

# Handelsbanken's Interim Report

JANUARY – SEPTEMBER 2016

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

- Operating profit rose by 7% to SEK 15,935m (14,942)
- The period's profit after tax for total operations went up by 8% to SEK 12,801m (11,842)
- Earnings per share for total operations grew to SEK 6.66 (6.21)
- Return on equity for total operations rose to 14.0% (13.1)
- Income increased by 4% to SEK 30,638m (29,427)
- Net interest income decreased slightly to SEK 20,644m (20,769)
- The loan loss ratio decreased to 0.06% (0.08)
- The common equity tier 1 ratio increased to 24.0% (21.4) and the total capital ratio rose to 30.1% (27.4)
- In this year's capital assessment (SREP), the Swedish Financial Supervisory Authority deems that Handelsbanken's requirement for common equity tier 1 capital at the end of 2016 corresponds to a common equity tier 1 ratio of 21.1%

## Summary of Q3 2016, compared with Q2 2016

- Operating profit increased by 8% to SEK 5,691m (5,277)
- The period's profit after tax for total operations increased by 9% to SEK 4,564m (4,194) and earnings per share were SEK 2.36 (2.19)
- Return on equity for total operations rose to 14.7% (14.2)
- Income increased by 6% to SEK 10,473m (9,922)
- Net interest income increased by 3% to SEK 7,041m (6,808)
- Net fee and commission income went down by 1% to SEK 2,259m (2,280)
- Capital gains from the sale of shares in Industrivärden totalled SEK 764m
- The loan loss ratio was 0.10% (0.05)

# Contents

	Page
Group – Overview.....	3
Group performance.....	4
Group – Business segments.....	8
Handelsbanken Sweden.....	9
Handelsbanken UK.....	11
Handelsbanken Denmark.....	13
Handelsbanken Finland.....	15
Handelsbanken Norway.....	17
Handelsbanken the Netherlands.....	19
Handelsbanken Capital Markets.....	21
Other units not reported in the business segments.....	23
Key figures.....	24
The Handelsbanken share.....	24
Condensed set of financial statements – Group.....	25
Income statement.....	25
Earnings per share.....	25
Statement of comprehensive income.....	26
Quarterly performance.....	27
Balance sheet.....	28
Statement of changes in equity.....	29
Cash flow statement.....	29
Note 1 Accounting policies.....	30
Note 2 Net interest income.....	31
Note 3 Net fee and commission income.....	31
Note 4 Net gains/losses on financial transactions.....	32
Note 5 Other expenses.....	32
Note 6 Loan losses and impaired loans.....	33
Note 7 Discontinued operations.....	34
Note 8 Loans and credit exposure.....	34
Note 9 Derivatives.....	36
Note 10 Offsetting of financial instruments.....	37
Note 11 Goodwill and other intangible assets.....	38
Note 12 Due to credit institutions, deposits and borrowing from the public.....	38
Note 13 Issued securities.....	38
Note 14 Pledged assets, contingent liabilities and other commitments.....	38
Note 15 Classification of financial assets and liabilities.....	39
Note 16 Fair value measurement of financial instruments.....	41
Note 17 Business combinations.....	43
Note 18 Assets and liabilities by currency.....	44
Note 19 Own funds and capital requirements in the consolidated situation.....	45
Note 20 Risk and capital management.....	49
Note 21 Related-party transactions.....	53
Note 22 Segment reporting.....	53
Note 23 Events after the balance sheet date.....	53
Condensed set of financial statements – Parent company.....	54
Information on phone conference, etc.....	59
Auditors' report concerning review of interim report.....	60
Share price performance and other information.....	61

## Handelsbanken Group – Overview

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
<b>Summary income statement</b>									
Net interest income	7,041	6,808	3%	6,834	3%	20,644	20,769	-1%	27,740
Net fee and commission income	2,259	2,280	-1%	2,308	-2%	6,709	6,977	-4%	9,320
Net gains/losses on financial transactions	1,112	523	113%	226	392%	2,797	1,105	153%	2,608
Risk result - insurance	25	35	-29%	40	-38%	136	121	12%	157
Other dividend income	1	222	-100%	1	0%	226	279	-19%	281
Share of profit of associates	10	13	-23%	18	-44%	25	28	-11%	17
Other income	25	41	-39%	34	-26%	101	148	-32%	213
<b>Total income</b>	<b>10,473</b>	<b>9,922</b>	<b>6%</b>	<b>9,461</b>	<b>11%</b>	<b>30,638</b>	<b>29,427</b>	<b>4%</b>	<b>40,336</b>
Staff costs	-2,941	-2,952	0%	-2,953	0%	-9,561	-9,228	4%	-12,581
Other expenses	-1,234	-1,346	-8%	-1,197	3%	-3,883	-3,761	3%	-5,203
Depreciation, amortisation and impairments of property, equipment and intangible assets	-137	-119	15%	-126	9%	-381	-375	2%	-487
<b>Total expenses</b>	<b>-4,312</b>	<b>-4,417</b>	<b>-2%</b>	<b>-4,276</b>	<b>1%</b>	<b>-13,825</b>	<b>-13,364</b>	<b>3%</b>	<b>-18,271</b>
<b>Profit before loan losses</b>	<b>6,161</b>	<b>5,505</b>	<b>12%</b>	<b>5,185</b>	<b>19%</b>	<b>16,813</b>	<b>16,063</b>	<b>5%</b>	<b>22,065</b>
Net loan losses	-476	-229	108%	-458	4%	-892	-1,122	-20%	-1,597
Gains/losses on disposal of property, equipment and intangible assets	6	1	500%	4	50%	14	1		7
<b>Operating profit</b>	<b>5,691</b>	<b>5,277</b>	<b>8%</b>	<b>4,731</b>	<b>20%</b>	<b>15,935</b>	<b>14,942</b>	<b>7%</b>	<b>20,475</b>
Taxes	-1,127	-1,091	3%	-1,028	10%	-3,147	-3,201	-2%	-4,277
<b>Profit for the period from continuing operations</b>	<b>4,564</b>	<b>4,186</b>	<b>9%</b>	<b>3,703</b>	<b>23%</b>	<b>12,788</b>	<b>11,741</b>	<b>9%</b>	<b>16,198</b>
Profit for the period pertaining to discontinued operations, after tax	-	8		55		13	101	-87%	145
<b>Profit for the period</b>	<b>4,564</b>	<b>4,194</b>	<b>9%</b>	<b>3,758</b>	<b>21%</b>	<b>12,801</b>	<b>11,842</b>	<b>8%</b>	<b>16,343</b>
<b>Summary balance sheet</b>									
Loans to the public	1,965,649	1,937,155	1%	1,855,311	6%	1,965,649	1,855,311	6%	1,866,467
<i>of which mortgage loans</i>	<i>1,134,235</i>	<i>1,117,514</i>	<i>1%</i>	<i>1,062,001</i>	<i>7%</i>	<i>1,134,235</i>	<i>1,062,001</i>	<i>7%</i>	<i>1,082,644</i>
Deposits and borrowing from the public	1,009,427	1,134,500	-11%	1,049,202	-4%	1,009,427	1,049,202	-4%	753,855
<i>of which households</i>	<i>398,655</i>	<i>391,701</i>	<i>2%</i>	<i>351,120</i>	<i>14%</i>	<i>398,655</i>	<i>351,120</i>	<i>14%</i>	<i>356,432</i>
Total equity	134,085	129,582	3%	127,435	5%	134,085	127,435	5%	128,268
Total assets	2,908,935	3,030,645	-4%	2,943,621	-1%	2,908,935	2,943,621	-1%	2,522,133
<b>Summary of key figures</b>									
Return on equity, total operations*	14.7%	14.2%		12.7%		14.0%	13.1%		13.5%
Return on equity, continuing operations*	14.7%	14.2%		12.5%		14.0%	13.0%		13.4%
C/I ratio, continuing operations	41.2%	44.5%		45.2%		45.1%	45.4%		45.3%
Earnings per share, total operations, SEK	2.36	2.19		1.97		6.66	6.21		8.57
- after dilution	2.32	2.15		1.93		6.55	6.08		8.39
Common equity tier 1 ratio, CRD IV	24.0%	23.0%		21.4%		24.0%	21.4%		21.2%
Total capital ratio, CRD IV	30.1%	28.9%		27.4%		30.1%	27.4%		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 – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

The Group's operating profit grew by 7% to SEK 15,935m (14,942). The period's profit after tax for total operations grew by 8% to SEK 12,801m (11,842) and earnings per share increased to SEK 6.66 (6.21).

The common equity tier 1 ratio rose to SEK 24.0% (21.4) and the return on equity for total operations increased to 14.0% (13.1).

The C/I ratio went down to 45.1% (45.4).

#### Income

SEK m	Jan-Sep 2016	Jan-Sep 2015	Change
Net interest income	20,644	20,769	-1%
Net fee and commission income	6,709	6,977	-4%
Net gains/losses on financial trans.	2,797	1,105	153%
Other income	488	576	-15%
<b>Total income</b>	<b>30,638</b>	<b>29,427</b>	<b>4%</b>

Income grew by 4% to SEK 30,638m (29,427).

Net interest income declined by 1% to SEK 20,644m (20,769). Adjusted for exchange rate effects of SEK -458m, net interest income grew by 2%.

Higher lending volumes increased net interest income by SEK 1,166m, while lower lending margins had a negative impact of SEK -489m. Changing deposit volumes affected net interest income by SEK -82m as a result of negative interest rates in Sweden. Decreasing short-term rates led to deposit margins falling by SEK 819m. The decrease in interest rates also meant that the interest income on assets funded by equity declined by SEK 64m.

The benchmark effect in Stadshypotek was SEK -45m (-49), and the cost for the Resolution Fund totalled SEK -736m (Stability Fund fee: -716m). Together with fees for various other deposit guarantees, government fees increased to SEK -980m (-951).

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

The average volume of loans to the public grew by 5% to SEK 1,923bn (1,839). Exchange rate movements affected lending volumes negatively by SEK -32bn. Household lending increased by 7% to SEK 990bn (924), while corporate lending grew by 2% to SEK 933bn (916).

The average volume of deposits and borrowing declined by 2% to SEK 992bn (1,009). The average volume of household deposits went up by 12% to SEK 374bn (333), while corporate deposits decreased by 9% to SEK 618bn (676).

Net fee and commission income fell by 4% to SEK 6,709m (6,977), chiefly as a result of lower brokerage income and a lower net result from payment operations.

Brokerage income declined by 18% to SEK 660m (805), owing to lower trading volumes. Net payment commissions decreased by 9% to SEK 1,394m (1,534), as a result of net fee and commission income from card operations falling by 12% to SEK 935m (1,065). The decrease was mainly attributable to lower interchange fees. Fund management commissions declined by SEK 56m to SEK 2,188m (2,244). The effect of continuing net inflows was offset by lower average market values of assets.

Net gains/losses on financial transactions rose to SEK 2,797m (1,105); this was chiefly attributable to capital gains from the sale of shares totalling SEK 1,685m (17) during the period.

Other income amounted to SEK 488m (576). The decrease was mainly attributable to lower dividend income.

#### Expenses

SEK m	Jan-Sep 2016	Jan-Sep 2015	Change
Staff costs	-9,561	-9,228	4%
Other expenses	-3,883	-3,761	3%
Depreciation and amortisation	-381	-375	2%
<b>Total expenses</b>	<b>-13,825</b>	<b>-13,364</b>	<b>3%</b>

Total expenses increased by 3% to SEK -13,825m (-13,364). Exchange rate effects reduced expenses by SEK 266m.

Staff costs rose by 4% to SEK -9,561m (-9,228). Exchange rate movements lowered staff costs by SEK 187m, while estimated pension costs according to IAS 19 rose by SEK 170m. During the period, no provision was made for Oktogonen (SEK -420m). Adjusted for the above-mentioned items and the Q1 provision of SEK -700m, staff costs rose by just under 1%. Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -68m (-94).

The average number of employees amounted to 11,803 (11,817). Excluding the expanding operations in the UK and the Netherlands, where the average number of staff rose by 187 and 36 respectively, the average number of employees decreased by 2%.

The work with cost reductions in the Swedish operations is continuing. The assessment that, all other factors being equal, costs will be reduced by SEK 600-700m starting from 2018, remains unchanged.

Other expenses rose by 3% to SEK -3,883m (-3,761), chiefly due to higher costs for purchased services. Exchange rate effects reduced other expenses by SEK 74m.

## Loan losses

SEK m	Jan-Sep 2016	Jan-Sep 2015	Change
Net loan losses	-892	-1,122	-230
Loan loss ratio as a % of loans, acc.	0.06	0.08	-0.02
Impaired loans, net	3,321	4,189	-21%
Proportion of impaired loans	0.17	0.22	-0.05

Loan losses decreased to SEK -892m (-1,122), and the loan loss ratio was 0.06% (0.08). Credit quality remained stable. Net impaired loans decreased by 21% to SEK 3,321m (4,189), equivalent to 0.17% (0.22) of lending.

## Q3 2016 COMPARED WITH Q2 2016

Operating profit increased by 8% to SEK 5,691m (5,277). Adjusted for capital gains and dividends received, operating profit decreased by 1%. The period's profit after tax for total operations went up by 9% to SEK 4,564m (4,194). Earnings per share were SEK 2.36 (2.19) and return on equity was 14.7% (14.2).

The C/I ratio fell to 41.2% (44.5).

## Income

SEK m	Q3 2016	Q2 2016	Change
Net interest income	7,041	6,808	3%
Net fee and commission income	2,259	2,280	-1%
Net gains/losses on financial trans.	1,112	523	113%
Other income	61	311	-80%
<b>Total income</b>	<b>10,473</b>	<b>9,922</b>	<b>6%</b>

Income grew by 6% to SEK 10,473m (9,922). Adjusted for items affecting comparability, income increased by 1%. The effect of exchange rate movements was marginal.

Net interest income grew by 3% to SEK 7,041m (6,808). Government fees, which for 2016 consist of fees to the Swedish Resolution Fund and various deposit guarantees, rose to SEK -326m (-318). The benchmark effect in Stadshypotek amounted to SEK -51m (-29).

Rising lending volumes and higher lending margins increased net interest income by SEK 84m and SEK 24m respectively. Net interest income from deposits fell by SEK 83m, which was entirely attributable to lower deposit margins. An extra day in the third quarter increased net interest income by SEK 23m. The remainder of the change in net interest income was chiefly due to decreasing funding costs.

The average volume of loans to the public grew by 1% to SEK 1,946bn (1,927). Exchange rate effects increased lending by SEK 3bn. Lending to households grew by 2%, while corporate lending was more or less unchanged. The total average volume of deposits and borrowing rose by 2% to SEK 1,006bn (991). Household deposits grew by 4%, while the average volume of corporate deposits was unchanged.

Net fee and commission income declined to SEK 2,259m (2,280). Seasonally lower brokerage income and lower advisory commissions were largely offset by higher fund management income. Brokerage income decreased by 14% to SEK 198m (229), while advisory commissions fell to SEK 56m (98). At the same time, fund management commissions rose by 8% to SEK 776m (717). Net payment commissions went down to SEK 474m (502), as a result of higher card commission expenses. Net commissions from card operations decreased by SEK 26m to SEK 315m (341), chiefly owing to higher clearing and service fees in the third quarter.

Net gains/losses on financial transactions increased to SEK 1,112m (523), including capital gains of SEK 769m (89) relating to the sale of shares. Adjusted for capital gains, net gains/losses on financial transactions amounted to SEK 343m (434).

Other income declined to SEK 61m (311), due to higher dividend income in the comparison quarter.

## Expenses

SEK m	Q3 2016	Q2 2016	Change
Staff costs	-2,941	-2,952	0%
Other expenses	-1,234	-1,346	-8%
Depreciation and amortisation	-137	-119	15%
<b>Total expenses</b>	<b>-4,312</b>	<b>-4,417</b>	<b>-2%</b>

Expenses decreased by 2% to SEK -4,312m (-4,417). The effect of exchange rate movements was marginal.

Staff costs decreased slightly to SEK -2,941m (-2,952). No provision was made for the Oktogonen profit-sharing foundation (-).

The period's provision for variable remuneration was SEK -12m (-25), and the average number of employees rose to 11,859 (11,716), due to the increasing number of temporary staff during the summer.

Other expenses decreased by 8% to SEK -1,234m (-1,346), which was mainly attributable to seasonally lower costs in the third quarter.

## Loan losses

SEK m	Q3 2016	Q2 2016	Change
Net loan losses	-476	-229	247
Loan loss ratio as a % of loans	0.10	0.05	0.05
Impaired loans, net	3,321	3,383	-2%
Proportion of impaired loans	0.17	0.17	0.00

Loan losses grew to SEK -476m (-229), and the loan loss ratio was 0.10% (0.05). The rise was primarily due to an increased provision made on a single exposure.

The quality of the credit portfolio remained stable. Net impaired loans fell by 2% to SEK 3,321m (3,383), equivalent to 0.17% (0.17) of lending.

## FUNDING AND LIQUIDITY

In the first nine months, the volume of issued bonds increased to SEK 179bn (119), of which SEK 129bn was in covered bonds and SEK 50bn in senior bonds. During the third quarter, the first covered bond issue from the Finnish cover pool was carried out.

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 unsecured market funding was 221% (203% at year-end 2015).

The Bank has strong liquidity. Cash funds and liquid assets invested with central banks amounted to SEK 456bn, while the volume of liquid bonds and other liquid assets totalled SEK 162bn.

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of September was 162% (141). In USD, the LCR was 164% (127) and in EUR it was 178% (265). The Group's LCR, calculated according to the European Commission's delegated act, was 181% (172).

## 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. The Authority has now completed its 2016 Supervisory Review and Evaluation Process (SREP). It calculates Handelsbanken's common equity tier 1 capital requirement for year-end 2016 at SEK 99.2bn, corresponding to a common equity tier 1 ratio of 21.1%. At the end of the third quarter, Handelsbanken's common equity tier 1 ratio was 24.0%, and the Bank is thus within the target range.

This year's SREP includes a surcharge in Pillar 2 for the higher risk weights announced by the Supervisory Authority for corporate exposures and the introduction of a maturity floor of 2½ years for these exposures. The total common equity tier 1 surcharge related to higher risk weights amounts to SEK 8.6bn, while the surcharge for the maturity floor totals SEK 2.1bn. The Bank has made an application regarding new IRB models for corporate exposures, and when these have been approved, parts of the current capital surcharge will move to Pillar 1.

The common equity tier 1 capital requirement for other Pillar 2 risks was 1.5%, as compared with 1.9% in the Supervisory Authority's published capital requirements for Q2 2016. This decrease was mainly attributable to a lower risk level in the Bank's pension system.

## SREP FY2016 compared to capital requirement Q2 2016

	SEK bn	% of REA
Min. requirement	21.1	4.5
SIFI Pillar 1	14.1	3.0
Countercyclical buffer	4.3	0.9
Capital conservation buffer	11.7	2.5
<b>Pillar 1</b>	<b>51.3</b>	<b>10.9</b>
SIFI pillar 2	9.4	2.0
Mortgage risk weight floors	21.0	4.5
Corporate risk weights	8.6	1.8
M-factor	2.1	0.4
Other Pillar 2	6.8	1.5
<b>Pillar 2</b>	<b>47.9</b>	<b>10.2</b>
<b>Total</b>	<b>99.2</b>	<b>21.1</b>

## Oktagonen

The decision not to make a provision for Oktagonen during 2016 was due to the sharp increase in the Bank's capital requirement announced by the Swedish Financial Supervisory Authority in early 2016. During the year, the Bank has continued to generate capital. With the knowledge of the outcome of the Supervisory Authority's capital assessment (SREP), the Bank's assessment is that provisions for Oktagonen can resume starting from Q1 2017. As before, this will be conditional upon the Bank's profitability exceeding the average of its competitors.

## Capital situation 30 September 2016 compared with 30 September 2015

SEK m	30 Sep 2016	30 Sep 2015	Change
Common equity tier 1 ratio, CRD IV	24.0%	21.4%	2.6
Total capital ratio, CRD IV	30.1%	27.4%	2.7
Risk exposure amount CRD IV, SEK m	463,675	473,539	-2%
Common equity tier 1 capital	111,134	101,123	10%
Total own funds	139,553	129,571	8%
Capital requirement, Basel I floor	98,228	93,543	5%
Total own funds, Basel I floor	141,120	131,148	8%

Own funds were SEK 140bn (130), and the Bank's total capital ratio rose to 30.1% (27.4).

