

# Handelsbanken's Interim Report

JANUARY – JUNE 2016

## Summary January – June 2016, compared with January – June 2015

- Operating profit amounted to SEK 10,244m (10,211)
- The period's profit after tax for total operations went up by 2% to SEK 8,237m (8,084)
- Earnings per share for total operations grew to SEK 4.31 (4.24)
- Return on equity for total operations was 13.7% (13.5)
- Income increased by 1% to SEK 20,165m (19,966)
- Net interest income went down by 2% to SEK 13,603m (13,935)
- The loan loss ratio decreased to 0.04% (0.07)
- The common equity tier 1 ratio increased to 23.0% (21.3) and the total capital ratio was 28.9% (28.4)
- Fitch upgraded the Bank's long-term credit rating to AA, the highest rating among all peer banks

## Summary of Q2 2016, compared with Q1 2016

- Operating profit rose by 6% to SEK 5,277m (4,967)
- The period's profit after tax for total operations increased by 4% to SEK 4,194m (4,043) and earnings per share were SEK 2.19 (2.12)
- Return on equity for total operations rose to 14.2% (13.1)
- Income fell by 3% to SEK 9,922m (10,243), but adjusted for items affecting comparability, it increased by 2%
- Net interest income increased to SEK 6,808m (6,795)
- Net fee and commission income rose by 5% to SEK 2,280m (2,170)
- Adjusted for items affecting comparability, staff costs decreased by 1%
- The loan loss ratio was 0.05% (0.04)

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## Handelsbanken Group – Overview

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
<b>Summary income statement</b>									
Net interest income	6,808	6,795	0%	7,019	-3%	13,603	13,935	-2%	27,740
Net fee and commission income	2,280	2,170	5%	2,359	-3%	4,450	4,669	-5%	9,320
Net gains/losses on financial transactions	523	1,162	-55%	451	16%	1,685	879	92%	2,608
Risk result - insurance	35	76	-54%	55	-36%	111	81	37%	157
Other dividend income	222	3		275	-19%	225	278	-19%	281
Share of profit of associates	13	2		9	44%	15	10	50%	17
Other income	41	35	17%	53	-23%	76	114	-33%	213
<b>Total income</b>	<b>9,922</b>	<b>10,243</b>	<b>-3%</b>	<b>10,221</b>	<b>-3%</b>	<b>20,165</b>	<b>19,966</b>	<b>1%</b>	<b>40,336</b>
Staff costs	-2,952	-3,668	-20%	-3,149	-6%	-6,620	-6,275	5%	-12,581
Other expenses	-1,346	-1,303	3%	-1,336	1%	-2,649	-2,564	3%	-5,203
Depreciation, amortisation and impairments of property, equipment and intangible assets	-119	-125	-5%	-122	-2%	-244	-249	-2%	-487
<b>Total expenses</b>	<b>-4,417</b>	<b>-5,096</b>	<b>-13%</b>	<b>-4,607</b>	<b>-4%</b>	<b>-9,513</b>	<b>-9,088</b>	<b>5%</b>	<b>-18,271</b>
<b>Profit before loan losses</b>	<b>5,505</b>	<b>5,147</b>	<b>7%</b>	<b>5,614</b>	<b>-2%</b>	<b>10,652</b>	<b>10,878</b>	<b>-2%</b>	<b>22,065</b>
Net loan losses	-229	-187	22%	-359	-36%	-416	-664	-37%	-1,597
Gains/losses on disposal of property, equipment and intangible assets	1	7	-86%	1	0%	8	-3		7
<b>Operating profit</b>	<b>5,277</b>	<b>4,967</b>	<b>6%</b>	<b>5,256</b>	<b>0%</b>	<b>10,244</b>	<b>10,211</b>	<b>0%</b>	<b>20,475</b>
Taxes	-1,091	-929	17%	-1,110	-2%	-2,020	-2,173	-7%	-4,277
<b>Profit for the period from continuing operations</b>	<b>4,186</b>	<b>4,038</b>	<b>4%</b>	<b>4,146</b>	<b>1%</b>	<b>8,224</b>	<b>8,038</b>	<b>2%</b>	<b>16,198</b>
Profit for the period pertaining to discontinued operations, after tax	8	5	60%	27	-70%	13	46	-72%	145
<b>Profit for the period</b>	<b>4,194</b>	<b>4,043</b>	<b>4%</b>	<b>4,173</b>	<b>1%</b>	<b>8,237</b>	<b>8,084</b>	<b>2%</b>	<b>16,343</b>
<b>Summary balance sheet</b>									
Loans to the public	1,937,155	1,902,479	2%	1,851,432	5%	1,937,155	1,851,432	5%	1,866,467
<i>of which mortgage loans</i>	<i>1,117,514</i>	<i>1,095,711</i>	<i>2%</i>	<i>1,046,719</i>	<i>7%</i>	<i>1,117,514</i>	<i>1,046,719</i>	<i>7%</i>	<i>1,082,644</i>
Deposits and borrowing from the public	1,134,500	1,042,076	9%	1,093,551	4%	1,134,500	1,093,551	4%	753,855
<i>of which households</i>	<i>391,701</i>	<i>364,890</i>	<i>7%</i>	<i>349,223</i>	<i>12%</i>	<i>391,701</i>	<i>349,223</i>	<i>12%</i>	<i>356,432</i>
Total equity	129,582	122,777	6%	123,971	5%	129,582	123,971	5%	128,268
Total assets	3,030,645	2,856,843	6%	2,935,809	3%	3,030,645	2,935,809	3%	2,522,133
<b>Summary of key figures</b>									
Return on equity, total operations*	14.2%	13.1%		14.5%		13.7%	13.5%		13.5%
Return on equity, continuing operations*	14.2%	13.1%		14.4%		13.7%	13.4%		13.4%
C/I ratio, continuing operations	44.5%	49.8%		45.1%		47.2%	45.5%		45.3%
Earnings per share, total operations, SEK	2.19	2.12		2.19		4.31	4.24		8.57
- after dilution	2.15	2.07		2.14		4.22	4.15		8.39
Common equity tier 1 ratio, CRD IV	23.0%	22.7%		21.3%		23.0%	21.3%		21.2%
Total capital ratio, CRD IV	28.9%	28.8%		28.4%		28.9%	28.4%		27.2%

\* 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 of defined-benefit pension plans.

## Group performance

### JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

Group operating profit rose marginally to SEK 10,244m (10,211). The period's profit after tax for total operations grew by 2% to SEK 8,237m (8,084) and earnings per share increased to SEK 4.31 (4.24).

The common equity tier 1 ratio rose to SEK 23.0% (21.3) and the return on equity for total operations increased to 13.7% (13.5).

The C/I ratio rose to 47.2% (45.5).

#### Income

SEK m	Jan-Jun 2016	Jan-Jun 2015	Change
Net interest income	13,603	13,935	-2%
Net fee and commission income	4,450	4,669	-5%
Net gains/losses on financial trans.	1,685	879	92%
Other income	427	483	-12%
<b>Total income</b>	<b>20,165</b>	<b>19,966</b>	<b>1%</b>

Income grew by 1% to SEK 20,165m (19,966).

Net interest income declined by 2% to SEK 13,603m (13,935). Adjusted for exchange rate movements of SEK -288m, net interest income decreased marginally.

Higher lending volumes increased net interest income by SEK 776m, while lower lending margins had a negative impact of SEK -398m. Changing deposit volumes affected net interest income by SEK -53m, and deposit margins went down by SEK 577m as a result of the continuing decrease in short-term interest rates. The decrease in interest rates also meant that the interest income on assets funded by equity declined by SEK 58m.

The benchmark effect in Stadshypotek increased to SEK 6m (-13). The cost for the Resolution Fund amounted to SEK -491m (Stability Fund fee of -470m). Together with fees for various deposit guarantees, government fees increased by 3% to SEK -654m (-635).

The remainder of the change in net interest income of SEK 266m was chiefly attributable to lower external funding costs.

The average volume of loans to the public grew by 5% to SEK 1,911bn (1,828). Exchange rate movements affected lending volumes negatively by SEK 32bn. Household lending increased by 7% to SEK 980bn (915), while corporate lending grew by 2% to SEK 932bn (913).

The average volume of deposits and borrowing declined by 2% to SEK 985bn (1,004). The average volume of household deposits went up by 13% to SEK 366bn (325), while corporate deposits decreased by 9% to SEK 619bn (679).

Net fee and commission income fell by 5% to SEK 4,450m (4,669), chiefly as a result of lower brokerage income, decreasing fund management commissions and a lower net result from payment operations.

Brokerage income declined by 22% to SEK 462m (593), owing to lower trading volumes. Payment commissions went down by 7% net to SEK 920m (991), due to lower net fee and commission income from card operations, which fell by 9% to SEK 620m (680). The decrease was chiefly attributable to falling interchange fees. Advisory commissions increased by 43% to SEK 202m (141).

Net gains/losses on financial transactions rose to SEK 1,685m (879); this was chiefly attributable to capital gains from the sale of shares totalling SEK 908m (-) during the period.

Other income amounted to SEK 427m (483). The decrease was chiefly due to declining dividend income.

#### Expenses

SEK m	Jan-Jun 2016	Jan-Jun 2015	Change
Staff costs	-6,620	-6,275	5%
<i>of which Oktogonen</i>	-	-398	
<i>of which provision for early retirement</i>	-700	-	
Other expenses	-2,649	-2,564	3%
Depreciation and amortisation	-244	-249	-2%
<b>Total expenses</b>	<b>-9,513</b>	<b>-9,088</b>	<b>5%</b>

Total expenses increased by 5% to SEK -9,513m (-9,088). Exchange rate effects reduced expenses by SEK 162m.

Staff costs rose by 5% to SEK -6,620m (-6,275). Exchange rate movements lowered staff costs by SEK 110m, while pension costs according to IAS 19 rose by SEK 113m. No provision is being made to Oktogonen for the 2016 financial year (SEK -398m). Adjusted for the above-mentioned items and the Q1 provision for early retirements of SEK -700m, staff costs rose by 1%, which was chiefly attributable to annual salary increases and continued expansion in the Bank's growth markets. Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -56m (-75).

The average number of employees rose to 11,775 (11,657). Excluding the expanding operations in the UK and the Netherlands, where the average number of staff rose by 212 and 36 respectively, the average number of employees decreased by 1%.

Other expenses rose by 3% to SEK -2,649m (-2,564), chiefly due to higher costs for purchased services. Exchange rate effects reduced other expenses by SEK 48m.

#### Loan losses

SEK m	Jan-Jun 2016	Jan-Jun 2015	Change
Net loan losses	-416	-664	-248
Loan loss ratio as a % of loans, acc.	0.04	0.07	-0.03
Impaired loans, net	3,383	4,579	-26%
Proportion of impaired loans	0.17	0.24	-0.07

Loan losses went down to SEK -416m (-664), and the loan loss ratio was 0.04% (0.07). Credit quality remained stable. Net impaired loans decreased by 26% to SEK 3,383m (4,579), equivalent to 0.17% (0.24) of lending.

## Q2 2016 COMPARED WITH Q1 2016

Operating profit increased by 6% to SEK 5,277m (4,967). Adjusted for items affecting comparability, the underlying profit increased by 3%. The period's profit after tax for total operations went up by 4% to SEK 4,194m (4,043). Earnings per share were SEK 2.19 (2.12) and return on equity was 14.2% (13.1).

The C/I ratio fell to 44.5 (49.8).

### Income

SEK m	Q2 2016	Q1 2016	Change
Net interest income	6,808	6,795	0%
Net fee and commission income	2,280	2,170	5%
Net gains/losses on financial trans.	523	1,162	-55%
Other income	311	116	168%
<b>Total income</b>	<b>9,922</b>	<b>10,243</b>	<b>-3%</b>

Income fell by 3% to SEK 9,922m (10,243). Adjusted for non-recurring items and for dividend income, income increased by 2%. Exchange rate movements reduced income by SEK 30m.

Net interest income increased to SEK 6,808m (6,795). Exchange rate effects reduced net interest income by SEK 25m. Government fees, which for 2016 consist of fees to the Swedish Resolution Fund and various deposit guarantees, decreased slightly to SEK -318m (-336).

The benchmark effect in Stadshypotek decreased by SEK 64m to SEK -29m (35).

Rising lending volumes and higher lending margins increased net interest income by SEK 83m and SEK 41m respectively. Net interest income from deposits fell by SEK 69m, mainly due to lower deposit margins.

The average volume of loans to the public increased by 2% to SEK 1,927bn (1,895). Exchange rate effects reduced lending by SEK 3bn. Household lending rose by 2% and corporate lending grew by 1%. The total average volume of deposits and borrowing rose by 1% to SEK 991bn (979). Household deposits rose by 5%, while the average volume of corporate deposits went down by 1%.

Net fee and commission income increased by 5% to SEK 2,280m (2,170). Payment commissions rose by 20% net to SEK 502m (418), chiefly due to higher card income. Net commissions from card operations grew by SEK 62m, or 22%, to SEK 341m (279), due to increased transaction volumes and lower commission expenses in the second quarter. Fund management commissions increased by 3% to SEK 717m (695). At the same time, still-low customer activity meant that brokerage income went down by 2% to SEK 229m (233).

Net gains/losses on financial transactions decreased to SEK 523m (1,162), including capital gains of SEK 81m relating to the sale of shares in Visa Europe. Adjusted for this, and for the Q1 capital gains from the sale of shares totalling SEK 827m, net gains/losses on financial transactions increased to SEK 442m (335). The underlying increase was chiefly attributable to higher market volatility contributing to increased customer trading.

Other income grew to SEK 311m (116), due to higher dividend income. Dividends amounted to SEK 222m (3), including a dividend of SEK 64m from Visa Norway.

### Expenses

SEK m	Q2 2016	Q1 2016	Change
Staff costs	-2,952	-3,668	-20%
<i>of which Oktogonen</i>	-	-	
<i>of which provision for early retirement</i>	-	-700	
Other expenses	-1,346	-1,303	3%
Depreciation and amortisation	-119	-125	-5%
<b>Total expenses</b>	<b>-4,417</b>	<b>-5,096</b>	<b>-13%</b>

Expenses decreased by 13% to SEK -4,417m (-5,096). Exchange rate effects reduced expenses by SEK 19m.

Staff costs decreased by 20% to SEK -2,952m (-3,668). Excluding the provision of SEK -700m made in the period of comparison, staff costs decreased by 1%. No provision was made to the Oktogonen profit-sharing foundation (-).

The period's provision for variable compensation was SEK -25m (-31), and the average number of employees decreased by 1% to 11,716 (11,835).

Other expenses rose by 3% to SEK -1,346m (-1,303), chiefly due to higher costs for purchased services and seasonally higher expenses.

### Loan losses

SEK m	Q2 2016	Q1 2016	Change
Net loan losses	-229	-187	42
Loan loss ratio as a % of loans	0.05	0.04	0.01
Impaired loans, net	3,383	3,508	-4%
Proportion of impaired loans	0.17	0.18	-0.01

Loan losses were SEK -229m (-187), and the loan loss ratio was 0.05% (0.04).

The quality of the credit portfolio remained stable. Net impaired loans decreased to SEK 3,383m (3,508), equivalent to 0.17% (0.18) of lending.

## FUNDING AND LIQUIDITY

In the first six months, the volume of issued bonds increased to SEK 120bn (H1 2015: 74bn), of which SEK 93bn was in covered bonds and SEK 27bn in senior bonds.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered

and therefore represent protection for the Bank's senior lenders. At the end of the period, the ratio of non-encumbered assets to all non-encumbered market funding was 235% (203% at year-end 2015).

The Bank's liquidity reserve exceeded SEK 800bn. Cash funds and liquid assets invested with central banks amounted to SEK 583bn, while the volume of liquid bonds and other liquid assets totalled SEK 157bn. The remainder of the reserve mainly comprises an unutilised issue amount of 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 139%. In USD, the LCR was 121%, and in EUR it was 181%. The Group's LCR, calculated according to the European Commission's delegated act, was 146%.

## CAPITAL

The Bank's goal is that its common equity tier 1 ratio under normal circumstances should exceed the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by 1–3 percentage points. According to the current capital regulations, the Swedish Financial Supervisory Authority's assessment was that Handelsbanken's common equity tier 1 capital requirement at the end of the first quarter of 2016 corresponds to a common equity tier 1 ratio of 19.0%. The raising of the countercyclical buffer that became effective in Sweden and Norway in June increased the common equity tier 1 capital requirement by an amount equivalent to 0.3 percentage points of the common equity tier 1 ratio. At the end of the first six months, the Bank's common equity tier 1 ratio was 23.0%.

### Risk weights for corporate exposures

On 24 May, the Swedish Financial Supervisory Authority published its decisions relating to higher capital requirements, chiefly for corporate exposures, which had been announced on 1 March in two statement of opinion memoranda. The decisions relate to the need for higher risk weights for corporate exposures under Pillar 1, as well as the establishing of a maturity floor for corporate exposures using the advanced IRB Approach of at least 2½ years under Pillar 2.

As regards higher risk weights in Pillar 1, the Supervisory Authority has now decided that the calculation models must include a financial crisis year with high loan losses at least every fifth year, in order to raise the PD figures. According to the decision memoranda, the average risk weight for corporate exposures is expected to be at least 30%. The Supervisory Authority notes that this level factors in the inclusion of downturn years in the calculation models, as well as consequences of other supervisory efforts. The Bank expects the new regulations to be implemented towards the end of the year.

One effect of the inclusion of downturn periods is that the models will be more 'through-the-cycle,' and that the risk weights will be more stable and less sensitive to future changes in the business cycle.

Handelsbanken's final capital requirement has not yet been established. The Bank's assessment is still that the capital level fulfils the capital requirements that will be the result of an average corporate risk weight of 30% and a maturity floor of 2½ years.

### 30 June 2016 compared with 30 June 2015

SEK m	30 Jun 2016	30 Jun 2015	Change
Common equity tier 1 ratio, CRD IV	23.0%	21.3%	1.7
Total capital ratio, CRD IV	28.9%	28.4%	0.5
Risk exposure amount CRD IV, SEK m	474,500	481,134	-1%
Common equity tier 1 capital	109,006	102,721	6%
Total own funds	137,057	136,633	0%
Capital requirement, Basel I floor	97,459	92,799	5%
Total own funds, Basel I floor	138,600	138,301	0%

Own funds were SEK 137bn (137), and according to the current regulations, the Bank's total capital ratio rose to 28.9% (28.4).

The common equity tier 1 capital increased to SEK 109bn (103) and the common equity tier 1 ratio rose by 1.7 percentage points to 23.0% (21.3). Conversions of the 2011 staff convertible bond increased the ratio by 0.4 percentage points, and the period's profit, after deducting for a dividend ratio of 50%, contributed 2.3 percentage points, including a SEK 4.1bn dividend from Handelsbanken Liv.

Higher lending volumes and credit risk migration in the loan portfolio affected the common equity tier 1 ratio by -0.7 and -0.3 percentage points respectively. The effect of the fact that new lending volumes are lower risk than the credit portfolio average (known as volume migration) increased the common equity tier 1 ratio by 0.7 percentage points.

A decrease in the discount rate contributed to the effect of IAS 19 reducing the common equity tier 1 ratio by 0.7 percentage points.

The effect of exchange rate movements was -0.2 percentage points. AFS holdings and the net effect of other factors led to an increase of 0.2 percentage points.

### 30 June 2016 compared with 31 March 2016

SEK m	30 Jun 2016	31 Mar 2016	Change
Common equity tier 1 ratio, CRD IV	23.0%	22.7%	0.3
Total capital ratio, CRD IV	28.9%	28.8%	0.1
Risk exposure amount CRD IV, SEK m	474,500	456,104	4%
Common equity tier 1 capital	109,006	103,624	5%
Total own funds	137,057	131,176	4%
Capital requirement, Basel I floor	97,459	95,358	2%
Total own funds, Basel I floor	138,600	132,628	5%



Own funds increased to SEK 137bn (131) and the total capital ratio rose to 28.9% (28.8). Common equity tier 1 capital grew to SEK 109bn (104), while the common equity tier 1 ratio according to CRD IV rose to 23.0% (22.7). Conversions of the 2011 staff convertible bond increased the common equity tier 1 ratio by 0.4 percentage points, and the period's profit, after deducting accrued dividend, increased the common equity tier 1 ratio by 0.9 percentage points.

Higher lending volumes reduced the common equity tier 1 ratio by 0.3 percentage points and credit risk migration in the credit portfolio reduced it by a further 0.2 percentage points.

IAS 19 had a negative effect of 0.6 percentage points. The effect of exchange rate movements was marginal. The effect of AFS holdings increased the common equity tier 1 ratio by 0.1 percentage points. Other effects, net, were neutral.

**Economic capital and available financial resources**  
Handelsbanken's internal assessment of the capital requirement is based on the Bank's model for Economic Capital (EC), which is measured in relation to the Bank's Available Financial Resources (AFR). The Board stipulates that the AFR/EC ratio for the Group must exceed 120%. At the end of the first quarter, Group EC totalled SEK 54.2bn, while AFR was SEK 138.5bn. Thus, the ratio between AFR and EC was 255%. For the parent company, EC totalled SEK 47.1bn, and AFR was SEK 119.1bn.

For the consolidated situation, EC totalled SEK 33.6bn, and AFR was SEK 138.9bn.

## RATING

In May 2016, Fitch upgraded Handelsbanken's long-term credit rating to AA from AA-, and thus the Bank has been given the highest rating in Europe of all peer banks from both Fitch and Moody's. During the second quarter, Handelsbanken's long-term and short-term ratings with the other rating agencies which monitor the Bank were unchanged.

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

## OTHER

### Discontinued operations

During the second quarter, the Bank divested its ownership of Plastal Industri AB to the Canadian Plasman Group. The Bank acquired ownership in 2009 when it took over and acquired assets to protect a loan receivable. With this transaction, Handelsbanken has recovered the total claims that were outstanding when the former Plastal Group went into bankruptcy. The transaction has only a marginal effect on Handelsbanken's profits and financial position.

