

# Handelsbanken's Interim Report

JANUARY – JUNE 2017

## Summary January – June 2017, compared with January – June 2016

- Operating profit rose by 4% to SEK 10,604m (10,244)
- The period's profit after tax for total operations decreased by 1% to SEK 8,167m (8,237)
- Earnings per share for total operations decreased to SEK 4.20 (4.31)
- Return on equity for total operations declined to 12.6% (13.7)
- Income increased by 1% to SEK 20,274m (20,165) and by 5% after adjustment for capital gains in the period of comparison
- Net interest income rose by 6% to SEK 14,402m (13,603)
- Net fee and commission income rose by 9% to SEK 4,862m (4,450)
- The C/I ratio decreased to 45.8% (47.2)
- The loan loss ratio was unchanged at 0.04% (0.04)
- The common equity tier 1 ratio increased to 23.4% (23.0) and the total capital ratio was 29.0% (28.9)

## Summary of Q2 2017, compared with Q1 2017

- Operating profit fell by 2% to SEK 5,257m (5,347), but increased by 3% after adjustments for non-recurring items in the quarter of comparison
- The period's profit after tax for total operations decreased by 1% to SEK 4,056m (4,111), and earnings per share were SEK 2.09 (2.11)
- Return on equity for total operations rose to 12.9% (12.4)
- Income increased by 2% to SEK 10,238m (10,036)
- Net interest income increased by 3% to SEK 7,321m (7,081)
- The loan loss ratio was 0.04% (0.04)

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For definitions and calculation of key figures, as well as specifications of separate items and non-recurring items, please see the Fact Book which is available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng).

## Handelsbanken Group – Overview

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
<b>Summary income statement</b>									
Net interest income	7,321	7,081	3%	6,808	8%	14,402	13,603	6%	27,943
Net fee and commission income	2,508	2,354	7%	2,280	10%	4,862	4,450	9%	9,156
Net gains/losses on financial transactions	317	547	-42%	523	-39%	864	1,685	-49%	3,066
Risk result - insurance	53	36	47%	35	51%	89	111	-20%	142
Other dividend income	11	2	450%	222	-95%	13	225	-94%	228
Share of profit of associates	-3	-27	89%	13		-30	15		25
Other income	31	43	-28%	41	-24%	74	76	-3%	203
<b>Total income</b>	<b>10,238</b>	<b>10,036</b>	<b>2%</b>	<b>9,922</b>	<b>3%</b>	<b>20,274</b>	<b>20,165</b>	<b>1%</b>	<b>40,763</b>
Staff costs	-3,242	-2,918	11%	-2,952	10%	-6,160	-6,620	-7%	-12,542
Other expenses	-1,410	-1,430	-1%	-1,346	5%	-2,840	-2,649	7%	-5,401
Depreciation, amortisation and impairment of property, equipment and intangible assets	-145	-150	-3%	-119	22%	-295	-244	21%	-495
<b>Total expenses</b>	<b>-4,797</b>	<b>-4,498</b>	<b>7%</b>	<b>-4,417</b>	<b>9%</b>	<b>-9,295</b>	<b>-9,513</b>	<b>-2%</b>	<b>-18,438</b>
<b>Profit before loan losses</b>	<b>5,441</b>	<b>5,538</b>	<b>-2%</b>	<b>5,505</b>	<b>-1%</b>	<b>10,979</b>	<b>10,652</b>	<b>3%</b>	<b>22,325</b>
Net loan losses	-186	-196	-5%	-229	-19%	-382	-416	-8%	-1,724
Gains/losses on disposal of property, equipment and intangible assets	2	5	-60%	1	100%	7	8	-13%	32
<b>Operating profit</b>	<b>5,257</b>	<b>5,347</b>	<b>-2%</b>	<b>5,277</b>	<b>0%</b>	<b>10,604</b>	<b>10,244</b>	<b>4%</b>	<b>20,633</b>
Taxes	-1,201	-1,236	-3%	-1,091	10%	-2,437	-2,020	21%	-4,401
<b>Profit for the period from continuing operations</b>	<b>4,056</b>	<b>4,111</b>	<b>-1%</b>	<b>4,186</b>	<b>-3%</b>	<b>8,167</b>	<b>8,224</b>	<b>-1%</b>	<b>16,232</b>
Profit for the period pertaining to discontinued operations, after tax	-	-		8		-	13		13
<b>Profit for the period</b>	<b>4,056</b>	<b>4,111</b>	<b>-1%</b>	<b>4,194</b>	<b>-3%</b>	<b>8,167</b>	<b>8,237</b>	<b>-1%</b>	<b>16,245</b>
<b>Summary balance sheet</b>									
Loans to the public	2,011,455	1,991,434	1%	1,937,155	4%	2,011,455	1,937,155	4%	1,963,622
<i>of which mortgage loans</i>	<i>1,182,790</i>	<i>1,163,833</i>	<i>2%</i>	<i>1,117,514</i>	<i>6%</i>	<i>1,182,790</i>	<i>1,117,514</i>	<i>6%</i>	<i>1,150,594</i>
Deposits and borrowing from the public	1,120,291	1,049,699	7%	1,134,500	-1%	1,120,291	1,134,500	-1%	829,336
<i>of which households</i>	<i>429,725</i>	<i>409,694</i>	<i>5%</i>	<i>391,701</i>	<i>10%</i>	<i>429,725</i>	<i>391,701</i>	<i>10%</i>	<i>404,112</i>
Total equity	134,900	131,741	2%	129,582	4%	134,900	129,582	4%	136,381
Total assets	2,961,094	2,922,929	1%	3,030,645	-2%	2,961,094	3,030,645	-2%	2,627,580
<b>Summary of key figures</b>									
Return on equity, total operations	12.9%	12.4%		14.2%		12.6%	13.7%		13.1%
Return on equity, continuing operations	12.9%	12.4%		14.2%		12.6%	13.7%		13.1%
C/I ratio, continuing operations	46.9%	44.8%		44.5%		45.8%	47.2%		45.2%
Earnings per share, total operations, SEK	2.09	2.11		2.19		4.20	4.31		8.43
- after dilution	2.06	2.10		2.15		4.16	4.22		8.31
Common equity tier 1 ratio, CRR	23.4%	23.8%		23.0%		23.4%	23.0%		25.1%
Total capital ratio, CRR	29.0%	29.7%		28.9%		29.0%	28.9%		31.4%

## Group performance

### JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

The Group's operating profit grew by 4% to SEK 10,604m (10,244). The period's profit after tax for total operations decreased by 1% to SEK 8,167m (8,237), and earnings per share were SEK 4.20 (4.31).

The common equity tier 1 ratio increased to 23.4% (23.0), and the return on equity for total operations decreased to 12.6% (13.7). The C/I ratio decreased to 45.8% (47.2).

#### Income

SEK m	Jan-Jun 2017	Jan-Jun 2016	Change
Net interest income	14,402	13,603	6%
Net fee and commission income	4,862	4,450	9%
Net gains/losses on financial trans.	864	1,685	-49%
Other income	146	427	-66%
<b>Total income</b>	<b>20,274</b>	<b>20,165</b>	<b>1%</b>

Income increased by 1% to SEK 20,274m (20,165). Adjusted for capital gains on the sale of shares in the period of comparison, the increase was 5%. The effect of exchange rate movements was marginal.

Net interest income rose by 6% to SEK 14,402m (13,603).

Starting from 2017, the Bank defines its lending and deposit margins as the customer interest rate minus the internal interest rates which are either debited or credited to branch operations. Greater lending volumes increased net interest income by SEK 573m. At the same time, lending margins in branch operations had a negative impact of SEK -53m. Net interest income from deposit operations increased by SEK 141m.

The benchmark effect in Stadshypotek decreased to SEK -39m (6), and the doubled fee to the Resolution Fund amounted to SEK -865m (-491). Including fees for various deposit guarantees, government fees increased by SEK 389m to SEK -1,043m (-654). The remainder of the improvement in net interest income was chiefly attributable to lower funding costs.

Total average volume of loans to the public grew by 5% to SEK 2,002bn (1,911). Exchange rate effects increased average volumes by SEK 9bn. Household lending increased by 7% to SEK 1,047bn (980), while corporate lending grew by 3% to SEK 955bn (932). In local currencies, lending increased in all home markets.

The average volumes of deposits and borrowing rose by 2% to SEK 1,000bn (985). The average volume of household deposits increased by 12% to SEK 410bn (366), while corporate deposits decreased by 5% to SEK 589bn (619).

Net fee and commission income rose by 9% to SEK 4,862m (4,450), primarily due to higher fund and asset management commissions. Fund management

commissions increased by 24% to SEK 1,744m (1,412), and other custody and asset management commissions grew by 13%. Brokerage income rose by 10% to SEK 507m (462), and net payment commissions decreased by 1% to SEK 908m (920). Net fee and commission income from card operations declined to SEK 572m (620).

Net gains/losses on financial transactions declined to SEK 864m (1,685), because the period of comparison included capital gains from the sale of shares totalling SEK 908m.

Other income decreased to SEK 146m (427). The decrease was primarily attributable to lower dividend income.

#### Expenses

SEK m	Jan-Jun 2017	Jan-Jun 2016	Change
Staff costs	-6,160	-6,620	-7%
Other expenses	-2,840	-2,649	7%
Depreciation and amortisation	-295	-244	21%
<b>Total expenses</b>	<b>-9,295</b>	<b>-9,513</b>	<b>-2%</b>

Total expenses decreased by 2% to SEK -9,295m (-9,513). Exchange rate effects reduced expenses by SEK 1m.

Staff costs fell by 7% to SEK -6,160m (-6,620). In the first quarter, staff costs declined by SEK 239m as a result of the transition to a defined contribution pension plan in the Norwegian operations and the period of comparison including a provision of SEK -700m. Adjusted for these items, underlying staff costs rose by 8%, because of the resumption of provisions to the Oktogonen Foundation, which totalled SEK 486m (-). Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -47m (-56).

The average number of employees fell by 139, to 11,636 (11,775). Excluding the expanding operations in the UK and the Netherlands, the average number of employees decreased by 2%, and the ongoing work to improve efficiency continues according to plan.

Other expenses rose by 7% to SEK -2,840m (-2,649), chiefly due to higher costs for IT development.

#### Loan losses

SEK m	Jan-Jun 2017	Jan-Jun 2016	Change
Net loan losses	-382	-416	-34
Loan loss ratio as a % of loans, acc.	0.04	0.04	0.00
Impaired loans, net	2,952	3,383	-13%
Proportion of impaired loans, %	0.15	0.17	-0.02

Loan losses decreased to SEK -382m (-416), and the loan loss ratio was 0.04% (0.04). Net impaired loans decreased by 13% to SEK 2,952m (3,383), equivalent to 0.15% (0.17) of lending.