The common equity tier 1 capital increased to SEK 111bn (101) and the common equity tier 1 ratio rose by 2.6 percentage points to 24.0% (21.4). Conversions of the 2011 staff convertible bond increased the ratio by 0.5 percentage points, and the period's profit, after a deduction for dividends generated, and excluding the capital gains from the divestment of AFS holdings, contributed 2.1 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 -0.5 and -0.5 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 0.8 percentage points.

The effect of IAS 19 reduced the common equity tier 1 ratio by 0.1 percentage point.

The effect of exchange rate movements was -0.1 percentage point. The sale of AFS shares had a positive effect of 1.0 percentage point. The net effect of other factors reduced the common equity tier 1 ratio by 0.6 percentage points.

#### Capital situation 30 September 2016 compared with 30 June 2016

SEK m	30 Sep 2016	30 Jun 2016	Change
Common equity tier 1 ratio, CRD IV	24.0%	23.0%	1.0
Total capital ratio, CRD IV	30.1%	28.9%	1.2
Risk exposure amount CRD IV, SEK m	463,675	474,500	-2%
Common equity tier 1 capital	111,134	109,006	2%
Total own funds	139,553	137,057	2%
Capital requirement, Basel I floor	98,228	97,459	1%
Total own funds, Basel I floor	141,120	138,600	2%

Own funds increased to SEK 140bn (137) and the total capital ratio rose to 30.1% (28.9). Common equity tier 1 capital grew to SEK 111bn (109), while the common equity tier 1 ratio according to CRD IV rose to 24.0% (23.0). Conversion of the staff convertible bond increased the common equity tier 1 ratio by 0.1 percentage point, and the period's profit, after a deduction for dividends generated and capital gains from the divestment of AFS holdings, increased the common equity tier 1 ratio by 0.3 percentage points.

A lower volume of corporate lending contributed to changing lending volumes increasing the common equity tier 1 capital ratio by 0.1 percentage point. At the same time, credit risk migration in the credit portfolio had a negative effect of 0.1 percentage point.

The impact of IAS 19 was marginal. The effect of further reductions in discount rates was offset by higher market values of pension assets.

The sale of shares in Industrivärden increased the common equity tier 1 ratio by 0.6 percentage points. Foreign exchange effects were marginal, and the net effect of other factors was 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 third quarter, Group EC totalled SEK 52.9bn, while AFR was SEK 142.3bn. Thus, the ratio between AFR and EC was 269%. For the parent company, EC totalled SEK 46.0bn, and AFR was SEK 120.3bn.

For the consolidated situation, EC totalled SEK 31.8bn, and AFR was SEK 142.5bn.

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

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

#### OTHER AND EVENTS AFTER THE END OF THE REPORTING PERIOD

##### Changes in senior management

On 16 August, Anders Bouvin was appointed as the new President and Group Chief Executive of Handelsbanken. Anders Bouvin was previously CEO in the UK.

On 4 October, the Bank announced that the position of CEO of Swedish operations was being removed. This means that the heads of the Swedish regional banks will again report directly to the Group Chief Executive.

# Handelsbanken Group – Business segments

January - September 2016	Home markets									Group Jan-Sep 2016
	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	11,501	3,303	1,239	916	2,422	312	406	545		20,644
Net fee and commission income	3,131	372	284	303	274	26	2,266	53		6,709
Net gains/losses on financial transactions	541	160	54	66	93	3	822	1,058		2,797
Risk result - insurance							136			136
Other dividend income								25		25
Other income	19	0	12	7	76	0	6	207		327
<b>Total income</b>	<b>15,192</b>	<b>3,835</b>	<b>1,589</b>	<b>1,292</b>	<b>2,865</b>	<b>341</b>	<b>3,636</b>	<b>1,888</b>		<b>30,638</b>
Staff costs	-2,804	-1,379	-478	-279	-496	-145	-1,787	-2,012	-181	-9,561
Other expenses	-851	-320	-128	-157	-144	-44	-632	-1,607		-3,883
Internal purchased and sold services	-1,965	-394	-209	-177	-272	-53	-39	3,109		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-56	-35	-10	-10	-2	-5	-57	-203	-3	-381
<b>Total expenses</b>	<b>-5,676</b>	<b>-2,128</b>	<b>-825</b>	<b>-623</b>	<b>-914</b>	<b>-247</b>	<b>-2,515</b>	<b>-713</b>	<b>-184</b>	<b>-13,825</b>
<b>Profit before loan losses</b>	<b>9,516</b>	<b>1,707</b>	<b>764</b>	<b>669</b>	<b>1,951</b>	<b>94</b>	<b>1,121</b>	<b>1,175</b>	<b>-184</b>	<b>16,813</b>
Net loan losses	-236	-87	-238	-50	-240	0	-41			-892
Gains/losses on disposal of property, equipment and intangible assets	1	2	6	0	0	-	0	5		14
<b>Operating profit</b>	<b>9,281</b>	<b>1,622</b>	<b>532</b>	<b>619</b>	<b>1,711</b>	<b>94</b>	<b>1,080</b>	<b>1,180</b>	<b>-184</b>	<b>15,935</b>
Profit allocation	697	26	63	93	61	2	-942	0		
<b>Operating profit after profit allocation</b>	<b>9,978</b>	<b>1,648</b>	<b>595</b>	<b>712</b>	<b>1,772</b>	<b>96</b>	<b>138</b>	<b>1,180</b>	<b>-184</b>	<b>15,935</b>
Internal income*	81	-987	-291	-237	-1,871	-163	-2,026	5,494		

January - September 2015	Home markets									Group Jan-Sep 2015
	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	11,503	3,377	1,260	1,016	2,460	240	454	459		20,769
Net fee and commission income	3,476	322	334	294	306	18	2,214	13		6,977
Net gains/losses on financial transactions	333	147	53	48	72	4	1,012	-564		1,105
Risk result - insurance							121			121
Share of profit of associates								28		28
Other income	45	5	14	16	17	-	6	324		427
<b>Total income</b>	<b>15,357</b>	<b>3,851</b>	<b>1,661</b>	<b>1,374</b>	<b>2,855</b>	<b>262</b>	<b>3,807</b>	<b>260</b>		<b>29,427</b>
Staff costs	-2,712	-1,390	-469	-279	-544	-115	-1,857	-1,718	-144	-9,228
Other expenses	-839	-294	-132	-115	-155	-26	-629	-1,571		-3,761
Internal purchased and sold services	-1,959	-326	-209	-181	-277	-62	-40	3,054		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-67	-19	-9	-7	-10	-2	-55	-206		-375
<b>Total expenses</b>	<b>-5,577</b>	<b>-2,029</b>	<b>-819</b>	<b>-582</b>	<b>-986</b>	<b>-205</b>	<b>-2,581</b>	<b>-441</b>	<b>-144</b>	<b>-13,364</b>
<b>Profit before loan losses</b>	<b>9,780</b>	<b>1,822</b>	<b>842</b>	<b>792</b>	<b>1,869</b>	<b>57</b>	<b>1,226</b>	<b>-181</b>	<b>-144</b>	<b>16,063</b>
Net loan losses	-446	-167	-236	-70	-192	-2	-9			-1,122
Gains/losses on disposal of property, equipment and intangible assets	-3	-11	3	0	6	-	0	6		1
<b>Operating profit</b>	<b>9,331</b>	<b>1,644</b>	<b>609</b>	<b>722</b>	<b>1,683</b>	<b>55</b>	<b>1,217</b>	<b>-175</b>	<b>-144</b>	<b>14,942</b>
Profit allocation	699	25	53	78	37	0	-892	0		
<b>Operating profit after profit allocation</b>	<b>10,030</b>	<b>1,669</b>	<b>662</b>	<b>800</b>	<b>1,720</b>	<b>55</b>	<b>325</b>	<b>-175</b>	<b>-144</b>	<b>14,942</b>
Internal income*	11	-1,123	-242	-295	-2,162	-125	-1,802	5,738		

\* 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 five 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 454 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

## INCOME STATEMENT

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	3,929	3,813	3%	3,717	6%	11,501	11,503	0%	15,278
Net fee and commission income	1,047	1,080	-3%	1,154	-9%	3,131	3,476	-10%	4,619
Net gains/losses on financial transactions	167	242	-31%	94	78%	541	333	62%	383
Other income	4	4	0%	5	-20%	19	45	-58%	61
<b>Total income</b>	<b>5,147</b>	<b>5,139</b>	<b>0%</b>	<b>4,970</b>	<b>4%</b>	<b>15,192</b>	<b>15,357</b>	<b>-1%</b>	<b>20,341</b>
Staff costs	-278	-920	-70%	-910	-69%	-2,804	-2,712	3%	-3,620
Other expenses	-261	-310	-16%	-266	-2%	-851	-839	1%	-1,163
Internal purchased and sold services	-630	-677	-7%	-630	0%	-1,965	-1,959	0%	-2,595
Depreciation, amortisation and impairments of property, equipment and intangible assets	-19	-17	12%	-22	-14%	-56	-67	-16%	-88
<b>Total expenses</b>	<b>-1,188</b>	<b>-1,924</b>	<b>-38%</b>	<b>-1,828</b>	<b>-35%</b>	<b>-5,676</b>	<b>-5,577</b>	<b>2%</b>	<b>-7,466</b>
<b>Profit before loan losses</b>	<b>3,959</b>	<b>3,215</b>	<b>23%</b>	<b>3,142</b>	<b>26%</b>	<b>9,516</b>	<b>9,780</b>	<b>-3%</b>	<b>12,875</b>
Net loan losses	-128	-84	52%	-136	-6%	-236	-446	-47%	-763
Gains/losses on disposal of property, equipment and intangible assets	1	1	0%	0		1	-3		-2
<b>Operating profit</b>	<b>3,832</b>	<b>3,132</b>	<b>22%</b>	<b>3,006</b>	<b>27%</b>	<b>9,281</b>	<b>9,331</b>	<b>-1%</b>	<b>12,110</b>
Profit allocation	271	224	21%	279	-3%	697	699	0%	935
<b>Operating profit after profit allocation</b>	<b>4,103</b>	<b>3,356</b>	<b>22%</b>	<b>3,285</b>	<b>25%</b>	<b>9,978</b>	<b>10,030</b>	<b>-1%</b>	<b>13,045</b>
Internal income	71	121	-41%	62	15%	81	11		46
Cost/income ratio, %	21.9	35.9		34.8		35.7	34.7		35.1
Loan loss ratio, %	0.04	0.03		0.05		0.03	0.05		0.07
Allocated capital	72,997	68,642	6%	68,490	7%	72,997	68,490	7%	71,894
Return on allocated capital, %	17.5	15.3		15.0		14.7	15.2		14.7
Average number of employees	4,352	4,300	1%	4,713	-8%	4,355	4,482	-3%	4,468
Number of branches	454	463	-2%	463	-2%	454	463	-2%	463

## BUSINESS VOLUMES

Average volumes, SEK bn	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Loans to the public*									
Household	748	736	2%	693	8%	735	681	8%	688
of which mortgage loans	695	681	2%	639	9%	681	626	9%	633
Corporate	479	481	0%	475	1%	481	476	1%	477
of which mortgage loans	270	272	-1%	270	0%	272	269	1%	270
<b>Total</b>	<b>1,227</b>	<b>1,217</b>	<b>1%</b>	<b>1,168</b>	<b>5%</b>	<b>1,216</b>	<b>1,157</b>	<b>5%</b>	<b>1,165</b>
Deposits and borrowing from the public									
Household	302	291	4%	269	12%	291	258	13%	263
Corporate	199	200	-1%	194	3%	199	191	4%	193
<b>Total</b>	<b>501</b>	<b>491</b>	<b>2%</b>	<b>463</b>	<b>8%</b>	<b>490</b>	<b>449</b>	<b>9%</b>	<b>456</b>

\* Excluding loans to the National Debt Office.

## JANUARY – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

### Financial performance

Operating profit went down by 1% to SEK 9,281m (9,331). During the third quarter, SEK 598m, corresponding to the remainder of the first quarter's staff cost provision of SEK 700m, was transferred from the Handelsbanken Sweden segment to Other.

Net interest income was unchanged at SEK 11,501m (11,503). Lower interest rates reduced the deposit margin by SEK -903m, while lower lending margins caused a further SEK -76m reduction. Growing lending volumes increased net interest income by SEK 548m. At the same time, negative Swedish short-term interest rates meant that growing deposit volumes had a SEK -130m negative effect on net interest income. Fees to the Resolution Fund and the deposit guarantee amounted to SEK -495m (-498). The remainder of the change in net interest income was chiefly attributable to lower funding costs.

Net fee and commission income declined by 10% to SEK 3,131m (3,476). The decrease was mainly attributable to lower interchange fees, which reduced income from card operations, and reduced fund management commissions and brokerage income.

Net gains/losses on financial transactions grew by 62% to SEK 541m (333). The increase was chiefly attributable to higher profits from foreign exchange business.

Total expenses increased by 2% to SEK -5,676m (-5,577). Staff costs increased by 3% and other expense items increased marginally. The average number of employees fell by 3% to 4,355 (4,482). The C/I ratio was 35.7% (34.7).

Loan losses went down to SEK -236m (-446), and the loan loss ratio fell to 0.03% (0.05).

### Business development

In Finansbarometern's annual survey, Handelsbanken was again voted Business Bank of the Year – for the sixth year running – and Sweden's Small Enterprise Bank – for the fifth year running. The Bank achieved the highest rating in the categories of customer satisfaction, service and customer treatment, range of products and services, and quality of advisory services.

Just as in previous years, the major SKI, Swedish Quality Index survey of customer satisfaction found that Handelsbanken has more satisfied customers than other major Swedish banks. For private customers, Handelsbanken's index value was 67.6, as compared with the other major Swedish banks, all of which recorded scores in the 56.4 – 66.0 range. For corporate customers, Handelsbanken's index value was 69.4, as compared with the other major Swedish banks, all of which recorded scores in the 55.4 – 67.6 range.

For several years, the Bank has reported the largest net inflow of new volumes in the Swedish mutual funds market. During the first nine months of the year, new

savings in the Bank's mutual funds in Sweden amounted to SEK 7.5bn in a fund market where the total net inflow was SEK 10.6bn.

The average volume of deposits from households was up by 13% compared with the corresponding period of the previous year, amounting to SEK 291bn (258). The average volume of mortgage loans to private individuals increased by 9% to SEK 681bn (626), while the average volume of lending to companies grew by 1% to SEK 481bn (476).

On 4 October, the Bank announced that the position of CEO of Swedish operations was being removed. This means that the heads of the Swedish regional banks will again report directly to the Group Chief Executive.

### Q3 2016 COMPARED WITH Q2 2016

Operating profit rose to SEK 3,832m (3,132). Adjusted for the transfer of the staff cost provision to Other, the underlying increase was 3%.

Net interest income grew by 3% to SEK 3,929m (3,813). Lower funding costs, increased lending volumes and higher mortgage margins offset the effects of the continuing decrease in short-term interest rates.

Deposit margins went down by SEK -92m as a result of the continuing decrease in short-term interest rates. At the same time, higher deposit volumes had a negative impact of SEK -14m, due to negative margins. Higher lending volumes had a positive effect of SEK 32m on net interest income, while higher lending margins contributed SEK 53m. The remainder of the increase in net interest income was mainly due to lower funding costs.

Fees for the Resolution Fund and the deposit guarantee increased to SEK -165m (-161), and the benchmark effect in Stadshypotek decreased to SEK -51m (-29).

The average volume of mortgage loans to private individuals grew by 2% to SEK 695bn (681). The gross margin on the mortgage portfolio – before advisory and administration expenses – increased to 1.06% (1.04).

The average volume of corporate lending decreased to SEK 479bn (481).

Net fee and commission income decreased by 3% to SEK 1,047m (1,080), primarily due to lower clearing costs in card operations during the quarter of comparison.

Net gains/losses on financial transactions decreased to SEK 167m (242).

Due to the transfer of the remaining staff cost reserve to Other, expenses went down to SEK -1,188m (-1,924). Adjusted for the transfer, expenses fell by 7% to SEK -1,786m. The reduction was attributable to seasonally lower other expenses in the third quarter, and also to lower staff costs. The average number of permanent employees fell by 84. An increased number of temporary employees during the summer months contributed to the total average number of employees rising to 4,352 (4,300).

Loan losses increased to SEK -128m (-84), and the loan loss ratio was 0.04% (0.03).

## Handelsbanken UK

Handelsbanken UK comprises branch operations in five regional banks and the Heartwood asset management company. 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 205 branches throughout the UK.

### INCOME STATEMENT

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	1,085	1,102	-2%	1,180	-8%	3,303	3,377	-2%	4,570
Net fee and commission income	121	132	-8%	114	6%	372	322	16%	452
Net gains/losses on financial transactions	34	76	-55%	44	-23%	160	147	9%	194
Other income	-1	0		1		0	5	-100%	7
<b>Total income</b>	<b>1,239</b>	<b>1,310</b>	<b>-5%</b>	<b>1,339</b>	<b>-7%</b>	<b>3,835</b>	<b>3,851</b>	<b>0%</b>	<b>5,223</b>
Staff costs	-444	-462	-4%	-482	-8%	-1,379	-1,390	-1%	-1,870
Other expenses	-109	-105	4%	-104	5%	-320	-294	9%	-429
Internal purchased and sold services	-137	-137	0%	-116	18%	-394	-326	21%	-455
Depreciation, amortisation and impairments of property, equipment and intangible assets	-11	-11	0%	-9	22%	-35	-19	84%	-30
<b>Total expenses</b>	<b>-701</b>	<b>-715</b>	<b>-2%</b>	<b>-711</b>	<b>-1%</b>	<b>-2,128</b>	<b>-2,029</b>	<b>5%</b>	<b>-2,784</b>
<b>Profit before loan losses</b>	<b>538</b>	<b>595</b>	<b>-10%</b>	<b>628</b>	<b>-14%</b>	<b>1,707</b>	<b>1,822</b>	<b>-6%</b>	<b>2,439</b>
Net loan losses	-20	-26	-23%	-65	-69%	-87	-167	-48%	-224
Gains/losses on disposal of property, equipment and intangible assets	0	-1		-2		2	-11		-12
<b>Operating profit</b>	<b>518</b>	<b>568</b>	<b>-9%</b>	<b>561</b>	<b>-8%</b>	<b>1,622</b>	<b>1,644</b>	<b>-1%</b>	<b>2,203</b>
Profit allocation	11	7	57%	8	38%	26	25	4%	34
<b>Operating profit after profit allocation</b>	<b>529</b>	<b>575</b>	<b>-8%</b>	<b>569</b>	<b>-7%</b>	<b>1,648</b>	<b>1,669</b>	<b>-1%</b>	<b>2,237</b>
Internal income	-310	-327	5%	-391	21%	-987	-1,123	12%	-1,481
Cost/income ratio, %	56.1	54.3		52.8		55.1	52.3		53.0
Loan loss ratio, %	0.04	0.05		0.15		0.06	0.13		0.13
Allocated capital	10,582	10,263	3%	10,723	-1%	10,582	10,723	-1%	10,452
Return on allocated capital, %	15.6	17.5		16.5		16.2	16.8		16.8
Average number of employees	1,987	1,957	2%	1,850	7%	1,952	1,765	11%	1,794
Number of branches	205	204	0%	195	5%	205	195	5%	197

### BUSINESS VOLUMES

Average volumes, GBP m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Loans to the public									
Household	5,609	5,456	3%	4,900	14%	5,451	4,714	16%	4,809
Corporate	11,196	10,847	3%	10,136	10%	10,870	9,915	10%	10,026
<b>Total</b>	<b>16,805</b>	<b>16,303</b>	<b>3%</b>	<b>15,036</b>	<b>12%</b>	<b>16,321</b>	<b>14,629</b>	<b>12%</b>	<b>14,835</b>
Deposits and borrowing from the public									
Household	2,751	2,425	13%	1,832	50%	2,412	1,680	44%	1,747
Corporate	7,526	7,051	7%	6,828	10%	7,107	6,520	9%	6,576
<b>Total</b>	<b>10,277</b>	<b>9,476</b>	<b>8%</b>	<b>8,660</b>	<b>19%</b>	<b>9,519</b>	<b>8,200</b>	<b>16%</b>	<b>8,323</b>

## JANUARY – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

### Financial performance

Operating profit went down by 1% to SEK 1,622m (1,644). Exchange rate effects had a negative impact on the profit, amounting to SEK -154m. In local currency, operating profit increased by 9%, mainly as a result of growing business volumes and lower loan losses.