### VISA Inc's acquisition of Visa Europe Limited

In November 2015, Visa Inc. and Visa Europe Ltd. signed an agreement for Visa Inc. to acquire Visa Europe, in which Handelsbanken is both a shareholder and member. The transaction was concluded during the second quarter and the Bank has thereby received cash of SEK 69m together with preference shares in Visa Inc. valued at SEK 12m. This has had a favourable effect on net gains/losses on financial transactions. In addition, a dividend of SEK 64m has been received from Visa Norway, which is reported as Other dividend income. Moreover, the value of the Bank's share of the Visa Sweden Economic Association has increased, which had a positive effect on Other comprehensive income of SEK 615m.

# Handelsbanken Group – Business segments

January - June 2016		Home markets							Adj. & elim.	Group Jan-Jun 2016
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether-lands	Capital Markets	Other		
Net interest income	7,572	2,218	814	612	1,566	195	271	355		13,603
Net fee and commission income	2,084	251	191	195	175	11	1,513	30		4,450
Net gains/losses on financial transactions	374	126	35	58	68	1	578	445		1,685
Risk result - insurance							111			111
Other dividend income								15		15
Other income	15	1	9	6	72	-	3	195		301
<b>Total income</b>	<b>10,045</b>	<b>2,596</b>	<b>1,049</b>	<b>871</b>	<b>1,881</b>	<b>207</b>	<b>2,476</b>	<b>1,040</b>		<b>20,165</b>
Staff costs	-2,526	-935	-314	-185	-321	-89	-1,207	-928	-115	-6,620
Other expenses	-590	-211	-85	-120	-98	-24	-429	-1,092		-2,649
Internal purchased and sold services	-1,335	-257	-138	-118	-176	-39	-22	2,085		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-37	-24	-7	-6	1	-3	-39	-129		-244
<b>Total expenses</b>	<b>-4,488</b>	<b>-1,427</b>	<b>-544</b>	<b>-429</b>	<b>-594</b>	<b>-155</b>	<b>-1,697</b>	<b>-64</b>	<b>-115</b>	<b>-9,513</b>
<b>Profit before loan losses</b>	<b>5,557</b>	<b>1,169</b>	<b>505</b>	<b>442</b>	<b>1,287</b>	<b>52</b>	<b>779</b>	<b>976</b>	<b>-115</b>	<b>10,652</b>
Net loan losses	-108	-67	-44	-34	-167	1	3			-416
Gains/losses on disposal of property, equipment and intangible assets	0	2	1	0	0	-	0	5		8
<b>Operating profit</b>	<b>5,449</b>	<b>1,104</b>	<b>462</b>	<b>408</b>	<b>1,120</b>	<b>53</b>	<b>782</b>	<b>981</b>	<b>-115</b>	<b>10,244</b>
Profit allocation	426	15	37	62	39	2	-581	0		
<b>Operating profit after profit allocation</b>	<b>5,875</b>	<b>1,119</b>	<b>499</b>	<b>470</b>	<b>1,159</b>	<b>55</b>	<b>201</b>	<b>981</b>	<b>-115</b>	<b>10,244</b>
Internal income*	10	-677	-199	-147	-1,242	-108	-1,281	3,644		

January - June 2015		Home markets							Adj. & elim.	Group Jan-Jun 2015
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether-lands	Capital Markets	Other		
Net interest income	7,786	2,197	843	683	1,675	156	311	284		13,935
Net fee and commission income	2,322	208	242	198	203	12	1,480	4		4,669
Net gains/losses on financial transactions	239	103	35	38	43	1	763	-343		879
Risk result - insurance							81			81
Share of profit of associates								10		10
Other income	40	4	10	13	9	-	3	313		392
<b>Total income</b>	<b>10,387</b>	<b>2,512</b>	<b>1,130</b>	<b>932</b>	<b>1,930</b>	<b>169</b>	<b>2,638</b>	<b>268</b>		<b>19,966</b>
Staff costs	-1,802	-908	-307	-187	-367	-74	-1,261	-1,266	-103	-6,275
Other expenses	-573	-190	-90	-80	-107	-18	-431	-1,075		-2,564
Internal purchased and sold services	-1,329	-210	-145	-124	-192	-43	-28	2,071		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-45	-10	-7	-5	-7	-1	-37	-137		-249
<b>Total expenses</b>	<b>-3,749</b>	<b>-1,318</b>	<b>-549</b>	<b>-396</b>	<b>-673</b>	<b>-136</b>	<b>-1,757</b>	<b>-407</b>	<b>-103</b>	<b>-9,088</b>
<b>Profit before loan losses</b>	<b>6,638</b>	<b>1,194</b>	<b>581</b>	<b>536</b>	<b>1,257</b>	<b>33</b>	<b>881</b>	<b>-139</b>	<b>-103</b>	<b>10,878</b>
Net loan losses	-310	-102	-46	-65	-139	-3	1			-664
Gains/losses on disposal of property, equipment and intangible assets	-3	-9	2	0	-	-	0	7		-3
<b>Operating profit</b>	<b>6,325</b>	<b>1,083</b>	<b>537</b>	<b>471</b>	<b>1,118</b>	<b>30</b>	<b>882</b>	<b>-132</b>	<b>-103</b>	<b>10,211</b>
Profit allocation	420	17	35	52	23	0	-547	0		
<b>Operating profit after profit allocation</b>	<b>6,745</b>	<b>1,100</b>	<b>572</b>	<b>523</b>	<b>1,141</b>	<b>30</b>	<b>335</b>	<b>-132</b>	<b>-103</b>	<b>10,211</b>
Internal income*	-51	-732	-142	-192	-1,460	-80	-1,197	3,854		

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

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

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



# Handelsbanken Sweden

Handelsbanken Sweden comprises 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 463 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

## INCOME STATEMENT

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	3,813	3,759	1%	3,900	-2%	7,572	7,786	-3%	15,278
Net fee and commission income	1,080	1,004	8%	1,187	-9%	2,084	2,322	-10%	4,619
Net gains/losses on financial transactions	242	132	83%	138	75%	374	239	56%	383
Other income	4	11	-64%	5	-20%	15	40	-63%	61
<b>Total income</b>	<b>5,139</b>	<b>4,906</b>	<b>5%</b>	<b>5,230</b>	<b>-2%</b>	<b>10,045</b>	<b>10,387</b>	<b>-3%</b>	<b>20,341</b>
Staff costs	-920	-1,606	-43%	-922	0%	-2,526	-1,802	40%	-3,620
Other expenses	-310	-280	11%	-303	2%	-590	-573	3%	-1,163
Internal purchased and sold services	-677	-658	3%	-646	5%	-1,335	-1,329	0%	-2,595
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-20	-15%	-21	-19%	-37	-45	-18%	-88
<b>Total expenses</b>	<b>-1,924</b>	<b>-2,564</b>	<b>-25%</b>	<b>-1,892</b>	<b>2%</b>	<b>-4,488</b>	<b>-3,749</b>	<b>20%</b>	<b>-7,466</b>
<b>Profit before loan losses</b>	<b>3,215</b>	<b>2,342</b>	<b>37%</b>	<b>3,338</b>	<b>-4%</b>	<b>5,557</b>	<b>6,638</b>	<b>-16%</b>	<b>12,875</b>
Net loan losses	-84	-24	250%	-236	-64%	-108	-310	-65%	-763
Gains/losses on disposal of property, equipment and intangible assets	1	-1		0		0	-3		-2
<b>Operating profit</b>	<b>3,132</b>	<b>2,317</b>	<b>35%</b>	<b>3,102</b>	<b>1%</b>	<b>5,449</b>	<b>6,325</b>	<b>-14%</b>	<b>12,110</b>
Profit allocation	224	202	11%	224	0%	426	420	1%	935
<b>Operating profit after profit allocation</b>	<b>3,356</b>	<b>2,519</b>	<b>33%</b>	<b>3,326</b>	<b>1%</b>	<b>5,875</b>	<b>6,745</b>	<b>-13%</b>	<b>13,045</b>
Internal income	121	-111		24	404%	10	-51		46
Cost/income ratio, %	35.9	50.2		34.7		42.9	34.7		35.1
Loan loss ratio, %	0.03	0.01		0.08		0.02	0.05		0.07
Allocated capital	68,642	74,375	-8%	65,768	4%	68,642	65,768	4%	71,894
Return on allocated capital, %	15.3	10.6		15.8		12.8	15.4		14.7
Average number of employees	4,300	4,412	-3%	4,385	-2%	4,356	4,366	0%	4,468
Number of branches	463	463	0%	463	0%	463	463	0%	463

## BUSINESS VOLUMES

Average volumes, SEK bn	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Loans to the public*									
Household	736	721	2%	680	8%	728	674	8%	688
of which mortgage loans	681	667	2%	626	9%	674	620	9%	633
Corporate	481	482	0%	476	1%	482	477	1%	477
of which mortgage loans	272	274	-1%	268	1%	273	268	2%	270
<b>Total</b>	<b>1,217</b>	<b>1,203</b>	<b>1%</b>	<b>1,156</b>	<b>5%</b>	<b>1,210</b>	<b>1,151</b>	<b>5%</b>	<b>1,165</b>
Deposits and borrowing from the public									
Household	291	281	4%	258	13%	286	253	13%	263
Corporate	200	197	2%	193	4%	198	190	4%	193
<b>Total</b>	<b>491</b>	<b>478</b>	<b>3%</b>	<b>451</b>	<b>9%</b>	<b>484</b>	<b>443</b>	<b>9%</b>	<b>456</b>

\* Excluding loans to the National Debt Office.

## JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

### Financial performance

Operating profit declined to SEK 5,449m (6,325). Income fell by 3%, chiefly due to decreasing deposit margins and lower net fee and commission income. Expenses rose by 20%, mainly as a result of the provision of SEK 700m for early retirements that was made during the first quarter.

Net interest income went down by 3% to SEK 7,572m (7,786). Lower interest rates reduced the deposit margin by SEK -637m, while lower lending margins caused a further SEK -107m reduction. Growing lending volumes boosted net interest income by SEK 364m, while negative Swedish short-term interest rates meant that growing deposit volumes had a SEK -80m negative effect on net interest income. Fees to the Resolution Fund and deposit guarantee totalled SEK -330m (-335).

Net fee and commission income fell by 10% to SEK 2,084m (2,322), due to lower securities commissions, and also the fact that lower interchange fees reduced income from card operations.

Net gains/losses on financial transactions grew by 56% to SEK 374m (239). The increase was chiefly attributable to higher profits from foreign exchange business.

Total expenses increased by 20% to SEK -4,488m (-3,749), as a result of the first quarter's provision of SEK 700m for early retirements. Adjusted for the provision, staff costs were virtually unchanged. Other expense items increased by just under 1%. The C/I ratio, adjusted for the early retirements provision mentioned above, amounted to 36.2% (34.7).

Loan losses went down to SEK -108m (-310), and the loan loss ratio fell to 0.02% (0.05).

### Business development

For several years, the Bank has reported the largest net inflow of new volumes in the Swedish mutual fund market. During the first half of 2016, new savings in the Bank's mutual funds in Sweden amounted to SEK 5.5bn in a fund market where the total net inflow was SEK 0.2bn.

The average volume of deposits from households was up by 13% from the corresponding period of the previous year, amounting to SEK 286bn (253). The average volume of mortgage loans to private individuals increased by 9% to SEK 674bn (620), while the average

volume of lending to companies grew by 1% to SEK 482bn (477).

Work with adapting the Swedish branch operations to changed customer behaviour brought about by advances in digital technology is proceeding according to plan. These measures are expected to be fully implemented by no later than year-end 2017, reducing expenses by SEK 600-700m per year, all other factors being equal.

## Q2 2016 COMPARED WITH Q1 2016

Operating profit increased by 35% to SEK 3,132m (2,317), chiefly due to the Bank's decision during the previous quarter to make a provision of SEK 700m, primarily for early retirements.

Net interest income grew by 1% to SEK 3,813m (3,759). Deposit margins went down by SEK -51m as a result of the continuing decrease in short-term interest rates. Higher deposit volumes had a negative impact of SEK -18m due to negative margins. Higher lending volumes had a positive effect of SEK 40m on net interest income and higher lending margins improved net interest income by SEK 63m.

Fees for the Resolution Fund and the deposit guarantee decreased to SEK -161m (-169), and the benchmark effect in Stadshypotek reduced net interest income by SEK 64m, amounting to SEK -29m (35).

The average volume of mortgages to private individuals grew by 2% to SEK 681bn (667). The gross margin on the mortgage portfolio – before advisory and administration expenses – was 1.04% (1.03).

The average volume of corporate lending was largely unchanged at SEK 481bn (482).

Net fee and commission income rose by 8% to SEK 1,080m (1,004), chiefly due to higher payment commissions.

Net gains/losses on financial transactions rose to SEK 242m (132). The increase was partly attributable to higher profits from currency transactions and increased early repayment charges.

Expenses went down by SEK 640m to SEK -1,924m (-2,564). Excluding the provision for early retirements of SEK 700m made in the period of comparison, staff costs increased by 1.5% and total expenses rose by 3%. The average number of employees decreased to 4,300 (4,412).

Loan losses increased to SEK -84m (-24), and the loan loss ratio was 0.03% (0.01).

## Handelsbanken UK

*Handelsbanken UK comprises branch operations in five 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 204 branches throughout the UK.*

### INCOME STATEMENT

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	1,102	1,116	-1%	1,140	-3%	2,218	2,197	1%	4,570
Net fee and commission income	132	119	11%	105	26%	251	208	21%	452
Net gains/losses on financial transactions	76	50	52%	54	41%	126	103	22%	194
Other income	0	1	-100%	2	-100%	1	4	-75%	7
<b>Total income</b>	<b>1,310</b>	<b>1,286</b>	<b>2%</b>	<b>1,301</b>	<b>1%</b>	<b>2,596</b>	<b>2,512</b>	<b>3%</b>	<b>5,223</b>
Staff costs	-462	-473	-2%	-463	0%	-935	-908	3%	-1,870
Other expenses	-105	-106	-1%	-99	6%	-211	-190	11%	-429
Internal purchased and sold services	-137	-120	14%	-109	26%	-257	-210	22%	-455
Depreciation, amortisation and impairments of property, equipment and intangible assets	-11	-13	-15%	-5	120%	-24	-10	140%	-30
<b>Total expenses</b>	<b>-715</b>	<b>-712</b>	<b>0%</b>	<b>-676</b>	<b>6%</b>	<b>-1,427</b>	<b>-1,318</b>	<b>8%</b>	<b>-2,784</b>
<b>Profit before loan losses</b>	<b>595</b>	<b>574</b>	<b>4%</b>	<b>625</b>	<b>-5%</b>	<b>1,169</b>	<b>1,194</b>	<b>-2%</b>	<b>2,439</b>
Net loan losses	-26	-41	-37%	-7	271%	-67	-102	-34%	-224
Gains/losses on disposal of property, equipment and intangible assets	-1	3		-8	-88%	2	-9		-12
<b>Operating profit</b>	<b>568</b>	<b>536</b>	<b>6%</b>	<b>610</b>	<b>-7%</b>	<b>1,104</b>	<b>1,083</b>	<b>2%</b>	<b>2,203</b>
Profit allocation	7	8	-13%	8	-13%	15	17	-12%	34
<b>Operating profit after profit allocation</b>	<b>575</b>	<b>544</b>	<b>6%</b>	<b>618</b>	<b>-7%</b>	<b>1,119</b>	<b>1,100</b>	<b>2%</b>	<b>2,237</b>
Internal income	-327	-350	7%	-361	9%	-677	-732	8%	-1,481
Cost/income ratio, %	54.3	55.0		51.6		54.7	52.1		53.0
Loan loss ratio, %	0.05	0.08		0.02		0.07	0.12		0.13
Allocated capital	10,263	10,911	-6%	10,527	-3%	10,263	10,527	-3%	10,452
Return on allocated capital, %	17.5	15.6		18.3		16.5	16.9		16.8
Average number of employees	1,957	1,912	2%	1,755	12%	1,934	1,722	12%	1,794
Number of branches	204	200	2%	187	9%	204	187	9%	197

### BUSINESS VOLUMES

Average volumes, GBP m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Loans to the public									
Household	5,456	5,288	3%	4,709	16%	5,372	4,620	16%	4,809
Corporate	10,847	10,566	3%	9,913	9%	10,706	9,805	9%	10,026
<b>Total</b>	<b>16,303</b>	<b>15,854</b>	<b>3%</b>	<b>14,622</b>	<b>11%</b>	<b>16,078</b>	<b>14,425</b>	<b>11%</b>	<b>14,835</b>
Deposits and borrowing from the public									
Household	2,425	2,060	18%	1,681	44%	2,242	1,604	40%	1,747
Corporate	7,051	6,744	5%	6,628	6%	6,898	6,367	8%	6,576
<b>Total</b>	<b>9,476</b>	<b>8,804</b>	<b>8%</b>	<b>8,309</b>	<b>14%</b>	<b>9,140</b>	<b>7,971</b>	<b>15%</b>	<b>8,323</b>

## JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

### Financial performance

Operating profit increased by 2% to SEK 1,104m (1,083). Exchange rate movements reduced operating profit by SEK 67m, and expressed in local currency, operating profit grew by 9%. Profits take full account of expenses relating to continuing expansion, and 17 new branches have been opened over the past 12 months. Return on equity was 16.5% (16.9).

Profit before loan losses decreased by 2% to SEK 1,169m (1,194), due to the depreciation of sterling. In local currency, profit before loan losses grew by 5% as a result of increased business volumes.

Net interest income rose by 1% to SEK 2,218m (2,197). Exchange rate movements reduced net interest income by SEK 139m, and expressed in local currency, net interest income grew by 8%. The underlying growth was mainly attributable to increasing business volumes, with lending contributing SEK 186m and deposit volumes SEK 35m. Lower lending margins, due to tougher competition, had a SEK -17m negative effect on net interest income.

Net fee and commission income increased by 21% to SEK 251m (208). The increase was mainly due to higher lending commissions. Asset management operations contributed asset management and advisory commissions of SEK 120m (122).

Net gains/losses on financial transactions rose to SEK 126m (103).

Expenses rose by 8% to SEK -1,427m (-1,318). In local currency, expenses were up by 16%, this being entirely due to the expanding operations.

The average number of employees grew by 12% to 1,934 (1,722).

Loan losses went down to SEK -67m (-102), and the loan loss ratio fell to 0.07% (0.12).

### Business development

Business volumes continued to grow. The average volume of deposits from households climbed by 40% compared with the corresponding period in the previous year, while lending to households grew by 16%. Overall, the average volume of lending increased by 11% to GBP 16.1bn, while deposits grew by 15% to GBP 9.1bn. In the second quarter, the lending/deposits ratio was 172%, compared with 176% in the corresponding quarter of 2015.

Heartwood's assets under management totalled GBP 2.6bn, as compared to GBP 2.5bn at the year-end.

Four new branches were opened during the second quarter, bringing the total number of branches in the UK

to 204. In addition, managers have been recruited for three more new branches.

### Brexit

In the referendum held at the end of June, 52% voted for the UK to leave the EU. At present, it is very unclear what formalities need to be observed to leave the EU and when this might be implemented.

Handelsbanken's business operations in the UK are run in such a way that both capital and liquidity are hedged in GBP, while the profits of the business are affected by exchange rate movements. The Bank's low tolerance of risk, sound capitalisation and strong liquidity situation mean that Handelsbanken is well equipped to operate under substantially more difficult market conditions than those experienced during the last few years. This would also be the case if the UK economic climate were to deteriorate as a result of a future secession from the EU.

Handelsbanken operates as a successful banking operation with local branches nationwide and costs and income in the local currency. During the financial crisis, Handelsbanken had very low loan losses in the UK compared with those of British banks and since that time, the credit quality has improved further.

## Q2 2016 COMPARED WITH Q1 2016

Operating profit increased by 6% to SEK 568m (536). Exchange rate movements reduced operating profit by SEK -13m, and expressed in local currency, operating profit grew by 9%. Return on equity was 17.5% (15.6).

Income grew by 2% to SEK 1,310m (1,286). Exchange rate effects had a negative impact on income of SEK -31m.

Net interest income declined by 1% to SEK 1,102m (1,116), as a result of exchange rate effects of SEK -27m. In local currency, net interest income increased by 1%. Underlying volume growth was counteracted by continuing pressure on the margins of mortgage loans to private customers.

Net fee and commission income rose by 11% to SEK 132m (119), chiefly due to higher payment commissions.

Net gains/losses on financial transactions increased to SEK 76m (50), primarily due to one-off income related to the sale of Visa Europe.

Expenses were largely unchanged, amounting to SEK -715m (-712). Adjusted for exchange rate movements, expenses increased by 3%. The average number of employees rose by 2% to 1,957 (1,912).

Loan losses decreased to SEK -26m (-41), and the loan loss ratio was 0.05% (0.08).

# Handelsbanken Denmark

Handelsbanken Denmark consists of the branch operations in Denmark, which are organised as a 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.