**Q2 2017 COMPARED WITH Q1 2017**

Operating profit fell by 2% to SEK 5,257m (5,347), but increased by 3% after adjustments for non-recurring items in the quarter of comparison. The period's profit after tax for total operations totalled SEK 4,056m (4,111). Earnings per share fell to SEK 2.09 (2.11), and return on equity rose to 12.9% (12.4).

The C/I ratio rose to 46.9% (44.8).

**Income**

SEK m	Q2 2017	Q1 2017	Change
Net interest income	7,321	7,081	3%
Net fee and commission income	2,508	2,354	7%
Net gains/losses on financial trans.	317	547	-42%
Other income	92	54	70%
<b>Total income</b>	<b>10,238</b>	<b>10,036</b>	<b>2%</b>

Income grew by 2% to SEK 10,238m (10,036).

Net interest income grew by 3%, or SEK 240m, to SEK 7,321m (7,081).

Rising lending volumes contributed SEK 79m, while lending margins in the branch operations lifted net interest income by SEK 13m. Increased deposit volumes contributed SEK 21m, while deposit margins had a negative impact of SEK -20m. Exchange rate effects had a positive impact of SEK 18m on net interest income, and an extra day in the quarter contributed SEK 29m. Government fees totalled SEK -516m (-527). The benchmark effect in Stadshypotek decreased to SEK -31m (-8).

The average volume of loans to the public grew by 1% to SEK 2,017bn (1,988). Household lending rose by 2%, and the average volume of corporate lending grew by 1%. The total average volume of deposits and borrowing rose by 8% to SEK 1,037bn (962). The effect of exchange rate movements was marginal. Household deposits increased by 4% and the average volume of corporate deposits increased by 11%.

Net fee and commission income increased by 7% to SEK 2,508m (2,354). The increase was mainly due to rising fund management commissions and increased payment and advisory commissions. Fund management commissions increased by 5% to SEK 895m (849). Commissions on custody accounts and other asset management rose to SEK 169m (164). Net payment commissions rose by 12% to SEK 479m (429), chiefly due to an improvement in net income from card operations to SEK 306m (266). Advisory commissions increased by 88% to SEK 105m (56).

Net gains/losses on financial transactions decreased to SEK 317m (547). Profits in the comparison quarter were positively impacted by market turbulence at year-end. The negative effects arising in Q4 2016 were reversed at the start of Q1 2017 when the market returned to normal.

Other income equalled SEK 92m (54).

**Expenses**

SEK m	Q2 2017	Q1 2017	Change
Staff costs	-3,242	-2,918	11%
Other expenses	-1,410	-1,430	-1%
Depreciation and amortisation	-145	-150	-3%
<b>Total expenses</b>	<b>-4,797</b>	<b>-4,498</b>	<b>7%</b>

Expenses increased by 7% to SEK -4,797m (-4,498).

Exchange rate effects increased expenses by SEK 24m.

Staff costs rose by 11% to SEK -3,242m (-2,918).

During the first quarter, the Norwegian operations transitioned to a defined contribution pension plan. This transition involved a non-recurring item which reduced staff costs by SEK 239m in the first quarter. Adjusted for this item, staff costs rose by 3%, of which 1 percentage point was due to exchange rate movements. The provision to the Oktogonen profit-sharing foundation was SEK -243m (-243). The period's provision for variable remuneration increased to SEK -27m (-20). The average number of employees increased to 11,687 (11,584). The number of employees is increasing outside Sweden and in IT development but decreasing slightly in the Swedish branch operations.

Other expenses decreased by 1% to SEK -1,410m (-1,430), chiefly due to lower costs of premises and properties.

**Loan losses**

SEK m	Q2 2017	Q1 2017	Change
Net loan losses	-186	-196	-10
Loan loss ratio as a % of loans	0.04	0.04	0.00
Impaired loans, net	2,952	3,164	-7%
Proportion of impaired loans, %	0.15	0.16	-0.01

Loan losses decreased to SEK -186m (-196), and the loan loss ratio was 0.04% (0.04). The underlying credit quality remained stable.

Net impaired loans decreased to SEK 2,952m (3,164), equivalent to 0.15% (0.16) of lending.

**Taxes**

The tax rate in the second quarter was 22.8% (23.1).

A normal tax rate for the Group is 22-23%. Starting in 2017, interest expenses on subordinated loans are no longer tax-deductible. On an annual basis, this has increased the Bank's corporate tax by about SEK 280m.

**FUNDING AND LIQUIDITY**

Handelsbanken's bond issues during the first six months decreased to SEK 75bn (120), consisting of SEK 65bn (93) in covered bonds and SEK 10bn (27) in senior bonds.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered and therefore represent protection for the Bank's senior lenders. At the end of the period, the ratio of non-

encumbered assets to all non-encumbered market funding was 236% (210% at year-end 2016).

The Bank has a strong liquidity position. Cash funds and liquid assets invested with central banks amounted to SEK 489bn, while the volume of liquid bonds and other liquid assets totalled SEK 175bn.

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of the second quarter was 120% (139). In USD, the LCR was 177% (121), and in EUR it was 132% (181). The Group's LCR, calculated according to the European Commission's delegated act, was 136% (146). At the end of the second quarter, the net stable funding ratio (NSFR) was 106% (102% at year-end).

## CAPITAL

The Bank's goal is that its common equity tier 1 ratio under normal circumstances should exceed by 1-3 percentage points the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority.

At the end of March, the Swedish Financial Supervisory Authority approved the Bank's new PD models for corporate exposures.

During the second quarter, the Authority approved the Bank's models for capital adequacy for sovereign exposures applying the IRB Approach. Capital adequacy for these exposures was previously calculated using the standardised approach and their risk weight was zero. Introduction of the new models increases the Bank's risk exposure by SEK 9.6bn.

The common equity tier 1 ratio at the end of the second quarter was 23.4%. At the end of the first quarter, the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement was 20.3%. Thus the Bank's common equity tier 1 ratio slightly exceeded the upper limit of the target interval.

### Capital situation 30 June 2017 compared with 30 June 2016

SEK m	30 Jun 2017	30 Jun 2016	Change
Common equity tier 1 ratio, CRR	23.4%	23.0%	0.4
Total capital ratio, CRR	29.0%	28.9%	0.1
Risk exposure amount CRR	504,199	474,500	6%
Common equity tier 1 capital	117,851	109,006	8%
Total own funds	146,164	137,057	7%
Capital requirement, Basel I floor	100,575	97,459	3%
Total own funds, Basel I floor	148,436	138,600	7%

Own funds increased to SEK 146bn (137), putting the Bank's total capital ratio at 29.0% (28.9).

The common equity tier 1 capital increased to SEK 118bn (109), and the common equity tier 1 ratio rose by 0.4 percentage points to 23.4% (23.0). The implementation of new models for sovereign exposures

reduced the common equity tier 1 ratio by -0.5 percentage points.

Conversions of the 2011 staff convertible bond increased the ratio by 0.1 percentage point. The period's profit contributed 1.0 percentage point after a deduction for the dividend generated.

Implementation of new PD models reduced the common equity tier 1 ratio by -1.8 percentage points. Higher lending volumes reduced the common equity tier 1 ratio by -0.1 percentage point, and credit risk migration in the loan portfolio had an additional impact of -0.2 percentage points. At the same time, as a result of new lending volumes having lower risk than the exposures leaving the credit portfolio (known as volume migration), the common equity tier 1 ratio increased by 0.3 percentage points.

The effect of IAS 19 increased the common equity tier 1 capital ratio by 1.7 percentage points, due to both higher asset values and raised discount rates. The sale of AFS shares had a positive effect of 0.6 percentage points.

Exchange rate effects were neutral, and the net effect of other factors reduced the common equity tier 1 ratio by -0.7 percentage points.

### Capital situation 30 June 2017 compared with 31 March 2017

SEK m	30 Jun 2017	31 Mar 2017	Change
Common equity tier 1 ratio, CRR	23.4%	23.8%	-0.4
Total capital ratio, CRR	29.0%	29.7%	-0.7
Risk exposure amount CRR	504,199	489,456	3%
Common equity tier 1 capital	117,851	116,529	1%
Total own funds	146,164	145,291	1%
Capital requirement, Basel I floor	100,575	98,946	2%
Total own funds, Basel I floor	148,436	147,561	1%

Own funds increased to SEK 146bn (145), and the total capital ratio declined to 29.0% (29.7). The common equity tier 1 capital increased to SEK 118bn (117), and the common equity tier 1 ratio according to CRR fell by -0.4 percentage points to 23.4% (23.8). The implementation of new models for sovereign exposures reduced the common equity tier 1 ratio by -0.5 percentage points. The period's profit contributed 0.3 percentage points after a deduction for the dividend generated.

Rising lending volumes reduced the common equity tier 1 ratio by -0.2 percentage points. Volume migration had a neutral effect, while credit risk migration had a negative impact of -0.2 percentage points.

The effect of IAS 19 increased the common equity tier 1 capital ratio by 0.2 percentage points, mainly due to higher asset values. The discount rate for Swedish pension obligations was 2.30% (2.30).

The effects of exchange rate movements were neutral.

**Economic capital and available financial resources**

Handelsbanken’s internal assessment of the capital need is based on the Bank’s capital requirement, stress tests, and the Bank’s model for economic capital (EC). Economic capital 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 second quarter, EC for the Group totalled SEK 60.8bn, while AFR was SEK 155.6bn. Thus, the ratio between AFR and EC was 256%. For the parent company, EC totalled SEK 51.7bn, and AFR was SEK 129.8bn.

For the consolidated situation, EC totalled SEK 33.4bn, and AFR was SEK 154.8bn.