Return on allocated capital was 16.2% (16.8).

Net interest income decreased by 2% to SEK 3,303m (3,377), due to the depreciation of sterling. Exchange rate movements reduced net interest income by SEK -314m, but expressed in local currency, net interest income grew by 8%. The underlying growth was mainly attributable to increasing business volumes, with lending contributing SEK 278m and deposit volumes SEK 57m. Lower lending margins negatively affected net interest income by SEK -42m, while deposit margins were largely unchanged.

Net fee and commission income increased by 16% to SEK 372m (322). In local currency, the increase was 28%, mainly due to higher lending commissions. Asset management operations contributed SEK 180m (191) in asset management and advisory commissions.

Net gains/losses on financial transactions rose to SEK 160m (147).

Expenses grew by 5% to SEK -2,128m (-2,029). In local currency, expenses were up by 16%, this being entirely due to the expanding operations.

The average number of employees grew by 11% to 1,952 (1,765).

Loan losses went down to SEK -87m (-167), and the loan loss ratio fell to 0.06% (0.13).

### Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers of banks in the UK – on both the private and corporate side. Private customers gave the Bank an index value of 83.5, as compared with the sector average of 74.1. Corporate customers gave Handelsbanken an index value of 81.6, as compared with the sector average of 73.3.

Business volumes continued to grow. The average volume of deposits from households climbed by 44% compared with the corresponding period in the previous year, while lending to households grew by 16%. Overall, the average volume of lending increased by 12% to GBP 16.3bn, while deposits grew by 16% to GBP 9.5bn. During the third quarter, the loan-to-deposit ratio decreased to 164%, compared with 174% in the corresponding quarter of 2015.

Heartwood's assets under management totalled GBP 2.8bn, as compared to GBP 2.5bn at the year-end.

The number of branches in the UK was 205. In addition, managers have been recruited for another two new branches.

### Q3 2016 COMPARED WITH Q2 2016

Operating profit decreased by 9% to SEK 518m (568). Exchange rate movements reduced operating profit by SEK -27m, and expressed in local currency, operating profit fell by 4%. The reduction was mainly attributable to one-off income in the period of comparison related to the sale of Visa Europe. Return on allocated capital was 15.6% (17.5).

Income fell by 5% to SEK 1,239m (1,310). Exchange rate effects had a negative impact on income of SEK -65m.

Net interest income went down by 2%, or SEK 17m, to SEK 1,085m (1,102) as a result of exchange rate changes of SEK -56m. In local currency, net interest income increased by 4%. Underlying volume growth was offset by some pressure on the margins of lending to private customers. The day effect had a SEK 10m positive impact on net interest income.

Net fee and commission income fell by 8% to SEK 121m (132), primarily due to exchange rate effects and lower lending commissions.

Net gains/losses on financial transactions decreased to SEK 34m (76), mainly due to non-recurring income in the comparison quarter relating to the sale of Visa Europe.

Expenses fell by 2% to SEK -701m (-715). Adjusted for exchange rate movements, expenses increased by 3%. The average number of employees rose by 2% to 1,987 (1,957).

Loan losses went down to SEK -20m (-26), and the loan loss ratio was 0.04% (0.05).

## 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	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	425	405	5%	417	2%	1,239	1,260	-2%	1,678
Net fee and commission income	93	93	0%	92	1%	284	334	-15%	436
Net gains/losses on financial transactions	19	18	6%	18	6%	54	53	2%	77
Other income	3	6	-50%	4	-25%	12	14	-14%	17
<b>Total income</b>	<b>540</b>	<b>522</b>	<b>3%</b>	<b>531</b>	<b>2%</b>	<b>1,589</b>	<b>1,661</b>	<b>-4%</b>	<b>2,208</b>
Staff costs	-164	-155	6%	-162	1%	-478	-469	2%	-629
Other expenses	-43	-41	5%	-42	2%	-128	-132	-3%	-178
Internal purchased and sold services	-71	-69	3%	-64	11%	-209	-209	0%	-279
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-4	-25%	-2	50%	-10	-9	11%	-15
<b>Total expenses</b>	<b>-281</b>	<b>-269</b>	<b>4%</b>	<b>-270</b>	<b>4%</b>	<b>-825</b>	<b>-819</b>	<b>1%</b>	<b>-1,101</b>
<b>Profit before loan losses</b>	<b>259</b>	<b>253</b>	<b>2%</b>	<b>261</b>	<b>-1%</b>	<b>764</b>	<b>842</b>	<b>-9%</b>	<b>1,107</b>
Net loan losses	-194	-38	411%	-190	2%	-238	-236	1%	-299
Gains/losses on disposal of property, equipment and intangible assets	5	1	400%	1	400%	6	3	100%	8
<b>Operating profit</b>	<b>70</b>	<b>216</b>	<b>-68%</b>	<b>72</b>	<b>-3%</b>	<b>532</b>	<b>609</b>	<b>-13%</b>	<b>816</b>
Profit allocation	26	18	44%	18	44%	63	53	19%	72
<b>Operating profit after profit allocation</b>	<b>96</b>	<b>234</b>	<b>-59%</b>	<b>90</b>	<b>7%</b>	<b>595</b>	<b>662</b>	<b>-10%</b>	<b>888</b>
Internal income	-92	-95	3%	-100	8%	-291	-242	-20%	-295
Cost/income ratio, %	49.6	49.8		49.2		49.9	47.8		48.3
Loan loss ratio, %	0.92	0.18		0.94		0.37	0.39		0.37
Allocated capital	6,412	6,146	4%	6,281	2%	6,412	6,281	2%	6,219
Return on allocated capital, %	4.6	11.9		4.5		10.0	11.1		11.2
Average number of employees	627	626	0%	640	-2%	626	632	-1%	631
Number of branches	57	57	0%	57	0%	57	57	0%	57

### BUSINESS VOLUMES

Average volumes, DKK bn	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Loans to the public									
Household	41.3	40.1	3%	37.0	12%	40.2	36.3	11%	36.7
Corporate	28.7	28.8	0%	29.9	-4%	28.7	29.2	-2%	28.9
<b>Total</b>	<b>70.0</b>	<b>68.9</b>	<b>2%</b>	<b>66.9</b>	<b>5%</b>	<b>68.9</b>	<b>65.5</b>	<b>5%</b>	<b>65.6</b>
Deposits and borrowing from the public									
Household	12.1	12.0	1%	11.5	5%	11.8	11.0	7%	11.1
Corporate	15.7	13.5	16%	18.4	-15%	15.5	16.9	-8%	16.9
<b>Total</b>	<b>27.8</b>	<b>25.5</b>	<b>9%</b>	<b>29.9</b>	<b>-7%</b>	<b>27.3</b>	<b>27.9</b>	<b>-2%</b>	<b>28.0</b>

## JANUARY – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

### Financial performance

Operating profit fell by 13% to SEK 532m (609), mainly due to lower net fee and commission income than during the corresponding period of the previous year. The effect of exchange rate movements was marginal. Return on allocated capital was 10.0% (11.1).

Net interest income fell by 2% to SEK 1,239m (1,260), mainly due to lower lending margins. Increasing lending volumes had a positive impact of SEK 55m, although this was offset by lower lending margins, which reduced net interest income by SEK -70m. Lower deposit margins negatively affected net interest income by SEK -13m.

Fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -34m (-42).

Net fee and commission income fell by 15% to SEK 284m (334), mainly due to lower fee and commission income from securities.

Net gains/losses on financial transactions increased marginally to SEK 54m (53).

Expenses rose by 1% to SEK -825m (-819), as a result of higher staff costs.

Loan losses were SEK -238m (-236), and the loan loss ratio decreased slightly to 0.37% (0.39).

### Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken once again had the most satisfied customers among banks in Denmark – on both the private and corporate side. Private customers gave the Bank an index value of 77.7, as compared with the sector average of 71.6. On the corporate side, Handelsbanken was the Bank with the highest rise in customer satisfaction, with an increase of 3.5 index points to 75.7, as compared with the sector average of 70.0.

The Bank continued to have a stable inflow of new customers, and business volumes from households continued to increase. The average volume of lending to households climbed by 11% compared with the corresponding period of the previous year, while deposits from households grew by 7%. Corporate lending decreased by 2%, while corporate deposits went down by 8%. The average volume of lending increased by 5% to DKK 68.9bn (65.5), while deposits amounted to DKK 27.3bn (27.9).

### Q3 2016 COMPARED WITH Q2 2016

Operating profit went down to SEK 70m (216) as a result of higher loan losses. Profit before loan losses increased by 2%.

Net interest income increased by 5% to SEK 425m (405). Adjusted for exchange rate movements of SEK 10m, the increase was 2%. Growing lending volumes were partly offset by continued pressure on lending margins. Net interest income from deposits was unchanged.

Net fee and commission income was unchanged at SEK 93m (93).

Net gains/losses on financial transactions totalled SEK 19m (18).

Expenses rose by SEK 12m to -281m (-269). Exchange rate movements accounted for SEK 7m of this increase.

Loan losses rose to SEK -194m (-38). The increase was mainly due to an increased provision made on a single exposure. The loan loss ratio rose to 0.92% (0.18).



## 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	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	304	294	3%	333	-9%	916	1,016	-10%	1,361
Net fee and commission income	108	102	6%	96	13%	303	294	3%	387
Net gains/losses on financial transactions	8	45	-82%	10	-20%	66	48	38%	60
Other income	1	3	-67%	3	-67%	7	16	-56%	23
<b>Total income</b>	<b>421</b>	<b>444</b>	<b>-5%</b>	<b>442</b>	<b>-5%</b>	<b>1,292</b>	<b>1,374</b>	<b>-6%</b>	<b>1,831</b>
Staff costs	-94	-95	-1%	-92	2%	-279	-279	0%	-369
Other expenses	-37	-50	-26%	-35	6%	-157	-115	37%	-161
Internal purchased and sold services	-59	-60	-2%	-57	4%	-177	-181	-2%	-247
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-3	33%	-2	100%	-10	-7	43%	-11
<b>Total expenses</b>	<b>-194</b>	<b>-208</b>	<b>-7%</b>	<b>-186</b>	<b>4%</b>	<b>-623</b>	<b>-582</b>	<b>7%</b>	<b>-788</b>
<b>Profit before loan losses</b>	<b>227</b>	<b>236</b>	<b>-4%</b>	<b>256</b>	<b>-11%</b>	<b>669</b>	<b>792</b>	<b>-16%</b>	<b>1,043</b>
Net loan losses	-16	-11	45%	-5	220%	-50	-70	-29%	-83
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
<b>Operating profit</b>	<b>211</b>	<b>225</b>	<b>-6%</b>	<b>251</b>	<b>-16%</b>	<b>619</b>	<b>722</b>	<b>-14%</b>	<b>960</b>
Profit allocation	31	30	3%	26	19%	93	78	19%	110
<b>Operating profit after profit allocation</b>	<b>242</b>	<b>255</b>	<b>-5%</b>	<b>277</b>	<b>-13%</b>	<b>712</b>	<b>800</b>	<b>-11%</b>	<b>1,070</b>
Internal income	-90	-62	-45%	-103	13%	-237	-295	20%	-367
Cost/income ratio, %	42.9	43.9		39.7		45.0	40.1		40.6
Loan loss ratio, %	0.05	0.04		0.02		0.06	0.08		0.07
Allocated capital	5,937	5,568	7%	6,014	-1%	5,937	6,014	-1%	6,186
Return on allocated capital, %	12.7	14.3		14.4		12.7	13.9		13.8
Average number of employees	500	496	1%	508	-2%	495	497	0%	496
Number of branches	45	45	0%	46	-2%	45	46	-2%	46

### BUSINESS VOLUMES

Average volumes, EUR m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Loans to the public									
Household	3,998	3,952	1%	3,959	1%	3,968	3,942	1%	3,947
Corporate	8,747	8,733	0%	8,556	2%	8,741	8,606	2%	8,619
<b>Total</b>	<b>12,745</b>	<b>12,685</b>	<b>0%</b>	<b>12,515</b>	<b>2%</b>	<b>12,709</b>	<b>12,548</b>	<b>1%</b>	<b>12,566</b>
Deposits and borrowing from the public									
Household	1,485	1,432	4%	1,386	7%	1,432	1,368	5%	1,367
Corporate	1,933	1,766	9%	2,205	-12%	1,917	2,340	-18%	2,226
<b>Total</b>	<b>3,418</b>	<b>3,198</b>	<b>7%</b>	<b>3,591</b>	<b>-5%</b>	<b>3,349</b>	<b>3,708</b>	<b>-10%</b>	<b>3,593</b>

## JANUARY – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

### Financial performance

Operating profit went down by 14% to SEK 619m (722). The effect of exchange rate movements was marginal. Return on allocated capital was 12.7% (13.9).

Income fell by 6%. Net interest income declined by 10% to SEK 916m (1,016). The reduction was entirely due to lower lending margins, which negatively affected net interest income by SEK 104m. Fees to the Resolution Fund and the deposit guarantee amounted to SEK -41m (-40).

Net fee and commission income grew by 3% to SEK 303m (294), due to higher payment commissions, while net gains/losses on financial transactions increased to SEK 66m (48).

Total expenses rose by 7% to SEK -623m (-582), which was mainly attributable to a one-off expense of SEK -30m during the first quarter. Staff costs were unchanged, and the average number of employees totalled 495 (497).

Loan losses went down to SEK -50m (-70), and the loan loss ratio was 0.06% (0.08).

### Business development

According to the annual EPSI customer satisfaction survey, Handelsbanken had customers that were more satisfied than the average for banks in Finland. Private customers gave the Bank an index value of 80.1, as compared with the sector average of 73.1. Corporate customers gave the Bank an index value of 77.5, as compared with the sector average of 76.9.

The average volume of deposits from households climbed by 5% compared with the corresponding period of the previous year, while lending to households grew by 1%.

The average volume of corporate lending grew by 2%, while corporate deposits decreased by 18%, as a result of reduced deposits from large corporates.

### Q3 2016 COMPARED WITH Q2 2016

Operating profit decreased by 6% to SEK 211m (225), mainly due to lower income. Adjusted for exchange rate movements, operating profit decreased by 9%.

Net interest income grew by 3% to SEK 304m (294). The increase was chiefly due to exchange rate effects.

Net fee and commission income increased by 6% to SEK 108m (102), mainly due to higher payment commissions.

Net gains/losses on financial transactions decreased to SEK 8m (45), primarily due to the previous quarter including one-off income related to the sale of Visa Europe.

Expenses fell by 7% to SEK -194m (-208). Adjusted for exchange rate movements, expenses in local currency terms went down by 10%.

Loan losses were SEK -16m (-11), and the loan loss ratio was 0.05% (0.04).

## Handelsbanken Norway

Handelsbanken Norway consists of the branch operations in Norway, which are organised as a regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Norway. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 50 branches throughout Norway. Handelsbanken Finans offers finance company services and works through the Bank's branches.

### INCOME STATEMENT

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	856	797	7%	785	9%	2,422	2,460	-2%	3,248
Net fee and commission income	99	91	9%	103	-4%	274	306	-10%	395
Net gains/losses on financial transactions	25	30	-17%	29	-14%	93	72	29%	94
Other income	4	68	-94%	8	-50%	76	17	347%	31
<b>Total income</b>	<b>984</b>	<b>986</b>	<b>0%</b>	<b>925</b>	<b>6%</b>	<b>2,865</b>	<b>2,855</b>	<b>0%</b>	<b>3,768</b>
Staff costs	-175	-158	11%	-177	-1%	-496	-544	-9%	-713
Other expenses	-46	-50	-8%	-48	-4%	-144	-155	-7%	-207
Internal purchased and sold services	-96	-90	7%	-85	13%	-272	-277	-2%	-370
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	4		-3	0%	-2	-10	-80%	-13
<b>Total expenses</b>	<b>-320</b>	<b>-294</b>	<b>9%</b>	<b>-313</b>	<b>2%</b>	<b>-914</b>	<b>-986</b>	<b>-7%</b>	<b>-1,303</b>
<b>Profit before loan losses</b>	<b>664</b>	<b>692</b>	<b>-4%</b>	<b>612</b>	<b>8%</b>	<b>1,951</b>	<b>1,869</b>	<b>4%</b>	<b>2,465</b>
Net loan losses	-73	-64	14%	-53	38%	-240	-192	25%	-222
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	6	-100%	0	6		6
<b>Operating profit</b>	<b>591</b>	<b>628</b>	<b>-6%</b>	<b>565</b>	<b>5%</b>	<b>1,711</b>	<b>1,683</b>	<b>2%</b>	<b>2,249</b>
Profit allocation	22	16	38%	14	57%	61	37	65%	57
<b>Operating profit after profit allocation</b>	<b>613</b>	<b>644</b>	<b>-5%</b>	<b>579</b>	<b>6%</b>	<b>1,772</b>	<b>1,720</b>	<b>3%</b>	<b>2,306</b>
Internal income	-629	-558	-13%	-702	10%	-1,871	-2,162	13%	-2,805
Cost/income ratio, %	31.8	29.3		33.3		31.2	34.1		34.1
Loan loss ratio, %	0.14	0.12		0.10		0.15	0.13		0.11
Allocated capital	14,441	12,870	12%	13,007	11%	14,441	13,007	11%	12,966
Return on allocated capital, %	13.2	15.6		13.9		13.6	13.5		13.6
Average number of employees	681	658	3%	691	-1%	668	679	-2%	676
Number of branches	50	50	0%	51	-2%	50	51	-2%	50

### BUSINESS VOLUMES

Average volumes, NOK bn	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Loans to the public									
Household	86.4	85.3	1%	82.0	5%	85.3	80.7	6%	81.3
Corporate	144.3	142.7	1%	120.3	20%	142.1	118.3	20%	120.5
<b>Total</b>	<b>230.7</b>	<b>228.0</b>	<b>1%</b>	<b>202.3</b>	<b>14%</b>	<b>227.4</b>	<b>199.0</b>	<b>14%</b>	<b>201.8</b>
Deposits and borrowing from the public									
Household	20.0	19.1	5%	17.9	12%	19.2	17.2	12%	17.3
Corporate	45.8	44.2	4%	47.2	-3%	43.6	52.4	-17%	51.1
<b>Total</b>	<b>65.8</b>	<b>63.3</b>	<b>4%</b>	<b>65.1</b>	<b>1%</b>	<b>62.8</b>	<b>69.6</b>	<b>-10%</b>	<b>68.4</b>

## JANUARY – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

### Financial performance

Operating profit increased by 2% to SEK 1,711m (1,683) but was negatively affected by the depreciation of the Norwegian krone compared to the previous year. Expressed in local currency, operating profit improved by 8%.

Return on allocated capital was 13.6% (13.5).

Income was more or less unchanged, but adjusted for exchange rate effects it grew by 7%. Net interest income went down by 2% to SEK 2,422m (2,460). Lending margins went down by SEK 201m, while increasing lending volumes had a positive effect on net interest income of SEK 212m. The decrease in lending margins was partially offset by deposit margins increasing by SEK 101m. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -79m (-76).

Net fee and commission income declined by 10% to SEK 274m (306). Adjusted for exchange rate movements, net fee and commission income went down by 5%, chiefly due to lower deposit and lending commissions.

Other income increased to SEK 76m (17). This increase was attributable to the receipt of a dividend from Visa Norway FLI, deriving from Visa Inc.'s acquisition of Visa Europe.

Expenses decreased by 7%, or SEK -72m, to SEK -914m (-986). Exchange rate effects reduced expenses by SEK 55m. Staff costs expressed in local currency fell by 3%, and the average number of employees decreased to 668 (679).

Loan losses increased to SEK -240m (-192), and the loan loss ratio was 0.15% (0.13).

### Business development

According to the annual EPSI customer satisfaction survey, Handelsbanken had customers that were more satisfied than the average for banks in Norway. Private customers gave the Bank an index value of 74.2, as compared with the sector average of 69.3. Corporate customers gave the Bank an index value of 69.9, as compared with the sector average of 67.4.

Business volumes continued to grow during the third quarter. During the first nine months of the year, the average volume of deposits from households climbed by 12% compared with the corresponding period of the previous year, while lending to households grew by 6%. The average volume of corporate lending increased by 20%, while corporate deposits were 17% lower than during the corresponding period of the previous year.