## INCOME STATEMENT

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	405	409	-1%	424	-4%	814	843	-3%	1,678
Net fee and commission income	93	98	-5%	114	-18%	191	242	-21%	436
Net gains/losses on financial transactions	18	17	6%	22	-18%	35	35	0%	77
Other income	6	3	100%	5	20%	9	10	-10%	17
<b>Total income</b>	<b>522</b>	<b>527</b>	<b>-1%</b>	<b>565</b>	<b>-8%</b>	<b>1,049</b>	<b>1,130</b>	<b>-7%</b>	<b>2,208</b>
Staff costs	-155	-159	-3%	-152	2%	-314	-307	2%	-629
Other expenses	-41	-44	-7%	-44	-7%	-85	-90	-6%	-178
Internal purchased and sold services	-69	-69	0%	-73	-5%	-138	-145	-5%	-279
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-3	33%	-3	33%	-7	-7	0%	-15
<b>Total expenses</b>	<b>-269</b>	<b>-275</b>	<b>-2%</b>	<b>-272</b>	<b>-1%</b>	<b>-544</b>	<b>-549</b>	<b>-1%</b>	<b>-1,101</b>
<b>Profit before loan losses</b>	<b>253</b>	<b>252</b>	<b>0%</b>	<b>293</b>	<b>-14%</b>	<b>505</b>	<b>581</b>	<b>-13%</b>	<b>1,107</b>
Net loan losses	-38	-6		-22	73%	-44	-46	-4%	-299
Gains/losses on disposal of property, equipment and intangible assets	1	0		2	-50%	1	2	-50%	8
<b>Operating profit</b>	<b>216</b>	<b>246</b>	<b>-12%</b>	<b>273</b>	<b>-21%</b>	<b>462</b>	<b>537</b>	<b>-14%</b>	<b>816</b>
Profit allocation	18	19	-5%	17	6%	37	35	6%	72
<b>Operating profit after profit allocation</b>	<b>234</b>	<b>265</b>	<b>-12%</b>	<b>290</b>	<b>-19%</b>	<b>499</b>	<b>572</b>	<b>-13%</b>	<b>888</b>
Internal income	-95	-104	9%	-81	-17%	-199	-142	-40%	-295
Cost/income ratio, %	49.8	50.4		46.7		50.1	47.1		48.3
Loan loss ratio, %	0.18	0.03		0.11		0.10	0.11		0.37
Allocated capital	6,146	6,023	2%	6,387	-4%	6,146	6,387	-4%	6,219
Return on allocated capital, %	11.9	13.7		14.1		12.8	14.5		11.2
Average number of employees	626	626	0%	630	-1%	626	627	0%	631
Number of branches	57	57	0%	57	0%	57	57	0%	57

## BUSINESS VOLUMES

Average volumes, DKK bn	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Loans to the public									
Household	40.1	39.1	3%	36.3	10%	39.6	35.9	10%	36.7
Corporate	28.8	28.7	0%	30.3	-5%	28.7	28.8	0%	28.9
<b>Total</b>	<b>68.9</b>	<b>67.8</b>	<b>2%</b>	<b>66.6</b>	<b>3%</b>	<b>68.3</b>	<b>64.7</b>	<b>6%</b>	<b>65.6</b>
Deposits and borrowing from the public									
Household	12.0	11.3	6%	11.3	6%	11.6	10.7	8%	11.1
Corporate	13.5	17.1	-21%	16.6	-19%	15.3	16.2	-6%	16.9
<b>Total</b>	<b>25.5</b>	<b>28.4</b>	<b>-10%</b>	<b>27.9</b>	<b>-9%</b>	<b>26.9</b>	<b>26.9</b>	<b>0%</b>	<b>28.0</b>

## JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

### Financial performance

Operating profit fell by 14% to SEK 462m (537), mainly due to lower net interest income and net fee and commission income than during the corresponding period of the previous year. The effect of exchange rate movements was marginal. Return on equity was 12.8% (14.5).

Net interest income fell by 3% to SEK 814m (843). Increasing lending volumes had a positive impact of SEK 41m, which was offset by the SEK -54m negative effect caused by pressure on lending margins. Lower deposit margins negatively affected net interest income by SEK -11m. Fees for the Swedish Resolution Fund and the deposit guarantee burdened net interest income by SEK -23m (-28).

Net fee and commission income decreased by 21% to SEK 191m (242), chiefly due to a higher activity level during the period of comparison.

Net gains/losses on financial transactions were unchanged at SEK 35m (35).

Expenses fell by 1% to SEK -544m (-549).

Loan losses went down to SEK -44m (-46), and the loan loss ratio fell to 0.10% (0.11).

### Business development

The Bank continued to have a stable inflow of new customers, and business volumes continued to increase. The average volume of deposits from households climbed by 8% compared with the corresponding period in the previous year, while lending to households grew by 10%. Corporate lending remained unchanged, however, while corporate deposits went down by 6%. The average volume of total lending increased by 6% to DKK 68.3bn (64.7), while deposits were unchanged at DKK 26.9bn (26.9).

## Q2 2016 COMPARED WITH Q1 2016

Operating profit decreased by 12% to SEK 216m (246) due to higher loan losses. Profit before loan losses was virtually unchanged. The effect of exchange rate movements was marginal.

Despite higher lending volumes, net interest income decreased by 1% to SEK 405m (409) as a result of continued pressure on both lending and deposit margins.

Net fee and commission income fell by 5% to SEK 93m (98), mainly due to seasonally higher commissions during the period of comparison.

Net gains/losses on financial transactions totalled SEK 18m (17).

Expenses fell by 2% to SEK -269m (-275). Loan losses increased to SEK -38m (-6) and the loan loss ratio rose to 0.18% (0.03).



# Handelsbanken Finland

Handelsbanken Finland consists of the branch operations in Finland, which are organised as a regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Finland. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 45 branches throughout Finland. Handelsbanken Finans offers finance company services and works through the Bank's branches.

## INCOME STATEMENT

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	294	318	-8%	341	-14%	612	683	-10%	1,361
Net fee and commission income	102	93	10%	98	4%	195	198	-2%	387
Net gains/losses on financial transactions	45	13	246%	16	181%	58	38	53%	60
Other income	3	3	0%	7	-57%	6	13	-54%	23
<b>Total income</b>	<b>444</b>	<b>427</b>	<b>4%</b>	<b>462</b>	<b>-4%</b>	<b>871</b>	<b>932</b>	<b>-7%</b>	<b>1,831</b>
Staff costs	-95	-90	6%	-94	1%	-185	-187	-1%	-369
Other expenses	-50	-70	-29%	-42	19%	-120	-80	50%	-161
Internal purchased and sold services	-60	-58	3%	-61	-2%	-118	-124	-5%	-247
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-3	0%	-3	0%	-6	-5	20%	-11
<b>Total expenses</b>	<b>-208</b>	<b>-221</b>	<b>-6%</b>	<b>-200</b>	<b>4%</b>	<b>-429</b>	<b>-396</b>	<b>8%</b>	<b>-788</b>
<b>Profit before loan losses</b>	<b>236</b>	<b>206</b>	<b>15%</b>	<b>262</b>	<b>-10%</b>	<b>442</b>	<b>536</b>	<b>-18%</b>	<b>1,043</b>
Net loan losses	-11	-23	-52%	-51	-78%	-34	-65	-48%	-83
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
<b>Operating profit</b>	<b>225</b>	<b>183</b>	<b>23%</b>	<b>211</b>	<b>7%</b>	<b>408</b>	<b>471</b>	<b>-13%</b>	<b>960</b>
Profit allocation	30	32	-6%	27	11%	62	52	19%	110
<b>Operating profit after profit allocation</b>	<b>255</b>	<b>215</b>	<b>19%</b>	<b>238</b>	<b>7%</b>	<b>470</b>	<b>523</b>	<b>-10%</b>	<b>1,070</b>
Internal income	-62	-85	27%	-93	33%	-147	-192	23%	-367
Cost/income ratio, %	43.9	48.1		40.9		46.0	40.2		40.6
Loan loss ratio, %	0.04	0.08		0.17		0.06	0.11		0.07
Allocated capital	5,568	5,970	-7%	5,983	-7%	5,568	5,983	-7%	6,186
Return on allocated capital, %	14.3	11.2		12.4		12.7	13.6		13.8
Average number of employees	496	489	1%	502	-1%	492	492	0%	496
Number of branches	45	46	-2%	46	-2%	45	46	-2%	46

## BUSINESS VOLUMES

Average volumes, EUR m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Loans to the public									
Household	3,952	3,952	0%	3,948	0%	3,952	3,933	0%	3,947
Corporate	8,733	8,742	0%	8,558	2%	8,738	8,631	1%	8,619
<b>Total</b>	<b>12,685</b>	<b>12,694</b>	<b>0%</b>	<b>12,506</b>	<b>1%</b>	<b>12,690</b>	<b>12,564</b>	<b>1%</b>	<b>12,566</b>
Deposits and borrowing from the public									
Household	1,432	1,381	4%	1,366	5%	1,406	1,359	3%	1,367
Corporate	1,766	2,052	-14%	2,384	-26%	1,909	2,407	-21%	2,226
<b>Total</b>	<b>3,198</b>	<b>3,433</b>	<b>-7%</b>	<b>3,750</b>	<b>-15%</b>	<b>3,315</b>	<b>3,766</b>	<b>-12%</b>	<b>3,593</b>

## JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

### Financial performance

Operating profit went down by 13% to SEK 408m (471). The effect of exchange rate movements was marginal. Return on equity was 12.7% (13.6).

Income fell by 7%. Net interest income declined by 10% to SEK 612m (683). The decrease was chiefly due to lower lending margins which negatively affected net interest income by SEK 58m. Government fees to the Resolution Fund and the deposit guarantee were unchanged, amounting to SEK -27m (-27).

Net fee and commission income declined by 2% to SEK 195m (198) while net gains/losses on financial transactions increased to SEK 58m (38).

Total expenses rose by 8% to SEK -429m (-396), which was mainly attributable to a one-off expense of SEK -30m during the first quarter. Staff costs decreased by 1%, and the average number of employees was unchanged at 492 (492).

Loan losses went down to SEK -34m (-65), and the loan loss ratio was 0.06% (0.11).

### Business development

The average volume of deposits from households increased by 3% compared with the corresponding period in the previous year, while lending to households was largely unchanged.

The average volume of corporate lending grew by 1%, while corporate deposits decreased by 21%, as a result of reduced deposits from large corporates.

### Q2 2016 COMPARED WITH Q1 2016

Operating profit rose by 23% to SEK 225m (183) due to higher income and also a one-off cost of SEK 30m during the comparison quarter. Loan losses also decreased. The effect of exchange rate movements was marginal.

Net interest income declined by 8% to SEK 294m (318). The decline was attributable to the continuing pressure on lending margins.

Net fee and commission income rose by 10% to SEK 102m (93), chiefly due to higher card commissions.

Net gains/losses on financial transactions increased to SEK 45m (13), due to one-off income related to the sale of Visa Europe.

Expenses fell by 6% to SEK -208m (-221).

Loan losses went down to SEK -11m (-23), and the loan loss ratio was 0.04% (0.08).

## Handelsbanken Norway

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### INCOME STATEMENT

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	797	769	4%	840	-5%	1,566	1,675	-7%	3,248
Net fee and commission income	91	84	8%	103	-12%	175	203	-14%	395
Net gains/losses on financial transactions	30	38	-21%	14	114%	68	43	58%	94
Other income	68	4		6		72	9		31
<b>Total income</b>	<b>986</b>	<b>895</b>	<b>10%</b>	<b>963</b>	<b>2%</b>	<b>1,881</b>	<b>1,930</b>	<b>-3%</b>	<b>3,768</b>
Staff costs	-158	-163	-3%	-183	-14%	-321	-367	-13%	-713
Other expenses	-50	-48	4%	-54	-7%	-98	-107	-8%	-207
Internal purchased and sold services	-90	-86	5%	-95	-5%	-176	-192	-8%	-370
Depreciation, amortisation and impairments of property, equipment and intangible assets	4	-3		-4		1	-7		-13
<b>Total expenses</b>	<b>-294</b>	<b>-300</b>	<b>-2%</b>	<b>-336</b>	<b>-13%</b>	<b>-594</b>	<b>-673</b>	<b>-12%</b>	<b>-1,303</b>
<b>Profit before loan losses</b>	<b>692</b>	<b>595</b>	<b>16%</b>	<b>627</b>	<b>10%</b>	<b>1,287</b>	<b>1,257</b>	<b>2%</b>	<b>2,465</b>
Net loan losses	-64	-103	-38%	-44	45%	-167	-139	20%	-222
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	-		0	-		6
<b>Operating profit</b>	<b>628</b>	<b>492</b>	<b>28%</b>	<b>583</b>	<b>8%</b>	<b>1,120</b>	<b>1,118</b>	<b>0%</b>	<b>2,249</b>
Profit allocation	16	23	-30%	15	7%	39	23	70%	57
<b>Operating profit after profit allocation</b>	<b>644</b>	<b>515</b>	<b>25%</b>	<b>598</b>	<b>8%</b>	<b>1,159</b>	<b>1,141</b>	<b>2%</b>	<b>2,306</b>
Internal income	-558	-684	18%	-742	25%	-1,242	-1,460	15%	-2,805
Cost/income ratio, %	29.3	32.7		34.4		30.9	34.5		34.1
Loan loss ratio, %	0.12	0.20		0.09		0.16	0.14		0.11
Allocated capital	12,870	13,383	-4%	12,858	0%	12,870	12,858	0%	12,966
Return on allocated capital, %	15.6	12.0		14.5		13.8	13.3		13.6
Average number of employees	658	665	-1%	673	-2%	661	673	-2%	676
Number of branches	50	50	0%	51	-2%	50	51	-2%	50

### BUSINESS VOLUMES

Average volumes, NOK bn	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Loans to the public									
Household	85.3	84.3	1%	80.5	6%	84.8	80.0	6%	81.3
Corporate	142.7	139.4	2%	118.2	21%	141.0	117.3	20%	120.5
<b>Total</b>	<b>228.0</b>	<b>223.7</b>	<b>2%</b>	<b>198.7</b>	<b>15%</b>	<b>225.8</b>	<b>197.3</b>	<b>14%</b>	<b>201.8</b>
Deposits and borrowing from the public									
Household	19.1	18.6	3%	17.1	12%	18.9	16.9	12%	17.3
Corporate	44.2	40.8	8%	54.6	-19%	42.5	55.0	-23%	51.1
<b>Total</b>	<b>63.3</b>	<b>59.4</b>	<b>7%</b>	<b>71.7</b>	<b>-12%</b>	<b>61.4</b>	<b>71.9</b>	<b>-15%</b>	<b>68.4</b>

## JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

### Financial performance

Operating profit was virtually unchanged at SEK 1,120m (1,118) but was negatively affected by the depreciation of the Norwegian krone. Expressed in local currency, operating profit improved by 10%.

Return on equity was 13.8% (13.3).

Income fell by 3%, but rose by 7% adjusted for exchange rate effects. Net interest income went down by 7% to SEK 1,566m (1,675). Lending margins had a negative effect on net interest income of SEK 163m, while increasing lending volumes had a positive effect of SEK 144m. The pressure on lending margins was partially offset by deposit margins increasing by SEK 77m. The fees for the Swedish Resolution Fund and the deposit guarantee burdened net interest income by SEK -53m (-51).

Net fee and commission income declined by 14% to SEK 175m (203). Adjusted for exchange rate movements, net commission income went down by 6%, chiefly due to lower deposit and lending commissions.

Other income increased to SEK 72m (9). This increase is due to a dividend from Visa Norway FLI, attributable to Visa Inc's acquisition of Visa Europe.

Expenses decreased by 12%, or SEK 79m, to SEK -594m (-673). Exchange rate effects reduced expenses by SEK 54m. Staff costs expressed in local currency fell by 4%, and the average number of employees decreased to 661 (673).

Loan losses increased slightly to SEK -167m (-139) and the loan loss ratio was 0.16% (0.14).

### Business development

Business volumes continued to grow. The average volume of deposits from households climbed by 12%, while lending to households grew by 6%.

In total, the average volume of lending increased by 14% to NOK 225.8bn (197.3), while total deposits fell by 15%, due to a drop in corporate deposits.

### Q2 2016 COMPARED WITH Q1 2016

Operating profit increased by 28% to SEK 628m (492).

Net interest income went up by 4%, or SEK 28m, to SEK 797m (769). Exchange rate movements had a positive effect of SEK 12m. Expressed in local currency, net interest income increased by 2%. Rising lending margins improved net interest income by SEK 28m, while lower deposit margins had a negative impact of SEK -2m.

Net fee and commission income grew by 8% to SEK 91m (84) partly due to higher deposit and lending commissions, but also as a result of higher mutual fund and payment commissions.

Net gains/losses on financial transactions decreased to SEK 30m (38).

Expenses fell by 2% to SEK -294m (-300). Staff costs fell by 3%, partly as a result of the average number of employees falling to 658 (665).

Loan losses went down to SEK -64m (-103), and the loan loss ratio was 0.12% (0.20).

## Handelsbanken the Netherlands

*Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank. The regional bank offers banking services at 23 branches in the Netherlands.*

### INCOME STATEMENT

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	100	95	5%	81	23%	195	156	25%	328
Net fee and commission income	6	5	20%	5	20%	11	12	-8%	23
Net gains/losses on financial transactions	0	1	-100%	1	-100%	1	1	0%	5
Other income	-	-		-		-	-		-
<b>Total income</b>	<b>106</b>	<b>101</b>	<b>5%</b>	<b>87</b>	<b>22%</b>	<b>207</b>	<b>169</b>	<b>22%</b>	<b>356</b>
Staff costs	-45	-44	2%	-36	25%	-89	-74	20%	-158
Other expenses	-16	-8	100%	-10	60%	-24	-18	33%	-37
Internal purchased and sold services	-19	-20	-5%	-21	-10%	-39	-43	-9%	-84
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-1	100%	-1	100%	-3	-1	200%	-3
<b>Total expenses</b>	<b>-82</b>	<b>-73</b>	<b>12%</b>	<b>-68</b>	<b>21%</b>	<b>-155</b>	<b>-136</b>	<b>14%</b>	<b>-282</b>
<b>Profit before loan losses</b>	<b>24</b>	<b>28</b>	<b>-14%</b>	<b>19</b>	<b>26%</b>	<b>52</b>	<b>33</b>	<b>58%</b>	<b>74</b>
Net loan losses	1	0		-3		1	-3		-2
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
<b>Operating profit</b>	<b>25</b>	<b>28</b>	<b>-11%</b>	<b>16</b>	<b>56%</b>	<b>53</b>	<b>30</b>	<b>77%</b>	<b>72</b>
Profit allocation	2	0		0		2	0		0
<b>Operating profit after profit allocation</b>	<b>27</b>	<b>28</b>	<b>-4%</b>	<b>16</b>	<b>69%</b>	<b>55</b>	<b>30</b>	<b>83%</b>	<b>72</b>
Internal income	-56	-52	-8%	-43	-30%	-108	-80	-35%	-175
Cost/income ratio, %	75.9	72.3		78.2		74.2	80.5		79.2
Loan loss ratio, %	-0.02	0.00		0.06		-0.01	0.03		0.01
Allocated capital	956	921	4%	846	13%	956	846	13%	851
Return on allocated capital, %	8.6	9.8		5.8		9.2	5.3		6.4
Average number of employees	188	181	4%	153	23%	185	149	24%	159
Number of branches	23	23	0%	22	5%	23	22	5%	23

### BUSINESS VOLUMES

Average volumes, EUR m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Loans to the public									
Household	1,367	1,238	10%	980	39%	1,302	940	39%	1,022
Corporate	1,397	1,273	10%	1,132	23%	1,335	1,124	19%	1,149
<b>Total</b>	<b>2,764</b>	<b>2,511</b>	<b>10%</b>	<b>2,112</b>	<b>31%</b>	<b>2,637</b>	<b>2,064</b>	<b>28%</b>	<b>2,171</b>
Deposits and borrowing from the public									
Household	58	53	9%	47	23%	55	48	15%	47
Corporate	440	408	8%	698	-37%	424	755	-44%	703
<b>Total</b>	<b>498</b>	<b>461</b>	<b>8%</b>	<b>745</b>	<b>-33%</b>	<b>479</b>	<b>803</b>	<b>-40%</b>	<b>750</b>

## JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

### Financial performance

Operating profit grew by 77% to SEK 53m (30), chiefly as a result of business volumes continuing to increase. Income rose by 22%, while expenses went up by 14%. Return on equity was 9.2% (5.3).

Net interest income increased by 25% to SEK 195m (156). Increasing lending volumes contributed SEK 37m, while higher lending margins contributed SEK 1m. Higher deposit margins improved net interest income by SEK 1m.

Net fee and commission income was SEK 11m (12).

Expenses rose by 14% to SEK -155m (-136), as a result of the continuing expansion. The C/I ratio improved to 74.2% (80.5). The average number of employees increased by 24% to 185 (149).

Net recoveries of previous provisions for loan losses amount to SEK 1m (-3), and the loan loss ratio was -0.01% (0.03).

### Business development

The average volume of lending to households grew by 39% to EUR 1,302m (940), while deposits from households increased by 15% to EUR 55m (48). Corporate lending went up by 19% to EUR 1,335m (1,124). As a result of reduced business volumes from a few large corporates, the average volume of deposits from companies decreased by 44% to EUR 424m (755). Business volumes with small and medium-sized companies continued to grow.

The Bank had a total of 23 branches in the Netherlands and a new branch manager has been recruited to establish a branch in Roermond.

In April, Handelsbanken signed an agreement to acquire the Dutch asset manager, Optimix. The company is mainly active within discretionary asset management, with assets under management of around EUR 2bn including its own mutual funds. The transaction, which is subject to the approval of the public authorities, is expected to be completed during the third quarter of 2016.

## Q2 2016 COMPARED WITH Q1 2016

Operating profit decreased by 11% to SEK 25m (28) due to non-recurring expenses.

Income grew by 5% to SEK 106m (101). Net interest income rose by 5%, chiefly due to the average volume of lending increasing by 10% during the quarter.

Expenses increased by 12% to SEK -82m (-73), chiefly due to costs related to the acquisition of Optimix. Staff costs rose by 2%. The average number of employees increased to 188 (181).

Recoveries on previous provisions for loan losses were SEK 1m (0).