**RATING**

During the first quarter, Standard & Poor’s changed their outlook for Handelsbanken to stable from negative. Otherwise, Handelsbanken’s short-term and long-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)		

# Handelsbanken Group – Business segments

January - June 2017	Home markets									Group Jan-Jun 2017
	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	8,022	2,257	842	583	1,783	260	236	419		14,402
Net fee and commission income	2,175	290	229	234	205	65	1,641	23		4,862
Net gains/losses on financial transactions	323	94	53	27	46	5	627	-311		864
Risk result - insurance							89			89
Share of profit of associates						2		-32		-30
Other income	27	0	8	10	10	0	10	22		87
<b>Total income</b>	<b>10,547</b>	<b>2,641</b>	<b>1,132</b>	<b>854</b>	<b>2,044</b>	<b>332</b>	<b>2,603</b>	<b>121</b>		<b>20,274</b>
Staff costs	-1,704	-914	-329	-194	-177	-141	-1,132	-1,461	-108	-6,160
Other expenses	-558	-238	-75	-86	-107	-38	-448	-1,290		-2,840
Internal purchased and sold services	-1,565	-301	-163	-151	-200	-46	23	2,403		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-44	-32	-7	-9	-7	-5	-40	-125	-26	-295
<b>Total expenses</b>	<b>-3,871</b>	<b>-1,485</b>	<b>-574</b>	<b>-440</b>	<b>-491</b>	<b>-230</b>	<b>-1,597</b>	<b>-473</b>	<b>-134</b>	<b>-9,295</b>
<b>Profit before loan losses</b>	<b>6,676</b>	<b>1,156</b>	<b>558</b>	<b>414</b>	<b>1,553</b>	<b>102</b>	<b>1,006</b>	<b>-352</b>	<b>-134</b>	<b>10,979</b>
Net loan losses	-99	-35	-70	-12	-102	0	-64			-382
Gains/losses on disposal of property, equipment and intangible assets	0	-1	8	0	0	-	0	0		7
<b>Operating profit</b>	<b>6,577</b>	<b>1,120</b>	<b>496</b>	<b>402</b>	<b>1,451</b>	<b>102</b>	<b>942</b>	<b>-352</b>	<b>-134</b>	<b>10,604</b>
Profit allocation	624	15	48	70	44	2	-803	-		
<b>Operating profit after profit allocation</b>	<b>7,201</b>	<b>1,135</b>	<b>544</b>	<b>472</b>	<b>1,495</b>	<b>104</b>	<b>139</b>	<b>-352</b>	<b>-134</b>	<b>10,604</b>
Internal income*	166	-584	-174	-174	-1,284	-122	-1,449	3,621		

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

\* 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, primarily according to the cost price principle. The part of Handelsbanken Capital Markets' operating profit that does not involve risk-taking is allocated to branches with customer responsibility.



# Handelsbanken Sweden

Handelsbanken Sweden comprises branch operations in five regional banks, as well as the operations of Handelsbanken Finans, Ecster and Stadshypotek in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 423 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

## INCOME STATEMENT

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	4,076	3,946	3%	3,813	7%	8,022	7,572	6%	15,519
Net fee and commission income	1,117	1,058	6%	1,080	3%	2,175	2,084	4%	4,233
Net gains/losses on financial transactions	176	147	20%	242	-27%	323	374	-14%	725
Other income	16	11	45%	4	300%	27	15	80%	47
<b>Total income</b>	<b>5,385</b>	<b>5,162</b>	<b>4%</b>	<b>5,139</b>	<b>5%</b>	<b>10,547</b>	<b>10,045</b>	<b>5%</b>	<b>20,524</b>
Staff costs	-848	-856	-1%	-920	-8%	-1,704	-2,526	-33%	-3,671
Other expenses	-279	-279	0%	-310	-10%	-558	-590	-5%	-1,153
Internal purchased and sold services	-773	-792	-2%	-677	14%	-1,565	-1,335	17%	-2,645
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-27	-37%	-17	0%	-44	-37	19%	-67
<b>Total expenses</b>	<b>-1,917</b>	<b>-1,954</b>	<b>-2%</b>	<b>-1,924</b>	<b>0%</b>	<b>-3,871</b>	<b>-4,488</b>	<b>-14%</b>	<b>-7,536</b>
<b>Profit before loan losses</b>	<b>3,468</b>	<b>3,208</b>	<b>8%</b>	<b>3,215</b>	<b>8%</b>	<b>6,676</b>	<b>5,557</b>	<b>20%</b>	<b>12,988</b>
Net loan losses	-39	-60	-35%	-84	-54%	-99	-108	-8%	-416
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	1	-100%	0	0		0
<b>Operating profit</b>	<b>3,429</b>	<b>3,148</b>	<b>9%</b>	<b>3,132</b>	<b>9%</b>	<b>6,577</b>	<b>5,449</b>	<b>21%</b>	<b>12,572</b>
Profit allocation	330	294	12%	224	47%	624	426	46%	997
<b>Operating profit after profit allocation</b>	<b>3,759</b>	<b>3,442</b>	<b>9%</b>	<b>3,356</b>	<b>12%</b>	<b>7,201</b>	<b>5,875</b>	<b>23%</b>	<b>13,569</b>
Internal income	182	-16		121	50%	166	10		116
Cost/income ratio, %	33.5	35.8		35.9		34.7	42.9		35.0
Loan loss ratio, %	0.01	0.02		0.03		0.02	0.02		0.03
Allocated capital	74,464	78,736	-5%	68,642	8%	74,464	68,642	8%	77,800
Return on allocated capital, %	15.7	13.6		15.3		14.7	12.8		14.7
Average number of employees	3,990	4,006	0%	4,300	-7%	3,998	4,356	-8%	4,293
Number of branches	423	425	0%	472	-10%	423	472	-10%	435

## BUSINESS VOLUMES

Average volumes, SEK bn	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Loans to the public*									
Household	775	765	1%	736	5%	770	728	6%	740
of which mortgage loans	725	714	2%	681	6%	719	674	7%	687
Corporate	486	479	1%	481	1%	482	482	0%	479
of which mortgage loans	280	275	2%	272	3%	278	273	2%	271
<b>Total</b>	<b>1,261</b>	<b>1,244</b>	<b>1%</b>	<b>1,217</b>	<b>4%</b>	<b>1,252</b>	<b>1,210</b>	<b>3%</b>	<b>1,219</b>
Deposits and borrowing from the public									
Household	316	307	3%	291	9%	312	286	9%	295
Corporate	229	217	6%	200	15%	223	199	12%	201
<b>Total</b>	<b>545</b>	<b>524</b>	<b>4%</b>	<b>491</b>	<b>11%</b>	<b>535</b>	<b>485</b>	<b>10%</b>	<b>496</b>

\* Excluding loans to the National Debt Office.

## JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

### Financial performance

Operating profit increased by 21% to SEK 6,577m (5,449). Adjusted for the staff cost provision of SEK -700m in Q1 2016, the increase was 7%.

Net interest income increased by 6% to SEK 8,022m (7,572). Greater lending volumes increased net interest income by SEK 251m and improved lending margins by an additional SEK 54m. Deposit operations contributed SEK 60m thanks to volumes and SEK 16m thanks to improved margins. Fees for the Resolution Fund and the deposit guarantee rose by SEK 214m to -544m (-330), and the benchmark effect in Stadshypotek was SEK -39m (6). The remainder of the increase in net interest income was mainly due to lower funding costs.

Net fee and commission income rose by 4% to SEK 2,175m (2,084). The increase was chiefly due to higher fund management, payment and insurance commissions.

Net gains/losses on financial transactions declined by 14% to SEK 323m (374), mainly as a result of capital gains on equities in the period of comparison.

Total expenses decreased by 14% to SEK -3,871m (-4,488), as a result of the preceding year's staff cost provision of SEK -700m. Adjusted for the provision, staff costs decreased by 7%. The average number of employees fell by 8% to 3,998 (4,356).

Expenses for services bought and sold internally increased by 17% to SEK -1,565m, mainly due to higher IT development costs.

The C/I ratio improved to 34.7% (42.9).

Loan losses declined to SEK -99m (-108), and the loan loss ratio was unchanged at 0.02% (0.02).

### Business development

At the beginning of April, Kantar Sifo presented the 2017 Company Reputation Index. This shows the degree of trust and quality that the Swedish public attaches to different companies. As in previous years, Handelsbanken was the major bank in which the general public had the most confidence. Handelsbanken is the only bank among the 10 companies with the best reputation in Sweden. In addition, confidence in the Bank increased, and Handelsbanken was given an index value of 58 (54). This can be compared with the average for the other three major banks, which went down to 31 (35).

During the first six months of the year, new savings in the Bank's mutual funds in Sweden were SEK 10.8bn (5.5), corresponding to a market share of 18.1%.

The average volume of deposits from households rose by 9% to SEK 312bn (286). The average volume of mortgage loans to private individuals increased by 7% to SEK 719bn (674), while the average volume of lending to companies was unchanged at SEK 482bn (482).

During the second quarter, the Bank continued to adapt its branch operations, partly as a result of changed customer behaviour resulting from digitalisation. Handelsbanken had 423 branches (472) in Sweden.

### Q2 2017 COMPARED WITH Q1 2017

Operating profit increased by 9% to SEK 3,429m (3,148), and return on allocated capital rose to 15.7% (13.6).

Net interest income rose by 3%, or SEK 130m, to SEK 4,076m (3,946).

Increased lending volumes contributed SEK 49m, while lending margins reduced net interest income by SEK -3m. Net interest income from deposit operations increased by SEK 16m. The benchmark effect in Stadshypotek decreased to SEK -31m (-8).

The average volume of mortgage loans to private individuals grew by 2% to SEK 725bn (714). The gross margin on the mortgage portfolio – before advisory and administration expenses – was unchanged at 1.06% (1.06).

The average volume of corporate lending increased by 1% to SEK 486bn (479).

Net fee and commission income grew by 6% to SEK 1,117m (1,058), due to increased fund management and payment commissions.

Net gains/losses on financial transactions rose to SEK 176m (147), due to improved gains on bond repurchases in Stadshypotek.

Expenses decreased by 2% to SEK -1,917m (-1,954), attributable to somewhat lower staff costs and reduced costs for services bought and sold. The average number of employees decreased to 3,990 (4,006).

Loan losses fell to SEK -39m (-60), and the loan loss ratio fell to 0.01% (0.02).

