlement risk	0	0	0	0	-
Total capital requirement for market risks	1,027	696	700	770	711

The capital requirement for market risks is calculated for the Bank's consolidated situation. The capital requirement for interest rate risks and equity price risks is, 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 risks

Handelsbanken uses the standardised approach according to which calculation of the capital requirement is based on the Bank's income in various business segments.

Historical statutory key figures*

SEK m	31 Dec 2013	30 Sep 2013
Total tier 1 capital	100,137	100,682
Total capital base for capital adequacy purposes	100,406	101,360
Risk-weighted assets, transitional rules	1,016,192	1,009,925
Risk-weighted assets, Basel II	465,701	467,888
Capital ratio, Basel II	21.6%	21.7%
Capital ratio, transitional rules	9.9%	10.0%
Tier 1 ratio, Basel II	21.5%	21.5%
Tier 1 ratio, transitional rules	9.9%	10.0%

* Key figures according to capital regulations applying in 2013.

Note 20 Risk and capital management

Risks and uncertainty factors

Although the acute financial crisis abated a few years ago, structural problems persist in its wake. The debt problems of certain countries are still a concern, and both the financial sector and the real economy continue to be supported by strong stimulus in the form of monetary policy. Sooner or later the players in the economy must adapt to more normal circumstances. For the financial sector, apart from managing these circumstances, it also means adapting to significantly more stringent and extensive regulatory requirements – which have not yet been established in their entirety.

Handelsbanken's historically low tolerance of risk, sound capitalisation and strong liquidity situation mean that the Bank is well equipped to

cope with substantially more difficult market conditions than those experienced during the quarter. The core operations will continue to be run using the same business model, even under the stricter regulations that are now being introduced. The Bank's liquidity situation is described in more detail under the heading Liquidity and funding.

Other aspects of the Bank's risk and capital management are described in Handelsbanken's Annual Report and in Handelsbanken's Risk and capital management – Information according to Pillar 3. No material changes have occurred since the publication of these documents that are not presented in this interim report.

Liquidity and funding

Handelsbanken's liquidity situation is healthy. For a long period of time, the Bank has actively worked with liquidity measures and has adopted a conservative approach. Part of this work has involved centralising liquidity management with the purpose of strengthening control of the liquidity risks and of guaranteeing and optimising the Bank's funding in all scenarios.

The Bank has worked for a long time on extending the maturities of its funding by increasing bond issues and ensuring that liquidity risks are included in internal pricing. The Bank's funding programme covers the entire maturity spectrum in SEK, EUR and USD that the Bank needs to finance its lending, and also creates the opportunity for issues in all currencies that are relevant for the Bank.

Funding programmes/limits as at 30 September 2014 - Group

Programme (in millions)	Programme size	Currency	Unutilised amount	Countervalue SEK m	Latest issue
ECP*	5,000	EUR	2,402	21,902	Sep-14
ECP (Stadshypotek)*	4,000	EUR	3,496	31,878	Sep-14
French Commercial Paper	7,500	EUR	6,827	62,251	Sep-14
EMTCN (Stadshypotek)*	20,000	EUR	7,706	70,266	May-14
MTN*	100,000	SEK	81,393	81,393	Sep-14
Swedish Commercial Paper	25,000	SEK	25,000	25,000	Mar-14
Swedish Commercial Paper (Stadshypotek)	90,000	SEK	90,000	90,000	Jun-13
EMTN*	50,000	USD	26,018	188,053	Mar-14
General funding >1 Y*	15,000	USD	12,550	90,709	May-14
USCP	15,000	USD	7,886	56,998	Sep-14
Extendible Notes	15,000	USD	7,925	57,280	May-14
US 144A / 3(a)(2)	20,000	USD	10,600	76,615	Jun-14
Stadshypotek US 144A	15,000	USD	12,250	88,541	May-13
Stadshypotek AUD Covered Bond Programme	5,000	AUD	4,250	26,824	Oct-12
Samurai	400,000	JPY	274,500	18,090	Sep-14
AUD MTN	5,000	AUD	4,350	27,455	Apr-14
Total				1,013,255	
Total programme (or limited) amounts, SEK m	1,576,907				
Unutilised amount, SEK m	1,013,255				
Available amount	64%				

* Under these programmes it is possible to issue in other currencies than the original programme currency. Currency conversion takes place at the time of issue.