## Handelsbanken Capital Markets

*Handelsbanken Capital Markets consists of Markets & Asset Management, Pension & Life, Handelsbanken International and Business Support. It has employees in 24 countries.*

*Markets & Asset Management offers a full range of products and services linked to risk management, securities, derivatives, mutual funds, research, debt capital markets and corporate finance, as well as co-ordinating the Bank's offering in the savings area.*

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

*Handelsbanken International encompasses the Bank's branches and representative offices in 19 countries outside the Bank's home markets, as well as the units for Financial Institutions (global banking collaborations) and Transaction Banking (cash management, trade finance and export finance).*

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

### INCOME STATEMENT

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	134	137	-2%	148	-9%	271	311	-13%	641
Net fee and commission income	771	742	4%	744	4%	1,513	1,480	2%	2,972
Net gains/losses on financial transactions	338	240	41%	330	2%	578	763	-24%	1,226
Risk result - insurance	35	76	-54%	55	-36%	111	81	37%	157
Other income	1	2	-50%	2	-50%	3	3	0%	10
<b>Total income</b>	<b>1,279</b>	<b>1,197</b>	<b>7%</b>	<b>1,279</b>	<b>0%</b>	<b>2,476</b>	<b>2,638</b>	<b>-6%</b>	<b>5,006</b>
Staff costs	-597	-610	-2%	-629	-5%	-1,207	-1,261	-4%	-2,447
Other expenses	-217	-212	2%	-215	1%	-429	-431	0%	-857
Internal purchased and sold services	-22	0		-22	0%	-22	-28	-21%	-86
Depreciation, amortisation and impairments of property, equipment and intangible assets	-19	-20	-5%	-18	6%	-39	-37	5%	-79
<b>Total expenses</b>	<b>-855</b>	<b>-842</b>	<b>2%</b>	<b>-884</b>	<b>-3%</b>	<b>-1,697</b>	<b>-1,757</b>	<b>-3%</b>	<b>-3,469</b>
<b>Profit before loan losses</b>	<b>424</b>	<b>355</b>	<b>19%</b>	<b>395</b>	<b>7%</b>	<b>779</b>	<b>881</b>	<b>-12%</b>	<b>1,537</b>
Net loan losses	-7	10		4		3	1	200%	-4
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
<b>Operating profit</b>	<b>417</b>	<b>365</b>	<b>14%</b>	<b>399</b>	<b>5%</b>	<b>782</b>	<b>882</b>	<b>-11%</b>	<b>1,533</b>
Profit allocation	-297	-284	5%	-291	2%	-581	-547	6%	-1,209
<b>Operating profit after profit allocation</b>	<b>120</b>	<b>81</b>	<b>48%</b>	<b>108</b>	<b>11%</b>	<b>201</b>	<b>335</b>	<b>-40%</b>	<b>324</b>
Internal income	-702	-579	-21%	-587	-20%	-1,281	-1,197	-7%	-2,347
Cost/income ratio, %	87.1	92.2		89.5		89.6	84.0		91.4
Loan loss ratio, %	0.06	-0.08		-0.03		-0.01	0.00		0.01
Allocated capital	5,038	4,981	1%	5,572	-10%	5,038	5,572	-10%	5,671
Return on allocated capital, %	7.5	5.0		6.1		6.3	8.9		4.5
Average number of employees	1,681	1,720	-2%	1,761	-5%	1,700	1,772	-4%	1,766

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

## JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

### Financial performance

Operating profit went down by 11% to SEK 782m (882). Total income fell by 6% to SEK 2,476m (2,638), chiefly as a result of a lower activity level in the market reducing net gains/losses on financial transactions to SEK 578m (763).

Net fee and commission income rose by 2% to SEK 1,513m (1,480). Advisory fees and asset management commissions, together with interest-related brokerage income increased while income from other types of brokerage income declined.

Total expenses decreased by 3% to SEK -1,697m (-1,757). The decrease was mainly attributable to staff costs falling by 4% to SEK -1,207m (-1,261), as a result of a 4% fall in the average number of employees to 1,700 (1,772).

Loan losses consisted of net recoveries of SEK 3m (1), with the loan loss ratio being -0.01 (0.00).

### Business development

Asset management operations continued to show a strong performance. Net savings in Handelsbanken's mutual funds in Sweden during the first half of the year amounted to SEK 5.5bn, while total net savings on the Swedish fund market were SEK 0.2bn. During the period, Xact Kapitalförvaltning remained the largest player as regards Nordic exchange-traded funds.

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. The total fund volume, including

exchange-traded funds, increased to SEK 387bn (373) from the corresponding period of the previous year. The total volume of assets under management by Handelsbanken Liv was SEK 111bn (112).

Corporate Finance business developed well and during the first half of the year, the Bank was the largest provider of new issues in Sweden and also the largest Nordic M&A player regarding companies in Sweden. Advisory business in Denmark and Finland also developed well during the first six months of the year. The Bank's capital market funding business volumes developed well, and during the year, the Bank arranged 69 bond issues with a total value of EUR 9.6bn (4.5).

The average volume of lending in Handelsbanken International, i.e. the operations outside the Bank's home markets, increased by 4% from the corresponding period of the previous year to SEK 35.1bn (33.8). During the same period, deposits decreased by 30% to SEK 44.5bn (63.4).

## Q2 2016 COMPARED WITH Q1 2016

Operating profit rose by 14% to SEK 417m (365) due to higher income. Total income grew by 7% to SEK 1,279m (1,197). Increased net gains/losses on financial transactions and higher net fee and commission income contributed to the increased income.

Total expenses rose by 2% to SEK -855m (-842). Staff costs fell by 2%, as a result of a 2% decrease in the average number of employees to 1,681 (1,720).

Loan losses were SEK -7m (10), which corresponds to a loan loss ratio of 0.06% (-0.08).

## Other units not reported in the business segments

Reported below are the income and expenses related to Treasury and the central staff functions, 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	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	163	192	-15%	145	12%	355	284	25%	636
Net fee and commission income	5	25	-80%	3	67%	30	4		36
Net gains/losses on financial transactions	-226	671		-124	-82%	445	-343		569
Share of profit of associates	13	2		9	44%	15	10	50%	17
Other income	181	14		301	-40%	195	313	-38%	345
<b>Total income</b>	<b>136</b>	<b>904</b>	<b>-85%</b>	<b>334</b>	<b>-59%</b>	<b>1,040</b>	<b>268</b>	<b>288%</b>	<b>1,603</b>
Staff costs	-459	-469	-2%	-609	-25%	-928	-1,266	-27%	-2,651
Other expenses	-557	-535	4%	-569	-2%	-1,092	-1,075	2%	-2,171
Internal purchased and sold services	1,074	1,011	6%	1,027	5%	2,085	2,071	1%	4,116
Depreciation, amortisation and impairments of property, equipment and intangible assets	-67	-62	8%	-67	0%	-129	-137	-6%	-248
<b>Total expenses</b>	<b>-9</b>	<b>-55</b>	<b>-84%</b>	<b>-218</b>	<b>-96%</b>	<b>-64</b>	<b>-407</b>	<b>-84%</b>	<b>-954</b>
<b>Profit before loan losses</b>	<b>127</b>	<b>849</b>	<b>-85%</b>	<b>116</b>	<b>9%</b>	<b>976</b>	<b>-139</b>		<b>649</b>
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	5	-100%	7	-100%	5	7		7
<b>Operating profit</b>	<b>127</b>	<b>854</b>	<b>-85%</b>	<b>123</b>	<b>3%</b>	<b>981</b>	<b>-132</b>		<b>656</b>
Profit allocation	0	0		0	0%	0	0	0%	1
<b>Operating profit after profit allocation</b>	<b>127</b>	<b>854</b>	<b>-85%</b>	<b>123</b>	<b>3%</b>	<b>981</b>	<b>-132</b>		<b>657</b>
Internal income	1,679	1,965	-15%	1,883	-11%	3,644	3,854	-5%	7,424
Average number of employees	1,810	1,830	-1%	1,837	-1%	1,821	1,856	-2%	1,829

### JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

Operating profit rose to SEK 981m (-132). The increase was chiefly attributable to capital gains from the sale of shares, which amounted to SEK 812m (-), as well as the fact that no provision was made for an allocation to the Oktogonen profit-sharing foundation (-398). The average number of employees fell to 1,821 (1,856).

### Q2 2016 COMPARED WITH Q1 2016

Operating profit decreased to SEK 127m (854), mainly as a result of SEK 812m in capital gains relating to the sale of shares having been booked in the comparison quarter. No provision was made to the Oktogonen profit-sharing foundation (-). The average number of employees totalled 1,810 (1,830).

## KEY FIGURES – GROUP

	Q2 2016	Q1 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Return on equity, total operations*	14.2%	13.1%	14.5%	13.7%	13.5%	13.5%
Return on equity, continuing operations*	14.2%	13.1%	14.4%	13.7%	13.4%	13.4%
C/I ratio, continuing operations	44.5%	49.8%	45.1%	47.2%	45.5%	45.3%
C/I ratio, continuing operations, incl. loan losses	46.8%	51.6%	48.6%	49.2%	48.8%	49.3%
Earnings per share, total operations, SEK	2.19	2.12	2.19	4.31	4.24	8.57
- after dilution	2.15	2.07	2.14	4.22	4.15	8.39
Ordinary dividend, SEK						4.50
Total dividend						6.00
Adjusted equity per share, SEK**	62.83	60.88	63.32	62.83	63.32	65.14
Common equity tier 1 ratio, CRD IV	23.0%	22.7%	21.3%	23.0%	21.3%	21.2%
Total capital ratio, CRD IV	28.9%	28.8%	28.4%	28.9%	28.4%	27.2%
Own funds in relation to capital requirement according to Basel I floor	142%	139%	149%	142%	149%	137%
Average number of employees, continuing operations	11,716	11,835	11,696	11,775	11,657	11,819
Number of branches in Sweden	463	463	463	463	463	463
Number of branches outside Sweden	392	389	380	392	380	386

\* 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 of defined-benefit pension plans.

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

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

## THE HANDELSBANKEN SHARE

	Q2 2016	Q1 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Number of converted shares	28,800,955	-	4,475	28,800,955	15,311	18,925
Number of repurchased shares	-	-	-	-	-	-
Holding of own shares in trading book, end of period	-	-	-	-	-	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	1,935,847,037	1,907,046,082	1,907,042,468	1,935,847,037	1,907,042,468	1,907,046,082
Number of outstanding shares after dilution, end of period	1,975,789,501	1,976,193,169	1,973,425,509	1,975,789,501	1,973,425,509	1,972,745,117
Average number of shares converted during the period	12,852,916	-	12,841	6,426,458	7,713	12,028
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-	-
Average number of outstanding shares	1,919,898,998	1,907,027,157	1,907,039,998	1,913,472,540	1,907,034,870	1,907,039,185
- after dilution	1,976,193,169	1,972,726,192	1,974,008,668	1,972,745,117	1,971,862,552	1,971,862,552
Share price ordinary class A, end of period, SEK	101.80	103.30	121.00	101.80	121.00	112.90
Market capitalisation, end of period, SEK bn	197	197	231	197	231	215

# Condensed set of financial statements – Group

## INCOME STATEMENT – GROUP

SEK m		Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Interest income		9,451	10,336	-9%	10,646	-11%	19,787	22,076	-10%	43,052
Interest expense		-2,643	-3,541	-25%	-3,627	-27%	-6,184	-8,141	-24%	-15,312
<b>Net interest income</b>	Note 2	<b>6,808</b>	<b>6,795</b>	<b>0%</b>	<b>7,019</b>	<b>-3%</b>	<b>13,603</b>	<b>13,935</b>	<b>-2%</b>	<b>27,740</b>
Net fee and commission income	Note 3	2,280	2,170	5%	2,359	-3%	4,450	4,669	-5%	9,320
Net gains/losses on financial transactions	Note 4	523	1,162	-55%	451	16%	1,685	879	92%	2,608
Risk result - insurance		35	76	-54%	55	-36%	111	81	37%	157
Other dividend income		222	3		275	-19%	225	278	-19%	281
Share of profit of associates		13	2		9	44%	15	10	50%	17
Other income		41	35	17%	53	-23%	76	114	-33%	213
<b>Total income</b>		<b>9,922</b>	<b>10,243</b>	<b>-3%</b>	<b>10,221</b>	<b>-3%</b>	<b>20,165</b>	<b>19,966</b>	<b>1%</b>	<b>40,336</b>
Staff costs		-2,952	-3,668	-20%	-3,149	-6%	-6,620	-6,275	5%	-12,581
Other expenses	Note 5	-1,346	-1,303	3%	-1,336	1%	-2,649	-2,564	3%	-5,203
Depreciation, amortisation and impairments of property, equipment and intangible assets		-119	-125	-5%	-122	-2%	-244	-249	-2%	-487
<b>Total expenses</b>		<b>-4,417</b>	<b>-5,096</b>	<b>-13%</b>	<b>-4,607</b>	<b>-4%</b>	<b>-9,513</b>	<b>-9,088</b>	<b>5%</b>	<b>-18,271</b>
<b>Profit before loan losses</b>		<b>5,505</b>	<b>5,147</b>	<b>7%</b>	<b>5,614</b>	<b>-2%</b>	<b>10,652</b>	<b>10,878</b>	<b>-2%</b>	<b>22,065</b>
Net loan losses	Note 6	-229	-187	22%	-359	-36%	-416	-664	-37%	-1,597
Gains/losses on disposal of property, equipment and intangible assets		1	7	-86%	1	0%	8	-3		7
<b>Operating profit</b>		<b>5,277</b>	<b>4,967</b>	<b>6%</b>	<b>5,256</b>	<b>0%</b>	<b>10,244</b>	<b>10,211</b>	<b>0%</b>	<b>20,475</b>
Taxes		-1,091	-929	17%	-1,110	-2%	-2,020	-2,173	-7%	-4,277
<b>Profit for the period from continuing operations</b>		<b>4,186</b>	<b>4,038</b>	<b>4%</b>	<b>4,146</b>	<b>1%</b>	<b>8,224</b>	<b>8,038</b>	<b>2%</b>	<b>16,198</b>
Profit for the period pertaining to discontinued operations, after tax	Note 7	8	5	60%	27	-70%	13	46	-72%	145
<b>Profit for the period</b>		<b>4,194</b>	<b>4,043</b>	<b>4%</b>	<b>4,173</b>	<b>1%</b>	<b>8,237</b>	<b>8,084</b>	<b>2%</b>	<b>16,343</b>
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,194	4,042	4%	4,173	1%	8,236	8,084	2%	16,342
Minority interest		0	1		0		1	0		1

## EARNINGS PER SHARE – GROUP

	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,194	4,042	4%	4,173	1%	8,236	8,084	2%	16,342
- of which interest expense on convertible subordinated loan after tax	-41	-46	-11%	-52	-21%	-87	-107	-19%	-199
Average number of outstanding shares, million	1,919.9	1,907.0		1,907.0		1,913.5	1,907.0		1,907.0
Average number of outstanding shares after dilution, million	1,976.2	1,972.7		1,974.0		1,972.7	1,971.9		1,971.9
Earnings per share, continuing operations, SEK	2.18	2.12	3%	2.18	0%	4.30	4.22	2%	8.49
- after dilution	2.14	2.07	3%	2.13	0%	4.21	4.13	2%	8.32
Earnings per share, discontinued operations, SEK	0.01	0.00		0.01	0%	0.01	0.02	-50%	0.08
- after dilution	0.01	0.00		0.01	0%	0.01	0.02	-50%	0.07
Earnings per share, total operations, SEK	2.19	2.12	3%	2.19	0%	4.31	4.24	2%	8.57
- after dilution	2.15	2.07	4%	2.14	0%	4.22	4.15	2%	8.39

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

## STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
<b>Profit for the period</b>	<b>4,194</b>	<b>4,043</b>	<b>4%</b>	<b>4,173</b>	<b>1%</b>	<b>8,237</b>	<b>8,084</b>	<b>2%</b>	<b>16,343</b>
<b>Other comprehensive income</b>									
<b>Items that may not subsequently be reclassified to profit or loss</b>									
Defined-benefit plans	-2,597	1,501		-2,500	-4%	-1,096	-1,265	13%	-3,152
Taxes on items that cannot be reclassified into profit or loss	568	-328		548	4%	240	272	-12%	688
<b>Total items that may not subsequently be reclassified to profit or loss</b>	<b>-2,029</b>	<b>1,173</b>		<b>-1,952</b>	<b>-4%</b>	<b>-856</b>	<b>-993</b>	<b>14%</b>	<b>-2,464</b>
<b>Items that can be reclassified into profit or loss</b>									
Cash flow hedges	1,442	3,526	-59%	-2,853		4,968	-1,602		-501
Available-for-sale instruments	529	-1,101		18		-572	1,433		682
Translation differences for the period	1,063	-1,018		-596		45	1,200	-96%	-1,713
<i>of which hedging net investment in foreign operations</i>	-10	-208	95%	-266	96%	-218	624		-394
Taxes on items that can be reclassified into profit or loss	-316	-672	53%	689		-988	143		215
<i>of which cash flow hedges</i>	-317	-776	59%	627		-1,093	352		110
<i>of which available-for-sale instruments</i>	-1	58		3		57	-72		18
<i>of which hedging net investment in foreign operations</i>	2	46	-96%	59	-97%	48	-137		87
<b>Total items that can be reclassified into profit or loss</b>	<b>2,718</b>	<b>735</b>	<b>270%</b>	<b>-2,742</b>		<b>3,453</b>	<b>1,174</b>	<b>194%</b>	<b>-1,317</b>
<b>Total other comprehensive income for the period</b>	<b>689</b>	<b>1,908</b>	<b>-64%</b>	<b>-4,694</b>		<b>2,597</b>	<b>181</b>		<b>-3,781</b>
<b>Total comprehensive income for the period</b>	<b>4,883</b>	<b>5,951</b>	<b>-18%</b>	<b>-521</b>		<b>10,834</b>	<b>8,265</b>	<b>31%</b>	<b>12,562</b>
Attributable to									
Shareholders in Svenska Handelsbanken AB	4,883	5,950	-18%	-521		10,833	8,265	31%	12,562
Minority interest	0	1	-100%	0	0%	1	0		0

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

In the first half of 2016, Other comprehensive income totalled SEK 2,597m (181) after tax. In individual periods, the results of all items within Other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

The pension liability for the defined-benefit pension plans has increased and this had a negative impact on Other comprehensive income amounting to SEK 856m after tax, compared with the period of comparison when there was a negative effect of SEK 993m after tax. The main reason for this year's change is a decrease in the discount rate for the Swedish pension commitments to 2.00% compared with 2.25% at year-end.

Most of the Group's long-term funding is hedged using derivatives, where all cash flows are matched until maturity. Cash flow hedging manages the risk of variations in the cash flows related to changes in variable interest rates and currencies on lending and funding. The underlying funding and the asset which is being funded are valued at amortised cost, while the derivatives which are hedging these items are valued at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to

volatility in Other comprehensive income during their term. Such changes in the value of hedge derivatives in cash flow hedges had a positive effect on Other comprehensive income of SEK 3,875m (-1,250) after tax. The value changes derived partly from exchange rate movements, but above all from decreasing discount rates in foreign currency.

During the year, unrealised changes in the value of financial assets classified as available for sale have had an effect on Other comprehensive income of SEK -515m (1,361) after tax. The negative result is mainly due to the fact that gains of SEK 909m from selling shares have been recognised in the income statement.

Unrealised exchange rate effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations have affected Other comprehensive income by SEK 93m (1,063) after tax during the year.