In total, the average volume of lending increased by 14% to NOK 227.4bn (199.0), while total deposits fell by 10%, due to a drop in corporate deposits.

### Q3 2016 COMPARED WITH Q2 2016

Operating profit decreased by 6% to SEK 591m (628), which was wholly attributable to the dividend of SEK 64m from VISA Norway FLI which was booked during the previous quarter.

Net interest income went up by 7%, or SEK 59m, to SEK 856m (797). Exchange rate effects had a positive effect of SEK 22m. Expressed in local currency, net interest income increased by 4%. Lower lending margins reduced net interest income by SEK -9m, while higher deposit margins had a positive impact of SEK 8m.

Net fee and commission income grew by 9% to SEK 99m (91), due to lower fee and commission expenses.

Net gains/losses on financial transactions decreased to SEK 25m (30).

Expenses grew by 9% to SEK -320m (-294), partly due to exchange rate movements, and in local currency the increase in expenses was 6%. Staff costs rose in local currency terms by 8%, chiefly as a result of contractual salary increases and the number of temporary summer staff increasing the average number of employees to 681 (658).

Loan losses grew to SEK -73m (-64), and the loan loss ratio was 0.14% (0.12).

## 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 25 branches in the Netherlands.

### INCOME STATEMENT

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	117	100	17%	84	39%	312	240	30%	328
Net fee and commission income	15	6	150%	6	150%	26	18	44%	23
Net gains/losses on financial transactions	2	0		3	-33%	3	4	-25%	5
Other income	0	-		-		0	-		-
<b>Total income</b>	<b>134</b>	<b>106</b>	<b>26%</b>	<b>93</b>	<b>44%</b>	<b>341</b>	<b>262</b>	<b>30%</b>	<b>356</b>
Staff costs	-56	-45	24%	-41	37%	-145	-115	26%	-158
Other expenses	-20	-16	25%	-8	150%	-44	-26	69%	-37
Internal purchased and sold services	-14	-19	-26%	-19	-26%	-53	-62	-15%	-84
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-2	0%	-1	100%	-5	-2	150%	-3
<b>Total expenses</b>	<b>-92</b>	<b>-82</b>	<b>12%</b>	<b>-69</b>	<b>33%</b>	<b>-247</b>	<b>-205</b>	<b>20%</b>	<b>-282</b>
<b>Profit before loan losses</b>	<b>42</b>	<b>24</b>	<b>75%</b>	<b>24</b>	<b>75%</b>	<b>94</b>	<b>57</b>	<b>65%</b>	<b>74</b>
Net loan losses	-1	1		1		0	-2		-2
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
<b>Operating profit</b>	<b>41</b>	<b>25</b>	<b>64%</b>	<b>25</b>	<b>64%</b>	<b>94</b>	<b>55</b>	<b>71%</b>	<b>72</b>
Profit allocation	0	2	-100%	0	0%	2	0		0
<b>Operating profit after profit allocation</b>	<b>41</b>	<b>27</b>	<b>52%</b>	<b>25</b>	<b>64%</b>	<b>96</b>	<b>55</b>	<b>75%</b>	<b>72</b>
Internal income	-55	-56	2%	-45	-22%	-163	-125	-30%	-175
Cost/income ratio, %	68.7	75.9		74.2		72.0	78.2		79.2
Loan loss ratio, %	0.02	-0.02		-0.02		0.00	0.01		0.01
Allocated capital	1,131	956	18%	906	25%	1,131	906	25%	851
Return on allocated capital, %	11.2	8.6		8.5		9.9	6.4		6.4
Average number of employees	198	188	5%	162	22%	189	153	24%	159
Number of branches	25	23	9%	23	9%	25	23	9%	23

### BUSINESS VOLUMES

Average volumes, EUR m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Loans to the public									
Household	1,502	1,367	10%	1,067	41%	1,369	982	39%	1,022
Corporate	1,741	1,397	25%	1,117	56%	1,470	1,122	31%	1,149
<b>Total</b>	<b>3,243</b>	<b>2,764</b>	<b>17%</b>	<b>2,184</b>	<b>48%</b>	<b>2,839</b>	<b>2,104</b>	<b>35%</b>	<b>2,171</b>
Deposits and borrowing from the public									
Household	65	58	12%	48	35%	58	48	21%	47
Corporate	378	440	-14%	703	-46%	409	737	-45%	703
<b>Total</b>	<b>443</b>	<b>498</b>	<b>-11%</b>	<b>751</b>	<b>-41%</b>	<b>467</b>	<b>785</b>	<b>-41%</b>	<b>750</b>

## JANUARY – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

### Financial performance

Operating profit grew by 71% to SEK 94m (55), chiefly as a result of business volumes continuing to increase. Income rose by 30%, while expenses went up by 20%. Return on allocated capital was 9.9% (6.4).

Net interest income grew by 30% to SEK 312m (240). Increasing lending volumes contributed SEK 67m, while higher lending margins contributed SEK 4m. Higher deposit margins improved net interest income by SEK 3m.

Net fee and commission income was SEK 26m (18).

Expenses rose by 20% to SEK -247m (-205), as a result of the continuing expansion. The C/I ratio improved to 72.0% (78.2) and the average number of employees increased by 24% to 189 (153).

Net recoveries of previous provision for loan losses amounted to SEK 0m (-2), and the loan loss ratio was 0.00% (0.01).

### Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers of banks in the Netherlands – on both the private and corporate side. Private customers gave the Bank an index value of 74.1, as compared with the sector average of 65.5. Corporate customers gave Handelsbanken an index value of 71.9, as compared with the sector average of 57.1.

The average volume of lending to households grew by 39% to EUR 1,369m (982), while deposits from households increased by 21% to EUR 58m (48). Corporate lending went up by 31% to EUR 1,470m (1,122). As a result of reduced business volumes from a few large corporates, the average volume of deposits from companies decreased by 45% to EUR 409m (737). Business volumes with small and medium-sized companies continued to grow.

The Bank opened two new branches in Roermond and Laren during the third quarter, bringing the total number of branches in the Netherlands up to 25.

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 EUR 2bn, including its own mutual funds. The transaction was concluded on 1 September 2016.

## Q3 2016 COMPARED WITH Q2 2016

Operating profit increased by 64% to SEK 41m (25).

Income grew by 26% to SEK 134m (106). Net interest income rose by 17%, chiefly due to the average volume of lending increasing by 17% during the quarter.

Net fee and commission income rose by SEK 9m to SEK 15m (6), since the asset manager Optimix was included in the income statement from 1 September.

Expenses increased by 12% to SEK -92m (-82), and are partly due to Optimix being included. Staff costs rose by 24% and the average number of employees increased to 198 (188).

Loan losses totalled SEK -1m (1), and the loan loss ratio was 0.02% (-0.02).



## Handelsbanken Capital Markets

Handelsbanken Capital Markets consists of Markets & Asset Management, Pension & Life, Handelsbanken International and Business Support. It has employees in 21 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 16 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	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	135	134	1%	143	-6%	406	454	-11%	641
Net fee and commission income	753	771	-2%	734	3%	2,266	2,214	2%	2,972
Net gains/losses on financial transactions	244	338	-28%	249	-2%	822	1,012	-19%	1,226
Risk result - insurance	25	35	-29%	40	-38%	136	121	12%	157
Other income	3	1	200%	3	0%	6	6	0%	10
<b>Total income</b>	<b>1,160</b>	<b>1,279</b>	<b>-9%</b>	<b>1,169</b>	<b>-1%</b>	<b>3,636</b>	<b>3,807</b>	<b>-4%</b>	<b>5,006</b>
Staff costs	-580	-597	-3%	-596	-3%	-1,787	-1,857	-4%	-2,447
Other expenses	-203	-217	-6%	-198	3%	-632	-629	0%	-857
Internal purchased and sold services	-17	-22	-23%	-12	42%	-39	-40	-3%	-86
Depreciation, amortisation and impairments of property, equipment and intangible assets	-18	-19	-5%	-18	0%	-57	-55	4%	-79
<b>Total expenses</b>	<b>-818</b>	<b>-855</b>	<b>-4%</b>	<b>-824</b>	<b>-1%</b>	<b>-2,515</b>	<b>-2,581</b>	<b>-3%</b>	<b>-3,469</b>
<b>Profit before loan losses</b>	<b>342</b>	<b>424</b>	<b>-19%</b>	<b>345</b>	<b>-1%</b>	<b>1,121</b>	<b>1,226</b>	<b>-9%</b>	<b>1,537</b>
Net loan losses	-44	-7		-10	340%	-41	-9	356%	-4
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
<b>Operating profit</b>	<b>298</b>	<b>417</b>	<b>-29%</b>	<b>335</b>	<b>-11%</b>	<b>1,080</b>	<b>1,217</b>	<b>-11%</b>	<b>1,533</b>
Profit allocation	-361	-297	22%	-345	5%	-942	-892	6%	-1,209
<b>Operating profit after profit allocation</b>	<b>-63</b>	<b>120</b>		<b>-10</b>		<b>138</b>	<b>325</b>	<b>-58%</b>	<b>324</b>
Internal income	-745	-702	-6%	-605	-23%	-2,026	-1,802	-12%	-2,347
Cost/income ratio, %	102.4	87.1		100.0		93.4	88.5		91.4
Loan loss ratio, %	0.37	0.06		0.07		0.12	0.02		0.01
Allocated capital	4,807	5,038	-5%	5,183	-7%	4,807	5,183	-7%	5,671
Return on allocated capital, %	-4.1	7.5		-0.6		2.9	6.0		4.5
Average number of employees	1,674	1,681	0%	1,785	-6%	1,691	1,776	-5%	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 – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

### Financial performance

Operating profit decreased by 11% to SEK 1,080m (1,217). Total income fell by 4% to SEK 3,636m (3,807), chiefly as a result of a lower activity level in the market reducing net gains/losses on financial transactions to SEK 822m (1,012).

Net fee and commission income rose by 2% to SEK 2,266m (2,214). Advisory services and asset management commissions, together with interest-related brokerage income increased, while equity-related brokerage income declined.

Total expenses decreased by 3% to SEK -2,515m (-2,581). The decrease was mainly attributable to staff costs falling by 4% to SEK -1,787m (-1,857), as a result of a 5% fall in the average number of employees to 1,691 (1,776).

Loan losses amounted to SEK -41m (-9), corresponding to a loan loss ratio of 0.12% (0.02).

### Business development

Asset management operations continued to show a strong performance. Net savings in Handelsbanken's mutual funds in Sweden during the first nine months of the year amounted to SEK 7.5bn, while total net savings on the Swedish market were SEK 10.6bn. Net savings in the rest of the Nordic region amounted to SEK 1bn, and net savings in the Group's funds totalled SEK 9.2bn. 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 equity 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 411bn (365) from the corresponding period of the previous year. Total assets under management in the Group rose during the same period by just over 13% to SEK 539bn (475).

The Pension & Life business area increased its share of an otherwise weak market. The total volume of assets under management by Handelsbanken Liv grew to SEK 120bn (106).

Corporate Finance business performed well, and in the first nine months of the year, the Bank was the largest Nordic M&A player for acquisitions and divestments of Nordic companies. The Bank was also one of the largest players for new share issues in Sweden. The Bank's business volumes for capital market funding performed well, and during the first nine months of the year the Bank arranged 90 bond issues with a total value of EUR 11.7bn.

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 35bn (34). During the same period, deposits decreased by 23% to SEK 46bn (60).

### Q3 2016 COMPARED WITH Q2 2016

Operating profit decreased by 29% to SEK 298m (417), due to lower income and higher loan losses. Total income fell by 9% to SEK 1,160m (1,279), due to seasonally higher net gains/losses on financial transactions and net fee and commission income during the comparison quarter.

Total expenses decreased by 4% to SEK -818m (-855). Staff costs fell by 3% as a result of the average number of employees falling to 1,674 (1,681).

Loan losses were SEK -44m (-7), which corresponds to a loan loss ratio of 0.37% (0.06).

## 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 for the Oktogonen profit-sharing foundation. Capital gains/losses, dividends, and other income and expenses that are not attributable to any of the segments are also reported here.

### INCOME STATEMENT

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	190	163	17%	175	9%	545	459	19%	636
Net fee and commission income	23	5	360%	9	156%	53	13	308%	36
Net gains/losses on financial transactions	613	-226		-221		1,058	-564		569
Share of profit of associates	10	13	-23%	18	-44%	25	28	-11%	17
Other income	12	181	-93%	11	9%	207	324	-36%	345
<b>Total income</b>	<b>848</b>	<b>136</b>		<b>-8</b>		<b>1,888</b>	<b>260</b>		<b>1,603</b>
Staff costs	-1,084	-459	136%	-452	140%	-2,012	-1,718	17%	-2,651
Other expenses	-515	-557	-8%	-496	4%	-1,607	-1,571	2%	-2,171
Internal purchased and sold services	1,024	1,074	-5%	983	4%	3,109	3,054	2%	4,116
Depreciation, amortisation and impairments of property, equipment and intangible assets	-74	-67	10%	-69	7%	-203	-206	-1%	-248
<b>Total expenses</b>	<b>-649</b>	<b>-9</b>		<b>-34</b>		<b>-713</b>	<b>-441</b>	<b>62%</b>	<b>-954</b>
<b>Profit before loan losses</b>	<b>199</b>	<b>127</b>	<b>57%</b>	<b>-42</b>		<b>1,175</b>	<b>-181</b>		<b>649</b>
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	-1		5	6		7
<b>Operating profit</b>	<b>199</b>	<b>127</b>	<b>57%</b>	<b>-43</b>		<b>1,180</b>	<b>-175</b>		<b>656</b>
Profit allocation	0	0		0	0%	0	0	0%	1
<b>Operating profit after profit allocation</b>	<b>199</b>	<b>127</b>	<b>57%</b>	<b>-43</b>		<b>1,180</b>	<b>-175</b>		<b>657</b>
Internal income	1,850	1,679	10%	1,884	-2%	5,494	5,738	-4%	7,424
Average number of employees	1,840	1,810	2%	1,788	3%	1,827	1,833	0%	1,829

### JANUARY – SEPTEMBER 2016 COMPARED WITH JANUARY – SEPTEMBER 2015

Operating profit rose to SEK 1,180m (-175). The increase was chiefly attributable to capital gains from the sale of shares, which amounted to SEK 1,593m (15), as well as the fact that no provision was made for an allocation to the Oktogonen profit-sharing foundation (-420). The profit figure is reduced by SEK -598m due to the transfer of the remaining staff cost provision from the Handelsbanken Sweden segment. The average number of employees fell to 1,827 (1,833).

### Q3 2016 COMPARED WITH Q2 2016

Operating profit rose to SEK 199m (127). Capital gains of SEK 764m from the sale of shares in Industrivärden were offset by the profit figure being reduced by SEK -598m, due to the transfer of the remaining staff cost provision from the Handelsbanken Sweden segment. No provision was made to the Oktogonen profit-sharing foundation (-). The average number of employees totalled 1,840 (1,810).

## KEY FIGURES – GROUP

	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Return on equity, total operations*	14.7%	14.2%	12.7%	14.0%	13.1%	13.5%
Return on equity, continuing operations*	14.7%	14.2%	12.5%	14.0%	13.0%	13.4%
C/I ratio, continuing operations	41.2%	44.5%	45.2%	45.1%	45.4%	45.3%
C/I ratio, continuing operations, incl. loan losses	45.7%	46.8%	50.0%	48.0%	49.2%	49.3%
Earnings per share, total operations, SEK	2.36	2.19	1.97	6.66	6.21	8.57
- after dilution	2.32	2.15	1.93	6.55	6.08	8.39
Ordinary dividend, SEK						4.50
Total dividend						6.00
Adjusted equity per share, SEK**	65.49	62.83	64.02	65.49	64.02	65.14
Common equity tier 1 ratio, CRD IV	24.0%	23.0%	21.4%	24.0%	21.4%	21.2%
Total capital ratio, CRD IV	30.1%	28.9%	27.4%	30.1%	27.4%	27.2%
Own funds in relation to capital requirement according to Basel I floor	144%	142%	140%	144%	140%	137%
Average number of employees, continuing operations	11,859	11,716	12,137	11,803	11,817	11,819
Number of branches in Sweden	454	463	463	454	463	463
Number of branches outside Sweden	395	392	389	395	389	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

	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Number of converted shares	5,009,634	28,800,955	-	33,810,589	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	1,940,856,671	1,935,847,037	1,907,042,468	1,940,856,671	1,907,042,468	1,907,046,082
Number of outstanding shares after dilution, end of period	1,974,528,804	1,975,789,501	1,972,887,071	1,974,528,804	1,972,887,071	1,972,745,117
Average number of shares converted during the period	30,547,119	12,852,916	15,311	14,525,366	10,274	12,028
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-	-
Average number of outstanding shares	1,937,593,201	1,919,898,998	1,907,042,468	1,921,571,448	1,907,037,431	1,907,039,185
- after dilution	1,975,789,501	1,976,193,169	1,973,425,509	1,972,745,117	1,971,862,552	1,971,862,552
Share price ordinary class A, end of period, SEK	117.90	101.80	119.90	117.90	119.90	112.90
Market capitalisation, end of period, SEK bn	229	197	229	229	229	215

# Condensed set of financial statements – Group

## INCOME STATEMENT – GROUP

SEK m		Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Interest income		9,943	9,451	5%	10,436	-5%	29,730	32,512	-9%	43,052
Interest expense		-2,902	-2,643	10%	-3,602	-19%	-9,086	-11,743	-23%	-15,312
<b>Net interest income</b>	Note 2	<b>7,041</b>	<b>6,808</b>	<b>3%</b>	<b>6,834</b>	<b>3%</b>	<b>20,644</b>	<b>20,769</b>	<b>-1%</b>	<b>27,740</b>
Net fee and commission income	Note 3	2,259	2,280	-1%	2,308	-2%	6,709	6,977	-4%	9,320
Net gains/losses on financial transactions	Note 4	1,112	523	113%	226	392%	2,797	1,105	153%	2,608
Risk result - insurance		25	35	-29%	40	-38%	136	121	12%	157
Other dividend income		1	222	-100%	1	0%	226	279	-19%	281
Share of profit of associates		10	13	-23%	18	-44%	25	28	-11%	17
Other income		25	41	-39%	34	-26%	101	148	-32%	213
<b>Total income</b>		<b>10,473</b>	<b>9,922</b>	<b>6%</b>	<b>9,461</b>	<b>11%</b>	<b>30,638</b>	<b>29,427</b>	<b>4%</b>	<b>40,336</b>
Staff costs		-2,941	-2,952	0%	-2,953	0%	-9,561	-9,228	4%	-12,581
Other expenses	Note 5	-1,234	-1,346	-8%	-1,197	3%	-3,883	-3,761	3%	-5,203
Depreciation, amortisation and impairments of property, equipment and intangible assets		-137	-119	15%	-126	9%	-381	-375	2%	-487
<b>Total expenses</b>		<b>-4,312</b>	<b>-4,417</b>	<b>-2%</b>	<b>-4,276</b>	<b>1%</b>	<b>-13,825</b>	<b>-13,364</b>	<b>3%</b>	<b>-18,271</b>
<b>Profit before loan losses</b>		<b>6,161</b>	<b>5,505</b>	<b>12%</b>	<b>5,185</b>	<b>19%</b>	<b>16,813</b>	<b>16,063</b>	<b>5%</b>	<b>22,065</b>
Net loan losses	Note 6	-476	-229	108%	-458	4%	-892	-1,122	-20%	-1,597
Gains/losses on disposal of property, equipment and intangible assets		6	1	500%	4	50%	14	1		7
<b>Operating profit</b>		<b>5,691</b>	<b>5,277</b>	<b>8%</b>	<b>4,731</b>	<b>20%</b>	<b>15,935</b>	<b>14,942</b>	<b>7%</b>	<b>20,475</b>
Taxes		-1,127	-1,091	3%	-1,028	10%	-3,147	-3,201	-2%	-4,277
<b>Profit for the period from continuing operations</b>		<b>4,564</b>	<b>4,186</b>	<b>9%</b>	<b>3,703</b>	<b>23%</b>	<b>12,788</b>	<b>11,741</b>	<b>9%</b>	<b>16,198</b>
Profit for the period pertaining to discontinued operations, after tax	Note 7	-	8		55		13	101	-87%	145
<b>Profit for the period</b>		<b>4,564</b>	<b>4,194</b>	<b>9%</b>	<b>3,758</b>	<b>21%</b>	<b>12,801</b>	<b>11,842</b>	<b>8%</b>	<b>16,343</b>
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,564	4,194	9%	3,757	21%	12,800	11,841	8%	16,342
Minority interest		0	0		1		1	1		1