## Handelsbanken UK

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

### INCOME STATEMENT

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	1,178	1,079	9%	1,102	7%	2,257	2,218	2%	4,414
Net fee and commission income	150	140	7%	132	14%	290	251	16%	519
Net gains/losses on financial transactions	48	46	4%	76	-37%	94	126	-25%	219
Other income	0	0	0%	0		0	1	-100%	3
<b>Total income</b>	<b>1,376</b>	<b>1,265</b>	<b>9%</b>	<b>1,310</b>	<b>5%</b>	<b>2,641</b>	<b>2,596</b>	<b>2%</b>	<b>5,155</b>
Staff costs	-461	-453	2%	-462	0%	-914	-935	-2%	-1,849
Other expenses	-126	-112	13%	-105	20%	-238	-211	13%	-463
Internal purchased and sold services	-151	-150	1%	-137	10%	-301	-257	17%	-545
Depreciation, amortisation and impairments of property, equipment and intangible assets	-16	-16	0%	-11	45%	-32	-24	33%	-46
<b>Total expenses</b>	<b>-754</b>	<b>-731</b>	<b>3%</b>	<b>-715</b>	<b>5%</b>	<b>-1,485</b>	<b>-1,427</b>	<b>4%</b>	<b>-2,903</b>
<b>Profit before loan losses</b>	<b>622</b>	<b>534</b>	<b>16%</b>	<b>595</b>	<b>5%</b>	<b>1,156</b>	<b>1,169</b>	<b>-1%</b>	<b>2,252</b>
Net loan losses	-23	-12	92%	-26	-12%	-35	-67	-48%	-160
Gains/losses on disposal of property, equipment and intangible assets	0	-1		-1		-1	2		2
<b>Operating profit</b>	<b>599</b>	<b>521</b>	<b>15%</b>	<b>568</b>	<b>5%</b>	<b>1,120</b>	<b>1,104</b>	<b>1%</b>	<b>2,094</b>
Profit allocation	7	8	-13%	7	0%	15	15	0%	35
<b>Operating profit after profit allocation</b>	<b>606</b>	<b>529</b>	<b>15%</b>	<b>575</b>	<b>5%</b>	<b>1,135</b>	<b>1,119</b>	<b>1%</b>	<b>2,129</b>
Internal income	-286	-298	4%	-327	13%	-584	-677	14%	-1,195
Cost/income ratio, %	54.5	57.4		54.3		55.9	54.7		55.9
Loan loss ratio, %	0.05	0.02		0.05		0.04	0.07		0.08
Allocated capital	12,144	12,914	-6%	10,263	18%	12,144	10,263	18%	11,426
Return on allocated capital, %	15.6	12.8		17.5		14.1	16.5		15.4
Average number of employees	2,022	1,991	2%	1,957	3%	2,006	1,934	4%	1,959
Number of branches	207	207	0%	205	1%	207	205	1%	207

### BUSINESS VOLUMES

Average volumes, GBP m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Loans to the public									
Household	6,073	5,916	3%	5,456	11%	5,994	5,372	12%	5,527
Corporate	12,050	11,719	3%	10,847	11%	11,885	10,706	11%	11,007
<b>Total</b>	<b>18,123</b>	<b>17,635</b>	<b>3%</b>	<b>16,303</b>	<b>11%</b>	<b>17,879</b>	<b>16,078</b>	<b>11%</b>	<b>16,534</b>
Deposits and borrowing from the public									
Household	3,603	3,297	9%	2,425	49%	3,450	2,242	54%	2,569
Corporate	8,490	7,840	8%	7,051	20%	8,165	6,898	18%	7,218
<b>Total</b>	<b>12,093</b>	<b>11,137</b>	<b>9%</b>	<b>9,476</b>	<b>28%</b>	<b>11,615</b>	<b>9,140</b>	<b>27%</b>	<b>9,787</b>

## JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

### Financial performance

Operating profit increased by 1% to SEK 1,120m (1,104). Exchange rate movements reduced operating profit by SEK -69m; expressed in local currency operating profit grew by 9%. The return on allocated capital decreased to 14.1% (16.5).

Income rose by 2%. In local currency, income rose by 9%.

Net interest income improved by 2% to SEK 2,257m (2,218). Exchange rate movements had a negative impact of SEK -145m on net interest income, while net interest income grew by 9% expressed in local currency. Increased lending volumes contributed SEK 175m, and deposit volumes contributed SEK 55m. Lower lending margins negatively affected net interest income by SEK -66m and deposit margins by SEK -19m. Government fees which affected net interest income rose to SEK -90m (-43).

Net fee and commission income rose by 16% to SEK 290m (251). In local currency, the increase was 24%, mainly due to higher payment and asset management commissions but also to higher deposit and lending commissions.

Net gains/losses on financial transactions decreased to SEK 94m (126), chiefly because the period of comparison included one-off income related to the sale of Visa Europe.

Expenses rose by 4% to SEK -1,485m (-1,427). In local currency, expenses were up by 11%, as a result of expanding operations as well as costs related to Brexit and preparations for the possible conversion of the UK branch into a subsidiary.

The average number of employees grew by 4% to 2,006 (1,934).

Loan losses fell to SEK -35m (-67), and the loan loss ratio fell to 0.04% (0.07).

### Business development

Business volumes continued to grow. The average volume of deposits from households climbed by 54%, and lending to households grew by 12%, compared

with the first half of 2016. Overall, the average volume of lending increased by 11% to GBP 17.9bn, while total deposits grew by 27% to GBP 11.6bn. Therefore the loan-to-deposit ratio continued to decrease and was 150% at the end of Q2 2017, compared with 172% at the end of Q2 2016.

Heartwood's assets under management totalled GBP 3.2bn, compared with GBP 2.9bn at the year-end.

The number of branches in the UK was unchanged during the first six months, at 207.

### Q2 2017 COMPARED WITH Q1 2017

Operating profit rose by 15% to SEK 599m (521), chiefly due to improved net interest income. Exchange rate effects had a positive impact of SEK 12m on operating profit. The return on allocated capital increased to 15.6% (12.8).

Income grew by 9% to SEK 1,376m (1,265). Net interest income rose by 9%, or SEK 99m, to SEK 1,178m (1,079), of which SEK 20m was attributable to exchange rate effects and SEK 11m to there being fewer days in the comparison quarter. An adjustment of interest income attributable to impaired loans increased net interest income by SEK 37m. Adjusted for these items, net interest income rose by 3%. Greater business volumes had a positive impact of SEK 34m, while lower deposit margins had an impact of SEK -10m on net interest income. Lending margins improved somewhat, increasing net interest income by SEK 2m.

Net fee and commission income increased to SEK 150m (140), chiefly due to higher commissions on deposits and lending as well as on payments.

Net gains/losses on financial transactions rose to SEK 48m (46).

Expenses increased by 3% to SEK -754m (-731). Just over half the increase was attributable to exchange rate effects. The remainder of the increase was partly attributable to preparations for Brexit. The average number of employees rose to 2,022 (1,991).

Loan losses were SEK -23m (-12), and the loan loss ratio was 0.05% (0.02).

## Handelsbanken Denmark

Handelsbanken Denmark consists of the branch operations in Denmark, which are organised as a regional bank, as well as Stadshypotek's operations in Denmark. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 57 branches throughout Denmark.

### INCOME STATEMENT

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	425	417	2%	405	5%	842	814	3%	1,686
Net fee and commission income	121	108	12%	93	30%	229	191	20%	379
Net gains/losses on financial transactions	29	24	21%	18	61%	53	35	51%	75
Other income	1	7	-86%	6	-83%	8	9	-11%	15
<b>Total income</b>	<b>576</b>	<b>556</b>	<b>4%</b>	<b>522</b>	<b>10%</b>	<b>1,132</b>	<b>1,049</b>	<b>8%</b>	<b>2,155</b>
Staff costs	-163	-166	-2%	-155	5%	-329	-314	5%	-655
Other expenses	-36	-39	-8%	-41	-12%	-75	-85	-12%	-194
Internal purchased and sold services	-83	-80	4%	-69	20%	-163	-138	18%	-287
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-3	33%	-4	0%	-7	-7	0%	-14
<b>Total expenses</b>	<b>-286</b>	<b>-288</b>	<b>-1%</b>	<b>-269</b>	<b>6%</b>	<b>-574</b>	<b>-544</b>	<b>6%</b>	<b>-1,150</b>
<b>Profit before loan losses</b>	<b>290</b>	<b>268</b>	<b>8%</b>	<b>253</b>	<b>15%</b>	<b>558</b>	<b>505</b>	<b>10%</b>	<b>1,005</b>
Net loan losses	-66	-4		-38	74%	-70	-44	59%	-716
Gains/losses on disposal of property, equipment and intangible assets	2	6	-67%	1	100%	8	1		7
<b>Operating profit</b>	<b>226</b>	<b>270</b>	<b>-16%</b>	<b>216</b>	<b>5%</b>	<b>496</b>	<b>462</b>	<b>7%</b>	<b>296</b>
Profit allocation	24	24	0%	18	33%	48	37	30%	85
<b>Operating profit after profit allocation</b>	<b>250</b>	<b>294</b>	<b>-15%</b>	<b>234</b>	<b>7%</b>	<b>544</b>	<b>499</b>	<b>9%</b>	<b>381</b>
Internal income	-86	-88	2%	-95	9%	-174	-199	13%	-334
Cost/income ratio, %	47.7	49.7		49.8		48.6	50.1		51.3
Loan loss ratio, %	0.27	0.02		0.18		0.14	0.10		0.85
Allocated capital	5,535	6,382	-13%	6,146	-10%	5,535	6,146	-10%	6,221
Return on allocated capital, %	14.1	14.4		11.9		14.3	12.8		4.8
Average number of employees	605	611	-1%	626	-3%	608	626	-3%	624
Number of branches	57	57	0%	57	0%	57	57	0%	57

### BUSINESS VOLUMES

Average volumes, DKK bn	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Loans to the public									
Household	43.8	43.4	1%	40.1	9%	43.6	39.6	10%	40.8
Corporate	28.8	29.6	-3%	28.8	0%	29.2	28.7	2%	28.8
<b>Total</b>	<b>72.6</b>	<b>73.0</b>	<b>-1%</b>	<b>68.9</b>	<b>5%</b>	<b>72.8</b>	<b>68.3</b>	<b>7%</b>	<b>69.6</b>
Deposits and borrowing from the public									
Household	12.9	12.2	6%	12.0	8%	12.5	11.6	8%	11.9
Corporate	18.6	18.5	1%	13.5	38%	18.6	15.3	22%	15.7
<b>Total</b>	<b>31.5</b>	<b>30.7</b>	<b>3%</b>	<b>25.5</b>	<b>24%</b>	<b>31.1</b>	<b>26.9</b>	<b>16%</b>	<b>27.6</b>

## JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

### Financial performance

Operating profit grew by 7% to SEK 496m (462), as a result of increased income. Exchange rate movements had a positive impact of SEK 15m on operating profit. The return on allocated capital increased to 14.3% (12.8).

Net interest income increased by 3% to SEK 842m (814). Adjusted for exchange rate movements, net interest income was more or less unchanged. Increased lending volumes contributed SEK 47m, while lower lending margins reduced net interest income by SEK -25m. Improved deposit margins and higher deposit volumes increased net interest income by SEK 3m.

Fees for the Swedish Resolution Fund and the deposit guarantee increased by SEK 15m, burdening net interest income by SEK -38m (-23).

Net fee and commission income rose by 20% to SEK 229m (191). The increase was attributable to a high level of customer activity in all commission areas and especially to higher brokerage income and increased asset management commissions.

Exchange rate movements had a positive impact of SEK 6m on net fee and commission income.

Net gains/losses on financial transactions increased to SEK 53m (35), partly a result of increased early repayment charges as well as larger earnings in the foreign exchange business.

Expenses rose by 6% to SEK -574m (-544). Adjusted for the effect of exchange rate movements, the increase was 2%.

Loan losses were SEK -70m (-44), and the loan loss ratio was 0.14% (0.10).

### Business development

The Bank continued to have a stable inflow of new customers, and business volumes continued to increase. During the year, the average volume of lending to households increased by 10%, and deposits from households increased by 8%. Corporate lending grew by 2%, while corporate deposits grew by 22%. Overall the average volume of lending increased by 7% to DKK 72.8bn (68.3), and deposits increased by 16% to DKK 31.1bn (26.9).