## QUARTERLY PERFORMANCE – GROUP

SEK m	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Interest income	9,451	10,336	10,540	10,436	10,646
Interest expense	-2,643	-3,541	-3,569	-3,602	-3,627
Net interest income	6,808	6,795	6,971	6,834	7,019
Net fee and commission income	2,280	2,170	2,343	2,308	2,359
Net gains/losses on financial transactions	523	1,162	1,503	226	451
Risk result - insurance	35	76	36	40	55
Other dividend income	222	3	2	1	275
Share of profit of associates	13	2	-11	18	9
Other income	41	35	65	34	53
<b>Total income</b>	<b>9,922</b>	<b>10,243</b>	<b>10,909</b>	<b>9,461</b>	<b>10,221</b>
Staff costs	-2,952	-3,668	-3,353	-2,953	-3,149
Other expenses	-1,346	-1,303	-1,442	-1,197	-1,336
Depreciation, amortisation and impairments of property, equipment and intangible assets	-119	-125	-112	-126	-122
<b>Total expenses</b>	<b>-4,417</b>	<b>-5,096</b>	<b>-4,907</b>	<b>-4,276</b>	<b>-4,607</b>
<b>Profit before loan losses</b>	<b>5,505</b>	<b>5,147</b>	<b>6,002</b>	<b>5,185</b>	<b>5,614</b>
Net loan losses	-229	-187	-475	-458	-359
Gains/losses on disposal of property, equipment and intangible assets	1	7	6	4	1
<b>Operating profit</b>	<b>5,277</b>	<b>4,967</b>	<b>5,533</b>	<b>4,731</b>	<b>5,256</b>
Taxes	-1,091	-929	-1,076	-1,028	-1,110
<b>Profit for the period from continuing operations</b>	<b>4,186</b>	<b>4,038</b>	<b>4,457</b>	<b>3,703</b>	<b>4,146</b>
Profit for the period pertaining to discontinued operations, after tax	8	5	44	55	27
<b>Profit for the period</b>	<b>4,194</b>	<b>4,043</b>	<b>4,501</b>	<b>3,758</b>	<b>4,173</b>
Earnings per share, continuing operations, SEK	2.18	2.12	2.34	1.94	2.18
- after dilution	2.14	2.07	2.28	1.90	2.13
Earnings per share, discontinued operations, SEK	0.01	0.00	0.02	0.03	0.01
- after dilution	0.01	0.00	0.02	0.03	0.01
Earnings per share, total operations, SEK	2.19	2.12	2.36	1.97	2.19
- after dilution	2.15	2.07	2.30	1.93	2.14

## BALANCE SHEET – GROUP

SEK m		30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
<b>Assets</b>						
Cash and balances with central banks		501,744	463,957	202,630	452,271	447,289
Other loans to central banks	Note 8	81,267	43,790	34,118	74,145	106,646
Interest-bearing securities eligible as collateral with central banks		117,753	95,474	74,777	102,824	73,071
Loans to other credit institutions	Note 8	48,479	47,442	49,656	63,130	87,250
Loans to the public	Note 8	1,937,155	1,902,479	1,866,467	1,855,311	1,851,432
Value change of interest-hedged item in portfolio hedge		45	36	27	40	42
Bonds and other interest-bearing securities		46,223	53,856	44,513	62,017	56,502
Shares		52,541	39,318	30,387	61,462	73,395
Investments in associates		257	248	245	257	303
Assets where the customer bears the value change risk		107,004	104,316	105,146	100,539	105,786
Derivative instruments	Note 9,10	92,381	73,885	85,347	98,674	91,099
Reinsurance assets		10	10	10	6	6
Intangible assets	Note 11	8,450	8,304	8,254	8,230	8,192
Property and equipment		2,264	2,262	2,348	2,336	2,179
Current tax assets		1,575	588	143	1,064	558
Deferred tax assets		1,979	1,262	1,489	1,503	921
Net pension assets		-	-	-	-	-
Assets held for sale		-	1,671	1,442	1,512	1,393
Other assets		25,810	12,106	8,887	52,405	23,664
Prepaid expenses and accrued income		5,708	5,839	6,247	5,895	6,081
<b>Total assets</b>		<b>3,030,645</b>	<b>2,856,843</b>	<b>2,522,133</b>	<b>2,943,621</b>	<b>2,935,809</b>
<b>Liabilities and equity</b>						
Due to credit institutions	Note 12	207,312	192,902	163,770	222,941	218,571
Deposits and borrowing from the public	Note 12	1,134,500	1,042,076	753,855	1,049,202	1,093,551
Liabilities where the customer bears the value change risk		107,054	104,392	105,225	100,617	105,848
Issued securities	Note 13	1,320,083	1,258,169	1,245,367	1,258,088	1,214,721
Derivative instruments	Note 9,10	37,283	44,302	40,592	46,252	54,533
Short positions		8,581	10,181	2,416	21,027	20,421
Insurance liabilities		591	603	607	616	628
Current tax liabilities		1,008	460	996	1,358	842
Deferred tax liabilities		10,006	9,578	8,844	9,762	9,191
Provisions		773	796	113	99	98
Net pension liabilities		6,544	3,824	5,314	5,282	2,899
Liabilities related to assets held for sale		-	843	759	746	713
Other liabilities		18,817	12,527	14,206	41,220	30,962
Accrued expenses and deferred income		15,608	19,427	17,585	18,615	19,149
Subordinated liabilities		32,903	33,986	34,216	40,361	39,711
<b>Total liabilities</b>		<b>2,901,063</b>	<b>2,734,066</b>	<b>2,393,865</b>	<b>2,816,186</b>	<b>2,811,838</b>
Minority interest		5	5	4	5	4
Share capital		3,001	2,956	2,956	2,956	2,956
Share premium		5,081	3,204	3,204	3,204	3,204
Reserves		11,037	10,348	8,440	12,107	12,401
Retained earnings		102,222	102,222	97,322	97,322	97,322
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		8,236	4,042	16,342	11,841	8,084
<b>Total equity</b>		<b>129,582</b>	<b>122,777</b>	<b>128,268</b>	<b>127,435</b>	<b>123,971</b>
<b>Total liabilities and equity</b>		<b>3,030,645</b>	<b>2,856,843</b>	<b>2,522,133</b>	<b>2,943,621</b>	<b>2,935,809</b>

## STATEMENT OF CHANGES IN EQUITY – GROUP

January - June 2016 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
<b>Opening equity</b>	<b>2,956</b>	<b>3,204</b>	<b>-1,461</b>	<b>4,940</b>	<b>2,024</b>	<b>2,937</b>	<b>113,664</b>	<b>4</b>	<b>128,268</b>
Profit for the period							8,236	1	8,237
Other comprehensive income			-856	3,875	-515	93		0	2,597
<b>Total comprehensive income for the period</b>			<b>-856</b>	<b>3,875</b>	<b>-515</b>	<b>93</b>	<b>8,236</b>	<b>1</b>	<b>10,834</b>
Dividend							-11,442		-11,442
Effects of convertible subordinated loans	45	1,877					-		1,922
Change of minority interests							0	0	0
<b>Closing equity</b>	<b>3,001</b>	<b>5,081</b>	<b>-2,317</b>	<b>8,815</b>	<b>1,509</b>	<b>3,030</b>	<b>110,458</b>	<b>5</b>	<b>129,582</b>

January - December 2015 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
<b>Opening equity</b>	<b>2,956</b>	<b>3,203</b>	<b>1,003</b>	<b>5,331</b>	<b>1,324</b>	<b>4,562</b>	<b>108,445</b>	<b>3</b>	<b>126,827</b>
Profit for the period							16,342	1	16,343
Other comprehensive income			-2,464	-391	700	-1,625		-1	-3,781
<b>Total comprehensive income for the period</b>			<b>-2,464</b>	<b>-391</b>	<b>700</b>	<b>-1,625</b>	<b>16,342</b>	<b>0</b>	<b>12,562</b>
Dividend							-11,124		-11,124
Effects of convertible subordinated loans	0	1					1		2
Change of minority interests							0	1	1
<b>Closing equity</b>	<b>2,956</b>	<b>3,204</b>	<b>-1,461</b>	<b>4,940</b>	<b>2,024</b>	<b>2,937</b>	<b>113,664</b>	<b>4</b>	<b>128,268</b>

During the period January to June 2016, convertibles for a nominal value of SEK 1,951m (1) relating to the 2008 and 2011 subordinated convertible bonds were converted into 28,800,955 class A shares (15,311). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

## CASH FLOW STATEMENT, CONDENSED – GROUP

SEK m	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Operating profit, total operations	10,286	10,277	20,656
Adjustment for non-cash items in profit/loss	-1,371	2,336	4,200
Paid income tax	-3,591	-2,799	-4,878
Changes in the assets and liabilities of operating activities	299,035	-35,814	-292,273
<b>Cash flow from operating activities</b>	<b>304,359</b>	<b>-26,000</b>	<b>-272,295</b>
Change in shares	1,026	-7	3,675
Change in interest-bearing securities	1,000	4	11
Change in property and equipment	563	-162	-510
Change in intangible assets	-207	-193	-456
<b>Cash flow from investing activities</b>	<b>2,382</b>	<b>-358</b>	<b>2,720</b>
Repayment of subordinated loans	1,951	0	-5,690
Issued subordinated loans	-	9,908	10,082
Dividend paid	-11,442	-11,124	-11,124
<b>Cash flow from financing activities</b>	<b>-9,491</b>	<b>-1,216</b>	<b>-6,732</b>
<b>Liquid funds at beginning of the year</b>	<b>202,630</b>	<b>454,532</b>	<b>454,532</b>
Cash flow for the period	297,250	-27,574	-276,307
Exchange rate difference on liquid funds	1,864	20,331	24,405
<b>Liquid funds at end of year*</b>	<b>501,744</b>	<b>447,289</b>	<b>202,630</b>

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

## NOTES

### Note 1 Accounting policies

#### Accounting policies

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

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

On 1 January 2016, regulations (FFFS 2015:20) regarding an amendment to the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on annual reports in credit institutions and securities companies came into effect. The main difference is that the amount corresponding to internally developed software for the period is transferred from unrestricted equity to restricted equity in the 'Fund for internally developed software' item. This only applies to the parent company.

ESMA has published guidelines on disclosures regarding alternative performance measures published after 3 July 2016. The guidelines entail an increase in the disclosure of financial ratios that are not defined in IFRS. In accordance with the requirements in the

guidelines, the Bank informs about definitions and reconciliation of alternative performance measures in the Fact Book which is available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng).

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 2015.

#### Future amendments to regulations

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, was published by the IASB in July 2014. Assuming that IFRS 9 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2018 financial year. The standard encompasses three areas: classification and measurement, impairment, and general hedge accounting. The Bank is currently analysing the financial effects of the new standard in more detail.

IFRS 15 Revenue from contracts with customers has also been published by the IASB. Assuming that IFRS 15 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2018 financial year. The current assessment is that the new standard will not have any material impact on Handelsbanken's financial reports, capital adequacy or large exposures.

IFRS 16 Leases has also been published by the IASB. Assuming that IFRS 16 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2019 financial year. The Bank is analysing the financial effects of the new standard.

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

## Note 2 Net interest income

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
<b>Interest income</b>									
Loans to credit institutions and central banks	391	481	-19%	323	21%	872	693	26%	1,356
Loans to the public	9,759	9,812	-1%	10,616	-8%	19,571	21,718	-10%	41,963
Interest-bearing securities eligible as collateral with central banks	109	118	-8%	217	-50%	227	333	-32%	651
Interest-bearing securities	232	193	20%	363	-36%	425	557	-24%	915
Derivative instruments	-1,218	-419	-191%	-878	-39%	-1,637	-1,488	-10%	-2,386
Other interest income	329	311	6%	358	-8%	640	697	-8%	1,377
<b>Total interest income</b>	<b>9,602</b>	<b>10,496</b>	<b>-9%</b>	<b>10,999</b>	<b>-13%</b>	<b>20,098</b>	<b>22,510</b>	<b>-11%</b>	<b>43,876</b>
Of which interest income reported in Net gains/losses on financial transactions	151	160	-6%	353	-57%	311	434	-28%	824
<b>Interest income according to income statement</b>	<b>9,451</b>	<b>10,336</b>	<b>-9%</b>	<b>10,646</b>	<b>-11%</b>	<b>19,787</b>	<b>22,076</b>	<b>-10%</b>	<b>43,052</b>
<b>Interest expense</b>									
Due to credit institutions and central banks	-261	-282	-7%	-237	10%	-543	-478	14%	-908
Deposits and borrowing from the general public	-382	-404	-5%	-484	-21%	-786	-1,079	-27%	-1,881
Issued securities	-4,582	-4,392	4%	-4,408	4%	-8,974	-9,243	-3%	-18,166
Derivative instruments	3,210	2,213	45%	2,268	42%	5,423	4,099	32%	8,364
Subordinated liabilities	-384	-389	-1%	-438	-12%	-773	-813	-5%	-1,695
Other interest expense	-442	-407	9%	-566	-22%	-849	-921	-8%	-1,574
<b>Total interest expense</b>	<b>-2,841</b>	<b>-3,661</b>	<b>-22%</b>	<b>-3,865</b>	<b>-26%</b>	<b>-6,502</b>	<b>-8,435</b>	<b>-23%</b>	<b>-15,860</b>
Of which interest expense reported in Net gains/losses on financial transactions	-198	-120	65%	-238	-17%	-318	-294	8%	-548
<b>Interest expense according to income statement</b>	<b>-2,643</b>	<b>-3,541</b>	<b>-25%</b>	<b>-3,627</b>	<b>-27%</b>	<b>-6,184</b>	<b>-8,141</b>	<b>-24%</b>	<b>-15,312</b>
<b>Net interest income</b>	<b>6,808</b>	<b>6,795</b>	<b>0%</b>	<b>7,019</b>	<b>-3%</b>	<b>13,603</b>	<b>13,935</b>	<b>-2%</b>	<b>27,740</b>

## Note 3 Net fee and commission income

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Brokerage and other securities commissions	229	233	-2%	271	-15%	462	593	-22%	1,071
Mutual funds	717	695	3%	775	-7%	1,412	1,501	-6%	2,987
Custody and other asset management fees	148	147	1%	156	-5%	295	303	-3%	600
Advisory services	98	104	-6%	91	8%	202	141	43%	326
Insurance	151	158	-4%	145	4%	309	326	-5%	639
Payments	795	718	11%	848	-6%	1,513	1,622	-7%	3,364
Loans and deposits	290	280	4%	266	9%	570	543	5%	1,096
Guarantees	108	99	9%	103	5%	207	211	-2%	421
Other	127	119	7%	118	8%	246	232	6%	471
<b>Commission income</b>	<b>2,663</b>	<b>2,553</b>	<b>4%</b>	<b>2,773</b>	<b>-4%</b>	<b>5,216</b>	<b>5,472</b>	<b>-5%</b>	<b>10,975</b>
Securities	-70	-66	6%	-69	1%	-136	-134	1%	-244
Payments	-293	-300	-2%	-326	-10%	-593	-631	-6%	-1,337
Other	-20	-17	18%	-19	5%	-37	-38	-3%	-74
<b>Commission expense</b>	<b>-383</b>	<b>-383</b>	<b>0%</b>	<b>-414</b>	<b>-7%</b>	<b>-766</b>	<b>-803</b>	<b>-5%</b>	<b>-1,655</b>
<b>Net fee and commission income</b>	<b>2,280</b>	<b>2,170</b>	<b>5%</b>	<b>2,359</b>	<b>-3%</b>	<b>4,450</b>	<b>4,669</b>	<b>-5%</b>	<b>9,320</b>

## Note 4 Net gains/losses on financial transactions

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Trading, derivatives, FX effect etc	-90	-267	66%	1,212		-357	1,214		1,965
Other financial instruments at fair value in profit/loss	447	583	-23%	-775		1,030	-306		-497
<i>of which interest-bearing securities</i>	455	585	-22%	-773		1,040	-296		-401
<i>of which loans</i>	-8	-2	-300%	-2	-300%	-10	-10	0%	-96
Financial instruments at amortised cost	56	36	56%	47	19%	92	38	142%	53
<i>of which loans</i>	127	86	48%	135	-6%	213	234	-9%	482
<i>of which liabilities</i>	-71	-50	-42%	-88	19%	-121	-196	38%	-429
Financial instruments available for sale	89	827	-89%	-5		916	11		1,203
Hedge accounting	36	0		-16		36	-66		-21
<i>of which net gains/losses on fair value hedges</i>	10	2	400%	-20		12	-76		-53
<i>of which cash flow hedge ineffectiveness</i>	26	-2		4		24	10	140%	32
Gains/losses on unbundled insurance contracts	-15	-17	12%	-12	-25%	-32	-12	-167%	-95
<b>Total</b>	<b>523</b>	<b>1,162</b>	<b>-55%</b>	<b>451</b>	<b>16%</b>	<b>1,685</b>	<b>879</b>	<b>92%</b>	<b>2,608</b>

## Note 5 Other expenses

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Property and premises	-303	-308	-2%	-314	-4%	-611	-619	-1%	-1,243
External IT costs	-420	-408	3%	-421	0%	-828	-812	2%	-1,623
Communication	-80	-85	-6%	-83	-4%	-165	-171	-4%	-342
Travel and marketing	-85	-68	25%	-93	-9%	-153	-165	-7%	-335
Purchased services	-298	-264	13%	-249	20%	-562	-484	16%	-1,027
Supplies	-43	-45	-4%	-43	0%	-88	-90	-2%	-182
Other administrative expenses	-117	-125	-6%	-133	-12%	-242	-223	9%	-451
<b>Other expenses</b>	<b>-1,346</b>	<b>-1,303</b>	<b>3%</b>	<b>-1,336</b>	<b>1%</b>	<b>-2,649</b>	<b>-2,564</b>	<b>3%</b>	<b>-5,203</b>



## Note 6 Loan losses and impaired loans

## Loan losses

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
<b>Specific provision for individually assessed loans</b>									
Provision for the period	-297	-344	-14%	-430	-31%	-641	-839	-24%	-1,832
Reversal of previous provisions	76	57	33%	61	25%	133	156	-15%	372
<b>Total</b>	<b>-221</b>	<b>-287</b>	<b>-23%</b>	<b>-369</b>	<b>-40%</b>	<b>-508</b>	<b>-683</b>	<b>-26%</b>	<b>-1,460</b>
<b>Collective provisions</b>									
Net provision for the period for individually assessed loans	-4	7		15		3	53	-94%	0
Net provision for the period for homogeneous loans	0	1	-100%	0	0%	1	-2		-3
<b>Total</b>	<b>-4</b>	<b>8</b>		<b>15</b>		<b>4</b>	<b>51</b>	<b>-92%</b>	<b>-3</b>
<b>Off-balance sheet items</b>									
Losses on off-balance sheet items	-2	-2		0		-4	0		0
Reversal of previous losses on off-balance-sheet items	2	-		-		2	-		0
Change in collective provision for off-balance-sheet items	-10	15		1		5	-24		-33
<b>Total</b>	<b>-10</b>	<b>13</b>		<b>1</b>		<b>3</b>	<b>-24</b>		<b>-33</b>
<b>Write-offs</b>									
Actual loan losses for the period	-142	-1,215	-88%	-228	-38%	-1,357	-433	213%	-964
Utilised share of previous provisions	114	1,195	-90%	153	-25%	1,309	314	317%	659
Recoveries	34	99	-66%	69	-51%	133	111	20%	204
<b>Total</b>	<b>6</b>	<b>79</b>	<b>-92%</b>	<b>-6</b>		<b>85</b>	<b>-8</b>		<b>-101</b>
<b>Net loan losses</b>	<b>-229</b>	<b>-187</b>	<b>22%</b>	<b>-359</b>	<b>-36%</b>	<b>-416</b>	<b>-664</b>	<b>-37%</b>	<b>-1,597</b>

## Impaired loans

Impaired loans includes all loans in respect of which all contracted cash flows will probably not 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 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Impaired loans	7,427	7,390	8,844	8,863	8,979
Specific provision for individually assessed loans	-3,671	-3,517	-4,444	-4,320	-4,077
Provision for collectively assessed homogeneous groups of loans with limited value	-94	-93	-94	-88	-93
Collective provisions for individually assessed loans	-279	-272	-278	-266	-230
<b>Impaired loans, net</b>	<b>3,383</b>	<b>3,508</b>	<b>4,028</b>	<b>4,189</b>	<b>4,579</b>
Total impaired loans reserve ratio	54.4%	52.5%	54.5%	52.7%	49.0%
Proportion of impaired loans	0.17%	0.18%	0.21%	0.22%	0.24%
Impaired loans reserve ratio excl. collective provisions	50.7%	48.8%	51.3%	49.7%	46.4%
Loan loss ratio as a % of loans, acc.	0.04%	0.04%	0.09%	0.08%	0.07%
Loans past due > 60 days	4,629	4,473	4,657	5,286	5,737
Loans past due > 60 days, which are not impaired	1,229	1,270	1,218	1,504	1,853

For definitions and calculation of key figures, please see the Fact Book which is available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng).

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

30 June 2016		Impaired loans			Loans past due > 60 days, which are not impaired
SEK m	Gross	Provisions	Net*	Of which past due >60 days	
Private individuals	1,440	-747	693	470	816
Housing co-operative associations	34	-19	15	1	-
Property management	1,798	-759	1,039	297	198
Manufacturing	711	-533	178	60	26
Retail	580	-315	265	75	10
Hotel and restaurant	96	-41	55	54	119
Passenger and goods transport by sea	1,697	-570	1,127	1	-
Other transport and communication	48	-37	11	9	4
Construction	292	-192	100	62	25
Electricity, gas and water	82	-58	24	7	-
Agriculture, hunting and forestry	43	-20	23	17	1
Other services	84	-58	26	22	24
Holding, investment and insurance companies, funds etc.	404	-319	85	31	1
Other corporate lending	118	-97	21	21	5
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>7,427</b>	<b>-3,765</b>	<b>3,662</b>	<b>1,127</b>	<b>1,229</b>

\* Book value after deduction of specific provisions.

31 December 2015		Impaired loans			Loans past due > 60 days, which are not impaired
SEK m	Gross	Provisions	Net*	Of which past due >60 days	
Private individuals	1,424	-755	669	494	757
Housing co-operative associations	35	-20	15	1	2
Property management	1,943	-697	1,246	410	149
Manufacturing	2,103	-1,542	561	49	21
Retail	394	-267	127	74	4
Hotel and restaurant	116	-30	86	85	168
Passenger and goods transport by sea	1,734	-543	1,191	0	-
Other transport and communication	78	-60	18	16	8
Construction	150	-92	58	40	77
Electricity, gas and water	73	-52	21	5	-
Agriculture, hunting and forestry	34	-15	19	3	0
Other services	101	-66	35	27	15
Holding, investment and insurance companies, funds etc.	500	-282	218	74	17
Other corporate lending	159	-117	42	39	0
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>8,844</b>	<b>-4,538</b>	<b>4,306</b>	<b>1,317</b>	<b>1,218</b>

\* Book value after deduction of specific provisions.

## Note 7 Discontinued operations

The Bank divested its ownership of Plastal Industri AB during the second quarter and there were no discontinued operations at the end of the period. Discontinued operations refer to the results from the Plastal Industri AB subsidiary for the time before the divestment, as well as the profits from the divestment of the company.