## EARNINGS PER SHARE – GROUP

	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,564	4,194	9%	3,757	21%	12,800	11,841	8%	16,342
- of which interest expense on convertible subordinated loan after tax	-27	-41	-34%	-46	-41%	-114	-153	-25%	-199
Average number of outstanding shares, million	1,937.6	1,919.9		1,907.0		1,921.6	1,907.0		1,907.0
Average number of outstanding shares after dilution, million	1,975.8	1,976.2		1,973.4		1,972.7	1,971.9		1,971.9
Earnings per share, continuing operations, SEK	2.36	2.18	8%	1.94	22%	6.65	6.16	8%	8.49
- after dilution	2.32	2.14	8%	1.90	22%	6.54	6.03	8%	8.32
Earnings per share, discontinued operations, SEK	-	0.01		0.03		0.01	0.05	-80%	0.08
- after dilution	-	0.01		0.03		0.01	0.05	-80%	0.07
Earnings per share, total operations, SEK	2.36	2.19	8%	1.97	20%	6.66	6.21	7%	8.57
- after dilution	2.32	2.15	8%	1.93	20%	6.55	6.08	8%	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	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
<b>Profit for the period</b>	<b>4,564</b>	<b>4,194</b>	<b>9%</b>	<b>3,758</b>	<b>21%</b>	<b>12,801</b>	<b>11,842</b>	<b>8%</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	91	-2,597		-2,382		-1,005	-3,647	72%	-3,152
Taxes on items that cannot be reclassified into profit or loss	-20	568		523		220	795	-72%	688
<b>Total items that may not subsequently be reclassified to profit or loss</b>	<b>71</b>	<b>-2,029</b>		<b>-1,859</b>		<b>-785</b>	<b>-2,852</b>	<b>72%</b>	<b>-2,464</b>
<b>Items that can be reclassified into profit or loss</b>									
Cash flow hedges	-1,238	1,442		2,792		3,730	1,190	213%	-501
Available-for-sale instruments	-565	529		196		-1,137	1,629		682
Translation differences for the period	970	1,063	-9%	-879		1,015	321	216%	-1,713
<i>of which hedging net investment in foreign operations</i>	<i>-179</i>	<i>-10</i>		<i>-349</i>	<i>49%</i>	<i>-397</i>	<i>275</i>		<i>-394</i>
Taxes on items that can be reclassified into profit or loss	364	-316		-544		-624	-401	-56%	215
<i>of which cash flow hedges</i>	<i>273</i>	<i>-317</i>		<i>-614</i>		<i>-820</i>	<i>-262</i>	<i>-213%</i>	<i>110</i>
<i>of which available-for-sale instruments</i>	<i>52</i>	<i>-1</i>		<i>-7</i>		<i>109</i>	<i>-79</i>		<i>18</i>
<i>of which hedging net investment in foreign operations</i>	<i>39</i>	<i>2</i>		<i>77</i>	<i>-49%</i>	<i>87</i>	<i>-60</i>		<i>87</i>
<b>Total items that can be reclassified into profit or loss</b>	<b>-469</b>	<b>2,718</b>		<b>1,565</b>		<b>2,984</b>	<b>2,739</b>	<b>9%</b>	<b>-1,317</b>
<b>Total other comprehensive income for the period</b>	<b>-398</b>	<b>689</b>		<b>-294</b>	<b>-35%</b>	<b>2,199</b>	<b>-113</b>		<b>-3,781</b>
<b>Total comprehensive income for the period</b>	<b>4,166</b>	<b>4,883</b>	<b>-15%</b>	<b>3,464</b>	<b>20%</b>	<b>15,000</b>	<b>11,729</b>	<b>28%</b>	<b>12,562</b>
Attributable to									
Shareholders in Svenska Handelsbanken AB	4,166	4,883	-15%	3,463	20%	14,999	11,728	28%	12,562
Minority interest	0	0	0%	1	-100%	1	1	0%	0

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

In the first nine months of 2016, other comprehensive income totalled SEK 2,199m (-113) 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 785m after tax, compared with the period of comparison when there was a negative effect of SEK 2,852m after tax. The main reason for this year's change is a decrease in the discount rate for the Swedish pension commitments to 1.8% compared with 2.25% at the 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. Changes in the value of hedge derivatives in cash flow hedges had an effect on other comprehensive income of SEK 2,910m (928) after tax. The value changes are derived partly from exchange rate movements, but above all from decreasing discount rates in foreign currency. During the period, SEK 20m (12) was reclassified to the income statement as a result of ineffectiveness.

During the year, unrealised changes in the value of financial assets classified as available for sale had an effect on other comprehensive income of SEK -1,028m (1,550) after tax. The negative result is mainly due to the fact that gains of SEK 1,685m 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 1,102m (261) after tax during the year.



## QUARTERLY PERFORMANCE – GROUP

SEK m	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Interest income	9,943	9,451	10,336	10,540	10,436
Interest expense	-2,902	-2,643	-3,541	-3,569	-3,602
Net interest income	7,041	6,808	6,795	6,971	6,834
Net fee and commission income	2,259	2,280	2,170	2,343	2,308
Net gains/losses on financial transactions	1,112	523	1,162	1,503	226
Risk result - insurance	25	35	76	36	40
Other dividend income	1	222	3	2	1
Share of profit of associates	10	13	2	-11	18
Other income	25	41	35	65	34
<b>Total income</b>	<b>10,473</b>	<b>9,922</b>	<b>10,243</b>	<b>10,909</b>	<b>9,461</b>
Staff costs	-2,941	-2,952	-3,668	-3,353	-2,953
Other expenses	-1,234	-1,346	-1,303	-1,442	-1,197
Depreciation, amortisation and impairments of property, equipment and intangible assets	-137	-119	-125	-112	-126
<b>Total expenses</b>	<b>-4,312</b>	<b>-4,417</b>	<b>-5,096</b>	<b>-4,907</b>	<b>-4,276</b>
<b>Profit before loan losses</b>	<b>6,161</b>	<b>5,505</b>	<b>5,147</b>	<b>6,002</b>	<b>5,185</b>
Net loan losses	-476	-229	-187	-475	-458
Gains/losses on disposal of property, equipment and intangible assets	6	1	7	6	4
<b>Operating profit</b>	<b>5,691</b>	<b>5,277</b>	<b>4,967</b>	<b>5,533</b>	<b>4,731</b>
Taxes	-1,127	-1,091	-929	-1,076	-1,028
<b>Profit for the period from continuing operations</b>	<b>4,564</b>	<b>4,186</b>	<b>4,038</b>	<b>4,457</b>	<b>3,703</b>
Profit for the period pertaining to discontinued operations, after tax	-	8	5	44	55
<b>Profit for the period</b>	<b>4,564</b>	<b>4,194</b>	<b>4,043</b>	<b>4,501</b>	<b>3,758</b>
Earnings per share, continuing operations, SEK	2.36	2.18	2.12	2.34	1.94
- after dilution	2.32	2.14	2.07	2.28	1.90
Earnings per share, discontinued operations, SEK	-	0.01	0.00	0.02	0.03
- after dilution	-	0.01	0.00	0.02	0.03
Earnings per share, total operations, SEK	2.36	2.19	2.12	2.36	1.97
- after dilution	2.32	2.15	2.07	2.30	1.93

## BALANCE SHEET – GROUP

SEK m		30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
<b>Assets</b>						
Cash and balances with central banks		353,680	501,744	463,957	202,630	452,271
Other loans to central banks	Note 8	103,113	81,267	43,790	34,118	74,145
Interest-bearing securities eligible as collateral with central banks		119,532	117,753	95,474	74,777	102,824
Loans to other credit institutions	Note 8	41,410	48,479	47,442	49,656	63,130
Loans to the public	Note 8	1,965,649	1,937,155	1,902,479	1,866,467	1,855,311
Value change of interest-hedged item in portfolio hedge		51	45	36	27	40
Bonds and other interest-bearing securities		53,855	46,223	53,856	44,513	62,017
Shares		35,964	52,541	39,318	30,387	61,462
Investments in associates		259	257	248	245	257
Assets where the customer bears the value change risk		115,532	107,004	104,316	105,146	100,539
Derivative instruments	Note 9,10	78,688	92,381	73,885	85,347	98,674
Reinsurance assets		10	10	10	10	6
Intangible assets	Note 11	9,293	8,450	8,304	8,254	8,230
Property and equipment		2,323	2,264	2,262	2,348	2,336
Current tax assets		2,409	1,575	588	143	1,064
Deferred tax assets		1,978	1,979	1,262	1,489	1,503
Net pension assets		-	-	-	-	-
Assets held for sale		2	-	1,671	1,442	1,512
Other assets		19,496	25,810	12,106	8,887	52,405
Prepaid expenses and accrued income		5,691	5,708	5,839	6,247	5,895
<b>Total assets</b>		<b>2,908,935</b>	<b>3,030,645</b>	<b>2,856,843</b>	<b>2,522,133</b>	<b>2,943,621</b>
<b>Liabilities and equity</b>						
Due to credit institutions	Note 12	205,274	207,312	192,902	163,770	222,941
Deposits and borrowing from the public	Note 12	1,009,427	1,134,500	1,042,076	753,855	1,049,202
Liabilities where the customer bears the value change risk		115,600	107,054	104,392	105,225	100,617
Issued securities	Note 13	1,315,684	1,320,083	1,258,169	1,245,367	1,258,088
Derivative instruments	Note 9,10	33,296	37,283	44,302	40,592	46,252
Short positions		11,441	8,581	10,181	2,416	21,027
Insurance liabilities		583	591	603	607	616
Current tax liabilities		1,657	1,008	460	996	1,358
Deferred tax liabilities		9,788	10,006	9,578	8,844	9,762
Provisions		734	773	796	113	99
Net pension liabilities		6,547	6,544	3,824	5,314	5,282
Liabilities related to assets held for sale		-	-	843	759	746
Other liabilities		16,452	18,817	12,527	14,206	41,220
Accrued expenses and deferred income		15,359	15,608	19,427	17,585	18,615
Subordinated liabilities		33,008	32,903	33,986	34,216	40,361
<b>Total liabilities</b>		<b>2,774,850</b>	<b>2,901,063</b>	<b>2,734,066</b>	<b>2,393,865</b>	<b>2,816,186</b>
Minority interest		6	5	5	4	5
Share capital		3,008	3,001	2,956	2,956	2,956
Share premium		5,410	5,081	3,204	3,204	3,204
Reserves		10,639	11,037	10,348	8,440	12,107
Retained earnings		102,222	102,222	102,222	97,322	97,322
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		12,800	8,236	4,042	16,342	11,841
<b>Total equity</b>		<b>134,085</b>	<b>129,582</b>	<b>122,777</b>	<b>128,268</b>	<b>127,435</b>
<b>Total liabilities and equity</b>		<b>2,908,935</b>	<b>3,030,645</b>	<b>2,856,843</b>	<b>2,522,133</b>	<b>2,943,621</b>

## STATEMENT OF CHANGES IN EQUITY – GROUP

January - September 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							12,800	1	12,801
Other comprehensive income			-785	2,910	-1,028	1,102		0	2,199
<b>Total comprehensive income for the period</b>			<b>-785</b>	<b>2,910</b>	<b>-1,028</b>	<b>1,102</b>	<b>12,800</b>	<b>1</b>	<b>15,000</b>
Dividend							-11,442		-11,442
Effects of convertible subordinated loans	52	2,206					-		2,258
Change of minority interests							0	1	1
<b>Closing equity</b>	<b>3,008</b>	<b>5,410</b>	<b>-2,246</b>	<b>7,850</b>	<b>996</b>	<b>4,039</b>	<b>115,022</b>	<b>6</b>	<b>134,085</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 September 2016, convertibles for a nominal value of SEK 2,290m (1) relating to the 2008 and 2011 subordinated convertible bonds were converted into 33,810,589 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-Sep 2016	Jan-Sep 2015	Full year 2015
Operating profit, total operations	15,976	14,893	20,656
Adjustment for non-cash items in profit/loss	-884	4,061	4,200
Paid income tax	-4,970	-3,842	-4,878
Changes in the assets and liabilities of operating activities	144,927	-42,818	-292,273
<b>Cash flow from operating activities</b>	<b>155,049</b>	<b>-27,706</b>	<b>-272,295</b>
Aquisition / disposal of subsidiaries	-616	-	-
Change in shares	5,528	0	3,675
Change in interest-bearing securities	1,003	8	11
Change in property and equipment	483	-380	-510
Change in intangible assets	-363	-283	-456
<b>Cash flow from investing activities</b>	<b>6,035</b>	<b>-655</b>	<b>2,720</b>
Repayment of subordinated loans	-2,290	-	-5,690
Issued subordinated loans	-	10,103	10,082
Dividend paid	-11,442	-11,124	-11,124
<b>Cash flow from financing activities</b>	<b>-13,732</b>	<b>-1,021</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	147,352	-29,382	-276,307
Exchange rate difference on liquid funds	3,698	27,121	24,405
<b>Liquid funds at end of year*</b>	<b>353,680</b>	<b>452,271</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	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
<b>Interest income</b>									
Loans to credit institutions and central banks	322	391	-18%	333	-3%	1,194	1,026	16%	1,356
Loans to the public	9,800	9,759	0%	10,274	-5%	29,371	31,992	-8%	41,963
Interest-bearing securities eligible as collateral with central banks	101	109	-7%	192	-47%	328	525	-38%	651
Interest-bearing securities	167	232	-28%	186	-10%	592	743	-20%	915
Derivative instruments	-661	-1,218	46%	-645	-2%	-2,298	-2,133	-8%	-2,386
Other interest income	331	329	1%	335	-1%	971	1,032	-6%	1,377
<b>Total interest income</b>	<b>10,060</b>	<b>9,602</b>	<b>5%</b>	<b>10,675</b>	<b>-6%</b>	<b>30,158</b>	<b>33,185</b>	<b>-9%</b>	<b>43,876</b>
Of which interest income reported in Net gains/losses on financial transactions	117	151	-23%	239	-51%	428	673	-36%	824
<b>Interest income according to income statement</b>	<b>9,943</b>	<b>9,451</b>	<b>5%</b>	<b>10,436</b>	<b>-5%</b>	<b>29,730</b>	<b>32,512</b>	<b>-9%</b>	<b>43,052</b>
<b>Interest expense</b>									
Due to credit institutions and central banks	-250	-261	-4%	-204	23%	-793	-682	16%	-908
Deposits and borrowing from the general public	-349	-382	-9%	-425	-18%	-1,135	-1,504	-25%	-1,881
Issued securities	-4,405	-4,582	-4%	-4,502	-2%	-13,379	-13,745	-3%	-18,166
Derivative instruments	2,697	3,210	-16%	2,238	21%	8,120	6,337	28%	8,364
Subordinated liabilities	-373	-384	-3%	-457	-18%	-1,146	-1,270	-10%	-1,695
Other interest expense	-384	-442	-13%	-428	-10%	-1,233	-1,349	-9%	-1,574
<b>Total interest expense</b>	<b>-3,064</b>	<b>-2,841</b>	<b>8%</b>	<b>-3,778</b>	<b>-19%</b>	<b>-9,566</b>	<b>-12,213</b>	<b>-22%</b>	<b>-15,860</b>
Of which interest expense reported in Net gains/losses on financial transactions	-162	-198	-18%	-176	-8%	-480	-470	2%	-548
<b>Interest expense according to income statement</b>	<b>-2,902</b>	<b>-2,643</b>	<b>10%</b>	<b>-3,602</b>	<b>-19%</b>	<b>-9,086</b>	<b>-11,743</b>	<b>-23%</b>	<b>-15,312</b>
<b>Net interest income</b>	<b>7,041</b>	<b>6,808</b>	<b>3%</b>	<b>6,834</b>	<b>3%</b>	<b>20,644</b>	<b>20,769</b>	<b>-1%</b>	<b>27,740</b>

Note 3 Net fee and commission income

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Brokerage and other securities commissions	198	229	-14%	212	-7%	660	805	-18%	1,071
Mutual funds	776	717	8%	743	4%	2,188	2,244	-2%	2,987
Custody and other asset management fees	145	148	-2%	147	-1%	440	450	-2%	600
Advisory services	56	98	-43%	96	-42%	258	237	9%	326
Insurance	162	151	7%	158	3%	471	484	-3%	639
Payments	815	795	3%	890	-8%	2,328	2,512	-7%	3,364
Loans and deposits	293	290	1%	257	14%	863	800	8%	1,096
Guarantees	108	108	0%	102	6%	315	313	1%	421
Other	116	127	-9%	117	-1%	362	349	4%	471
<b>Total fee and commission income</b>	<b>2,669</b>	<b>2,663</b>	<b>0%</b>	<b>2,722</b>	<b>-2%</b>	<b>7,885</b>	<b>8,194</b>	<b>-4%</b>	<b>10,975</b>
Securities	-50	-70	-29%	-51	-2%	-186	-185	1%	-244
Payments	-341	-293	16%	-347	-2%	-934	-978	-4%	-1,337
Other	-19	-20	-5%	-16	19%	-56	-54	4%	-74
<b>Total fee and commission expense</b>	<b>-410</b>	<b>-383</b>	<b>7%</b>	<b>-414</b>	<b>-1%</b>	<b>-1,176</b>	<b>-1,217</b>	<b>-3%</b>	<b>-1,655</b>
<b>Net fee and commission income</b>	<b>2,259</b>	<b>2,280</b>	<b>-1%</b>	<b>2,308</b>	<b>-2%</b>	<b>6,709</b>	<b>6,977</b>	<b>-4%</b>	<b>9,320</b>

## Note 4 Net gains/losses on financial transactions

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Trading, derivatives, FX effect etc	249	-90		32		-108	1,246		1,965
Other financial instruments at fair value in profit/loss	77	447	-83%	225	-66%	1,107	-81		-497
<i>of which interest-bearing securities</i>	89	455	-80%	241	-63%	1,129	-55		-401
<i>of which loans</i>	-12	-8	-50%	-16	25%	-22	-26	15%	-96
Financial instruments at amortised cost	61	56	9%	53	15%	153	91	68%	53
<i>of which loans</i>	119	127	-6%	154	-23%	332	388	-14%	482
<i>of which liabilities</i>	-58	-71	18%	-101	43%	-179	-297	40%	-429
Financial instruments available for sale	769	89		0		1,685	11		1,203
Hedge accounting	-25	36		-48	48%	11	-114		-21
<i>of which net gains/losses on fair value hedges</i>	-21	10		-49	57%	-9	-125	93%	-53
<i>of which cash flow hedge ineffectiveness</i>	-4	26		1		20	11	82%	32
Gains/losses on unbundled insurance contracts	-19	-15	-27%	-36	47%	-51	-48	-6%	-95
<b>Total</b>	<b>1,112</b>	<b>523</b>	<b>113%</b>	<b>226</b>	<b>392%</b>	<b>2,797</b>	<b>1,105</b>	<b>153%</b>	<b>2,608</b>

## Note 5 Other expenses

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Property and premises	-304	-303	0%	-304	0%	-915	-923	-1%	-1,243
External IT costs	-394	-420	-6%	-373	6%	-1,222	-1,185	3%	-1,623
Communication	-73	-80	-9%	-82	-11%	-238	-253	-6%	-342
Travel and marketing	-57	-85	-33%	-67	-15%	-210	-232	-9%	-335
Purchased services	-259	-298	-13%	-239	8%	-821	-723	14%	-1,027
Supplies	-42	-43	-2%	-45	-7%	-130	-135	-4%	-182
Other administrative expenses	-105	-117	-10%	-87	21%	-347	-310	12%	-451
<b>Other expenses</b>	<b>-1,234</b>	<b>-1,346</b>	<b>-8%</b>	<b>-1,197</b>	<b>3%</b>	<b>-3,883</b>	<b>-3,761</b>	<b>3%</b>	<b>-5,203</b>