As at 30 September 2014, total liquidity reserves exceeded SEK 800bn. Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 555bn

(see table below). In addition, there was 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					
SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Cash and balances with and other lending to central banks	435,189	475,622	408,519	368,351	377,187
Balances with banks and the National Debt Office, overnight	8,531	24,022	11,809	2,182	1,827
Securities issued by governments and public entities	56,729	39,647	51,225	42,746	48,648
Covered bonds	53,298	33,934	43,340	43,318	49,566
Securities issued by non-financial companies	566	1,376	1,757	976	929
Securities issued by financial companies	687	3,554	1,942	2,505	2,214
Total	555,000	578,155	518,592	460,078	480,371
<i>of which in SEK</i>	<i>75,411</i>	<i>80,252</i>	<i>90,448</i>	<i>56,378</i>	<i>70,608</i>
<i>of which in EUR</i>	<i>95,251</i>	<i>100,032</i>	<i>68,143</i>	<i>59,496</i>	<i>81,996</i>
<i>of which in USD</i>	<i>279,796</i>	<i>285,902</i>	<i>277,388</i>	<i>250,024</i>	<i>247,795</i>
<i>of which in other currencies</i>	<i>104,542</i>	<i>111,969</i>	<i>82,613</i>	<i>94,180</i>	<i>79,972</i>

30 September 2014					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	-	85,383	262,586	87,220	435,189
Balances with other banks and the National Debt Office, overnight	3,000	136	214	5,181	8,531
Securities issued by governments	29,865	7,153	16,996	1,232	55,246
Securities issued by municipalities and other public entities	1,432	-	-	51	1,483
Covered bonds, external issuers	35,835	2,357	-	9,636	47,828
Own covered bonds	4,553	128	-	789	5,470
Securities issued by non-financial companies	566	-	-	-	566
Securities issued by financial companies	160	94	-	433	687
Total	75,411	95,251	279,796	104,542	555,000

Maturities for financial assets and liabilities

30 September 2014 SEK m	Up to 3 mths	3 - 6 mths	6 - 12 mths	1 - 5 yrs	5 yrs -	Unspecified maturity	Total
Cash and balances with central banks	436,851	-	-	-	-	-	436,851
Interest bearing securities eligible as collateral with central banks	74,287	-	-	-	-	-	74,287
Bonds and other interest-bearing securities	63,563	-	-	-	-	-	63,563
Loans to credit institutions	65,080	670	1,058	528	3,104	519	70,959
-of which reverse repos	42,019	-	-	-	-	-	42,019
Loans to the public	191,589	56,739	114,601	377,346	1,039,931	1,215	1,781,421
-of which reverse repos	14,372	-	-	-	-	-	14,372
Other	60,876	-	-	-	-	212,854	273,730
-of which shares and participating interests	37,655	-	-	-	-	-	37,655
-of which claims on investment banking settlements	23,221	-	-	-	-	-	23,221
Total	892,246	57,409	115,659	377,874	1,043,035	214,588	2,700,811
Due to credit institutions	162,346	7,792	1,013	376	9,779	20,431	201,737
-of which repos	77	-	-	-	-	-	77
-of which deposits from central banks	90,688	5,810	128	-	-	2,406	99,032
Deposits and borrowing from the public	226,071	12,418	11,732	5,032	7,935	670,764	933,952
-of which repos	6,381	-	-	-	-	-	6,381
Issued securities	215,941	181,986	42,317	649,229	94,520	-	1,183,993
Subordinated liabilities	-	-	-	28,579	965	-	29,544
Other	38,213	-	-	-	-	313,372	351,585
-of which short positions	16,854	-	-	-	-	-	16,854
-of which investment banking settlement debts	21,359	-	-	-	-	-	21,359
Total	642,571	202,196	55,062	683,216	113,199	1,004,567	2,700,811

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 included securities.

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.

Sight deposits are reported under "Unspecified maturity". "Other" includes market values in derivative transactions.

For maturity tables in SEK, EUR and USD, see the Fact Book.