## Note 8 Loans and credit exposure

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Loans to the public	1,937,155	1,902,479	1,866,467	1,855,311	1,851,432
of which reverse repos	11,360	14,279	7,742	15,803	16,428
Loans to other credit institutions	48,479	47,442	49,656	63,130	87,250
of which reverse repos	19,330	20,592	23,394	36,719	48,227
Other loans to central banks	81,267	43,790	34,118	74,145	106,646
of which reverse repos	0	462	0	595	1,288

## Loans to the public, by sector

SEK m	30 June 2016			31 December 2015		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	949,876	-747	949,129	912,517	-755	911,762
<i>of which mortgage loans</i>	772,013	-26	771,987	736,768	-31	736,737
<i>of which other loans with property mortgages</i>	117,518	-139	117,379	107,591	-146	107,445
<i>of which other loans to private individuals</i>	60,345	-582	59,763	68,158	-578	67,580
Housing co-operative associations	178,765	-19	178,746	169,595	-20	169,575
<i>of which mortgage loans</i>	152,514	-7	152,507	148,064	-7	148,057
Property management	534,204	-759	533,445	511,308	-697	510,611
Manufacturing	32,523	-533	31,990	33,540	-1,542	31,998
Retail	24,544	-315	24,229	24,236	-267	23,969
Hotels and restaurants	8,660	-41	8,619	8,981	-30	8,951
Passenger and goods transport by sea	9,770	-570	9,200	10,354	-543	9,811
Other transport and communication	14,522	-37	14,485	11,195	-60	11,135
Construction	16,703	-192	16,511	15,500	-92	15,408
Electricity, gas, water	24,128	-58	24,070	26,560	-52	26,508
Agriculture, hunting and forestry	12,364	-20	12,344	11,318	-15	11,303
Other services	20,897	-58	20,839	19,789	-66	19,723
Holding, investment, insurance, funds, etc.	68,844	-319	68,525	71,179	-282	70,897
Government and municipalities	16,180	-	16,180	22,452	-	22,452
Other corporate lending	29,219	-97	29,122	22,759	-117	22,642
<b>Total loans to the public, before collective provisions</b>	<b>1,941,199</b>	<b>-3,765</b>	<b>1,937,434</b>	<b>1,871,283</b>	<b>-4,538</b>	<b>1,866,745</b>
Collective provisions			-279			-278
<b>Total loans to the public</b>			<b>1,937,155</b>			<b>1,866,467</b>

## Specification of Loans to the public – Property management

SEK m	30 June 2016			31 December 2015		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
<b>Loans in Sweden</b>						
State-owned property companies	5,040	-	5,040	5,042	-	5,042
Municipal-owned property companies	9,890	-	9,890	12,242	-	12,242
Residential property companies	93,272	-29	93,243	91,484	-35	91,449
<i>of which mortgage loans</i>	77,874	-2	77,872	77,367	-4	77,363
Other property management	136,709	-61	136,648	136,333	-71	136,262
<i>of which mortgage loans</i>	58,365	-4	58,361	61,993	-7	61,986
<b>Total loans in Sweden</b>	<b>244,911</b>	<b>-90</b>	<b>244,821</b>	<b>245,101</b>	<b>-106</b>	<b>244,995</b>
<b>Loans outside Sweden</b>						
Denmark	17,174	-448	16,726	13,816	-89	13,727
Finland	32,237	-120	32,117	28,704	-22	28,682
Norway	99,532	-23	99,509	85,787	-58	85,729
UK	110,693	-64	110,629	115,669	-408	115,261
The Netherlands	20,935	-	20,935	14,539	-	14,539
Other countries	8,722	-14	8,708	7,692	-14	7,678
<b>Total loans outside Sweden</b>	<b>289,293</b>	<b>-669</b>	<b>288,624</b>	<b>266,207</b>	<b>-591</b>	<b>265,616</b>
<b>Total loans - Property management</b>	<b>534,204</b>	<b>-759</b>	<b>533,445</b>	<b>511,308</b>	<b>-697</b>	<b>510,611</b>

## Credit risk exposure

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Loans to the public	1,937,155	1,902,479	1,866,467	1,855,311	1,851,432
<i>of which reverse repos</i>	11,360	14,279	7,742	15,803	16,428
Loans to other credit institutions	48,479	47,442	49,656	63,130	87,250
<i>of which reverse repos</i>	19,330	20,592	23,394	36,719	48,227
Unutilised part of granted overdraft facilities	130,525	127,904	129,216	125,876	107,218
Committed loan offers	268,866	257,692	267,200	266,098	279,578
Other commitments	25,999	31,167	24,441	27,959	23,201
Guarantees, credits	10,440	9,209	9,750	8,682	10,632
Guarantees, other	63,551	60,672	61,274	61,588	59,694
Letters of credit	4,468	4,470	6,433	5,322	6,815
Derivative instruments*	92,381	73,885	85,347	98,674	91,099
Interest-bearing securities eligible as collateral with central banks	117,753	95,474	74,777	102,824	73,071
Bonds and other interest-bearing securities	46,223	53,856	44,513	62,017	56,502
<b>Total</b>	<b>2,745,840</b>	<b>2,664,250</b>	<b>2,619,074</b>	<b>2,677,481</b>	<b>2,646,492</b>

\* Refers to the total of positive market values.

## Note 9 Derivatives

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
<b>Positive market values</b>					
Trading	66,498	54,524	50,673	60,170	57,358
Fair value hedges	22	23	38	45	20
Cash flow hedges	62,328	54,402	58,576	61,817	52,363
Amounts set off	-36,467	-35,064	-23,940	-23,358	-18,642
<b>Total</b>	<b>92,381</b>	<b>73,885</b>	<b>85,347</b>	<b>98,674</b>	<b>91,099</b>
<b>Negative market values</b>					
Trading	63,037	66,116	53,991	60,806	63,039
Fair value hedges	129	37	1	27	68
Cash flow hedges	8,096	9,921	10,241	9,467	10,611
Amounts set off	-33,979	-31,772	-23,641	-24,048	-19,185
<b>Total</b>	<b>37,283</b>	<b>44,302</b>	<b>40,592</b>	<b>46,252</b>	<b>54,533</b>
<b>Nominal value</b>					
Trading	3,390,582	3,368,807	3,441,484	4,454,988	4,987,375
Fair value hedges	24,725	13,482	8,297	9,419	12,055
Cash flow hedges	891,575	873,712	833,736	805,428	793,096
Amounts set off	-1,575,310	-1,578,065	-1,414,478		
<b>Total</b>	<b>2,731,572</b>	<b>2,677,936</b>	<b>2,869,039</b>	<b>5,269,835</b>	<b>5,792,526</b>

Derivative contracts are presented gross in the table. Amounts set off consist of the set-off 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 on the balance sheet per counterparty and currency. As of 2015, the notional amounts associated with the set-off market values are disclosed.

## Note 10 Offsetting of financial instruments

30 June 2016 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	128,848	33,276	162,124
Amounts set off	-36,467	-	-36,467
<b>Carrying amount in the balance sheet</b>	<b>92,381</b>	<b>33,276</b>	<b>125,657</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments, netting arrangements	-20,268	-	-20,268
Financial assets received as collateral	-37,746	-33,272	-71,018
<b>Total amounts not set off in the balance sheet</b>	<b>-58,014</b>	<b>-33,272</b>	<b>-91,286</b>
<b>Net amount</b>	<b>34,367</b>	<b>4</b>	<b>34,371</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	71,262	5,434	76,696
Amounts set off	-33,979	-	-33,979
<b>Carrying amount in the balance sheet</b>	<b>37,283</b>	<b>5,434</b>	<b>42,717</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments, netting arrangements	-20,268	-	-20,268
Financial assets pledged as collateral	-3,285	-5,434	-8,719
<b>Total amounts not set off in the balance sheet</b>	<b>-23,553</b>	<b>-5,434</b>	<b>-28,987</b>
<b>Net amount</b>	<b>13,730</b>	<b>-</b>	<b>13,730</b>

31 December 2015 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	109,287	31,815	141,102
Amounts set off	-23,940	-	-23,940
<b>Carrying amount in the balance sheet</b>	<b>85,347</b>	<b>31,815</b>	<b>117,162</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments, netting arrangements	-25,660	-	-25,660
Financial assets received as collateral	-35,678	-31,815	-67,493
<b>Total amounts not set off in the balance sheet</b>	<b>-61,338</b>	<b>-31,815</b>	<b>-93,153</b>
<b>Net amount</b>	<b>24,009</b>	<b>-</b>	<b>24,009</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	64,233	290	64,523
Amounts set off	-23,641	-	-23,641
<b>Carrying amount in the balance sheet</b>	<b>40,592</b>	<b>290</b>	<b>40,882</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments, netting arrangements	-25,660	-	-25,660
Financial assets pledged as collateral	-6,614	-290	-6,904
<b>Total amounts not set off in the balance sheet</b>	<b>-32,274</b>	<b>-290</b>	<b>-32,564</b>
<b>Net amount</b>	<b>8,318</b>	<b>-</b>	<b>8,318</b>

Derivative instruments are set off on 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.

The amount set off for derivative assets includes set-off cash collateral of SEK 4,540m (964), derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 2,052m (664), derived from the balance sheet item Loans to the public.

## Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Jun 2016	Jan-Jun 2015	Full year 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Opening residual value	6,460	6,597	6,597	1,794	1,535	1,535	8,254	8,132	8,132
Additional during the period	-	-	-	219	193	455	219	193	455
The period's amortisation	-	-	-	-86	-91	-182	-86	-91	-182
The period's impairments	-	-	-	-1	-9	-17	-1	-9	-17
Foreign exchange effect	90	-53	-137	-26	20	3	64	-33	-134
<b>Closing residual value</b>	<b>6,550</b>	<b>6,544</b>	<b>6,460</b>	<b>1,900</b>	<b>1,648</b>	<b>1,794</b>	<b>8,450</b>	<b>8,192</b>	<b>8,254</b>

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

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Due to credit institutions	207,312	192,902	163,770	222,941	218,571
<i>of which repos</i>	912	768	290	2,537	5,854
Deposits and borrowing from the public	1,134,500	1,042,076	753,855	1,049,202	1,093,551
<i>of which repos</i>	4,522	8,952	0	14,699	9,138

## Note 13 Issued securities

SEK m	Jan-Jun 2016	Jan-Jun 2015
<b>Issued securities at beginning of year</b>	<b>1,245,367</b>	<b>1,212,613</b>
Issued	717,771	452,260
Repurchased	-21,664	-70,593
Matured	-625,066	-394,095
Foreign exchange effect etc	3,675	14,536
<b>Issued securities at end of period</b>	<b>1,320,083</b>	<b>1,214,721</b>

## Note 14 Pledged assets, contingent liabilities and other commitments

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Assets pledged for own debt	829,996	819,522	779,834	794,527	789,837
Other pledged assets	34,969	34,730	33,488	44,058	49,463
Contingent liabilities	78,459	74,351	77,457	75,592	77,141
Other commitments	425,390	416,763	420,857	419,933	409,997

Total contingent liabilities consist mainly of guarantees.

## Note 15 Classification of financial assets and liabilities

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

30 June 2016	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									
<b>Assets</b>									
Cash and balances with central banks					501,744			501,744	501,744
Other loans to central banks					81,267			81,267	81,267
Interest-bearing securities eligible as collateral with central banks	34,473	82,396				884		117,753	117,753
Loans to other credit institutions					48,479			48,479	48,313
Loans to the public		1,485			1,935,670			1,937,155	1,955,774
Value change of interest-hedged item in portfolio hedge					45			45	
Bonds and other interest-bearing securities	9,909	30,864				5,450		46,223	46,223
Shares	45,786	812				5,943		52,541	52,541
Assets where the customer bears the value change risk		106,937			67			107,004	107,004
Derivative instruments	36,185		56,196					92,381	92,381
Other assets	7				25,803			25,810	25,810
Prepaid expenses and accrued income	206	440			5,058	4		5,708	5,708
<b>Total financial assets</b>	<b>126,566</b>	<b>222,934</b>	<b>56,196</b>		<b>2,598,133</b>	<b>12,281</b>		<b>3,016,110</b>	<b>3,034,518</b>
Investments in associates								257	
Other non-financial assets								14,278	
<b>Total assets</b>								<b>3,030,645</b>	
<b>Liabilities</b>									
Due to credit institutions							207,312	207,312	209,617
Deposits and borrowing from the public							1,134,500	1,134,500	1,134,440
Liabilities where the customer bears the value change risk		106,987					67	107,054	107,054
Issued securities	6,588						1,313,495	1,320,083	1,344,843
Derivative instruments	30,292		6,991					37,283	37,283
Short positions	8,581							8,581	8,581
Other liabilities	12						18,805	18,817	18,817
Accrued expenses and deferred income	67						15,541	15,608	15,608
Subordinated liabilities							32,903	32,903	35,827
<b>Total financial liabilities</b>	<b>45,540</b>	<b>106,987</b>	<b>6,991</b>				<b>2,722,623</b>	<b>2,882,141</b>	<b>2,912,070</b>
Other non-financial liabilities								18,922	
<b>Total liabilities</b>								<b>2,901,063</b>	



31 December 2015	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									
<b>Assets</b>									
Cash and balances with central banks					202,630			202,630	202,630
Other loans to central banks					34,118			34,118	34,118
Interest-bearing securities eligible as collateral with central banks	33,286	39,717		752		1,022		74,777	74,777
Loans to other credit institutions					49,656			49,656	49,445
Loans to the public		1,619			1,864,848			1,866,467	1,878,810
Value change of interest-hedged item in portfolio hedge					27			27	
Bonds and other interest-bearing securities	7,788	32,996		250		3,479		44,513	44,513
Shares	22,757	1,049				6,581		30,387	30,387
Assets where the customer bears the value change risk		105,077			69			105,146	105,146
Derivative instruments	30,997		54,350					85,347	85,347
Other assets	10				8,877			8,887	8,887
Prepaid expenses and accrued income	211	642			5,392	2		6,247	6,247
<b>Total financial assets</b>	<b>95,049</b>	<b>181,100</b>	<b>54,350</b>	<b>1,002</b>	<b>2,165,617</b>	<b>11,084</b>		<b>2,508,202</b>	<b>2,520,307</b>
Investments in associates								245	
Other non-financial assets								13,686	
<b>Total assets</b>								<b>2,522,133</b>	
<b>Liabilities</b>									
Due to credit institutions							163,770	163,770	165,587
Deposits and borrowing from the public							753,855	753,855	753,825
Liabilities where the customer bears the value change risk		105,156					69	105,225	105,225
Issued securities	7,890						1,237,477	1,245,367	1,267,460
Derivative instruments	31,693		8,899					40,592	40,592
Short positions	2,416							2,416	2,416
Other liabilities	16						14,190	14,206	14,206
Accrued expenses and deferred income	6						17,579	17,585	17,585
Subordinated liabilities							34,216	34,216	37,191
<b>Total financial liabilities</b>	<b>42,021</b>	<b>105,156</b>	<b>8,899</b>				<b>2,221,156</b>	<b>2,377,232</b>	<b>2,404,087</b>
Other non-financial liabilities								16,633	
<b>Total liabilities</b>								<b>2,393,865</b>	

## Note 16 Fair value measurement of financial instruments

30 June 2016 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	115,759	1,994	-	117,753
Loans to the public	-	1,468	17	1,485
Bonds and other interest-bearing securities	42,083	4,140	-	46,223
Shares	45,150	5,476	1,915	52,541
Assets where the customer bears the value change risk	106,189	-	748	106,937
Derivative instruments	305	92,076	-	92,381
<b>Total financial assets at fair value</b>	<b>309,486</b>	<b>105,154</b>	<b>2,680</b>	<b>417,320</b>

<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	106,239	-	748	106,987
Issued securities	-	6,588	-	6,588
Derivative instruments	558	36,725	-	37,283
Short positions	7,912	669	-	8,581
<b>Total financial liabilities at fair value</b>	<b>114,709</b>	<b>43,982</b>	<b>748</b>	<b>159,439</b>

31 December 2015 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	72,181	1,844	-	74,025
Loans to the public	-	1,609	10	1,619
Bonds and other interest-bearing securities	41,494	2,769	-	44,263
Shares	24,297	4,807	1,283	30,387
Assets where the customer bears the value change risk	104,345	-	732	105,077
Derivative instruments	275	85,072	-	85,347
<b>Total financial assets at fair value</b>	<b>242,592</b>	<b>96,101</b>	<b>2,025</b>	<b>340,718</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	104,424	-	732	105,156
Issued securities	-	7,890	-	7,890
Derivative instruments	786	39,806	-	40,592
Short positions	2,098	318	-	2,416
<b>Total financial liabilities at fair value</b>	<b>107,308</b>	<b>48,014</b>	<b>732</b>	<b>156,054</b>

**Valuation process**

Central risk control, Handelsbanken's independent risk control function, is responsible for the correct valuation of financial instruments on a general level. 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, for example, be based on price comparisons, present value calculations or option valuation theory depending on the nature of the instrument.

**Valuation hierarchy**

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

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2015), the instrument has been moved between the levels in the table.

During the period January–June, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 250m were transferred from level 1 to level 2. On the liabilities side, derivatives worth SEK 141m were transferred from level 1 to level 2, and derivatives worth SEK 280m were moved from level 2 to level 1.

The holdings in level 3 mainly comprise unlisted shares and holdings in private equity funds. Holdings 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 investment assets in the Group's insurance operations. Value changes on the investment assets are included in the basis for calculating the yield split in the insurance operations and are therefore not reported directly in the income statement.

The Group's holdings of unlisted shares consist mainly of the Bank's participating interests in various types of jointly owned operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration on Handelsbanken'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. In all material respects, unlisted shares are classified as available for

sale. Value changes for these holdings are thus reported in other comprehensive income.

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

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

As a consequence of the application of this principle, SEK 76m (61) has been amortised in net gains/losses on financial transactions during the January–June 2016 period. At the end of the period, total non-recognised day 1 gains/losses amounted to SEK 571m (539).

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

#### Reconciliation of financial instruments in level 3

January – June 2016 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	1,283	10	732	-732	-
Acquisitions/issues	13	-	-	-	-
Repurchases/sales	-54	-	-	-	-
Matured during the period	-	-2	-	-	-
Unrealised value change in income statement	2	0	16	-16	-
Unrealised value change in other comprehensive income	671	0	-	-	-
Transfer from level 1 or 2	-	9	-	-	-
Transfer to level 1 or 2	-	-	-	-	-
<b>Carrying amount at end of period</b>	<b>1,915</b>	<b>17</b>	<b>748</b>	<b>-748</b>	<b>-</b>

January – December 2015 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	1,405	13	698	-698	-94
Acquisitions/issues	57	-	-	-	94
Repurchases/sales	-142	-	-	-	-
Matured during the period	-	-5	-	-	-
Unrealised value change in income statement	-116	-	34	-34	-
Unrealised value change in other comprehensive income	82	-	-	-	-
Transfer from level 1 or 2	-	2	-	-	-
Transfer to level 1 or 2	-3	-	-	-	-
<b>Carrying amount at end of period</b>	<b>1,283</b>	<b>10</b>	<b>732</b>	<b>-732</b>	<b>-</b>

#### Note 17 Related-party transactions

There have been no business transactions of material importance with related parties during the period. All business transactions with associated companies are made on market terms.

## Note 18 Assets and liabilities by currency

30 June 2016								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	206	74,558	5,029	68	76,214	343,532	2,137	501,744
Other loans to central banks	48,673	-	-	32,214	380	-	-	81,267
Loans to other credit institutions	1,496	7,246	533	51	1,858	35,174	2,121	48,479
Loans to the public	1,221,278	188,334	216,439	83,985	188,233	27,959	10,927	1,937,155
<i>of which corporates</i>	475,912	132,984	129,268	32,414	126,005	27,743	9,992	934,318
<i>of which households</i>	745,366	55,350	87,171	51,571	62,228	216	935	1,002,837
Interest-bearing securities eligible as collateral with central banks	80,421	6,045	40	7	-	30,361	879	117,753
Bonds and other interest-bearing securities	40,623	2,506	1,239	-	1,731	124	-	46,223
Other items not broken down by currency	298,024							298,024
<b>Total assets</b>	<b>1,690,721</b>	<b>278,689</b>	<b>223,280</b>	<b>116,325</b>	<b>268,416</b>	<b>437,150</b>	<b>16,064</b>	<b>3,030,645</b>
<b>Liabilities</b>								
Due to credit institutions	40,536	78,108	14,653	16,901	4,247	41,085	11,782	207,312
Deposits and borrowing from the public	500,362	78,752	50,768	32,572	125,457	337,966	8,623	1,134,500
<i>of which corporates</i>	193,284	62,472	30,183	17,446	96,073	335,144	8,197	742,799
<i>of which households</i>	307,078	16,280	20,585	15,126	29,384	2,822	426	391,701
Issued securities	474,636	242,945	29,651	380	97,027	432,006	43,438	1,320,083
Subordinated liabilities	8,710	14,099	-	-	-	10,094	-	32,903
Other items not broken down by currency, incl. equity	335,847							335,847
<b>Total liabilities and equity</b>	<b>1,360,091</b>	<b>413,904</b>	<b>95,072</b>	<b>49,853</b>	<b>226,731</b>	<b>821,151</b>	<b>63,843</b>	<b>3,030,645</b>
Other assets and liabilities broken down by currency (net)		135,416	-128,119	-66,395	-41,590	384,027	47,853	
<b>Net foreign currency position</b>		<b>201</b>	<b>89</b>	<b>77</b>	<b>95</b>	<b>26</b>	<b>74</b>	<b>562</b>

31 December 2015								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	153	45,633	6,094	99	55,540	94,654	457	202,630
Other loans to central banks	15,998	-	2,103	15,653	364	-	-	34,118
Loans to other credit institutions	2,561	8,692	207	115	1,285	33,337	3,459	49,656
Loans to the public	1,190,747	174,047	190,881	78,738	195,097	27,213	9,744	1,866,467
<i>of which corporates</i>	475,424	122,999	110,217	31,446	131,228	27,024	8,758	907,096
<i>of which households</i>	715,323	51,048	80,664	47,292	63,869	189	986	959,371
Interest-bearing securities eligible as collateral with central banks	36,606	6,402	-	7	-	30,744	1,018	74,777
Bonds and other interest-bearing securities	39,770	2,726	716	2	1,282	17	-	44,513
Other items not broken down by currency	249,972							249,972
<b>Total assets</b>	<b>1,535,807</b>	<b>237,500</b>	<b>200,001</b>	<b>94,614</b>	<b>253,568</b>	<b>185,965</b>	<b>14,678</b>	<b>2,522,133</b>
<b>Liabilities</b>								
Due to credit institutions	25,008	53,015	19,818	14,977	13,142	29,439	8,371	163,770
Deposits and borrowing from the public	465,675	64,535	46,741	29,709	109,464	30,587	7,144	753,855
<i>of which corporates</i>	184,145	49,610	28,813	15,870	84,067	28,209	6,709	397,423
<i>of which households</i>	281,530	14,925	17,928	13,839	25,397	2,378	435	356,432
Issued securities	445,875	232,006	18,512	367	91,366	420,752	36,489	1,245,367
Subordinated liabilities	10,519	13,717	-	-	-	9,980	-	34,216
Other items not broken down by currency, incl. equity	324,925							324,925
<b>Total liabilities and equity</b>	<b>1,272,002</b>	<b>363,273</b>	<b>85,071</b>	<b>45,053</b>	<b>213,972</b>	<b>490,758</b>	<b>52,004</b>	<b>2,522,133</b>
Other assets and liabilities broken down by currency (net)		125,716	-114,803	-49,492	-39,555	304,831	37,406	
<b>Net foreign currency position</b>		<b>-57</b>	<b>127</b>	<b>69</b>	<b>41</b>	<b>38</b>	<b>80</b>	<b>298</b>

## Note 19 Own funds 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 at any time. On 1 January 2014, the European Capital Requirements Regulation (CRR) came into force. Own funds and capital requirement as of 2014 are calculated in accordance with this EU regulation. All references to CRD IV in this interim report refer to this regulation in its entirety regardless of legislative form (regulation, directive, executive decree or national implementation).