## Note 6 Loan losses and impaired loans

## Loan losses

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
<b>Specific provision for individually assessed loans</b>									
Provision for the period	-432	-297	45%	-499	-13%	-1,073	-1,338	-20%	-1,832
Reversal of previous provisions	42	76	-45%	114	-63%	175	270	-35%	372
<b>Total</b>	<b>-390</b>	<b>-221</b>	<b>76%</b>	<b>-385</b>	<b>1%</b>	<b>-898</b>	<b>-1,068</b>	<b>-16%</b>	<b>-1,460</b>
<b>Collective provisions</b>									
Net provision for the period for individually assessed loans	-41	-4		-38	8%	-38	15		0
Net provision for the period for homogeneous loans	-11	0		6		-10	4		-3
<b>Total</b>	<b>-52</b>	<b>-4</b>		<b>-32</b>	<b>63%</b>	<b>-48</b>	<b>19</b>		<b>-3</b>
<b>Off-balance sheet items</b>									
Losses on off-balance sheet items	0	-2		0	0%	-4	0		0
Reversal of previous losses on off-balance-sheet items	0	2	-100%	-		2	-		0
Change in collective provision for off-balance-sheet items	-8	-10	-20%	-3	167%	-3	-27	-89%	-33
<b>Total</b>	<b>-8</b>	<b>-10</b>	<b>-20%</b>	<b>-3</b>	<b>167%</b>	<b>-5</b>	<b>-27</b>	<b>-81%</b>	<b>-33</b>
<b>Write-offs</b>									
Actual loan losses for the period	-198	-142	39%	-235	-16%	-1,555	-668	133%	-964
Utilised share of previous provisions	127	114	11%	150	-15%	1,436	464	209%	659
Recoveries	45	34	32%	47	-4%	178	158	13%	204
<b>Total</b>	<b>-26</b>	<b>6</b>		<b>-38</b>	<b>-32%</b>	<b>59</b>	<b>-46</b>		<b>-101</b>
<b>Net loan losses</b>	<b>-476</b>	<b>-229</b>	<b>108%</b>	<b>-458</b>	<b>4%</b>	<b>-892</b>	<b>-1,122</b>	<b>-20%</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 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Impaired loans	7,710	7,427	7,390	8,844	8,863
Specific provision for individually assessed loans	-3,972	-3,671	-3,517	-4,444	-4,320
Provision for collectively assessed homogeneous groups of loans with limited value	-107	-94	-93	-94	-88
Collective provisions for individually assessed loans	-310	-279	-272	-278	-266
<b>Impaired loans, net</b>	<b>3,321</b>	<b>3,383</b>	<b>3,508</b>	<b>4,028</b>	<b>4,189</b>
Total impaired loans reserve ratio	56.9%	54.4%	52.5%	54.5%	52.7%
Proportion of impaired loans	0.17%	0.17%	0.18%	0.21%	0.22%
Impaired loans reserve ratio excl. collective provisions	52.9%	50.7%	48.8%	51.3%	49.7%
Loan loss ratio as a % of loans, acc.	0.06%	0.04%	0.04%	0.09%	0.08%
Loans past due > 60 days	4,928	4,629	4,473	4,657	5,286
Loans past due > 60 days, which are not impaired	1,381	1,229	1,270	1,218	1,504

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 September 2016	Impaired loans				Loans past due > 60 days, which are not impaired
	SEK m	Gross	Provisions	Net*	
Private individuals	1,387	-733	654	434	902
Housing co-operative associations	41	-24	17	0	-
Property management	1,906	-805	1,101	240	218
Manufacturing	713	-545	168	55	15
Retail	425	-311	114	67	5
Hotel and restaurant	86	-30	56	55	114
Passenger and goods transport by sea	1,783	-785	998	0	-
Other transport and communication	46	-31	15	13	5
Construction	331	-203	128	55	25
Electricity, gas and water	80	-55	25	8	-
Agriculture, hunting and forestry	41	-27	14	6	9
Other services	212	-113	99	97	33
Holding, investment and insurance companies, funds etc.	353	-268	85	31	35
Other corporate lending	306	-149	157	147	20
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>7,710</b>	<b>-4,079</b>	<b>3,631</b>	<b>1,208</b>	<b>1,381</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*	
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 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Loans to the public	1,965,649	1,937,155	1,902,479	1,866,467	1,855,311
of which reverse repos	14,041	11,360	14,279	7,742	15,803
Loans to other credit institutions	41,410	48,479	47,442	49,656	63,130
of which reverse repos	16,984	19,330	20,592	23,394	36,719
Other loans to central banks	103,113	81,267	43,790	34,118	74,145
of which reverse repos	0	0	462	0	595

## Loans to the public, by sector

SEK m	30 September 2016			31 December 2015		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	970,456	-733	969,723	912,517	-755	911,762
<i>of which mortgage loans</i>	788,868	-30	788,838	736,768	-31	736,737
<i>of which other loans with property mortgages</i>	120,008	-136	119,872	107,591	-146	107,445
<i>of which other loans to private individuals</i>	61,580	-567	61,013	68,158	-578	67,580
Housing co-operative associations	182,525	-24	182,501	169,595	-20	169,575
<i>of which mortgage loans</i>	154,504	-12	154,492	148,064	-7	148,057
Property management	538,459	-805	537,654	511,308	-697	510,611
Manufacturing	29,028	-545	28,483	33,540	-1,542	31,998
Retail	24,254	-311	23,943	24,236	-267	23,969
Hotels and restaurants	8,754	-30	8,724	8,981	-30	8,951
Passenger and goods transport by sea	9,759	-785	8,974	10,354	-543	9,811
Other transport and communication	14,706	-31	14,675	11,195	-60	11,135
Construction	18,204	-203	18,001	15,500	-92	15,408
Electricity, gas, water	24,502	-55	24,447	26,560	-52	26,508
Agriculture, hunting and forestry	12,519	-27	12,492	11,318	-15	11,303
Other services	21,228	-113	21,115	19,789	-66	19,723
Holding, investment, insurance, funds, etc.	65,029	-268	64,761	71,179	-282	70,897
Government and municipalities	18,659	-	18,659	22,452	-	22,452
Other corporate lending	31,956	-149	31,807	22,759	-117	22,642
<b>Total loans to the public, before collective provisions</b>	<b>1,970,038</b>	<b>-4,079</b>	<b>1,965,959</b>	<b>1,871,283</b>	<b>-4,538</b>	<b>1,866,745</b>
Collective provisions			-310			-278
<b>Total loans to the public</b>			<b>1,965,649</b>			<b>1,866,467</b>

## Specification of Loans to the public – Property management

SEK m	30 September 2016			31 December 2015		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
<b>Loans in Sweden</b>						
State-owned property companies	3,630	-	3,630	5,042	-	5,042
Municipal-owned property companies	9,792	-	9,792	12,242	-	12,242
Residential property companies	93,439	-27	93,412	91,484	-35	91,449
<i>of which mortgage loans</i>	78,031	-2	78,029	77,367	-4	77,363
Other property management	131,806	-63	131,743	136,333	-71	136,262
<i>of which mortgage loans</i>	56,915	-4	56,911	61,993	-7	61,986
<b>Total loans in Sweden</b>	<b>238,667</b>	<b>-90</b>	<b>238,577</b>	<b>245,101</b>	<b>-106</b>	<b>244,995</b>
<b>Loans outside Sweden</b>						
Denmark	18,186	-450	17,736	13,816	-89	13,727
Finland	33,224	-130	33,094	28,704	-22	28,682
Norway	107,836	-23	107,813	85,787	-58	85,729
UK	109,409	-97	109,312	115,669	-408	115,261
The Netherlands	21,970	-	21,970	14,539	-	14,539
Other countries	9,167	-15	9,152	7,692	-14	7,678
<b>Total loans outside Sweden</b>	<b>299,792</b>	<b>-715</b>	<b>299,077</b>	<b>266,207</b>	<b>-591</b>	<b>265,616</b>
<b>Total loans - Property management</b>	<b>538,459</b>	<b>-805</b>	<b>537,654</b>	<b>511,308</b>	<b>-697</b>	<b>510,611</b>

## Credit risk exposure

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Loans to the public	1,965,649	1,937,155	1,902,479	1,866,467	1,855,311
<i>of which reverse repos</i>	14,041	11,360	14,279	7,742	15,803
Loans to other credit institutions	41,410	48,479	47,442	49,656	63,130
<i>of which reverse repos</i>	16,984	19,330	20,592	23,394	36,719
Unutilised part of granted overdraft facilities	128,930	130,525	127,904	129,216	125,876
Loan commitments	274,810	268,866	257,692	267,200	266,098
Other commitments	27,824	25,999	31,167	24,441	27,959
Guarantees, credits	10,110	10,440	9,209	9,750	8,682
Guarantees, other	67,122	63,551	60,672	61,274	61,588
Letters of credit	5,129	4,468	4,470	6,433	5,322
Derivative instruments*	78,688	92,381	73,885	85,347	98,674
Interest-bearing securities eligible as collateral with central banks	119,532	117,753	95,474	74,777	102,824
Bonds and other interest-bearing securities	53,855	46,223	53,856	44,513	62,017
<b>Total</b>	<b>2,773,059</b>	<b>2,745,840</b>	<b>2,664,250</b>	<b>2,619,074</b>	<b>2,677,481</b>

\* Refers to the total of positive market values.

## Note 9 Derivatives

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
<b>Positive market values</b>					
Trading	53,324	66,498	54,524	50,673	60,170
Fair value hedges	15	22	23	38	45
Cash flow hedges	60,986	62,328	54,402	58,576	61,817
Amounts set off	-35,637	-36,467	-35,064	-23,940	-23,358
<b>Total</b>	<b>78,688</b>	<b>92,381</b>	<b>73,885</b>	<b>85,347</b>	<b>98,674</b>
<b>Negative market values</b>					
Trading	58,556	63,037	66,116	53,991	60,806
Fair value hedges	146	129	37	1	27
Cash flow hedges	8,264	8,096	9,921	10,241	9,467
Amounts set off	-33,670	-33,979	-31,772	-23,641	-24,048
<b>Total</b>	<b>33,296</b>	<b>37,283</b>	<b>44,302</b>	<b>40,592</b>	<b>46,252</b>
<b>Nominal value</b>					
Trading	3,370,296	3,390,582	3,368,807	3,441,484	4,454,988
Fair value hedges	26,073	24,725	13,482	8,297	9,419
Cash flow hedges	925,397	891,575	873,712	833,736	805,428
Amounts set off	-1,671,455	-1,575,310	-1,578,065	-1,414,478	
<b>Total</b>	<b>2,650,311</b>	<b>2,731,572</b>	<b>2,677,936</b>	<b>2,869,039</b>	<b>5,269,835</b>

Derivative contracts are presented gross in the table. Amounts set off on the balance sheet 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 September 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	114,325	31,617	145,942
Amounts set off	-35,637	-	-35,637
<b>Carrying amount in the balance sheet</b>	<b>78,688</b>	<b>31,617</b>	<b>110,305</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments, netting arrangements	-17,619	-	-17,619
Financial assets received as collateral	-32,883	-31,617	-64,500
<b>Total amounts not set off in the balance sheet</b>	<b>-50,502</b>	<b>-31,617</b>	<b>-82,119</b>
<b>Net amount</b>	<b>28,186</b>	<b>-</b>	<b>28,186</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	66,966	6,009	72,975
Amounts set off	-33,670	-	-33,670
<b>Carrying amount in the balance sheet</b>	<b>33,296</b>	<b>6,009</b>	<b>39,305</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments, netting arrangements	-17,619	-	-17,619
Financial assets pledged as collateral	-4,605	-6,009	-10,614
<b>Total amounts not set off in the balance sheet</b>	<b>-22,224</b>	<b>-6,009</b>	<b>-28,233</b>
<b>Net amount</b>	<b>11,072</b>	<b>-</b>	<b>11,072</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 include set-off cash collateral of SEK 4,448m (964), derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities include set-off cash collateral of SEK 2,481m (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-Sep 2016	Jan-Sep 2015	Full year 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015	Jan-Sep 2016	Jan-Sep 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	147	-	-	887	283	455	1,034	283	455
The period's amortisation	-	-	-	-138	-136	-182	-138	-136	-182
The period's impairments	-	-	-	-1	-9	-17	-1	-9	-17
Foreign exchange effect	174	-55	-137	-30	15	3	144	-40	-134
<b>Closing residual value</b>	<b>6,781</b>	<b>6,542</b>	<b>6,460</b>	<b>2,512</b>	<b>1,688</b>	<b>1,794</b>	<b>9,293</b>	<b>8,230</b>	<b>8,254</b>

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

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Due to credit institutions	205,274	207,312	192,902	163,770	222,941
<i>of which repos</i>	450	912	768	290	2,537
Deposits and borrowing from the public	1,009,427	1,134,500	1,042,076	753,855	1,049,202
<i>of which repos</i>	5,559	4,522	8,952	0	14,699

## Note 13 Issued securities

SEK m	Jan-Sep 2016	Jan-Sep 2015
<b>Issued securities at beginning of year</b>	<b>1,245,367</b>	<b>1,212,613</b>
Issued	1,063,383	838,491
Repurchased	-43,027	-52,938
Matured	-958,760	-758,569
Foreign exchange effect etc.	8,721	18,491
<b>Issued securities at end of period</b>	<b>1,315,684</b>	<b>1,258,088</b>

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

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Assets pledged for own debt	822,426	829,996	819,522	779,834	794,527
Other pledged assets	38,286	34,969	34,730	33,488	44,058
Contingent liabilities	82,361	78,459	74,351	77,457	75,592
Other commitments	431,564	425,390	416,763	420,857	419,933

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 September 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					353,680			353,680	353,680
Other loans to central banks					103,113			103,113	103,113
Interest-bearing securities eligible as collateral with central banks	28,100	90,480				952		119,532	119,532
Loans to other credit institutions					41,410			41,410	41,262
Loans to the public		1,190			1,964,459			1,965,649	1,983,916
Value change of interest-hedged item in portfolio hedge					51			51	
Bonds and other interest-bearing securities	14,503	33,794				5,558		53,855	53,855
Shares	33,204	1,120				1,640		35,964	35,964
Assets where the customer bears the value change risk		115,475				57		115,532	115,532
Derivative instruments	23,308		55,380					78,688	78,688
Other assets	22				19,474			19,496	19,496
Prepaid expenses and accrued income	151	271			5,265	4		5,691	5,691
<b>Total financial assets</b>	<b>99,288</b>	<b>242,330</b>	<b>55,380</b>		<b>2,487,509</b>	<b>8,154</b>		<b>2,892,661</b>	<b>2,910,729</b>
Investments in associates								259	
Other non-financial assets								16,015	
<b>Total assets</b>								<b>2,908,935</b>	
<b>Liabilities</b>									
Due to credit institutions							205,274	205,274	207,448
Deposits and borrowing from the public							1,009,427	1,009,427	1,009,398
Liabilities where the customer bears the value change risk		115,543					57	115,600	115,600
Issued securities	6,090						1,309,594	1,315,684	1,341,690
Derivative instruments	26,323		6,973					33,296	33,296
Short positions	11,441							11,441	11,441
Other liabilities	27						16,425	16,452	16,452
Accrued expenses and deferred income	99						15,260	15,359	15,359
Subordinated liabilities							33,008	33,008	35,615
<b>Total financial liabilities</b>	<b>43,980</b>	<b>115,543</b>	<b>6,973</b>				<b>2,589,045</b>	<b>2,755,541</b>	<b>2,786,299</b>
Other non-financial liabilities								19,309	
<b>Total liabilities</b>								<b>2,774,850</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							
<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 September 2016 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	116,113	3,419	-	119,532
Loans to the public	-	1,172	18	1,190
Bonds and other interest-bearing securities	49,771	4,084	-	53,855
Shares	28,386	5,664	1,914	35,964
Assets where the customer bears the value change risk	114,714	-	761	115,475
Derivative instruments	364	78,324	-	78,688
<b>Total financial assets at fair value</b>	<b>309,348</b>	<b>92,663</b>	<b>2,693</b>	<b>404,704</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	114,782	-	761	115,543
Issued securities	-	6,090	-	6,090
Derivative instruments	451	32,845	-	33,296
Short positions	10,848	593	-	11,441
<b>Total financial liabilities at fair value</b>	<b>126,081</b>	<b>39,528</b>	<b>761</b>	<b>166,370</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**

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

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–September, 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 788m have been moved from level 1 to level 2, while interest-bearing securities worth SEK 466m have been moved from level 2 to level 1. On the liabilities side, derivatives worth SEK 146m were transferred from level 1 to level 2, and derivatives worth SEK 300m 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 113m (88) has been amortised in net gains/losses on financial transactions during the period January-September 2016. At the end of the period, total non-recognised day 1 gains/losses amounted to SEK 584m (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 – September 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	-146	-	-	-	-
Matured during the period	-	-2	-	-	-
Unrealised value change in income statement	57	0	29	-29	-
Unrealised value change in other comprehensive income	707	1	-	-	-
Transfer from level 1 or 2	-	9	-	-	-
Transfer to level 1 or 2	-	-	-	-	-
<b>Carrying amount at end of period</b>	<b>1,914</b>	<b>18</b>	<b>761</b>	<b>-761</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 Business combinations

On 1 September 2016, Svenska Handelsbanken AB acquired 100% of the shares in Optimix Vermogensbeheer N.V (Optimix). Optimix thus became a wholly owned subsidiary of Handelsbanken. The reason for the acquisition is that the Bank will add advanced asset management services to its customer offering and create a platform for the Dutch branch operations' growth within asset and wealth management. Optimix manages around EUR 2bn and has some 35 employees. The company has operations in Amsterdam, Groningen and Vught, and offers discretionary wealth management.

The goodwill arising from the acquisition is mainly due to the synergy effects with Handelsbanken's established operations in the Netherlands and personnel-related resources.

Since the acquisition, Optimix has contributed SEK 9m to the year's income. The contribution to the year's profit is only marginal. If Optimix had been included in the consolidated accounts from 1 January 2016, the company would have contributed SEK 82m to the Group's income. The impact on the year's profit would have been only marginal.

The balance sheet items for confirming the acquisition analysis are provisional. In order to confirm an acquisition analysis, all the relevant analysis must be available. Examples of such information are the final acquisition price and the final opening balance, which can remain provisional.

Parts of the purchase price are subject to conditions. The final amount is dependent upon the company's profit performance over the next three years.

SEK m	Reported in the consolidated accounts at the time of acquisition
Loans to the public	50
Intangible assets	512
Property and equipment	39
Deferred tax assets	3
Other assets	261
<b>Total assets</b>	<b>865</b>
Deferred tax liabilities	135
Other liabilities	261
<b>Total liabilities</b>	<b>396</b>
<b>Subsidiary's net assets</b>	<b>469</b>
<b>Acquisition cost, cash</b>	<b>408</b>
<b>Acquisition cost, liabilities for contingent consideration</b>	<b>208</b>
<b>Goodwill</b>	<b>-147</b>
<b>Cash flow</b>	
Acquired cash and cash equivalents in subsidiary	0
Cash paid	408
<b>Net</b>	<b>408</b>

## Note 18 Assets and liabilities by currency

30 September 2016								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	95	126,305	17,661	89	47,240	159,417	2,873	353,680
Other loans to central banks	73,184	-	-	29,560	368	-	1	103,113
Loans to other credit institutions	2,422	7,949	580	59	1,486	27,085	1,829	41,410
Loans to the public	1,224,185	188,441	233,151	88,427	189,274	29,739	12,432	1,965,649
<i>of which corporates</i>	469,860	130,174	139,668	34,177	126,295	29,527	11,493	941,194
<i>of which households</i>	754,325	58,267	93,483	54,250	62,979	212	939	1,024,455
Interest-bearing securities eligible as collateral with central banks	81,839	6,147	131	7	-	30,461	947	119,532
Bonds and other interest-bearing securities	47,704	2,491	1,811	-	1,699	150	-	53,855
Other items not broken down by currency	271,696							271,696
<b>Total assets</b>	<b>1,701,125</b>	<b>331,333</b>	<b>253,334</b>	<b>118,142</b>	<b>240,067</b>	<b>246,852</b>	<b>18,082</b>	<b>2,908,935</b>
<b>Liabilities</b>								
Due to credit institutions	43,471	77,169	6,189	15,393	5,488	38,025	19,539	205,274
Deposits and borrowing from the public	514,905	98,706	71,305	33,339	120,403	163,086	7,683	1,009,427
<i>of which corporates</i>	204,073	81,820	49,975	17,867	89,166	160,660	7,210	610,771
<i>of which households</i>	310,832	16,886	21,330	15,472	31,237	2,426	473	398,656
Issued securities	454,138	269,619	31,417	336	103,183	414,997	41,994	1,315,684
Subordinated liabilities	8,408	14,395	-	-	-	10,205	-	33,008
Other items not broken down by currency, incl. equity	345,542							345,542
<b>Total liabilities and equity</b>	<b>1,366,464</b>	<b>459,889</b>	<b>108,911</b>	<b>49,068</b>	<b>229,074</b>	<b>626,313</b>	<b>69,216</b>	<b>2,908,935</b>
Other assets and liabilities broken down by currency (net)		128,656	-144,339	-68,930	-10,976	379,472	51,250	
<b>Net foreign currency position</b>		<b>100</b>	<b>84</b>	<b>144</b>	<b>17</b>	<b>11</b>	<b>116</b>	<b>472</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

As of 2014, the requirements for the calculation of own funds and capital requirements are regulated in Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU, which comprise the EU's implementation of the international Basel III regulations. All references to CRD IV in this interim report refer to these regulations in their entirety, regardless of legislative form (regulation, directive, executive decree or national implementation). Figures reported in this section refer to the minimum capital requirements under Pillar 1 and meet the requirements for publication of information relating to capital adequacy in CRR part eight, as well as in the Swedish Financial Supervisory Authority's regulation FFFS 2014:12.