Liquidity Coverage Ratio (LCR)

	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Liquidity Coverage Ratio (LCR), %					
EUR	143	190	122	110	119
USD	175	127	158	170	163
Total *	133	149	152	128	139

* In accordance with the Swedish Financial Supervisory Authority's directive FFFS 2012:6.

	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Liquidity Coverage Ratio (LCR) - decomposition, SEK m					
Liquid assets	207,041	210,869	208,504	162,346	241,407
Liquid assets level 1	165,896	182,489	172,740	130,591	209,400
Liquid assets level 2	41,145	28,380	35,764	31,755	32,007
Cash outflows	622,737	567,759	547,871	507,882	507,019
Deposits from customers	195,631	188,691	188,615	165,295	150,616
Market funding	296,280	326,056	285,119	265,572	277,439
Other cash flows	130,826	53,012	74,137	77,016	78,964
Cash inflows	467,053	425,820	410,903	380,912	333,567
Inflows from maturing lending to non-financial customers	13,425	16,372	25,658	22,080	22,827
Other cash inflows	453,628	409,448	385,245	358,832	310,740

The components are defined in accordance with the Swedish Financial Supervisory Authority's regulations and requirements for the liquidity coverage ratio and reporting of liquid assets and cash flows (FFFS 2012:6). Liquid assets level 1 corresponds to Chapter 3, Section 6. Liquid assets level 2 corresponds to Chapter 3, Section 7. Deposits from customers corresponds to Chapter 4, Sections 4-9. Market funding corresponds to Chapter 4, Sections 10-13. Other cash flows corresponds to Chapter 4, Sections 14-25. Loans to non-financial customers corresponds to Chapter 5, Section 4. Other cash inflows corresponds to Chapter 5, Sections 6-12.

In the area of liquidity, a number of new regulations have been gradually introduced, with the purpose of strengthening market financial stability. The Swedish regulations implemented as of 2013 contain a measurement of banks' liquidity in the form of a short-term liquidity buffer – the Liquidity Coverage Ratio (LCR). This measure is based on the LCR measure proposed internationally, but it contains some deviations. In particular, the major changes to the ratio proposed by the Basel Committee in January 2013 have not yet been implemented in the Swedish regulations.

At the end of the quarter, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 133%, which shows that the Bank has high resistance to short-term disruptions in the funding market. This also applies in US dollars and euros.

The Bank's LCR, factoring in the Basel Committee's changes in the measurement, is estimated at some 151%.

Stress test with liquidity-creating measures

The Bank's liquidity position is regularly subjected to a stress test. In the test, the Bank's cash flows are stressed, based on certain defined assumptions. The stress test shows resistance to more long-term market disruptions. For example, it is assumed in the stress test that the Bank cannot obtain funding in the financial markets while there is a gradual disappearance of 10% of deposits from households and companies over the first month. It is further assumed that the Bank continues to conduct its core activities, i.e. loans to households and companies and that committed loan offers and other credit facilities

are partly utilised by customers. Account is also taken of the fact that holdings with central banks are utilised and that the Central Treasury liquidity portfolio can provide immediate additional liquidity. In addition, liquidity-creating measures – for example, unutilised facilities to issue covered bonds – are used in order to gradually provide liquidity to the Bank. The result of the stress test shows that also in a stressed scenario, the liquidity reserves cover the Bank's liquidity requirement for over two years, even if access to new funding in the markets were to disappear.

Non-encumbered assets, NEA

30 September 2014		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	555	68%
Mortgage loans	384	116%
Other household lending	146	134%
Property company lending lowest risk class (1-3)	216	160%
Other corporate lending lowest risk class (1-3)	169	181%
Loans to credit institutions lowest risk class (1-3)	71	190%
Other corporate lending	221	217%
Other assets	116	231%
Total non-encumbered assets (NEA)	1,878	231%
Encumbered assets without underlying liabilities**	57	
Encumbered assets with underlying liabilities	766	
Total assets, Group	2,701	