### Q2 2017 COMPARED WITH Q1 2017

Operating profit declined to SEK 226m (270) as a result of higher loan losses. Profit before loan losses grew by 8% to SEK 290m (268), due to higher income and lower expenses.

Net interest income increased by 2% to SEK 425m (417). Adjusted for exchange rate effects of SEK 8m and a day effect of SEK 4m, net interest income fell by 1%. Lower lending volumes reduced net interest income by SEK -4m, while lending margins remained largely unchanged. Net interest income from deposits was unchanged.

Net fee and commission income increased by 12% to SEK 121m (108). The increase was attributable to robust customer activity that resulted in higher brokerage income and increased payment commissions.

Net gains/losses on financial transactions rose to SEK 29m (24).

Expenses fell by 1% to SEK -286m (-288). Exchange rate effects increased expenses by SEK 5m. Staff costs fell by 2%, and the average number of employees fell by 1%.

Loan losses rose to SEK -66m (-4). The loan loss ratio was 0.27% (0.02).

## Handelsbanken Finland

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

### INCOME STATEMENT

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	291	292	0%	294	-1%	583	612	-5%	1,218
Net fee and commission income	121	113	7%	102	19%	234	195	20%	419
Net gains/losses on financial transactions	13	14	-7%	45	-71%	27	58	-53%	87
Other income	6	4	50%	3	100%	10	6	67%	10
<b>Total income</b>	<b>431</b>	<b>423</b>	<b>2%</b>	<b>444</b>	<b>-3%</b>	<b>854</b>	<b>871</b>	<b>-2%</b>	<b>1,734</b>
Staff costs	-100	-94	6%	-95	5%	-194	-185	5%	-380
Other expenses	-44	-42	5%	-50	-12%	-86	-120	-28%	-210
Internal purchased and sold services	-78	-73	7%	-60	30%	-151	-118	28%	-239
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-4	25%	-3	67%	-9	-6	50%	-14
<b>Total expenses</b>	<b>-227</b>	<b>-213</b>	<b>7%</b>	<b>-208</b>	<b>9%</b>	<b>-440</b>	<b>-429</b>	<b>3%</b>	<b>-843</b>
<b>Profit before loan losses</b>	<b>204</b>	<b>210</b>	<b>-3%</b>	<b>236</b>	<b>-14%</b>	<b>414</b>	<b>442</b>	<b>-6%</b>	<b>891</b>
Net loan losses	-15	3		-11	36%	-12	-34	-65%	-36
Gains/losses on disposal of property, equipment and intangible assets	0	-		0		0	0		0
<b>Operating profit</b>	<b>189</b>	<b>213</b>	<b>-11%</b>	<b>225</b>	<b>-16%</b>	<b>402</b>	<b>408</b>	<b>-1%</b>	<b>855</b>
Profit allocation	38	32	19%	30	27%	70	62	13%	131
<b>Operating profit after profit allocation</b>	<b>227</b>	<b>245</b>	<b>-7%</b>	<b>255</b>	<b>-11%</b>	<b>472</b>	<b>470</b>	<b>0%</b>	<b>986</b>
Internal income	-87	-87	0%	-62	-40%	-174	-147	-18%	-262
Cost/income ratio, %	48.4	46.8		43.9		47.6	46.0		45.2
Loan loss ratio, %	0.05	-0.01		0.04		0.02	0.06		0.03
Allocated capital	5,283	6,169	-14%	5,568	-5%	5,283	5,568	-5%	6,252
Return on allocated capital, %	13.4	12.4		14.3		12.9	12.7		13.0
Average number of employees	505	482	5%	496	2%	493	492	0%	491
Number of branches	45	45	0%	45	0%	45	45	0%	45

### BUSINESS VOLUMES

Average volumes, EUR m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Loans to the public									
Household	4,053	4,024	1%	3,952	3%	4,039	3,952	2%	3,975
Corporate	9,061	8,922	2%	8,733	4%	8,992	8,738	3%	8,761
<b>Total</b>	<b>13,114</b>	<b>12,946</b>	<b>1%</b>	<b>12,685</b>	<b>3%</b>	<b>13,031</b>	<b>12,690</b>	<b>3%</b>	<b>12,736</b>
Deposits and borrowing from the public									
Household	1,642	1,625	1%	1,432	15%	1,633	1,406	16%	1,451
Corporate	2,556	2,771	-8%	1,766	45%	2,663	1,909	39%	1,991
<b>Total</b>	<b>4,198</b>	<b>4,396</b>	<b>-5%</b>	<b>3,198</b>	<b>31%</b>	<b>4,296</b>	<b>3,315</b>	<b>30%</b>	<b>3,442</b>

## JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

### Financial performance

Operating profit decreased by 1% to SEK 402m (408). Exchange rate effects increased profit by SEK 12m. The return on allocated capital rose slightly to 12.9% (12.7).

Income fell by 2%. Net interest income declined by 5% to SEK 583m (612). Reduced margins on lending had a negative impact of SEK -53m on net interest income. At the same time, higher lending volumes had a positive impact of SEK 8m. Government fees to the Resolution Fund and the deposit guarantee reduced net interest income by SEK -53m (-27). Exchange rate movements increased net interest income by SEK 19m.

Net fee and commission income rose by 20% to SEK 234m (195), due to higher payment commissions and rising commissions on deposits and lending. The savings business also developed favourably.

Net gains/losses on financial transactions decreased to SEK 27m (58), chiefly because the period of comparison included one-off income related to the sale of Visa Europe.

Total expenses rose by 3% to SEK -440m (-429). Adjusted for movements in exchange rates, expenses fell 1%. Staff costs increased by 5%, equivalent to an increase of almost 3% expressed in local currency. The total of other expenses and internal costs for services bought and sold were largely unchanged. The average number of employees totalled 493 (492).

Loan losses were SEK -12m (-34), and the loan loss ratio decreased to 0.02% (0.06).

### Business development

The average volume of deposits from households was 16% more than in the corresponding period of the preceding year, while lending to households grew by 2%.

The average volume of corporate deposits climbed by 39%, while corporate lending grew by 3% compared with the corresponding period in the preceding year.

### Q2 2017 COMPARED WITH Q1 2017

Operating profit decreased by 11% to SEK 189m (213), chiefly due to higher loan losses. Expressed in local currency, profit before loan losses decreased by 4%.

Net interest income was largely unchanged at SEK 291m (292). Adjusted for exchange rate effects and fewer days in the comparison quarter, net interest income fell by -3%.

Net fee and commission income grew by 7% to SEK 121m (113), due to higher payment commissions.

Net gains/losses on financial transactions were largely unchanged at SEK 13m (14).

Expenses increased by 7% to SEK -227m (-213). Adjusted for exchange rate movements, expenses expressed in local currency increased by 4%.

Loan losses were SEK -15m, compared to net recoveries of SEK 3m in the preceding quarter. The loan loss ratio was 0.05% (-0.01).



## Handelsbanken Norway

Handelsbanken Norway consists of the branch operations in Norway, which are organised as a regional bank, as well as Stadshypotek's operations in Norway. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 49 branches throughout Norway.

### INCOME STATEMENT

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	898	885	1%	797	13%	1,783	1,566	14%	3,355
Net fee and commission income	102	103	-1%	91	12%	205	175	17%	381
Net gains/losses on financial transactions	19	27	-30%	30	-37%	46	68	-32%	114
Other income	6	4	50%	68	-91%	10	72	-86%	81
<b>Total income</b>	<b>1,025</b>	<b>1,019</b>	<b>1%</b>	<b>986</b>	<b>4%</b>	<b>2,044</b>	<b>1,881</b>	<b>9%</b>	<b>3,931</b>
Staff costs	-192	15		-158	22%	-177	-321	-45%	-676
Other expenses	-53	-54	-2%	-50	6%	-107	-98	9%	-206
Internal purchased and sold services	-103	-97	6%	-90	14%	-200	-176	14%	-379
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-4	-25%	4		-7	1		-8
<b>Total expenses</b>	<b>-351</b>	<b>-140</b>	<b>151%</b>	<b>-294</b>	<b>19%</b>	<b>-491</b>	<b>-594</b>	<b>-17%</b>	<b>-1,269</b>
<b>Profit before loan losses</b>	<b>674</b>	<b>879</b>	<b>-23%</b>	<b>692</b>	<b>-3%</b>	<b>1,553</b>	<b>1,287</b>	<b>21%</b>	<b>2,662</b>
Net loan losses	-56	-46	22%	-64	-13%	-102	-167	-39%	-347
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0		0	0		0
<b>Operating profit</b>	<b>618</b>	<b>833</b>	<b>-26%</b>	<b>628</b>	<b>-2%</b>	<b>1,451</b>	<b>1,120</b>	<b>30%</b>	<b>2,315</b>
Profit allocation	23	21	10%	16	44%	44	39	13%	91
<b>Operating profit after profit allocation</b>	<b>641</b>	<b>854</b>	<b>-25%</b>	<b>644</b>	<b>0%</b>	<b>1,495</b>	<b>1,159</b>	<b>29%</b>	<b>2,406</b>
Internal income	-618	-666	7%	-558	-11%	-1,284	-1,242	-3%	-2,463
Cost/income ratio, %	33.5	13.5		29.3		23.5	30.9		31.6
Loan loss ratio, %	0.09	0.08		0.12		0.08	0.16		0.17
Allocated capital	15,521	16,808	-8%	12,870	21%	15,521	12,870	21%	15,883
Return on allocated capital, %	12.9	15.9		15.6		14.4	13.8		13.3
Average number of employees	662	662	0%	658	1%	662	661	0%	668
Number of branches	49	49	0%	50	-2%	49	50	-2%	50

### BUSINESS VOLUMES

Average volumes, NOK bn	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Loans to the public									
Household	88.4	88.0	0%	85.3	4%	88.2	84.8	4%	85.9
Corporate	148.7	145.8	2%	142.7	4%	147.3	141.0	4%	143.1
<b>Total</b>	<b>237.1</b>	<b>233.8</b>	<b>1%</b>	<b>228.0</b>	<b>4%</b>	<b>235.5</b>	<b>225.8</b>	<b>4%</b>	<b>229.0</b>
Deposits and borrowing from the public									
Household	19.7	19.6	1%	19.1	3%	19.6	18.9	4%	19.3
Corporate	49.0	48.8	0%	44.2	11%	48.9	42.5	15%	46.3
<b>Total</b>	<b>68.7</b>	<b>68.4</b>	<b>0%</b>	<b>63.3</b>	<b>9%</b>	<b>68.5</b>	<b>61.4</b>	<b>12%</b>	<b>65.6</b>

## JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

### Financial performance

Operating profit increased by 30% to SEK 1,451m (1,120). It was affected by a non-recurring item in the first quarter which reduced staff costs by SEK 206m, as a result of the transition to a defined contribution pension plan in the Norwegian operations. Lower loan losses and exchange rate movements also had a positive impact on profit. The period of comparison included non-recurring items resulting from the sale of Visa Europe. Adjusted for the aforementioned items, profit before loan losses improved by 6% expressed in local currency.