### Own funds

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
<b>TIER 1 CAPITAL</b>					
Equity, Group	134,085	129,582	122,777	128,268	127,435
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year	-6,400	-4,118	-2,021	-11,442	-8,657
Result from unconsolidated entities	-162	34	-202	-748	-597
Adjustment of group equity	3,532	3,518	1,731	172	135
Minority interests	-6	-5	-5	-4	-5
<b>Equity (consolidated entities)</b>	<b>131,049</b>	<b>129,011</b>	<b>122,280</b>	<b>116,246</b>	<b>118,311</b>
Deducted items					
Goodwill and other intangible assets	-9,268	-8,433	-8,293	-8,246	-8,223
Value adjustments (fair value)	-637	-685	-665	-553	-534
Special deduction for IRB institutions	-1,567	-1,543	-1,452	-1,395	-1,577
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-593	-529	-556	-577	-595
Adjustments in accordance with stability filter					
Cash flow hedges	-7,850	-8,815	-7,690	-4,940	-6,259
Unrealised accumulated gains, shares	-	-	-	-	-
<b>Common equity tier 1 capital, gross</b>	<b>111,134</b>	<b>109,006</b>	<b>103,624</b>	<b>100,535</b>	<b>101,123</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>111,134</b>	<b>109,006</b>	<b>103,624</b>	<b>100,535</b>	<b>101,123</b>
Additional tier 1 instruments	12,156	12,045	11,570	11,933	11,955
<b>Total tier 1 capital</b>	<b>123,290</b>	<b>121,051</b>	<b>115,194</b>	<b>112,468</b>	<b>113,078</b>
<b>TIER 2 CAPITAL</b>					
Subordinated loans	17,392	17,135	17,111	17,150	17,622
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>16,263</b>	<b>16,006</b>	<b>15,982</b>	<b>16,021</b>	<b>16,493</b>
<b>Total own funds</b>	<b>139,553</b>	<b>137,057</b>	<b>131,176</b>	<b>128,489</b>	<b>129,571</b>

## Capital ratios and buffers

	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Common equity tier 1 ratio, CRD IV	24.0%	23.0%	22.7%	21.2%	21.4%
Tier 1 ratio, CRD IV	26.6%	25.5%	25.3%	23.8%	23.9%
Total capital ratio, CRD IV	30.1%	28.9%	28.8%	27.2%	27.4%
Risk exposure amount CRD IV, SEK m	463,675	474,500	456,104	473,132	473,539
Own funds in relation to capital requirement according to Basel I floor	144%	142%	139%	137%	140%
Institution-specific buffer requirements*	6.4%	6.4%	6.1%	6.1%	6.1%
<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%	0.9%	0.6%	0.6%	0.6%
<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	19.5%	18.5%	18.2%	16.7%	16.9%

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

## Capital requirement

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Credit risk according to standardised approach	6,336	6,186	5,949	6,433	6,127
Credit risk according to IRB approach	24,476	25,603	24,360	25,225	25,608
Market risks	817	711	796	825	849
Credit value adjustment risk (CVA)	650	645	568	713	645
Operational risk	4,815	4,815	4,815	4,655	4,655
<b>Total capital requirement</b>	<b>37,094</b>	<b>37,960</b>	<b>36,488</b>	<b>37,851</b>	<b>37,884</b>
Adjustment according to Basel I floor	61,134	59,499	58,870	56,982	55,659
<b>Capital requirement, Basel I floor</b>	<b>98,228</b>	<b>97,459</b>	<b>95,358</b>	<b>94,833</b>	<b>93,543</b>
Total own funds, Basel I floor	141,120	138,600	132,628	129,884	131,148

## Risk exposure amount

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Credit risk according to standardised approach	79,204	77,323	74,358	80,406	76,583
Credit risk according to IRB approach	305,951	320,041	304,506	315,310	320,101
Market risk	10,216	8,890	9,954	10,318	10,612
Credit value adjustment risk (CVA)	8,122	8,064	7,104	8,911	8,056
Operational risk	60,182	60,182	60,182	58,187	58,187
<b>Total risk exposure amount</b>	<b>463,675</b>	<b>474,500</b>	<b>456,104</b>	<b>473,132</b>	<b>473,539</b>

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

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	Sovereign and central banks	492,044	270,402	47	72	4	6	0.0
Municipalities	56,331	58,231	38	18	3	1	0.1	0.0
Multilateral development banks	587	649	0	0	0	0	0.0	0.0
International organisations	2	1	0	0	0	0	0.0	0.0
Institutions	4,063	4,162	360	603	29	48	8.9	14.5
Corporates	12,248	12,232	11,697	11,570	936	926	95.5	94.6
Households	16,233	22,417	12,132	16,774	971	1,342	74.7	74.8
Collateral in real estate	88,823	70,925	32,178	25,367	2,574	2,029	36.2	35.8
Past due items	189	229	243	319	19	25	128.2	139.2
Equities	6,796	7,978	16,125	17,308	1,290	1,385	237.3	216.9
Other items	6,930	9,034	6,384	8,375	510	671	92.1	92.7
<b>Total</b>	<b>684,246</b>	<b>456,260</b>	<b>79,204</b>	<b>80,406</b>	<b>6,336</b>	<b>6,433</b>	<b>11.6</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 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Corporates</b>	<b>839,228</b>	<b>821,795</b>	<b>202,371</b>	<b>204,181</b>	<b>16,190</b>	<b>16,334</b>	<b>24.1</b>	<b>24.8</b>
Corporate lending	810,827	796,198	197,569	199,470	15,806	15,957	24.4	25.1
<i>of which other loans foundation approach *</i>	121,732	124,939	36,719	37,805	2,938	3,024	30.2	30.3
<i>of which other loans advanced approach *</i>	689,095	671,259	160,850	161,665	12,868	12,933	23.3	24.1
<i>of which large companies</i>	139,070	137,749	63,228	61,130	5,058	4,890	45.5	44.4
<i>of which medium-sized companies</i>	78,575	76,639	31,333	32,888	2,507	2,631	39.9	42.9
<i>of which property companies</i>	471,450	456,871	66,289	67,647	5,303	5,412	14.1	14.8
Counterparty risk	28,401	25,597	4,802	4,711	384	377	16.9	18.4
<b>Housing co-operative associations</b>	<b>183,160</b>	<b>170,587</b>	<b>7,062</b>	<b>6,248</b>	<b>565</b>	<b>500</b>	<b>3.9</b>	<b>3.7</b>
<b>Households</b>	<b>975,181</b>	<b>918,324</b>	<b>72,933</b>	<b>66,245</b>	<b>5,835</b>	<b>5,300</b>	<b>7.5</b>	<b>7.2</b>
Private individuals	947,847	891,487	65,599	58,841	5,248	4,707	6.9	6.6
<i>of which property loans</i>	865,890	810,312	48,064	43,517	3,845	3,481	5.6	5.4
<i>of which other loans</i>	81,957	81,175	17,535	15,324	1,403	1,226	21.4	18.9
Small companies	27,334	26,837	7,334	7,404	587	593	26.8	27.6
<i>of which property loans</i>	7,623	7,541	1,655	2,016	132	161	21.7	26.7
<i>of which other loans</i>	19,711	19,296	5,679	5,388	455	432	28.8	27.9
<b>Institutions</b>	<b>106,414</b>	<b>117,263</b>	<b>16,256</b>	<b>20,471</b>	<b>1,300</b>	<b>1,638</b>	<b>15.3</b>	<b>17.5</b>
Lending to institutions	15,985	19,203	5,047	6,767	404	541	31.6	35.2
Counterparty risk	90,429	98,060	11,209	13,704	897	1,096	12.4	14.0
<i>of which repos and securities loans</i>	27,810	31,143	559	424	45	34	2.0	1.4
<i>of which derivatives</i>	62,619	66,917	10,650	13,280	852	1,062	17.0	19.8
<b>Equity exposures</b>	<b>1,352</b>	<b>5,229</b>	<b>5,004</b>	<b>15,815</b>	<b>400</b>	<b>1,265</b>	<b>370.0</b>	<b>302.4</b>
<i>of which listed shares</i>	-	4,418	-	12,811	-	1,025	-	290.0
<i>of which other shares</i>	1,352	811	5,004	3,004	400	240	370.0	370.0
<b>Non credit-obligation assets</b>	<b>2,323</b>	<b>2,348</b>	<b>2,323</b>	<b>2,348</b>	<b>186</b>	<b>188</b>	<b>100.0</b>	<b>100.0</b>
<b>Securitisation positions</b>	<b>22</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>	22	28	2	2	0	0	7.4	7.4
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
<b>Total IRB approach</b>	<b>2,107,680</b>	<b>2,035,574</b>	<b>305,951</b>	<b>315,310</b>	<b>24,476</b>	<b>25,225</b>	<b>14.5</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 IRB approach is applied to the majority of exposures to large corporates, medium-sized companies, property companies and housing co-operative associations in regional bank operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy.

At the end of the third quarter, the IRB Approach was applied to 79% 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 decreased during the third quarter, amounting to 14.5% (15.2). The fall in the average risk weight stems from the decrease in the exposure to listed equities, which had a risk weight of 290%.

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.

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

### Capital requirement market risks

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Position risk in the trading book	810	703	789	819	844
Interest rate risk	801	694	778	804	826
<i>of which general risk</i>	651	534	598	512	489
<i>of which specific risk</i>	149	158	179	290	335
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
<i>of which non-delta risk</i>	1	2	1	2	2
Equity price risk	9	9	11	15	18
<i>of which general risk</i>	1	1	1	1	3
<i>of which specific risk</i>	4	3	4	4	7
<i>of which mutual funds</i>	0	1	1	2	0
<i>of which non-delta risk</i>	4	4	5	8	8
Exchange rate risk	-	-	-	-	-
<i>of which non-delta risk</i>	-	-	-	-	-
Commodities risk	7	8	7	6	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>817</b>	<b>711</b>	<b>796</b>	<b>825</b>	<b>849</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 risks

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

### Leverage ratio

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 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Balance sheet according to accounting regulations	2,908,935	3,030,645	2,856,843	2,522,133	2,943,621
Deduction for assets not included in the banking group	-112,161	-103,215	-99,917	-103,655	-99,096
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-27,185	-24,710	-29,163	-37,126	-49,606
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	5,295	6,252	6,530	4,786	8,596
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>494,872</i>	<i>486,570</i>	<i>476,586</i>	<i>483,859</i>	<i>480,000</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-313,706</i>	<i>-309,195</i>	<i>-300,702</i>	<i>-303,538</i>	<i>-304,092</i>
Assets reported off the balance sheet, net	181,166	177,375	175,884	180,321	175,908
Additional adjustment	-19,915	-21,106	-19,747	-16,872	-18,390
<b>Assets on which the leverage ratio is calculated</b>	<b>2,936,135</b>	<b>3,065,241</b>	<b>2,890,430</b>	<b>2,549,587</b>	<b>2,961,033</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	123,290	121,051	115,194	112,468	113,078
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	4.2%	3.9%	4.0%	4.4%	3.8%

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

## Note 20 Risk and capital management

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

### 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. In June 2016, 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 will also be the case if the UK economic climate deteriorates as a result of its future secession from the EU. The Bank's liquidity position is described in more detail below under the heading Liquidity and funding.

### 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 September 2016 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	6,079	58,531
ECP (Stadshypotek)*	EUR	4,000	0	0
French Commercial Paper	EUR	7,500	2,095	20,171
Swedish Commercial Paper	SEK	25,000	0	0
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	0	0
USCP	USD	15,000	8,364	71,844
AMTN	AUD	5,000	1,275	8,385
AMTCN (Stadshypotek)	AUD	5,000	750	4,933
EMTN*	USD	50,000	22,015	189,102
EMTCN (Stadshypotek)*	EUR	20,000	11,159	107,442
US 144A/3(a)(2)	USD	20,000	11,900	102,218
Stadshypotek US 144A	USD	15,000	3,750	32,211
Samurai	JPY	400,000	160,700	13,640
MTN*	SEK	100,000	13,733	13,733
General funding >1 Y*	USD	15,000	2,131	18,305
Extendible Notes	USD	15,000	64	550
<b>Total</b>				<b>641,065</b>
Total programme (or limited) amounts, SEK m		1,879,095		
Unt utilised amount, SEK m		1,238,030		
<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.

Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 619bn as at 30 September 2016 (see table below). In addition, there was an

unused issue amount for covered bonds and other liquidity-creating measures.

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

Market value					
SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Cash and balances with and other lending to central banks	456,491	582,590	506,949	236,359	525,421
Balances with banks and the National Debt Office, overnight	803	1,807	3,618	1,180	983
Securities issued by governments and public entities	106,938	104,133	83,145	63,136	77,799
Covered bonds	53,458	50,101	52,096	50,096	54,230
Securities issued by non-financial companies	797	614	782	637	1,094
Securities issued by financial companies	242	142	102	233	978
<b>Total</b>	<b>618,729</b>	<b>739,387</b>	<b>646,692</b>	<b>351,641</b>	<b>660,505</b>
<i>of which in SEK</i>	<i>192,224</i>	<i>160,997</i>	<i>116,992</i>	<i>89,695</i>	<i>131,728</i>
<i>of which in EUR</i>	<i>135,707</i>	<i>83,698</i>	<i>70,363</i>	<i>55,471</i>	<i>84,111</i>
<i>of which in USD</i>	<i>179,920</i>	<i>366,669</i>	<i>348,004</i>	<i>114,702</i>	<i>360,074</i>
<i>of which in other currencies</i>	<i>110,878</i>	<i>128,023</i>	<i>111,333</i>	<i>91,773</i>	<i>84,592</i>

30 September 2016					
Market value, SEK m	SEK	EUR	USD	Other	<b>Total</b>
Cash and balances with and other lending to central banks	73,185	126,247	159,347	97,712	456,491
Balances with other banks and the National Debt Office, overnight	0	119	106	578	803
Securities issued by governments	77,643	6,594	16,204	-	100,441
Securities issued by municipalities and other public entities	1,594	289	4,263	351	6,497
Covered bonds, external issuers	37,534	2,241	-	12,029	51,804
Own covered bonds	1,654	-	-	-	1,654
Securities issued by non-financial companies	597	152	-	48	797
Securities issued by financial companies	17	65	-	160	242
<b>Total</b>	<b>192,224</b>	<b>135,707</b>	<b>179,920</b>	<b>110,878</b>	<b>618,729</b>

Maturities for financial assets and liabilities

30 September 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	456,793	-	-	-	-	-	-	456,793
Interest-bearing securities eligible as collateral with central banks	119,532	-	-	-	-	-	-	119,532
Bonds and other interest-bearing securities	53,855	-	-	-	-	-	-	53,855
Loans to credit institutions	34,604	1,807	920	17	663	3,399	-	41,410
-of which reverse repos	16,984	-	-	-	-	-	-	16,984
Loans to the public	63,953	249,396	166,209	168,865	358,442	958,784	-	1,965,649
-of which reverse repos	14,041	-	-	-	-	-	-	14,041
Other	51,697	-	-	-	-	-	219,999	271,696
-of which shares and participating interests	35,964	-	-	-	-	-	-	35,964
-of which claims on investment banking settlements	15,733	-	-	-	-	-	-	15,733
<b>Total</b>	<b>780,434</b>	<b>251,203</b>	<b>167,129</b>	<b>168,882</b>	<b>359,105</b>	<b>962,183</b>	<b>219,999</b>	<b>2,908,935</b>
Due to credit institutions	99,438	74,548	4,430	4,792	15	5,163	16,888	205,274
-of which repos	450	-	-	-	-	-	-	450
-of which deposits from central banks	27,895	56,970	2,133	-	-	-	1,985	88,983
Deposits and borrowing from the public	161,295	44,611	4,627	948	2,748	5,632	789,566	1,009,427
-of which repos	5,559	-	-	-	-	-	-	5,559
Issued securities	94,444	347,042	147,599	164,887	453,534	108,178	-	1,315,684
-of which covered bonds	-	26,104	78,164	125,077	304,823	58,840	-	593,008
-of which certificates and other securities with original maturity of less than one year	92,297	295,281	17,060	-	-	-	-	404,638
-of which senior bonds and other securities with original maturity of more than one year	2,147	25,657	52,375	39,810	148,711	49,338	-	318,038
Subordinated liabilities	-	219	-	2,955	29,834	-	-	33,008
Other	19,304	-	-	-	-	-	326,238	345,542
-of which short positions	11,441	-	-	-	-	-	-	11,441
-of which investment banking settlement debts	7,863	-	-	-	-	-	-	7,863
<b>Total</b>	<b>374,481</b>	<b>466,420</b>	<b>156,656</b>	<b>173,582</b>	<b>486,131</b>	<b>118,973</b>	<b>1,132,692</b>	<b>2,908,935</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 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Liquidity coverage ratio (LCR), %					
EUR	178	181	134	161	265
USD	164	121	161	429	127
<b>Total*</b>	<b>162</b>	<b>139</b>	<b>151</b>	<b>137</b>	<b>141</b>

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

	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Liquidity coverage ratio (LCR) - decomposition, SEK m					
<b>Liquid assets</b>	<b>416,189</b>	<b>433,824</b>	<b>360,481</b>	<b>283,573</b>	<b>343,712</b>
Liquid assets level 1	375,318	394,887	318,791	242,606	301,090
Liquid assets level 2	40,871	38,937	41,690	40,967	42,622
<b>Cash outflows</b>	<b>514,967</b>	<b>697,349</b>	<b>581,222</b>	<b>318,364</b>	<b>628,912</b>
Deposits from customers	191,610	169,582	192,835	141,589	202,316
Market funding	284,083	486,320	349,721	142,770	384,260
Other cash flows	39,274	41,447	38,666	34,005	42,336
<b>Cash inflows</b>	<b>258,526</b>	<b>384,619</b>	<b>342,332</b>	<b>111,599</b>	<b>385,628</b>
Inflows from maturing lending to non-financial customers	18,618	26,985	24,548	22,612	24,468
Other cash inflows	239,908	357,634	317,784	88,987	361,160

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 September, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 162%, 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 145% during the first nine months. The

Bank's LCR, calculated according to the European Commission's delegated act, was 181%.

## 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 Group 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 September 2016		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	619	67%
Mortgage loans	470	118%
Other household lending	180	137%
Property company lending lowest risk class (1-3)	260	165%
Other corporate lending lowest risk class (1-3)	153	182%
Loans to credit institutions lowest risk class (1-3)	36	186%
Other corporate lending	240	211%
Other assets	90	221%
<b>Total non-encumbered assets (NEA)</b>	<b>2,048</b>	<b>221%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>59</b>	
Encumbered assets with underlying liabilities	802	
<b>Total assets, Group</b>	<b>2,909</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).

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

## Note 21 Related-party transactions

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

## Note 22 Segment reporting

Information about the Bank's segment reporting is provided on page 8-22.

## Note 23 Events after the balance sheet date

Information regarding events after the balance sheet date is provided on page 7.