### Own funds

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
<b>TIER 1 CAPITAL</b>					
Equity, Group	129,582	122,777	128,268	127,435	123,971
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year	-4,118	-2,021	-11,442	-8,657	-6,084
Result from unconsolidated entities	34	-202	-748	-597	-433
Adjustment of group equity	3,518	1,731	172	135	97
Minority interests	-5	-5	-4	-5	-4
<b>Equity (consolidated entities)</b>	<b>129,011</b>	<b>122,280</b>	<b>116,246</b>	<b>118,311</b>	<b>117,547</b>
Deducted items					
Goodwill and other intangible assets	-8,433	-8,293	-8,246	-8,223	-8,184
Value adjustments (fair value)	-685	-665	-553	-534	-430
Special deduction for IRB institutions	-1,543	-1,452	-1,395	-1,577	-1,668
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-529	-556	-577	-595	-462
Adjustments in accordance with stability filter					
Cash flow hedges	-8,815	-7,690	-4,940	-6,259	-4,082
Unrealised accumulated gains, shares	-	-	-	-	-
<b>Common equity tier 1 capital, gross</b>	<b>109,006</b>	<b>103,624</b>	<b>100,535</b>	<b>101,123</b>	<b>102,721</b>
Threshold deductions					
Capital contributions to unconsolidated financial entities >10% CET1	-	-	-	-	-
Deferred tax assets >10% CET1	-	-	-	-	-
Amount of capital contributions and deferred tax assets >15%	-	-	-	-	-
<b>Common equity tier 1 capital</b>	<b>109,006</b>	<b>103,624</b>	<b>100,535</b>	<b>101,123</b>	<b>102,721</b>
Additional tier 1 instruments	12,045	11,570	11,933	11,955	17,766
<b>Total tier 1 capital</b>	<b>121,051</b>	<b>115,194</b>	<b>112,468</b>	<b>113,078</b>	<b>120,487</b>
<b>TIER 2 CAPITAL</b>					
Subordinated loans	17,135	17,111	17,150	17,622	17,275
Deducted items					
Tier 2 contribution in unconsolidated financial entities	-1,129	-1,129	-1,129	-1,129	-1,129
<b>Total tier 2 capital</b>	<b>16,006</b>	<b>15,982</b>	<b>16,021</b>	<b>16,493</b>	<b>16,146</b>
<b>Total own funds</b>	<b>137,057</b>	<b>131,176</b>	<b>128,489</b>	<b>129,571</b>	<b>136,633</b>

## Capital ratios and buffers

	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Common equity tier 1 ratio, CRD IV	23.0%	22.7%	21.2%	21.4%	21.3%
Tier 1 ratio, CRD IV	25.5%	25.3%	23.8%	23.9%	25.0%
Total capital ratio, CRD IV	28.9%	28.8%	27.2%	27.4%	28.4%
Risk exposure amount CRD IV, SEK m	474,500	456,104	473,132	473,539	481,134
Own funds in relation to capital requirement according to Basel I floor	142%	139%	137%	140%	149%
Institution-specific buffer requirements*	6.4%	6.1%	6.1%	6.1%	5.6%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	0.9%	0.6%	0.6%	0.6%	0.1%
<i>of which systemic risk buffer requirement</i>	3.0%	3.0%	3.0%	3.0%	3.0%
Common equity tier 1 capital available for use as a buffer	18.5%	18.2%	16.7%	16.9%	16.8%

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

## Capital requirement

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Credit risk according to standardised approach	6,186	5,949	6,433	6,127	5,906
Credit risk according to IRB approach	25,603	24,360	25,225	25,608	26,394
Market risks	711	796	825	849	968
Credit value adjustment risk (CVA)	645	568	713	645	567
Operational risk	4,815	4,815	4,655	4,655	4,655
<b>Total capital requirement</b>	<b>37,960</b>	<b>36,488</b>	<b>37,851</b>	<b>37,884</b>	<b>38,490</b>
Adjustment according to Basel I floor	59,499	58,870	56,982	55,659	54,309
<b>Capital requirement, Basel I floor</b>	<b>97,459</b>	<b>95,358</b>	<b>94,833</b>	<b>93,543</b>	<b>92,799</b>
Total own funds, Basel I floor	138,600	132,628	129,884	131,148	138,301

## Risk exposure amount

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Credit risk according to standardised approach	77,323	74,358	80,406	76,583	73,825
Credit risk according to IRB approach	320,041	304,506	315,310	320,101	329,926
Market risk	8,890	9,954	10,318	10,612	12,110
Credit value adjustment risk (CVA)	8,064	7,104	8,911	8,056	7,086
Operational risk	60,182	60,182	58,187	58,187	58,187
<b>Total risk exposure amount</b>	<b>474,500</b>	<b>456,104</b>	<b>473,132</b>	<b>473,539</b>	<b>481,134</b>

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

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Sovereign and central banks	617,983	270,402	67	72	5	6	0.0	0.0
Municipalities	55,311	58,231	18	18	1	1	0.0	0.0
Multilateral development banks	564	649	0	0	0	0	0.0	0.0
International organisations	19	1	0	0	0	0	0.0	0.0
Institutions	4,136	4,162	293	603	23	48	7.1	14.5
Corporates	11,120	12,232	10,676	11,570	854	926	96.0	94.6
Households	15,983	22,417	11,949	16,774	956	1,342	74.8	74.8
Collateral in real estate	85,424	70,925	31,093	25,367	2,487	2,029	36.4	35.8
Past due items	186	229	236	319	19	25	126.4	139.2
Equities	7,030	7,978	16,359	17,308	1,309	1,385	237.2	216.9
Other items	7,331	9,034	6,632	8,375	532	671	90.5	92.7
<b>Total</b>	<b>805,087</b>	<b>456,260</b>	<b>77,323</b>	<b>80,406</b>	<b>6,186</b>	<b>6,433</b>	<b>9.6</b>	<b>17.6</b>

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

## Credit risks IRB

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
<b>Corporates</b>	<b>846,280</b>	<b>821,795</b>	<b>205,130</b>	<b>204,181</b>	<b>16,410</b>	<b>16,334</b>	<b>24.2</b>	<b>24.8</b>
Corporate lending	807,327	796,198	199,669	199,470	15,974	15,957	24.7	25.1
<i>of which other loans foundation approach *</i>	125,156	124,939	38,484	37,805	3,079	3,024	30.7	30.3
<i>of which other loans advanced approach *</i>	682,171	671,259	161,185	161,665	12,895	12,933	23.6	24.1
<i>of which large companies</i>	137,163	137,749	63,008	61,130	5,041	4,890	45.9	44.4
<i>of which medium-sized companies</i>	77,698	76,639	32,544	32,888	2,603	2,631	41.9	42.9
<i>of which property companies</i>	467,310	456,871	65,634	67,647	5,251	5,412	14.0	14.8
Counterparty risk	38,953	25,597	5,461	4,711	436	377	14.0	18.4
<b>Housing co-operative associations</b>	<b>179,807</b>	<b>170,587</b>	<b>6,904</b>	<b>6,248</b>	<b>552</b>	<b>500</b>	<b>3.8</b>	<b>3.7</b>
<b>Households</b>	<b>957,893</b>	<b>918,324</b>	<b>71,701</b>	<b>66,245</b>	<b>5,736</b>	<b>5,300</b>	<b>7.5</b>	<b>7.2</b>
Private individuals	930,268	891,487	64,283	58,841	5,143	4,707	6.9	6.6
<i>of which property loans</i>	849,302	810,312	47,020	43,517	3,762	3,481	5.5	5.4
<i>of which other loans</i>	80,966	81,175	17,263	15,324	1,381	1,226	21.3	18.9
Small companies	27,625	26,837	7,418	7,404	593	593	26.9	27.6
<i>of which property loans</i>	7,686	7,541	1,686	2,016	135	161	21.9	26.7
<i>of which other loans</i>	19,939	19,296	5,732	5,388	458	432	28.7	27.9
<b>Institutions</b>	<b>118,989</b>	<b>117,263</b>	<b>17,258</b>	<b>20,471</b>	<b>1,381</b>	<b>1,638</b>	<b>14.5</b>	<b>17.5</b>
Lending to institutions	17,370	19,203	5,664	6,767	453	541	32.6	35.2
Counterparty risk	101,619	98,060	11,594	13,704	928	1,096	11.4	14.0
<i>of which repos and securities loans</i>	33,206	31,143	795	424	64	34	2.4	1.4
<i>of which derivatives</i>	68,413	66,917	10,799	13,280	864	1,062	15.8	19.8
<b>Equity exposures</b>	<b>5,420</b>	<b>5,229</b>	<b>16,782</b>	<b>15,815</b>	<b>1,343</b>	<b>1,265</b>	<b>309.6</b>	<b>302.4</b>
<i>of which listed shares</i>	4,090	4,418	11,860	12,811	949	1,025	290.0	290.0
<i>of which other shares</i>	1,330	811	4,922	3,004	394	240	370.0	370.0
<b>Exposures without a counterparty</b>	<b>2,264</b>	<b>2,348</b>	<b>2,264</b>	<b>2,348</b>	<b>181</b>	<b>188</b>	<b>100.0</b>	<b>100.0</b>
<b>Securitisation positions</b>	<b>23</b>	<b>28</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>7.4</b>	<b>7.4</b>
<i>of which Traditional securitisation</i>	23	28	2	2	0	0	7.4	7.4
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
<b>Total IRB approach</b>	<b>2,110,676</b>	<b>2,035,574</b>	<b>320,041</b>	<b>315,310</b>	<b>25,603</b>	<b>25,225</b>	<b>15.2</b>	<b>15.5</b>

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

The capital requirement for credit risk is calculated according to the standardised approach and the IRB Approach according to CRR. There are 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 parameters are stated in the CRR regulations. In the IRB Approach with own estimates of LGD and CCF, the Bank uses its own methods to calculate the loss in the case of default (LGD) and the exposure amount.

Handelsbanken uses the foundation approach 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 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 year-end, the IRB Approach was applied to 81% of the total risk-weighted exposure amount for credit risk. For the remaining credit risk exposures, the capital requirement is calculated using the standardised approach.

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

The total average risk weight for exposures approved for the IRB Approach increased during the second quarter and amounted to 15.2% (14.9). The average risk weight has risen due to updated risk estimates for companies and households.

Credit quality is good. Of Handelsbanken's corporate exposures, 97% were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point risk rating scale. The IRB Approach is based on historical losses from both the financial crisis of recent years and the Swedish banking crisis in the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low 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 Approach is calculated according to a simplified risk weight method.

Other aspects of the Bank's risk and capital planning 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.

## Capital requirement market risks

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Position risk in the trading book	703	789	819	844	963
Interest rate risk	694	778	804	826	946
<i>of which general risk</i>	534	598	512	489	603
<i>of which specific risk</i>	158	179	290	335	341
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
<i>of which non-delta risk</i>	2	1	2	2	2
Equity price risk	9	11	15	18	17
<i>of which general risk</i>	1	1	1	3	2
<i>of which specific risk</i>	3	4	4	7	5
<i>of which mutual funds</i>	1	1	2	0	1
<i>of which non-delta risk</i>	4	5	8	8	9
Exchange rate risk	-	-	-	-	-
<i>of which non-delta risk</i>	-	-	-	-	-
Commodities risk	8	7	6	5	5
<i>of which non-delta risk</i>	0	0	0	0	0
Settlement risk	0	0	0	0	0
<b>Total capital requirement for market risks</b>	<b>711</b>	<b>796</b>	<b>825</b>	<b>849</b>	<b>968</b>

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 risk

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

## Leverage ratio

Effective as of 2015, the provisions of CRD IV include a reporting requirement regarding a non-risk-based leverage ratio. The measurement is to undergo evaluation and no decision to make it mandatory has yet been taken.

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Balance sheet according to accounting regulations	3,030,645	2,856,843	2,522,133	2,943,621	2,935,809
Deduction for assets not included in the banking group	-103,215	-99,917	-103,655	-99,096	-105,213
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-24,710	-29,163	-37,126	-49,606	-29,412
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	6,252	6,530	4,786	8,596	5,300
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>486,570</i>	<i>476,586</i>	<i>483,859</i>	<i>480,000</i>	<i>474,213</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-309,195</i>	<i>-300,702</i>	<i>-303,538</i>	<i>-304,092</i>	<i>-297,692</i>
Assets reported off the balance sheet, net	177,375	175,884	180,321	175,908	176,521
Additional adjustment	-21,106	-19,747	-16,872	-18,390	-15,987
<b>Assets on which the leverage ratio is calculated</b>	<b>3,065,241</b>	<b>2,890,430</b>	<b>2,549,587</b>	<b>2,961,033</b>	<b>2,967,018</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	121,051	115,194	112,468	113,078	120,487
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	3.9%	4.0%	4.4%	3.8%	4.1%



## Note 20 Risk and capital management

### Risks and uncertainty factors

Handelsbanken provides credit through its branch operations, exercising a low risk tolerance. The credit process is based on the conviction that a decentralised organisation with local presence ensures high quality in credit decisions. Handelsbanken's exposure to market risks is also low. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. During the past few years, the Bank has worked actively to reduce the market risks on its balance sheet. One result of this is that a much smaller part of the Bank's earnings comes from net gains/losses on financial transactions.

The situation with regard to regulatory developments continues to evolve rapidly. During the second quarter, the UK held a referendum regarding its membership of the EU where the proposal for a secession from the EU gained a majority of the votes. At present, it is very unclear what formalities need to be observed to leave the EU

and when this might be implemented. Handelsbanken's business operations in the UK are run in such a way that both capital and liquidity are hedged in GBP. The Bank's low tolerance of risk, sound capitalisation and strong liquidity situation mean that Handelsbanken is also well-equipped to operate under substantially more difficult market conditions than those experienced during the last few years. This would also be the case if the UK economic climate were to deteriorate as a result of a future secession from the EU. The Bank's liquidity position is described in more detail below under the heading Liquidity and funding.

The Bank's risk and capital planning is 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 the interim reports for the year or in this interim report.

### Liquidity and funding

Handelsbanken has a strong liquidity position. For a long 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 aim 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. Handelsbanken's funding programme covers the maturities in all currencies that the Bank needs to fund its lending and enables the Bank to issue all currencies of relevance to the Bank.

### Funding programmes/limits as at 30 June 2016 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	5,090	48,000
ECP (Stadshypotek)*	EUR	4,000	32	302
French Commercial Paper	EUR	7,500	1,344	12,674
Swedish Commercial Paper	SEK	25,000	1,500	1,500
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	0	0
USCP	USD	15,000	8,858	75,262
AMTN	AUD	5,000	1,275	8,041
AMTCN (Stadshypotek)	AUD	5,000	750	4,730
EMTN*	USD	50,000	21,852	185,666
EMTCN (Stadshypotek)*	EUR	20,000	10,659	100,517
US 144A/3(a)(2)	USD	20,000	11,650	98,985
Stadshypotek US 144A	USD	15,000	3,750	31,862
Samurai	JPY	400,000	192,300	15,883
MTN*	SEK	100,000	13,796	13,796
General funding >1 Y*	USD	15,000	2,799	23,782
Extendible Notes	USD	15,000	104	884
<b>Total</b>				<b>621,884</b>
Total programme (or limited) amounts, SEK m		1,854,160		
Unutilised amount, SEK m		1,232,276		
<b>Available amount</b>		<b>66%</b>		

\* 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 June 2016, total liquidity reserves continued to exceed SEK 800bn. Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 739bn

(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 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Cash and balances with and other lending to central banks	582,590	506,949	236,359	525,421	552,266
Balances with banks and the National Debt Office, overnight	1,807	3,618	1,180	983	30,860
Securities issued by governments and public entities	104,133	83,145	63,136	77,799	41,209
Covered bonds	50,101	52,096	50,096	54,230	48,093
Securities issued by non-financial companies	614	782	637	1,094	1,727
Securities issued by financial companies	142	102	233	978	847
<b>Total</b>	<b>739,387</b>	<b>646,692</b>	<b>351,641</b>	<b>660,505</b>	<b>675,002</b>
<i>of which in SEK</i>	<i>160,997</i>	<i>116,992</i>	<i>89,695</i>	<i>131,728</i>	<i>124,675</i>
<i>of which in EUR</i>	<i>83,698</i>	<i>70,363</i>	<i>55,471</i>	<i>84,111</i>	<i>76,119</i>
<i>of which in USD</i>	<i>366,669</i>	<i>348,004</i>	<i>114,702</i>	<i>360,074</i>	<i>351,298</i>
<i>of which in other currencies</i>	<i>128,023</i>	<i>111,333</i>	<i>91,773</i>	<i>84,592</i>	<i>122,910</i>

30 June 2016					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	48,673	74,496	343,473	115,948	582,590
Balances with other banks and the National Debt Office, overnight	0	61	496	1,250	1,807
Securities issued by governments	72,941	6,501	18,594	-	98,036
Securities issued by municipalities and other public entities	1,663	283	4,106	45	6,097
Covered bonds, external issuers	34,729	2,198	-	10,678	47,605
Own covered bonds	2,496	-	-	-	2,496
Securities issued by non-financial companies	488	27	-	99	614
Securities issued by financial companies	7	132	-	3	142
<b>Total</b>	<b>160,997</b>	<b>83,698</b>	<b>366,669</b>	<b>128,023</b>	<b>739,387</b>

## Maturities for financial assets and liabilities

30 June 2016 SEK m	Up to 1 mth	1 - 6 mths	6 - 12 mths	1 - 2 yrs	2 - 5 yrs	5 yrs -	Unspec. maturity	Total
Cash and balances with central banks	583,011	-	-	-	-	-	-	583,011
Interest-bearing securities eligible as collateral with central banks	117,753	-	-	-	-	-	-	117,753
Bonds and other interest-bearing securities	46,223	-	-	-	-	-	-	46,223
Loans to credit institutions	41,924	2,153	993	16	619	2,774	-	48,479
-of which reverse repos	19,330	-	-	-	-	-	-	19,330
Loans to the public	51,418	243,758	177,905	164,809	357,262	942,003	-	1,937,155
-of which reverse repos	11,360	-	-	-	-	-	-	11,360
Other	74,318	-	-	-	-	-	223,706	298,024
-of which shares and participating interests	52,541	-	-	-	-	-	-	52,541
-of which claims on investment banking settlements	21,777	-	-	-	-	-	-	21,777
<b>Total</b>	<b>914,647</b>	<b>245,911</b>	<b>178,898</b>	<b>164,825</b>	<b>357,881</b>	<b>944,777</b>	<b>223,706</b>	<b>3,030,645</b>
Due to credit institutions	94,944	80,502	3,313	4,907	16	5,214	18,416	207,312
-of which repos	912	-	-	-	-	-	-	912
-of which deposits from central banks	16,231	65,783	1,971	-	-	-	1,908	85,893
Deposits and borrowing from the public	334,913	39,349	6,378	831	2,825	5,732	744,472	1,134,500
-of which repos	4,522	-	-	-	-	-	-	4,522
Issued securities	122,800	328,628	166,836	190,452	411,825	99,542	-	1,320,083
-of which covered bonds	-	46,290	97,129	122,967	284,489	51,445	-	602,320
-of which certificates and other securities with original maturity of less than one year	108,915	252,196	38,500	-	-	-	-	399,611
-of which senior bonds and other securities with original maturity of more than one year	13,885	30,142	31,207	67,485	127,336	48,097	-	318,152
Subordinated liabilities	-	553	-	2,952	29,398	-	-	32,903
Other	18,521	-	-	-	-	-	317,326	335,847
-of which short positions	8,581	-	-	-	-	-	-	8,581
-of which investment banking settlement debts	9,940	-	-	-	-	-	-	9,940
<b>Total</b>	<b>571,178</b>	<b>449,032</b>	<b>176,527</b>	<b>199,142</b>	<b>444,064</b>	<b>110,488</b>	<b>1,080,214</b>	<b>3,030,645</b>

The table shows holdings of bonds and other interest-bearing securities in the time intervals in which they can be converted to liquidity if they are pledged as collateral or sold. This means that the table does not reflect the actual maturities for the securities included.

In "Other", assets and liabilities are reported as maturing in the time intervals that correspond to the contractual maturity dates, taking into account contractual amortisation plans.

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

For maturity tables in SEK, EUR and USD, please see the Fact Book which is available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng).