Return on allocated capital was 14.4% (13.8).

Adjusted for exchange rate effects, income rose by 3%. Net interest income increased by SEK 217m, or 14%, to SEK 1,783m (1,566), of which SEK 88m was attributable to exchange rate movements. Lending margins rose by SEK 43m, while increased lending volumes had a positive effect of SEK 32m on net interest income. Improved deposit margins and higher deposits had a positive effect of SEK 25m on net interest income. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -97m (-53).

Net fee and commission income increased by 17% to SEK 205m (175). Adjusted for exchange rate movements, net fee and commission income rose by 11%, chiefly due to higher fund management commissions.

Net gains/losses on financial transactions decreased by 32% to SEK 46m (68). The decrease was chiefly attributable to capital gains in the period of comparison related to the sale of Visa Europe.

Adjusted for the aforementioned transition to a defined contribution pension plan, staff costs rose by SEK 62m, or 19%, of which SEK 20m was attributable to exchange rate effects. The new financial sector tax in Norway – a 5% charge payable on wage costs – had an impact of SEK -17m on staff costs. Adjusted for these effects, staff costs increased by 8% compared to the corresponding period in the preceding year.

Loan losses fell to SEK -102m (-167), and the loan loss ratio fell to 0.08% (0.16).

### Business development

Business volumes continued to grow during the first six months. The average volume of deposits from households climbed by 4% compared to the corresponding period in the preceding year, while lending to households grew by 4%. The average volume of corporate lending increased by 4%, while corporate deposits grew by 15%.

In total, the average volume of lending rose by 4% to NOK 235.5bn (225.8), while total deposits rose by 12% to NOK 68.5bn (61.4).

Handelsbanken has 49 branches (50) in Norway.

### Q2 2017 COMPARED WITH Q1 2017

Operating profit decreased by SEK 215m to SEK 618m (833), of which SEK 206m was attributable to the non-recurring item in the preceding quarter that resulted from the transition to a defined contribution pension plan. Exchange rate effects had a negative impact of SEK 17m on operating profit. Adjusted for both these effects, operating profit rose by just over 1%.

Net interest income rose by 1%, or SEK 13m, to SEK 898m (885). Exchange rate movements had a negative impact of SEK -19m, while fewer days in the preceding quarter had a positive impact of SEK 8m on net interest income during the second quarter. Higher lending margins contributed SEK 20m, and rising lending volumes SEK 9m. Net interest on deposits declined by SEK -9m, chiefly due to lower deposit margins.

Net fee and commission income was largely unchanged at SEK 102m (103).

Net gains/losses on financial transactions decreased to SEK 19m (27), chiefly as a result of weaker profits in the foreign exchange business.

Expenses totalled SEK -351m (-140). Adjusted for the non-recurring item that reduced staff costs for the preceding quarter by SEK 206m and for exchange rate effects of SEK 3m, expenses increased by 2%.

Loan losses increased to SEK -56m (-46), and the loan loss ratio was 0.09% (0.08).

## Handelsbanken the Netherlands

Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank, as well as asset management operations in Optimix Vermogensbeheer. The regional bank offers banking services at 27 branches throughout the Netherlands.

### INCOME STATEMENT

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	135	125	8%	100	35%	260	195	33%	438
Net fee and commission income	33	32	3%	6	450%	65	11	491%	75
Net gains/losses on financial transactions	3	2	50%	0		5	1	400%	5
Share of profit of associates	1	1	0%	-		2	-		
Other income	0	0	0%	-		0	-		1
<b>Total income</b>	<b>172</b>	<b>160</b>	<b>7%</b>	<b>106</b>	<b>62%</b>	<b>332</b>	<b>207</b>	<b>60%</b>	<b>521</b>
Staff costs	-74	-67	10%	-45	64%	-141	-89	58%	-210
Other expenses	-20	-18	11%	-16	25%	-38	-24	58%	-60
Internal purchased and sold services	-24	-22	9%	-19	26%	-46	-39	18%	-77
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-2	50%	-2	50%	-5	-3	67%	-7
<b>Total expenses</b>	<b>-121</b>	<b>-109</b>	<b>11%</b>	<b>-82</b>	<b>48%</b>	<b>-230</b>	<b>-155</b>	<b>48%</b>	<b>-354</b>
<b>Profit before loan losses</b>	<b>51</b>	<b>51</b>	<b>0%</b>	<b>24</b>	<b>113%</b>	<b>102</b>	<b>52</b>	<b>96%</b>	<b>167</b>
Net loan losses	2	-2		1		0	1	-100%	0
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
<b>Operating profit</b>	<b>53</b>	<b>49</b>	<b>8%</b>	<b>25</b>	<b>112%</b>	<b>102</b>	<b>53</b>	<b>92%</b>	<b>167</b>
Profit allocation	2	0		2	0%	2	2	0%	3
<b>Operating profit after profit allocation</b>	<b>55</b>	<b>49</b>	<b>12%</b>	<b>27</b>	<b>104%</b>	<b>104</b>	<b>55</b>	<b>89%</b>	<b>170</b>
Internal income	-62	-60	-3%	-56	-11%	-122	-108	-13%	-210
Cost/income ratio, %	69.5	68.1		75.9		68.9	74.2		67.6
Loan loss ratio, %	-0.02	0.02		-0.02		0.00	-0.01		0.00
Allocated capital	1,375	1,276	8%	956	44%	1,375	956	44%	1,251
Return on allocated capital, %	12.4	12.0		8.6		12.2	9.2		12.5
Average number of employees	274	259	6%	188	46%	266	185	44%	206
Number of branches	27	26	4%	23	17%	27	23	17%	25

### BUSINESS VOLUMES

Average volumes, EUR m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Loans to the public									
Household	1,891	1,780	6%	1,367	38%	1,836	1,302	41%	1,434
Corporate	1,717	1,695	1%	1,397	23%	1,706	1,335	28%	1,519
<b>Total</b>	<b>3,608</b>	<b>3,475</b>	<b>4%</b>	<b>2,764</b>	<b>31%</b>	<b>3,542</b>	<b>2,637</b>	<b>34%</b>	<b>2,953</b>
Deposits and borrowing from the public									
Household	84	78	8%	58	45%	81	55	47%	62
Corporate	727	768	-5%	440	65%	748	424	76%	420
<b>Total</b>	<b>811</b>	<b>846</b>	<b>-4%</b>	<b>498</b>	<b>63%</b>	<b>829</b>	<b>479</b>	<b>73%</b>	<b>482</b>

## JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

### Financial performance

Operating profit improved by 92% to SEK 102m (53), chiefly due to continuing growth in business volumes. Income rose by 60%, while expenses increased by 48%. Adjusted for exchange rate movements, operating profit improved by 83% expressed in local currency. Return on allocated capital was 12.2% (9.2).

Net interest income increased by 33% to SEK 260m (195). Increased lending volumes contributed SEK 60m, while lower lending margins reduced net interest income by SEK -7m. Higher deposit volumes and improved deposit margins increased net interest income by SEK 4m.

Net fee and commission income increased to SEK 65m (11), as a result of the acquisition of the Optimix asset management company, which has been a part of Handelsbanken the Netherlands since 1 September 2016 and contributed SEK 56m.

Expenses rose by 48% to SEK -230m (-155), as a result of the continuing expansion, including the acquisition of the Optimix asset management company. The C/I ratio improved to 68.9% (74.2), and the average number of employees increased by 44% to 266 (185).

Loan losses were SEK 0m (1), and the loan loss ratio was 0.00% (-0.01).

### Business development

The average volume of lending to households grew by 41% to EUR 1,836m (1,302), while deposits from households increased by 47% to EUR 81m (55). Corporate lending climbed 28% to EUR 1,706m (1,335). The average volume of corporate deposits rose by 76% to EUR 748m (424). Business volumes with small and medium-sized companies continued to grow.

In May, the Bank opened a branch in Alkmaar, bringing the total of Handelsbanken branches in the Netherlands to 27.

The Optimix asset management company was acquired on 1 September 2016. Assets under management totalled EUR 2.1bn at 30 June 2017, including the company's own mutual funds.

### Q2 2017 COMPARED WITH Q1 2017

Operating profit increased by 8% to SEK 53m (49), of which SEK 1m was due to exchange rate movements.

Income grew by 7% to SEK 172m (160). Net interest income rose by 8% to SEK 135m (125).

Net fee and commission income increased by 3% to SEK 33m (32).

Expenses rose by SEK 12m, or 11%, to SEK -121m (-109); this was attributable to a SEK 7m increase in staff costs. The average number of employees grew by 6% to 274 (259).

Loan losses consisted of net recoveries and equalled SEK 2m (-2). 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	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	118	118	0%	134	-12%	236	271	-13%	557
Net fee and commission income	859	782	10%	771	11%	1,641	1,513	8%	3,081
Net gains/losses on financial transactions	228	399	-43%	338	-33%	627	578	8%	984
Risk result - insurance	53	36	47%	35	51%	89	111	-20%	142
Other income	3	7	-57%	1	200%	10	3	233%	8
<b>Total income</b>	<b>1,261</b>	<b>1,342</b>	<b>-6%</b>	<b>1,279</b>	<b>-1%</b>	<b>2,603</b>	<b>2,476</b>	<b>5%</b>	<b>4,772</b>
Staff costs	-588	-544	8%	-597	-2%	-1,132	-1,207	-6%	-2,368
Other expenses	-225	-223	1%	-217	4%	-448	-429	4%	-871
Internal purchased and sold services	4	19	-79%	-22		23	-22		-56
Depreciation, amortisation and impairments of property, equipment and intangible assets	-22	-18	22%	-19	16%	-40	-39	3%	-76
<b>Total expenses</b>	<b>-831</b>	<b>-766</b>	<b>8%</b>	<b>-855</b>	<b>-3%</b>	<b>-1,597</b>	<b>-1,697</b>	<b>-6%</b>	<b>-3,371</b>
<b>Profit before loan losses</b>	<b>430</b>	<b>576</b>	<b>-25%</b>	<b>424</b>	<b>1%</b>	<b>1,006</b>	<b>779</b>	<b>29%</b>	<b>1,401</b>
Net loan losses	11	-75		-7		-64	3		-49
Gains/losses on disposal of property, equipment and intangible assets	0	-		0		0	0		0
<b>Operating profit</b>	<b>441</b>	<b>501</b>	<b>-12%</b>	<b>417</b>	<b>6%</b>	<b>942</b>	<b>782</b>	<b>20%</b>	<b>1,352</b>
Profit allocation	-424	-379	12%	-297	43%	-803	-581	38%	-1,342
<b>Operating profit after profit allocation</b>	<b>17</b>	<b>122</b>	<b>-86%</b>	<b>120</b>	<b>-86%</b>	<b>139</b>	<b>201</b>	<b>-31%</b>	<b>10</b>
Internal income	-699	-750	7%	-702	0%	-1,449	-1,281	-13%	-2,851
Cost/income ratio, %	99.3	79.5		87.1		88.7	89.6		98.3
Loan loss ratio, %	-0.10	0.67		0.06		0.28	-0.01		0.10
Allocated capital	4,478	4,972	-10%	5,038	-11%	4,478	5,038	-11%	5,033
Return on allocated capital, %	1.1	7.7		7.5		4.6	6.3		0.2
Average number of employees	1,627	1,643	-1%	1,681	-3%	1,635	1,700	-4%	1,678

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

## JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

### Financial performance

Operating profit increased by 20% to SEK 942m (782). Total income grew by 5% to SEK 2,603m (2,476). Net fee and commission income grew by 8% to SEK 1,641m (1,513), driven mainly by higher mutual fund commissions. Net gains/losses on financial transactions went up by 8% to SEK 627m (578).