## Condensed set of financial statements – Parent company

### INCOME STATEMENT – PARENT COMPANY

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
Net interest income	3,778	3,644	4%	3,709	2%	11,011	11,383	-3%	15,250
Dividends received	10	2,481	-100%	87	-89%	4,793	1,054	355%	11,978
Net fee and commission income	1,571	1,665	-6%	1,647	-5%	4,799	5,045	-5%	6,778
Net gains/losses on financial transactions	1,124	469	140%	210	435%	2,791	677	312%	2,349
Other operating income	374	392	-5%	372	1%	1,149	1,216	-6%	1,644
<b>Total income</b>	<b>6,857</b>	<b>8,651</b>	<b>-21%</b>	<b>6,025</b>	<b>14%</b>	<b>24,543</b>	<b>19,375</b>	<b>27%</b>	<b>37,999</b>
Staff costs	-2,625	-2,604	1%	-2,670	-2%	-8,286	-8,373	-1%	-10,904
Other administrative expenses	-1,208	-1,310	-8%	-1,170	3%	-3,763	-3,655	3%	-5,040
Depreciation, amortisation and impairments of property, equipment and intangible assets	-142	-133	7%	-131	8%	-407	-391	4%	-507
<b>Total expenses before loan losses</b>	<b>-3,975</b>	<b>-4,047</b>	<b>-2%</b>	<b>-3,971</b>	<b>0%</b>	<b>-12,456</b>	<b>-12,419</b>	<b>0%</b>	<b>-16,451</b>
<b>Profit before loan losses</b>	<b>2,882</b>	<b>4,604</b>	<b>-37%</b>	<b>2,054</b>	<b>40%</b>	<b>12,087</b>	<b>6,956</b>	<b>74%</b>	<b>21,548</b>
Net loan losses	-464	-259	79%	-470	-1%	-899	-1,147	-22%	-1,614
Impairments of financial assets	-	-	-	-	-	-	-15	-	-15
<b>Operating profit</b>	<b>2,418</b>	<b>4,345</b>	<b>-44%</b>	<b>1,584</b>	<b>53%</b>	<b>11,188</b>	<b>5,794</b>	<b>93%</b>	<b>19,919</b>
Appropriations	18	13	38%	28	-36%	68	86	-21%	100
<b>Profit before tax</b>	<b>2,436</b>	<b>4,358</b>	<b>-44%</b>	<b>1,612</b>	<b>51%</b>	<b>11,256</b>	<b>5,880</b>	<b>91%</b>	<b>20,019</b>
Taxes	-441	-432	2%	-362	22%	-1,216	-1,216	0%	-4,176
<b>Profit for the period</b>	<b>1,995</b>	<b>3,926</b>	<b>-49%</b>	<b>1,250</b>	<b>60%</b>	<b>10,040</b>	<b>4,664</b>	<b>115%</b>	<b>15,843</b>

### STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q3 2016	Q2 2016	Change	Q3 2015	Change	Jan-Sep 2016	Jan-Sep 2015	Change	Full year 2015
<b>Profit for the period</b>	<b>1,995</b>	<b>3,926</b>	<b>-49%</b>	<b>1,250</b>	<b>60%</b>	<b>10,040</b>	<b>4,664</b>	<b>115%</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	-741	996		1,792		2,172	762	185%	195
Available-for-sale instruments	-565	536		196		-1,129	1,642		694
Translation differences for the period	554	686	-19%	-802		87	618	-86%	-1,155
<i>of which hedging net investment in foreign operations</i>	-144	29		-321	55%	-318	267		-444
Tax related to other comprehensive income	247	-226		-332		-299	-306	2%	73
<i>of which cash flow hedges</i>	163	-219		-395		-478	-168	-185%	-43
<i>of which available-for-sale instruments</i>	52	0		-7		109	-79		18
<i>of which hedging net investment in foreign operations</i>	32	-7		70	-54%	70	-59		98
<b>Total items that may subsequently be reclassified to profit or loss</b>	<b>-505</b>	<b>1,992</b>		<b>854</b>		<b>831</b>	<b>2,716</b>	<b>-69%</b>	<b>-193</b>
<b>Total other comprehensive income for the period</b>	<b>-505</b>	<b>1,992</b>		<b>854</b>		<b>831</b>	<b>2,716</b>	<b>-69%</b>	<b>-193</b>
<b>Total comprehensive income for the period</b>	<b>1,490</b>	<b>5,918</b>	<b>-75%</b>	<b>2,104</b>	<b>-29%</b>	<b>10,871</b>	<b>7,380</b>	<b>47%</b>	<b>15,650</b>

### Comment on results – Parent company January – September 2016, compared with January – September 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.

The parent company's operating profit grew by 93% to SEK 11,188m (5,794), chiefly due to increased dividends and higher net gains/losses on financial transactions. Dividends have been received amounting to SEK 4,793m (1,054). Profit for the period rose by 115% to SEK 10,040m (4,664). Net interest income decreased by 3% to SEK 11,011m (11,383), and net fee and commission income decreased by 5% to SEK 4,799m (5,045). Since the start of the year, the parent company's equity has increased to SEK 108,799m (107,112).

## BALANCE SHEET – PARENT COMPANY

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
<b>Assets</b>					
Cash and balances with central banks	353,680	501,696	463,957	202,630	452,271
Interest-bearing securities eligible as collateral with central banks	116,301	114,485	92,174	71,436	99,359
Loans to credit institutions	684,565	638,845	594,779	596,441	622,610
Loans to the public	781,690	770,214	757,955	733,988	743,084
Bonds and other interest-bearing securities	50,394	42,794	50,292	40,974	58,226
Shares	34,838	51,704	38,473	29,309	60,629
Shares in subsidiaries and investments in associates	46,382	45,773	45,784	45,815	45,787
Assets where the customer bears the value change risk	3,860	3,743	3,603	3,422	3,463
Derivative instruments	82,232	96,260	78,170	89,491	102,627
Intangible assets	2,146	2,056	1,994	1,962	1,880
Property and equipment	1,101	1,081	1,084	1,150	1,139
Current tax assets	2,322	1,484	498	-	943
Deferred tax assets	472	471	413	328	344
Other assets	13,307	20,061	12,424	18,299	48,377
Prepaid expenses and accrued income	4,075	4,068	4,292	4,813	4,265
<b>Total assets</b>	<b>2,177,365</b>	<b>2,294,735</b>	<b>2,145,892</b>	<b>1,840,058</b>	<b>2,245,004</b>
<b>Liabilities and equity</b>					
Due to credit institutions	218,830	217,291	203,177	173,533	234,423
Deposits and borrowing from the public	1,007,257	1,132,359	1,044,283	755,066	1,049,921
Liabilities where the customer bears the value change risk	3,927	3,793	3,680	3,501	3,540
Issued securities	712,465	707,071	663,056	676,950	678,617
Derivative instruments	57,377	59,539	64,603	61,109	70,511
Short positions	11,441	8,581	10,181	2,416	21,027
Current tax liabilities	-	-	-	847	-
Deferred tax liabilities	2,026	2,234	1,969	1,521	1,844
Provisions	426	455	487	96	107
Other liabilities	12,931	14,383	11,943	13,751	34,743
Accrued expenses and deferred income	8,343	8,614	8,855	9,370	10,467
Subordinated liabilities	33,008	32,903	33,986	34,216	40,361
<b>Total liabilities</b>	<b>2,068,031</b>	<b>2,187,223</b>	<b>2,046,220</b>	<b>1,732,376</b>	<b>2,145,561</b>
<b>Untaxed reserves</b>	<b>535</b>	<b>539</b>	<b>539</b>	<b>570</b>	<b>601</b>
Share capital	3,008	3,001	2,956	2,956	2,956
Share premium	5,410	5,081	3,204	3,204	3,204
Other funds	12,056	12,456	10,388	9,585	12,494
Retained earnings	78,285	78,390	78,466	75,524	75,524
Profit for the period	10,040	8,045	4,119	15,843	4,664
<b>Total equity</b>	<b>108,799</b>	<b>106,973</b>	<b>99,133</b>	<b>107,112</b>	<b>98,842</b>
<b>Total liabilities and equity</b>	<b>2,177,365</b>	<b>2,294,735</b>	<b>2,145,892</b>	<b>1,840,058</b>	<b>2,245,004</b>

## CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

January – September 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								10,040	10,040
Other comprehensive income					1,694	-1,020	157		831
<b>Total comprehensive income for the period</b>					<b>1,694</b>	<b>-1,020</b>	<b>157</b>	<b>10,040</b>	<b>10,871</b>
Dividend								-11,442	-11,442
Effects of convertible subordinated loans	52			2,206					2,258
Fund for internally developed software			1,640					-1,640	
<b>Closing equity</b>	<b>3,008</b>	<b>2,682</b>	<b>1,640</b>	<b>5,410</b>	<b>3,043</b>	<b>996</b>	<b>3,695</b>	<b>88,325</b>	<b>108,799</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 September 2016, convertibles for a nominal value of SEK 2,290m (1) relating to the 2008 and 2011 subordinated convertible bonds were converted into 33,810,589 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-Sep 2016	Jan-Sep 2015	Full year 2015
Operating profit	11,188	5,794	19,919
Adjustment for non-cash items in profit/loss	-1,113	3,644	-7,338
Paid income tax	-4,423	-3,023	-4,221
Changes in the assets and liabilities of operating activities	139,247	-43,177	-293,815
<b>Cash flow from operating activities</b>	<b>144,899</b>	<b>-36,762</b>	<b>-285,455</b>
Change in shares	4,810	-	3,618
Change in interest-bearing securities	1,000	-	0
Change in property and equipment	-246	-325	-415
Change in intangible assets	-350	-273	-447
<b>Cash flow from investing activities</b>	<b>5,214</b>	<b>-598</b>	<b>2,756</b>
Repayment of subordinated loans	-2,290	-	-5,690
Issued subordinated loans	-	10,376	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>-2,761</b>	<b>7,979</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	147,352	-29,381	-280,704
Exchange rate difference on liquid funds	3,698	27,121	28,802
<b>Liquid funds at end of year</b>	<b>353,680</b>	<b>452,272</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 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Common equity tier 1 capital	96,742	95,408	90,361	90,624	89,515
Total tier 1 capital	108,898	107,453	101,931	102,557	101,470
Total tier 2 capital	16,263	16,006	15,982	16,021	16,493
Total own funds	125,161	123,459	117,913	118,578	117,963
<b>Capital ratios and buffers</b>					
Common equity tier 1 ratio, CRD IV	21.8%	20.8%	20.7%	19.9%	19.6%
Tier 1 ratio, CRD IV	24.5%	23.5%	23.3%	22.6%	22.3%
Total capital ratio, CRD IV	28.2%	27.0%	27.0%	26.1%	25.9%
Risk exposure amount, CRD IV	444,468	457,600	436,936	454,661	455,557
Own funds in relation to capital requirement according to transitional rules	244%	241%	236%	237%	237%
Institution-specific buffer requirements	3.4%	3.4%	3.1%	3.1%	3.1%
<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%	0.9%	0.6%	0.6%	0.6%
<i>of which systemic risk buffer requirement</i>	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	17.3%	16.3%	16.2%	15.4%	15.1%

## Capital requirement – Parent company

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Credit risk according to standardised approach	11,390	11,190	10,645	11,120	10,822
Credit risk according to IRB approach	19,295	20,657	19,541	20,377	20,791
Market risk	817	711	796	825	849
Credit value adjustment risk (CVA)	650	645	568	713	645
Operational risk	3,405	3,405	3,405	3,338	3,338
<b>Total capital requirement</b>	<b>35,557</b>	<b>36,608</b>	<b>34,955</b>	<b>36,373</b>	<b>36,445</b>
Adjustment according to Basel I floor	16,137	15,147	15,563	14,150	13,797
<b>Capital requirement, Basel I floor</b>	<b>51,694</b>	<b>51,755</b>	<b>50,518</b>	<b>50,523</b>	<b>50,242</b>
Total own funds, Basel I floor	126,315	124,606	118,994	119,602	119,161

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

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Sovereign and central banks	4	5	9	6	1
Municipalities	3	1	1	1	3
Multilateral development banks	0	0	0	0	0
International organisations	0	0	0	0	0
Institutions	65	58	71	81	77
Corporates	917	818	916	872	665
Households	957	938	930	1,319	1,307
Collateral in real estate	2,574	2,487	2,269	2,029	1,999
Past due items	19	19	21	25	26
Equities	6,354	6,372	6,050	6,129	6,169
Other items	497	492	378	658	575
<b>Total</b>	<b>11,390</b>	<b>11,190</b>	<b>10,645</b>	<b>11,120</b>	<b>10,822</b>

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

## Capital requirement credit risks IRB – Parent company

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Corporates	15,107	15,314	14,734	15,162	14,899
Households	2,343	2,335	2,080	2,049	2,132
Private individuals	1,847	1,831	1,563	1,544	1,640
of which property loans	836	830	746	723	761
of which other loans	1,011	1,001	817	821	879
Small companies	496	504	517	505	492
Institutions	1,301	1,381	1,255	1,638	1,560
Equity exposures	456	1,541	1,384	1,436	2,108
of which listed shares	-	949	979	1,025	1,692
of which other shares	456	593	405	411	416
Exposures without a counterparty	88	86	87	92	92
Securitisation positions	-	-	0	0	0
<b>Total IRB</b>	<b>19,295</b>	<b>20,657</b>	<b>19,540</b>	<b>20,377</b>	<b>20,791</b>

## Capital requirement market risks – Parent company

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Position risk in the trading book	810	703	789	819	844
Interest rate risk	801	694	778	804	826
of which positions in securitisation instruments	-	0	-	-	-
Equity price risk	9	9	11	15	18
Exchange rate risk	-	-	-	-	-
Commodities risk	7	8	7	6	5
Settlement risk	0	0	0	0	0
<b>Total capital requirement for market risks</b>	<b>817</b>	<b>711</b>	<b>796</b>	<b>825</b>	<b>849</b>

## Leverage ratio – Parent company

SEK m	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015
Balance sheet according to accounting regulations	2,177,365	2,294,735	2,145,892	1,840,058	2,245,004
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-18,977	-16,621	-21,580	-29,556	-42,716
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	5,447	8,471	8,312	4,792	8,606
Assets reported off the balance sheet, gross (before adjustment for conversion factor)	539,151	531,167	525,339	530,343	524,456
Deduction from assets off the balance sheet after application of conversion factor	-347,254	-343,000	-335,227	-338,334	-337,337
Assets reported off the balance sheet, net	191,897	188,167	190,112	192,009	187,120
Additional adjustment	-563,981	-8,361	-7,500	-5,880	-6,393
<b>Assets on which the leverage ratio is calculated</b>	<b>1,791,751</b>	<b>2,466,391</b>	<b>2,315,236</b>	<b>2,001,423</b>	<b>2,391,621</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	108,898	107,453	101,931	102,557	101,470
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	6.1%	4.4%	4.4%	5.1%	4.2%

## SUBMISSION OF REPORT

I hereby submit this interim report.

Stockholm, 19 October 2016

Anders Bouvin  
President and 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 19 October.

A phone conference will be held at 11.00 a.m. (CET) on 19 October.

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

The highlights of the annual report for January – December 2016 will be published on 8 February 2017.

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

Anders Bouvin, President and Group Chief Executive

Tel: +46 (0)8 22 92 20

Rolf Marquardt, CFO

Tel: +46 (0)8 22 92 20

Mikael Hallåker, Head of Investor Relations

Tel: +46 (0)8 701 29 95, [miha11@handelsbanken.se](mailto:miha11@handelsbanken.se)

# Auditors' report concerning review of interim report

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

## INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 September 2016 and for the nine-month period ending as at this date. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of interim financial information performed by the auditors elected by the company*. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review differs from and is substantially

less in scope than an audit conducted in accordance with the International Standards on Auditing 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 interim report is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies for the Group and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies for the parent company.

Stockholm, 19 October 2016

KPMG AB  
Anders Bäckström, Authorised Public Accountant

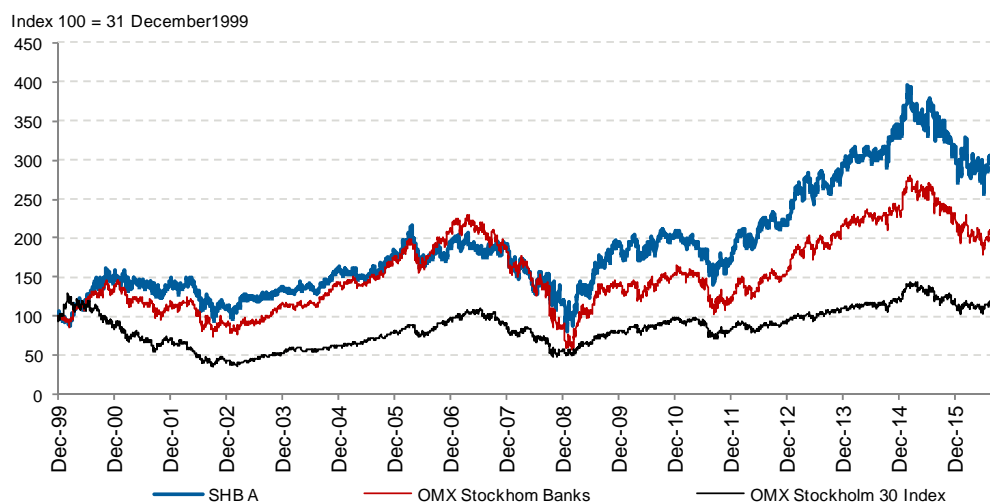
Ernst & Young AB  
Jesper Nilsson, Authorised Public Accountant



## Share price performance and other information

The Swedish stock market fell by 1% during the first nine months of the year. The Stockholm stock exchange's bank index decreased by 2%. Handelsbanken's class A shares closed at SEK 117.90, a rise of 4%, but including dividends paid amounting to SEK 6.00, the total return was 10%. Since 1 January 2000, Handelsbanken's share price has increased by 231%, excluding dividends, while the Stockholm stock exchange has risen by 20%.

### SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



### ANALYSTS WHO MONITOR THE BANK

Company	Analyst	Email address
ABG SUNDAL COLLIER	Magnus Andersson	magnus.andersson@abgsc.se
ARCTIC SECURITIES	Roy Tilley	roy.tilley@arcticsec.no
AUTONOMOUS	Jacob Kruse	jkruise@autonomous-research.com
BANK OF AMERICA MERRILL LYNCH	Johan Ekblom	johan.ekblom@baml.com
BARCLAYS	Paulina Sokolova	paulina.x.sokolova@barclays.com
BERENBERG BANK	Adam Barrass	adam.barrass@berenberg.com
CARNEGIE	Tobias Kaj	tobias.kaj@carnegie.se
CITIGROUP	Ronit Ghose	ronit.ghose@citi.com
CREDIT SUISSE	Jan Wolter	jan.wolter@credit-suisse.com
DANSKE BANK	Matti Ahokas	matti.ahokas@danskebank.com
DEUTSCHE BANK	Omar Keenan	omar.keenan@db.com
DNB	Nicholas McBeath	nicholas.mcbeath@dnb.se
EVLI	Jaakko Tyrväinen	jaakko.tyrvaainen@evli.com
EXANE BNP PARIBAS	Andreas Håkansson	andreas.hakansson@exanebnpparibas.com
GOLDMAN SACHS	Willies Palermo	willies.palermo@gs.com
J P MORGAN	Daniel Do-Thoi	daniel.do-thoi@jpmorgan.com
KEEFE, BRUYETTE & WOODS	Karl Morris	kmorris@kbw.com
MACQUARIE SECURITIES	Edward Firth	edward.firth@macquarie.com
MEDIOBANCA	Riccardo Rovere	riccardo.rovere@mediobanca.it
MORGAN STANLEY	Chris Manners	chris.manners@morganstanley.com
NORDEA	Richard Henze	rickard.henze@nordea.com
PARETO	Vegard Eid Mediås	Vegard.Eid.Medias@paretosec.com
ROYAL BANK OF CANADA	Adrian Cighi	adrian.cighi@rbccm.com
SEB ENSKILDA EQUITIES	Peter Kessiakoff	peter.kessiakoff@seb.se
SOCIETE GENERALE	Geoff Dawes	geoff.dawes@sgcib.com
SPAREBANK 1 MARKETS	Odd Weidel	odd.weidel@sb1markets.no
SWEDBANK	Adonis Catic	adonis.catic@swedbank.no
UBS	Anton Kryachok	anton-a.kryachok@ubs.com

# Handelsbanken

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