## Liquidity coverage ratio (LCR)

	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Liquidity coverage ratio (LCR), %					
EUR	181	134	161	265	151
USD	121	161	429	127	126
<b>Total*</b>	<b>139</b>	<b>151</b>	<b>137</b>	<b>141</b>	<b>117</b>

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

	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Liquidity coverage ratio (LCR) - decomposition, SEK m					
<b>Liquid assets</b>	<b>433,824</b>	<b>360,481</b>	<b>283,573</b>	<b>343,712</b>	<b>339,101</b>
Liquid assets level 1	394,887	318,791	242,606	301,090	301,163
Liquid assets level 2	38,937	41,690	40,967	42,622	37,938
<b>Cash outflows</b>	<b>697,349</b>	<b>581,222</b>	<b>318,364</b>	<b>628,912</b>	<b>657,509</b>
Deposits from customers	169,582	192,835	141,589	202,316	189,379
Market funding	486,320	349,721	142,770	384,260	431,453
Other cash flows	41,447	38,666	34,005	42,336	36,677
<b>Cash inflows</b>	<b>384,619</b>	<b>342,332</b>	<b>111,599</b>	<b>385,628</b>	<b>367,535</b>
Inflows from maturing lending to non-financial customers	26,985	24,548	22,612	24,468	20,669
Other cash inflows	357,634	317,784	88,987	361,160	346,866

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.

As of 1 October 2015, due to the European Commission's delegated act, there is a European minimum requirement for banks' liquidity in the form of a short-term liquidity buffer – Liquidity Coverage Ratio (LCR). The minimum requirement is currently 70%, and it will be gradually raised to 100% as of 2018, when the delegated act will be fully implemented. However, according to the delegated act, the LCR is based on the less stringent LCR proposed by the Basel Committee in 2013 and certain EU-specific changes, for example, that the liquidity reserve may include a higher proportion of covered bonds.

By making requirements for a short-term liquidity buffer in FFFS 2012:6 as early as 2013, Sweden has moved more quickly than required by the EU. The requirement amounts to 100%, but the definition of what comprises a short-term liquidity buffer differs from what applies at EU level. The LCR which the Swedish Financial Supervisory Authority has implemented is based on the stricter LCR measurement, mainly in terms of deposit outflow assumptions and the composition of the liquidity portfolio. This was first proposed by the Basel Committee in 2010. The minimum requirement for NSFR is expected to be introduced in the EU in 2018.

At the end of June, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 139%, 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 LCR, as an average of daily observations according to the

same regulation, was 137% during the first half of 2016. The Bank's LCR, calculated according to the European Commission's delegated act, was 146%.

## Stress test with liquidity-creating measures

The Bank's liquidity position is regularly subjected to stress tests. In these tests, the Bank's cash flows are stressed, based on certain defined assumptions. For example, in the stress test aimed at demonstrating resistance to more long-term market disruptions, it is assumed that the Bank is unable to obtain funding in the financial markets at the same time as it experiences 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 the liquidity reserves, even in a stressed scenario, cover the Bank's liquidity requirement for over three years, even if access to new funding in the markets were to disappear.

## Non-encumbered assets, NEA

30 June 2016		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	739	80%
Mortgage loans	444	128%
Other household lending	191	149%
Property company lending lowest risk class (1-3)	258	177%
Other corporate lending lowest risk class (1-3)	162	194%
Loans to credit institutions lowest risk class (1-3)	42	199%
Other corporate lending	230	224%
Other assets	100	235%
<b>Total non-encumbered assets (NEA)</b>	<b>2,166</b>	<b>235%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>61</b>	
Encumbered assets with underlying liabilities	804	
<b>Total assets, Group</b>	<b>3,031</b>	

31 December 2015		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	352	42%
Mortgage loans	453	96%
Other household lending	203	120%
Property company lending lowest risk class (1-3)	238	148%
Other corporate lending lowest risk class (1-3)	150	166%
Loans to credit institutions lowest risk class (1-3)	46	171%
Other corporate lending	228	198%
Other assets	39	203%
<b>Total non-encumbered assets (NEA)</b>	<b>1,709</b>	<b>203%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>57</b>	
Encumbered assets with underlying liabilities	756	
<b>Total assets, Group</b>	<b>2,522</b>	

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

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

## Condensed set of financial statements – Parent company

### INCOME STATEMENT – PARENT COMPANY

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
Net interest income	3,644	3,589	2%	3,841	-5%	7,233	7,674	-6%	15,250
Dividends received	2,481	2,302	8%	725	242%	4,783	967	395%	11,978
Net fee and commission income	1,665	1,563	7%	1,723	-3%	3,228	3,398	-5%	6,778
Net gains/losses on financial transactions	469	1,198	-61%	248	89%	1,667	467	257%	2,349
Other operating income	392	383	2%	384	2%	775	844	-8%	1,644
<b>Total income</b>	<b>8,651</b>	<b>9,035</b>	<b>-4%</b>	<b>6,921</b>	<b>25%</b>	<b>17,686</b>	<b>13,350</b>	<b>32%</b>	<b>37,999</b>
Staff costs	-2,604	-3,057	-15%	-2,855	-9%	-5,661	-5,703	-1%	-10,904
Other administrative expenses	-1,310	-1,245	5%	-1,290	2%	-2,555	-2,485	3%	-5,040
Depreciation, amortisation and impairments of property, equipment and intangible assets	-133	-132	1%	-128	4%	-265	-260	2%	-507
<b>Total expenses before loan losses</b>	<b>-4,047</b>	<b>-4,434</b>	<b>-9%</b>	<b>-4,273</b>	<b>-5%</b>	<b>-8,481</b>	<b>-8,448</b>	<b>0%</b>	<b>-16,451</b>
<b>Profit before loan losses</b>	<b>4,604</b>	<b>4,601</b>	<b>0%</b>	<b>2,648</b>	<b>74%</b>	<b>9,205</b>	<b>4,902</b>	<b>88%</b>	<b>21,548</b>
Net loan losses	-259	-176	47%	-370	-30%	-435	-677	-36%	-1,614
Impairments of financial assets	-	-	-	-15	-	-	-15	-	-15
<b>Operating profit</b>	<b>4,345</b>	<b>4,425</b>	<b>-2%</b>	<b>2,263</b>	<b>92%</b>	<b>8,770</b>	<b>4,210</b>	<b>108%</b>	<b>19,919</b>
Appropriations	13	37	-65%	29	-55%	50	58	-14%	100
<b>Profit before tax</b>	<b>4,358</b>	<b>4,462</b>	<b>-2%</b>	<b>2,292</b>	<b>90%</b>	<b>8,820</b>	<b>4,268</b>	<b>107%</b>	<b>20,019</b>
Taxes	-432	-343	26%	-414	4%	-775	-854	-9%	-4,176
<b>Profit for the period</b>	<b>3,926</b>	<b>4,119</b>	<b>-5%</b>	<b>1,878</b>	<b>109%</b>	<b>8,045</b>	<b>3,414</b>	<b>136%</b>	<b>15,843</b>

### STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q2 2016	Q1 2016	Change	Q2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full year 2015
<b>Profit for the period</b>	<b>3,926</b>	<b>4,119</b>	<b>-5%</b>	<b>1,878</b>	<b>109%</b>	<b>8,045</b>	<b>3,414</b>	<b>136%</b>	<b>15,843</b>
<b>Other comprehensive income</b>									
<b>Items that may subsequently be reclassified to profit or loss</b>									
Cash flow hedges	996	1,917	-48%	-1,309		2,913	-1,030		195
Available-for-sale instruments	536	-1,100		18		-564	1,446		694
Translation differences for the period	686	-1,153		-506		-467	1,420		-1,155
<i>of which hedging net investment in foreign operations</i>	29	-203		-284		-174	588		-444
Tax related to other comprehensive income	-226	-320	29%	354		-546	26		73
<i>of which cash flow hedges</i>	-219	-422	48%	288		-641	227		-43
<i>of which available-for-sale instruments</i>	0	57	-100%	3	-100%	57	-72		18
<i>of which hedging net investment in foreign operations</i>	-7	45		63		38	-129		98
<b>Total items that may subsequently be reclassified to profit or loss</b>	<b>1,992</b>	<b>-656</b>		<b>-1,443</b>		<b>1,336</b>	<b>1,862</b>	<b>-28%</b>	<b>-193</b>
<b>Total other comprehensive income for the period</b>	<b>1,992</b>	<b>-656</b>		<b>-1,443</b>		<b>1,336</b>	<b>1,862</b>	<b>-28%</b>	<b>-193</b>
<b>Total comprehensive income for the period</b>	<b>5,918</b>	<b>3,463</b>	<b>71%</b>	<b>435</b>		<b>9,381</b>	<b>5,276</b>	<b>78%</b>	<b>15,650</b>

### Comment on results – Parent company January – June 2016, compared with January – June 2015

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

The parent company's operating profit grew by 108% to SEK 8,770m (4,210), chiefly due to increased dividends and higher net gains/losses on financial transactions. Dividends have been received amounting to SEK 4,783m (967). Profit for the period rose by 136% to SEK 8,045m (3,414). Net interest income decreased by 6% to SEK 7,233m (7,674) and net fee and commission income decreased by 5% to SEK 3,228m (3,398). Since the start of the year, the parent company's equity has decreased to SEK 106,973m (107,112).

## BALANCE SHEET – PARENT COMPANY

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
<b>Assets</b>					
Cash and balances with central banks	501,696	463,957	202,630	452,271	447,289
Interest-bearing securities eligible as collateral with central banks	114,485	92,174	71,436	99,359	69,739
Loans to credit institutions	638,845	594,779	596,441	622,610	677,893
Loans to the public	770,214	757,955	733,988	743,084	754,302
Bonds and other interest-bearing securities	42,794	50,292	40,974	58,226	52,454
Shares	51,704	38,473	29,309	60,629	72,150
Shares in subsidiaries and investments in associates	45,773	45,784	45,815	45,787	45,797
Assets where the customer bears the value change risk	3,743	3,603	3,422	3,463	3,358
Derivative instruments	96,260	78,170	89,491	102,627	94,991
Intangible assets	2,056	1,994	1,962	1,880	1,855
Property and equipment	1,081	1,084	1,150	1,139	997
Current tax assets	1,484	498	-	943	442
Deferred tax assets	471	413	328	344	298
Other assets	20,061	12,424	18,299	48,377	16,893
Prepaid expenses and accrued income	4,068	4,292	4,813	4,265	4,599
<b>Total assets</b>	<b>2,294,735</b>	<b>2,145,892</b>	<b>1,840,058</b>	<b>2,245,004</b>	<b>2,243,057</b>
<b>Liabilities and equity</b>					
Due to credit institutions	217,291	203,177	173,533	234,423	229,639
Deposits and borrowing from the public	1,132,359	1,044,283	755,066	1,049,921	1,093,330
Liabilities where the customer bears the value change risk	3,793	3,680	3,501	3,540	3,420
Issued securities	707,071	663,056	676,950	678,617	640,400
Derivative instruments	59,539	64,603	61,109	70,511	76,581
Short positions	8,581	10,181	2,416	21,027	20,421
Current tax liabilities	-	-	847	-	-
Deferred tax liabilities	2,234	1,969	1,521	1,844	1,487
Provisions	455	487	96	107	102
Other liabilities	14,383	11,943	13,751	34,743	30,224
Accrued expenses and deferred income	8,614	8,855	9,370	10,467	10,377
Subordinated liabilities	32,903	33,986	34,216	40,361	39,711
<b>Total liabilities</b>	<b>2,187,223</b>	<b>2,046,220</b>	<b>1,732,376</b>	<b>2,145,561</b>	<b>2,145,692</b>
<b>Untaxed reserves</b>	<b>539</b>	<b>539</b>	<b>570</b>	<b>601</b>	<b>627</b>
Share capital	3,001	2,956	2,956	2,956	2,956
Share premium	5,081	3,204	3,204	3,204	3,204
Other funds	12,456	10,388	9,585	12,494	11,640
Retained earnings	78,390	78,466	75,524	75,524	75,524
Profit for the period	8,045	4,119	15,843	4,664	3,414
<b>Total equity</b>	<b>106,973</b>	<b>99,133</b>	<b>107,112</b>	<b>98,842</b>	<b>96,738</b>
<b>Total liabilities and equity</b>	<b>2,294,735</b>	<b>2,145,892</b>	<b>1,840,058</b>	<b>2,245,004</b>	<b>2,243,057</b>

## CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

January – June 2016 SEK m	Restricted equity			Unrestricted equity					Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	Retained earnings	
<b>Opening equity</b>	<b>2,956</b>	<b>2,682</b>		<b>3,204</b>	<b>1,349</b>	<b>2,016</b>	<b>3,538</b>	<b>91,367</b>	<b>107,112</b>
Profit for the period								8,045	8,045
Other comprehensive income					2,272	-507	-429		1,336
<b>Total comprehensive income for the period</b>					<b>2,272</b>	<b>-507</b>	<b>-429</b>	<b>8,045</b>	<b>9,381</b>
Dividend								-11,442	-11,442
Effects of convertible subordinated loans	45			1,877					1,922
Fund for internally developed software			1,535					-1,535	0
<b>Closing equity</b>	<b>3,001</b>	<b>2,682</b>	<b>1,535</b>	<b>5,081</b>	<b>3,621</b>	<b>1,509</b>	<b>3,109</b>	<b>86,435</b>	<b>106,973</b>

January – December 2015 SEK m	Restricted equity			Unrestricted equity					Total
	Share capital	Statutory reserve		Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	Retained earnings	
<b>Opening equity</b>	<b>2,956</b>	<b>2,682</b>		<b>3,203</b>	<b>1,197</b>	<b>1,304</b>	<b>4,595</b>	<b>86,648</b>	<b>102,585</b>
Profit for the period								15,843	15,843
Other comprehensive income					152	712	-1,057		-193
<b>Total comprehensive income for the period</b>					<b>152</b>	<b>712</b>	<b>-1,057</b>	<b>15,843</b>	<b>15,650</b>
Dividend								-11,124	-11,124
Effects of convertible subordinated loans	0			1					1
<b>Closing equity</b>	<b>2,956</b>	<b>2,682</b>		<b>3,204</b>	<b>1,349</b>	<b>2,016</b>	<b>3,538</b>	<b>91,367</b>	<b>107,112</b>

\* Included in fair value fund.

During the period January to June 2016, convertibles for a nominal value of SEK 1,951m (1) relating to the 2008 and 2011 subordinated convertible bonds were converted into 28,800,955 class A shares (15,311). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

## CASH FLOW STATEMENT, CONDENSED – PARENT COMPANY

SEK m	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Operating profit	8,770	4,210	19,919
Adjustment for non-cash items in profit/loss	-1,554	2,415	-7,338
Paid income tax	-3,132	-2,145	-4,221
Changes in the assets and liabilities of operating activities	290,041	-39,264	-293,815
<b>Cash flow from operating activities</b>	<b>294,125</b>	<b>-34,784</b>	<b>-285,455</b>
Change in shares	950	-7	3,618
Change in interest-bearing securities	1,000	-	0
Change in property and equipment	-149	-100	-415
Change in intangible assets	-204	-194	-447
<b>Cash flow from investing activities</b>	<b>1,597</b>	<b>-301</b>	<b>2,756</b>
Repayment of subordinated loans	1,951	-	-5,690
Issued subordinated loans	-	9,908	10,082
Dividend paid	-11,442	-11,124	-11,124
Received group contributions	10,971	8,727	8,727
<b>Cash flow from financing activities</b>	<b>1,480</b>	<b>7,511</b>	<b>1,995</b>
<b>Liquid funds at beginning of the year</b>	<b>202,630</b>	<b>454,532</b>	<b>454,532</b>
Cash flow for the period	297,202	-27,574	-280,704
Exchange rate difference on liquid funds	1,864	20,331	28,802
<b>Liquid funds at end of year</b>	<b>501,696</b>	<b>447,289</b>	<b>202,630</b>



## OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

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

## Own funds and capital ratios – Parent company

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Common equity tier 1 capital	95,408	90,361	90,624	89,515	90,291
Total tier 1 capital	107,453	101,931	102,557	101,470	108,057
Total tier 2 capital	16,006	15,982	16,021	16,493	16,146
Total own funds	123,459	117,913	118,578	117,963	124,203
<b>Capital ratios and buffers</b>					
Common equity tier 1 ratio, CRD IV	20.8%	20.7%	19.9%	19.6%	19.5%
Tier 1 ratio, CRD IV	23.5%	23.3%	22.6%	22.3%	23.4%
Total capital ratio, CRD IV	27.0%	27.0%	26.1%	25.9%	26.8%
Risk exposure amount, CRD IV	457,600	436,936	454,661	455,557	462,658
Own funds in relation to capital requirement according to transitional rules	241%	236%	237%	237%	250%
Institution-specific buffer requirements	3.4%	3.1%	3.1%	3.1%	2.6%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	0.9%	0.6%	0.6%	0.6%	0.1%
<i>of which systemic risk buffer requirement</i>	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	16.3%	16.2%	15.4%	15.1%	15.0%

## Capital requirement – Parent company

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Credit risk according to standardised approach	11,190	10,645	11,120	10,822	10,562
Credit risk according to IRB approach	20,657	19,541	20,377	20,791	21,577
Market risk	711	796	825	849	968
Credit value adjustment risk (CVA)	645	568	713	645	567
Operational risk	3,405	3,405	3,338	3,338	3,338
<b>Total capital requirement</b>	<b>36,608</b>	<b>34,955</b>	<b>36,373</b>	<b>36,445</b>	<b>37,012</b>
Adjustment according to Basel I floor	15,147	15,563	14,150	13,797	13,157
<b>Capital requirement, Basel I floor</b>	<b>51,755</b>	<b>50,518</b>	<b>50,523</b>	<b>50,242</b>	<b>50,169</b>
Total own funds, Basel I floor	124,606	118,994	119,602	119,161	125,491

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

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Sovereign and central banks	5	9	6	1	3
Municipalities	1	1	1	3	2
Multilateral development banks	0	0	0	0	0
International organisations	0	0	0	0	0
Institutions	58	71	81	77	83
Corporates	818	916	872	665	638
Households	938	930	1,319	1,307	1,285
Collateral in real estate	2,487	2,269	2,029	1,999	1,880
Past due items	19	21	25	26	30
Equities	6,372	6,050	6,129	6,169	6,156
Other items	492	378	658	575	485
<b>Total</b>	<b>11,190</b>	<b>10,645</b>	<b>11,120</b>	<b>10,822</b>	<b>10,562</b>

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

## Capital requirement credit risks IRB – Parent company

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Corporates	15,314	14,734	15,162	14,899	15,319
Households	2,335	2,080	2,049	2,132	2,178
Private individuals	1,831	1,563	1,544	1,640	1,672
of which property loans	830	746	723	761	765
of which other loans	1,001	817	821	879	907
Small companies	504	517	505	492	506
Institutions	1,381	1,255	1,638	1,560	1,882
Equity exposures	1,541	1,384	1,436	2,108	2,118
of which listed shares	949	979	1,025	1,692	1,656
of which other shares	593	405	411	416	462
Exposures without a counterparty	86	87	92	92	80
Securitisation positions		0	0	0	0
<b>Total IRB</b>	<b>20,657</b>	<b>19,540</b>	<b>20,377</b>	<b>20,791</b>	<b>21,577</b>

## Capital requirement market risks – Parent company

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Position risk in the trading book	703	789	819	844	963
Interest rate risk	694	778	804	826	946
of which positions in securitisation instruments	0	-	-	-	-
Equity price risk	9	11	15	18	17
Exchange rate risk	-	-	-	-	-
Commodities risk	8	7	6	5	5
Settlement risk	0	0	0	0	0
<b>Total capital requirement for market risks</b>	<b>711</b>	<b>796</b>	<b>825</b>	<b>849</b>	<b>968</b>

## Leverage ratio – Parent company

SEK m	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Balance sheet according to accounting regulations	2,294,735	2,145,892	1,840,058	2,245,004	2,243,057
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-16,621	-21,580	-29,556	-42,716	-22,719
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	8,471	8,312	4,792	8,606	5,300
Assets reported off the balance sheet, gross (before adjustment for conversion factor)	531,167	525,339	530,343	524,456	519,612
Deduction from assets off the balance sheet after application of conversion factor	-343,000	-335,227	-338,334	-337,337	-331,422
Assets reported off the balance sheet, net	188,167	190,112	192,009	187,120	188,190
Additional adjustment	-8,361	-7,500	-5,880	-6,393	-4,733
<b>Assets on which the leverage ratio is calculated</b>	<b>2,466,391</b>	<b>2,315,236</b>	<b>2,001,423</b>	<b>2,391,621</b>	<b>2,409,095</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	107,453	101,930	102,557	101,470	108,058
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	4.4%	4.4%	5.1%	4.2%	4.5%

We hereby confirm that this six-monthly report provides a true and fair overview of the Bank's and the Group's operations, financial position and results and describes material risks and uncertainty factors faced by the Bank and the companies that are part of the Group.

Stockholm, 15 July 2016

Pär Boman  
Chairman of the Board

Fredrik Lundberg  
Vice Chairman

Benthe Rathe  
Board Member

Lise Kaae  
Board Member

Jon Fredrik Baksaas  
Board Member

Tommy Bylund  
Board Member

Ole Johansson  
Board Member

Karin Apelman  
Board Member

Kerstin Hessius  
Board Member

Charlotte Skog  
Board Member

Frank Vang-Jensen  
Group Chief Executive

## PRESS AND TELEPHONE CONFERENCE

A conference for members of the press and analysts is being arranged at the Bank's head office at 9.00 a.m. (CET) on 15 July.

A phone conference will be held at 11 a.m. (CET) on 15 July.

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

The interim report for January – September 2016 will be published on 19 October 2016.

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# Auditors' report concerning review of interim report

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

## INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 June 2016 and for the six-month period ending as at this date. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this half-year 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 and generally accepted auditing practices. 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 half-year 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, 15 July 2016

KPMG AB  
Anders Bäckström, Authorised Public Accountant

Ernst & Young AB  
Jesper Nilsson, Authorised Public Accountant

## Share price performance and other information

The Swedish stock market fell by 9% during the first half of the year. The Stockholm stock exchange's bank index declined by 16%. Handelsbanken's class A shares closed at SEK 101.80, a decline of 10%, but including the dividend paid amounting to SEK 6.00, the total return was -5%. Since 1 January 2000, Handelsbanken's share price has increased by 185%, excluding dividends, while the Stockholm stock exchange has risen by 10%.

### SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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