31 December 2013		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	460	60%
Mortgage loans	340	105%
Other household lending	130	122%
Property company lending lowest risk class (1-3)	203	149%
Other corporate lending lowest risk class (1-3)	168	171%
Loans to credit institutions lowest risk class (1-3)	68	179%
Other corporate lending	224	209%
Other assets	96	221%
Total non-encumbered assets (NEA)	1,689	221%
Encumbered assets without underlying liabilities**	57	
Encumbered assets with underlying liabilities	739	
Total assets, Group	2,485	

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

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

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Net interest income	4,124	4,047	2%	4,045	2%	12,160	11,977	2%	15,962
Dividends received	-74	549		21		901	941	-4%	8,995
Net fee and commission income	1,488	1,511	-2%	1,426	4%	4,470	4,338	3%	5,649
Net gains/losses on financial transactions	488	114	328%	323	51%	770	332	132%	589
Other operating income	516	520	-1%	444	16%	1,585	1,351	17%	1,953
Total income	6,542	6,741	-3%	6,259	5%	19,886	18,939	5%	33,148
Staff costs	-2,741	-2,686	2%	-2,632	4%	-8,108	-7,802	4%	-9,977
Other administrative expenses	-1,147	-1,260	-9%	-1,177	-3%	-3,642	-3,709	-2%	-5,075
Depreciation, amortisation and impairments of property, equipment and intangible assets	-125	-125	0%	-126	-1%	-366	-379	-3%	-498
Total expenses before loan losses	-4,013	-4,071	-1%	-3,935	2%	-12,116	-11,890	2%	-15,550
Profit before loan losses	2,529	2,670	-5%	2,324	9%	7,770	7,049	10%	17,598
Net loan losses	-501	-274	83%	-297	69%	-1,086	-878	24%	-1,189
Impairments of financial assets	-	-		-		-	-		-29
Operating profit	2,028	2,396	-15%	2,027	0%	6,684	6,171	8%	16,380
Appropriations	29	28	4%	25	16%	84	4,242	-98%	4,267
Profit before tax	2,057	2,424	-15%	2,052	0%	6,768	10,413	-35%	20,647
Taxes	-447	-521	-14%	-457	-2%	-1,481	-2,335	-37%	-4,619
Profit for the period	1,610	1,903	-15%	1,595	1%	5,287	8,078	-35%	16,028

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q3 2014	Q2 2014	Change	Q3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full year 2013
Profit for the period	1,610	1,903	-15%	1,595	1%	5,287	8,078	-35%	16,028
Other comprehensive income									
Items that can be reclassified into profit or loss									
Cash flow hedges	472	710	-34%	6		1,203	-1,537		-3,009
Available-for-sale instruments	-250	-57	-339%	309		-159	361		534
Translation differences for the period	1,154	2,295	-50%	-326		5,244	-958		879
of which hedging net investment in foreign operations	338	1,248	-73%	211	60%	2,971	-411		901
Tax related to other comprehensive income	-125	-413	70%	-107	-17%	-870	384		397
of which cash flow hedges	-104	-157	34%	-2		-259	338		656
of which available-for-sale instruments	54	18	200%	-58		43	-44		-61
of which hedging net investment in foreign operations	-75	-274	73%	-47	-60%	-654	90		-198
Total items that can be reclassified into profit or loss	1,251	2,535	-51%	-118		5,418	-1,750		-1,199
Total other comprehensive income for the period	1,251	2,535	-51%	-118		5,418	-1,750		-1,199
Total comprehensive income for the period	2,861	4,438	-36%	1,477	94%	10,705	6,328	69%	14,829

Information for the parent company with comments concerning financial performance, significant events and risk is covered by the report provided for the whole of the Handelsbanken Group.