Total expenses decreased by 6% to SEK -1,597m (-1,697). The decrease was mainly attributable to staff costs falling by 6% to SEK -1,132m (-1,207), partly as a result of a 4% fall in the average number of employees to 1,635 (1,700).

Loan losses amounted to SEK -64m (3), corresponding to a loan loss ratio of 0.28% (-0.01).

### Business development

Asset management operations continued to show a strong performance. In Sweden, net savings in Handelsbanken's mutual funds during the first six months of 2017 amounted to SEK 10.8bn, corresponding to a market share of 18.1%. Net savings in the Bank's mutual funds elsewhere in the Nordic region showed strong growth, increasing to SEK 4.4bn. Total net savings in the Group's funds amounted to SEK 15bn. Xact Kapitalförvaltning remained the largest player as regards Nordic exchange-traded funds.

The total fund volume, including exchange-traded funds, increased by 10% from the beginning of the year to SEK 468bn (425). Total assets under management in the Group rose during the same period by 7% to SEK 582bn (542).

Morningstar, a mutual fund research company, ranked Handelsbanken's mutual funds highest of the Nordic banks when it evaluated the 30 largest fund managers on the Swedish market. In addition, during the year, Lipper Fund Awards ranked four of the Bank's funds as the best in their respective categories.

The Pension & Life business area showed positive performance, with its income increasing and expenses decreasing. The occupational pension area showed particularly strong performance, with a 30% increase in

premiums paid in. The net flow during the first six months was SEK 3.1bn. In the first half of 2017, the volume of assets under management by Handelsbanken Liv grew to SEK 133bn (122).

As of 1 July 2017, all the Bank's global index funds track new, more sustainable indexes. This change of indexes means, among other things, that a large number of companies are excluded as investment alternatives for mutual funds.

Corporate Finance business showed a strong performance, and according to Mergermarket, the Bank was No.1 for M&A transactions involving Swedish companies.

The Bank's business volumes in terms of capital market funding also showed strong performance. The Bank arranged a total of 69 bond issues during the quarter for a value of EUR 8.3bn.

The average volume of lending in Handelsbanken International, i.e. the operations outside the Bank's home markets, totalled SEK 33.7bn (35.1). During the same period, deposits rose by 11% to SEK 49.0bn (44.2).

### Q2 2017 COMPARED WITH Q1 2017

Operating profit fell by 12% to SEK 441m (501), due to lower income and higher expenses than in the preceding quarter. Total income fell by 6% to SEK 1,261m (1,342), as a result of higher net gains/losses on financial transactions during the quarter of comparison.

During the first quarter, net profit was positively affected by the market turbulence around the turn of the year, as the negative effects arising in Q4 2016 were reversed in early 2017 when the market returned to normal.

Total expenses rose by 8% to SEK -831m (-766), chiefly due to higher staff costs. Staff costs rose by 8%, mainly due to a non-recurring item in the preceding quarter that reduced staff costs in Norway due to the transition to a defined contribution pension plan. The average number of employees totalled 1,627 (1,643).

Loan losses consisted of net recoveries, and totalled SEK 11m (-75), corresponding to a loan loss ratio of -0.10% (0.67).

## Other units not reported in the business segments

Reported below are the income and expenses related to Treasury and the central staff functions, and also provisions to the Oktogonen profit-sharing foundation. Capital gains/losses, dividends, and other income and expenses that are not attributable to any of the segments are also reported here.

### INCOME STATEMENT

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	200	219	-9%	163	23%	419	355	18%	756
Net fee and commission income	5	18	-72%	5	0%	23	30	-23%	69
Net gains/losses on financial transactions	-199	-112	-78%	-226	12%	-311	445		857
Share of profit of associates	-4	-28	86%	13		-32	15		23
Other income	10	12	-17%	181	-94%	22	195	-89%	266
<b>Total income</b>	<b>12</b>	<b>109</b>	<b>-89%</b>	<b>136</b>	<b>-91%</b>	<b>121</b>	<b>1,040</b>	<b>-88%</b>	<b>1,971</b>
Staff costs	-763	-698	9%	-459	66%	-1,461	-928	57%	-2,335
Other expenses	-627	-663	-5%	-557	13%	-1,290	-1,092	18%	-2,244
Internal purchased and sold services	1,208	1,195	1%	1,074	12%	2,403	2,085	15%	4,228
Depreciation, amortisation and impairments of property, equipment and intangible assets	-60	-65	-8%	-67	-10%	-125	-129	-3%	-248
<b>Total expenses</b>	<b>-242</b>	<b>-231</b>	<b>5%</b>	<b>-9</b>		<b>-473</b>	<b>-64</b>		<b>-599</b>
<b>Profit before loan losses</b>	<b>-230</b>	<b>-122</b>	<b>-89%</b>	<b>127</b>		<b>-352</b>	<b>976</b>		<b>1,372</b>
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0		0	5		23
<b>Operating profit</b>	<b>-230</b>	<b>-122</b>	<b>-89%</b>	<b>127</b>		<b>-352</b>	<b>981</b>		<b>1,395</b>
Profit allocation	-	-		0		-	0		-
<b>Operating profit after profit allocation</b>	<b>-230</b>	<b>-122</b>	<b>-89%</b>	<b>127</b>		<b>-352</b>	<b>981</b>		<b>1,395</b>
Internal income	1,656	1,965	-16%	1,679	-1%	3,621	3,644	-1%	7,199
Average number of employees	2,003	1,930	4%	1,810	11%	1,966	1,821	8%	1,840

### JANUARY – JUNE 2017 COMPARED WITH JANUARY – JUNE 2016

Operating profit in other units not reported in the business segments amounted to SEK -352m (981). The provision for the Oktogonen profit-sharing foundation was resumed in the first quarter, and for the first six months it amounted to SEK 486m (-). Capital gains from the sale of shares totalling SEK 812m were included in the comparison period. The average number of employees rose to 1,966 (1,821), chiefly due to increased activity in IT development.

### Q2 2017 COMPARED WITH Q1 2017

Operating profit declined to SEK -230m (-122), chiefly due to lower net gains/losses on financial transactions at Treasury, where the market turbulence around the turn of the year had a positive effect on the comparison period. The average number of employees totalled 2,003 (1,930).

## KEY FIGURES – GROUP

	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016
Return on equity, total operations	12.9%	12.4%	14.2%	12.6%	13.7%
Return on equity, continuing operations	12.9%	12.4%	14.2%	12.6%	13.7%
C/I ratio, continuing operations	46.9%	44.8%	44.5%	45.8%	47.2%
C/I ratio, continuing operations, incl. loan losses	48.7%	46.8%	46.8%	47.7%	49.2%
Earnings per share, total operations, SEK	2.09	2.11	2.19	4.20	4.31
- after dilution	2.06	2.10	2.15	4.16	4.22
Ordinary dividend, SEK					
Total dividend					
Adjusted equity per share, SEK	68.82	66.77	62.83	68.82	62.83
Common equity tier 1 ratio, CRR	23.4%	23.8%	23.0%	23.4%	23.0%
Total capital ratio, CRR	29.0%	29.7%	28.9%	29.0%	28.9%
Own funds in relation to capital requirement according to Basel I floor	148%	149%	142%	148%	142%
Average number of employees, continuing operations	11,687	11,584	11,716	11,636	11,775
Number of branches, Sweden	423	425	472	423	472
Number of branches outside Sweden	398	397	393	398	393

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

## THE HANDELSBANKEN SHARE

	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016
Number of converted shares	-	22,151	28,800,955	22,151	28,800,955
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	1,944,173,551	1,944,173,551	1,935,847,037	1,944,173,551	1,935,847,037
Number of outstanding shares after dilution, end of period	1,975,025,212	1,975,278,248	1,975,789,501	1,975,025,212	1,975,789,501
Average number of shares converted during the period	22,151	17,718	12,852,916	19,947	6,426,458
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares	1,944,173,551	1,944,169,118	1,919,898,998	1,944,171,347	1,913,472,540
- after dilution	1,975,278,248	1,974,290,244	1,976,193,169	1,974,290,244	1,972,745,117
Share price SHB class A, end of period, SEK	120.60	122.90	101.80	120.60	101.80
Share price SHB class B, end of period, SEK	119.20	123.40	105.70	119.20	105.70
Market capitalisation, end of period, SEK bn	234	239	197	234	197