BALANCE SHEET – PARENT COMPANY

SEK m	30 Sep 2014	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
Assets					
Cash and balances with central banks	399,457	417,306	367,464	334,794	345,023
Interest-bearing securities eligible as collateral with central banks	70,423	52,597	57,687	53,785	59,515
Loans to credit institutions	533,460	551,583	494,644	475,440	473,074
Loans to the public	724,035	718,613	702,872	685,372	691,725
Bonds and other interest-bearing securities	59,482	48,922	54,680	58,943	58,813
Shares	35,788	39,971	46,956	47,221	40,462
Shares in subsidiaries and investments in associates	45,746	46,037	46,016	46,153	46,161
Assets where the customer bears the value change risk	3,421	3,699	3,811	2,188	2,181
Derivative instruments	100,140	83,337	75,570	78,295	85,847
Intangible assets	1,737	1,745	1,760	1,750	1,705
Property and equipment	1,012	1,062	980	978	899
Current tax assets	1,178	524	160	-	642
Deferred tax assets	314	293	224	202	239
Other assets	24,157	15,816	20,056	16,468	25,631
Prepaid expenses and accrued income	4,406	4,483	4,943	5,272	4,816
Total assets	2,004,756	1,985,988	1,877,823	1,806,861	1,836,733
Liabilities and equity					
Due to credit institutions	219,205	256,005	232,531	226,631	229,132
Deposits and borrowing from the public	930,538	939,547	864,097	814,227	796,090
Liabilities where the customer bears the value change risk	3,463	3,762	3,859	2,236	2,244
Issued securities	595,621	549,612	529,127	532,607	562,521
Derivative instruments	80,549	68,540	75,804	77,143	86,430
Short positions	16,854	19,644	21,001	22,845	18,371
Current tax liabilities	-	-	-	816	-
Deferred tax liabilities	1,249	881	447	114	177
Provisions	132	92	106	128	109
Other liabilities	23,289	18,034	29,354	12,703	30,859
Accrued expenses and deferred income	11,875	10,504	10,203	9,915	11,879
Subordinated liabilities	29,544	29,575	26,523	15,965	15,911
Total liabilities	1,912,319	1,896,196	1,793,052	1,715,330	1,753,723
Untaxed reserves	715	739	753	773	783
Share capital	2,956	2,956	2,956	2,956	2,955
Share premium	3,203	3,444	2,847	2,843	2,813
Other funds	7,329	6,078	3,543	1,911	1,360
Retained earnings	72,947	72,898	72,898	67,020	67,021
Profit for the period	5,287	3,677	1,774	16,028	8,078
Total equity	91,722	89,053	84,018	90,758	82,227
Total liabilities and equity	2,004,756	1,985,988	1,877,823	1,806,861	1,836,733
Memorandum items					
Assets pledged for own debt	44,043	41,793	23,833	25,216	27,348
Other assets pledged	33,016	33,483	44,230	41,679	36,265
Contingent liabilities and commitments	88,634	120,753	126,886	121,509	123,391
Other commitments	488,569	491,209	480,384	495,502	513,631

CAPITAL BASE AND CAPITAL REQUIREMENT – PARENT COMPANY

Figures reported in this section refer to the minimum capital requirements under Pillar 1, according to the capital adequacy regulations applying from time to time. On 1 January 2014, the European Capital Requirements Regulation (CRR) came into force. The capital base and capital requirement as of 2014 are calculated in accordance with the new EU regulations.

Capital base and capital ratios – Parent company

SEK m	30 Sep 2014	31 Dec 2013
Common equity tier 1 capital	84,788	78,438
Total tier 1 capital	92,662	89,040
Total capital base	108,960	93,034
Capital ratios and buffers		
Common equity tier 1 ratio	18.2%	18.0%
Tier 1 ratio	19.9%	20.5%
Total capital ratio	23.4%	21.4%
Risk exposure amount*	464,913	435,189
Capital base in relation to capital requirement according to transitional rules	225%	212%
Institution-specific buffer requirements	2.5%	
of which capital conservation buffer requirement	2.5%	
Common equity tier 1 capital available for use as a buffer	13.7%	

* Referred to as risk-weighted assets (RWA) in the regulations (Basel II) applying as at 31 December 2013

Capital requirement – Parent company

SEK m	30 Sep 2014	31 Dec 2013
Credit risk according to standardised approach	10,338	3,836
Credit risk according to IRB approach	22,169	27,081
Market risk	1,027	770
Credit value adjustment risk (CVA)	462	
Operational risk	3,197	3,128
Total capital requirement	37,193	34,815
Adjustment according to Basel I floor	12,065	8,993
Capital requirement, Basel I floor	49,258	43,808
Total capital base, Basel I floor	110,766	93,034

Capital requirement credit risks standardised approach ** – Parent company

SEK m	30 Sep 2014	31 Dec 2013
Sovereign and central banks	4	12
Municipalities	1	2
Multilateral development banks		0
Institutions	120	69
Corporates	770	1,898
Households	1,106	617
Collateral in real estate	1,533	1,072
Past due items	14	16
Equities	6,112	
Other items	678	150
Total	10,338	3,836

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

Capital requirement credit risks IRB – Parent company

SEK m	30 Sep 2014	31 Dec 2013
Corporates	16,815	18,655
Households	2,305	2,349
<i>Private individuals</i>	1,785	1,667
<i>of which property loans</i>	558	432
<i>of which other loans</i>	1,227	1,235
<i>Small companies</i>	520	682
Institutions	1,347	953
Equity exposures	1,619	5,043
<i>of which listed shares</i>	1,283	
<i>of which other shares</i>	336	
Exposures without a counterparty	81	78
Securitisation positions	2	2
Total IRB	22,169	27,080

Capital requirement market risks – Parent company

SEK m	30 Sep 2014	31 Dec 2013
Position risk in the trading book	1,018	756
Interest rate risk	1,003	745
<i>of which positions in securitisation instruments</i>	0	0
Equity price risk	15	11
Exchange rate risk	-	-
Commodities risk	9	14
Settlement risk	0	0
Total capital requirement for market risks	1,027	770

SUBMISSION OF REPORT

I hereby submit this interim report.

Stockholm 22 October 2014

Pär Boman
President and Group Chief Executive

PRESS AND PHONE CONFERENCE

A press and analyst conference is being arranged at the Bank's head office at 7.30 a.m. (CET) on 22 October.

A phone conference will be held at 11 a.m. (CET) on 22 October.

Press releases, presentations, a fact book and a recording of the phone conference are available at
www.handelsbanken.se/ireng

The highlights of the annual report for January – December 2014 will be published on 4 February 2015.

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Auditors' report concerning review of interim report

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

INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 September 2014 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 auditors elected by the company. 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 the International Standards on Auditing. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

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, 22 October 2014

KPMG AB
Stefan Holmström, Authorised Public Accountant

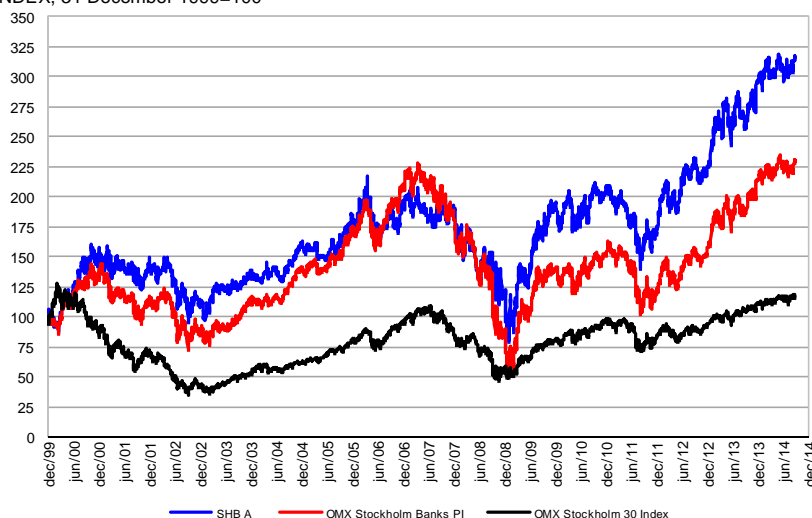
Ernst & Young AB
Erik Åström, Authorised Public Accountant

Share price performance and other information

The Swedish stock market grew by 5% during the first nine months of the year. The Stockholm stock exchange's bank index rose by 7%. Handelsbanken's class A shares closed at SEK 339.50, a rise of 7%, but including dividends paid amounting to SEK 16.50, the total return was 13%. Since 1 January 2000, Handelsbanken's share price has increased by 217%, excluding dividends, while the Stockholm Stock Exchange has risen by 17%.

SHARE PRICE PERFORMANCE, 31 DECEMBER 1999 – 30 SEPTEMBER 2014

INDEX, 31 December 1999=100



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