## Condensed set of financial statements – Group

### INCOME STATEMENT – GROUP

SEK m		Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Interest income		10,398	10,210	2%	9,451	10%	20,608	19,787	4%	39,950
Interest expense		-3,077	-3,129	-2%	-2,643	16%	-6,206	-6,184	0%	-12,007
<b>Net interest income</b>	Note 2	<b>7,321</b>	<b>7,081</b>	<b>3%</b>	<b>6,808</b>	<b>8%</b>	<b>14,402</b>	<b>13,603</b>	<b>6%</b>	<b>27,943</b>
Net fee and commission income	Note 3	2,508	2,354	7%	2,280	10%	4,862	4,450	9%	9,156
Net gains/losses on financial transactions	Note 4	317	547	-42%	523	-39%	864	1,685	-49%	3,066
Risk result - insurance		53	36	47%	35	51%	89	111	-20%	142
Other dividend income		11	2	450%	222	-95%	13	225	-94%	228
Share of profit of associates		-3	-27	89%	13		-30	15		25
Other income		31	43	-28%	41	-24%	74	76	-3%	203
<b>Total income</b>		<b>10,238</b>	<b>10,036</b>	<b>2%</b>	<b>9,922</b>	<b>3%</b>	<b>20,274</b>	<b>20,165</b>	<b>1%</b>	<b>40,763</b>
Staff costs		-3,242	-2,918	11%	-2,952	10%	-6,160	-6,620	-7%	-12,542
Other expenses	Note 5	-1,410	-1,430	-1%	-1,346	5%	-2,840	-2,649	7%	-5,401
Depreciation, amortisation and impairment of property, equipment and intangible assets		-145	-150	-3%	-119	22%	-295	-244	21%	-495
<b>Total expenses</b>		<b>-4,797</b>	<b>-4,498</b>	<b>7%</b>	<b>-4,417</b>	<b>9%</b>	<b>-9,295</b>	<b>-9,513</b>	<b>-2%</b>	<b>-18,438</b>
<b>Profit before loan losses</b>		<b>5,441</b>	<b>5,538</b>	<b>-2%</b>	<b>5,505</b>	<b>-1%</b>	<b>10,979</b>	<b>10,652</b>	<b>3%</b>	<b>22,325</b>
Net loan losses	Note 6	-186	-196	-5%	-229	-19%	-382	-416	-8%	-1,724
Gains/losses on disposal of property, equipment and intangible assets		2	5	-60%	1	100%	7	8	-13%	32
<b>Operating profit</b>		<b>5,257</b>	<b>5,347</b>	<b>-2%</b>	<b>5,277</b>	<b>0%</b>	<b>10,604</b>	<b>10,244</b>	<b>4%</b>	<b>20,633</b>
Taxes		-1,201	-1,236	-3%	-1,091	10%	-2,437	-2,020	21%	-4,401
<b>Profit for the period from continuing operations</b>		<b>4,056</b>	<b>4,111</b>	<b>-1%</b>	<b>4,186</b>	<b>-3%</b>	<b>8,167</b>	<b>8,224</b>	<b>-1%</b>	<b>16,232</b>
Profit for the period pertaining to discontinued operations, after tax	Note 7	-	-		8		-	13		13
<b>Profit for the period</b>		<b>4,056</b>	<b>4,111</b>	<b>-1%</b>	<b>4,194</b>	<b>-3%</b>	<b>8,167</b>	<b>8,237</b>	<b>-1%</b>	<b>16,245</b>
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,056	4,111	-1%	4,194	-3%	8,167	8,236	-1%	16,244
Minority interest		0	0		0		0	1		1

### EARNINGS PER SHARE – GROUP

	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,056	4,111	-1%	4,194	-3%	8,167	8,236	-1%	16,244
- of which interest expense on convertible subordinated loan after tax	-18	-31	-42%	-41	-56%	-49	-87	-44%	-139
Average number of outstanding shares, million	1,944.2	1,944.2		1,919.9		1,944.2	1,913.5		1,927.1
Average number of outstanding shares after dilution, million	1,975.3	1,974.3		1,976.2		1,974.3	1,972.7		1,972.7
Earnings per share, continuing operations, SEK	2.09	2.11	-1%	2.18	-4%	4.20	4.30	-2%	8.42
- after dilution	2.06	2.10	-2%	2.14	-4%	4.16	4.21	-1%	8.30
Earnings per share, discontinued operations, SEK	-	-		0.01		-	0.01		0.01
- after dilution	-	-		0.01		-	0.01		0.01
Earnings per share, total operations, SEK	2.09	2.11	-1%	2.19	-5%	4.20	4.31	-3%	8.43
- after dilution	2.06	2.10	-2%	2.15	-4%	4.16	4.22	-1%	8.31

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

## STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
<b>Profit for the period</b>	<b>4,056</b>	<b>4,111</b>	<b>-1%</b>	<b>4,194</b>	<b>-3%</b>	<b>8,167</b>	<b>8,237</b>	<b>-1%</b>	<b>16,245</b>
<b>Other comprehensive income</b>									
<b>Items that may not subsequently be reclassified to profit or loss</b>									
Defined benefit plans	1,013	2,318	-56%	-2,597		3,331	-1,096		3,993
Taxes on items that cannot be reclassified into profit or loss	-223	-511	56%	568		-734	240		-876
<b>Total items that may not subsequently be reclassified to profit or loss</b>	<b>790</b>	<b>1,807</b>	<b>-56%</b>	<b>-2,029</b>		<b>2,597</b>	<b>-856</b>		<b>3,117</b>
<b>Items that can be reclassified into profit or loss</b>									
Cash flow hedges	-1,070	336		1,442		-734	4,968		-3,145
Available-for-sale instruments	21	37	-43%	529	-96%	58	-572		-1,160
Translation differences for the period	-869	-1,310	34%	1,063		-2,179	45		1,183
<i>of which hedging net investment in foreign operations</i>	<i>-24</i>	<i>-795</i>	<i>97%</i>	<i>-10</i>	<i>-140%</i>	<i>-819</i>	<i>-218</i>	<i>-276%</i>	<i>-142</i>
Taxes on items that can be reclassified into profit or loss	230	99	132%	-316		329	-988		833
<i>of which cash flow hedges</i>	<i>228</i>	<i>-74</i>		<i>-317</i>		<i>154</i>	<i>-1,093</i>		<i>692</i>
<i>of which available-for-sale instruments</i>	<i>-2</i>	<i>-2</i>	<i>0%</i>	<i>-1</i>	<i>-100%</i>	<i>-4</i>	<i>57</i>		<i>110</i>
<i>of which hedging net investment in foreign operations</i>	<i>4</i>	<i>175</i>	<i>-98%</i>	<i>2</i>	<i>100%</i>	<i>179</i>	<i>48</i>	<i>273%</i>	<i>31</i>
<b>Total items that can be reclassified into profit or loss</b>	<b>-1,688</b>	<b>-838</b>	<b>-101%</b>	<b>2,718</b>		<b>-2,526</b>	<b>3,453</b>		<b>-2,289</b>
<b>Total other comprehensive income for the period</b>	<b>-898</b>	<b>969</b>		<b>689</b>		<b>71</b>	<b>2,597</b>	<b>-97%</b>	<b>828</b>
<b>Total comprehensive income for the period</b>	<b>3,158</b>	<b>5,080</b>	<b>-38%</b>	<b>4,883</b>	<b>-35%</b>	<b>8,238</b>	<b>10,834</b>	<b>-24%</b>	<b>17,073</b>
Attributable to									
Shareholders in Svenska Handelsbanken AB	3,158	5,080	-38%	4,883	-35%	8,238	10,833	-24%	17,072
Minority interest	0	0	0%	0	0%	0	1	-100%	1

In the first half of 2017, other comprehensive income totalled SEK 71m (2,597) 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.

At year-end, net pensions, net of pension obligations and plan assets, were a liability. At the end of the second quarter, net pensions were an asset. During the January–June period, other comprehensive income increased by SEK 2,597m (-856) after tax, related to defined benefit pension plans. The main reason for the change during the period is that the plan assets have increased in value since 31 December 2016. This has been offset to a certain extent by the pension obligations increasing as a result of a decrease in the discount rate for the Swedish pension obligations, to 2.30% from 2.40%, since 31 December 2016.

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

items are measured at market value. The impact on profit/loss of the market valuation is reported under cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. Changes in the value of hedge derivatives in cash flow hedges had an effect on other comprehensive income of SEK -580m (3,875) after tax. The value changes derived partly from exchange rate movements, but above all from increasing discount rates in foreign currency. During the period, SEK -4m (24) was reclassified to the income statement as a result of ineffectiveness.

Unrealised changes in the value of financial assets classified as available for sale had an effect on other comprehensive income of SEK 54m (-515) after tax during the year. The preceding year's negative result was mainly due to gains from selling shares having 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 -2,000m (93) after tax during the year.

## QUARTERLY PERFORMANCE – GROUP

SEK m	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Interest income	10,398	10,210	10,220	9,943	9,451
Interest expense	-3,077	-3,129	-2,921	-2,902	-2,643
Net interest income	7,321	7,081	7,299	7,041	6,808
Net fee and commission income	2,508	2,354	2,447	2,259	2,280
Net gains/losses on financial transactions	317	547	269	1,112	523
Risk result - insurance	53	36	6	25	35
Other dividend income	11	2	2	1	222
Share of profit of associates	-3	-27	0	10	13
Other income	31	43	102	25	41
<b>Total income</b>	<b>10,238</b>	<b>10,036</b>	<b>10,125</b>	<b>10,473</b>	<b>9,922</b>
Staff costs	-3,242	-2,918	-2,981	-2,941	-2,952
Other expenses	-1,410	-1,430	-1,518	-1,234	-1,346
Depreciation, amortisation and impairment of property, equipment and intangible assets	-145	-150	-114	-137	-119
<b>Total expenses</b>	<b>-4,797</b>	<b>-4,498</b>	<b>-4,613</b>	<b>-4,312</b>	<b>-4,417</b>
<b>Profit before loan losses</b>	<b>5,441</b>	<b>5,538</b>	<b>5,512</b>	<b>6,161</b>	<b>5,505</b>
Net loan losses	-186	-196	-832	-476	-229
Gains/losses on disposal of property, equipment and intangible assets	2	5	18	6	1
<b>Operating profit</b>	<b>5,257</b>	<b>5,347</b>	<b>4,698</b>	<b>5,691</b>	<b>5,277</b>
Taxes	-1,201	-1,236	-1,254	-1,127	-1,091
<b>Profit for the period from continuing operations</b>	<b>4,056</b>	<b>4,111</b>	<b>3,444</b>	<b>4,564</b>	<b>4,186</b>
Profit for the period pertaining to discontinued operations, after tax	-	-	-	-	8
<b>Profit for the period</b>	<b>4,056</b>	<b>4,111</b>	<b>3,444</b>	<b>4,564</b>	<b>4,194</b>
Earnings per share, continuing operations, SEK	2.09	2.11	1.77	2.36	2.18
- after dilution	2.06	2.10	1.76	2.32	2.14
Earnings per share, discontinued operations, SEK	-	-	-	-	0.01
- after dilution	-	-	-	-	0.01
Earnings per share, total operations, SEK	2.09	2.11	1.77	2.36	2.19
- after dilution	2.06	2.10	1.76	2.32	2.15

## BALANCE SHEET – GROUP

SEK m		30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
<b>Assets</b>						
Cash and balances with central banks		436,848	387,092	199,362	353,680	501,744
Other loans to central banks	Note 8	52,718	79,245	25,527	103,113	81,267
Interest-bearing securities eligible as collateral with central banks		119,603	97,262	97,205	119,532	117,753
Loans to other credit institutions	Note 8	33,526	34,542	31,347	41,410	48,479
Loans to the public	Note 8	2,011,455	1,991,434	1,963,622	1,965,649	1,937,155
Value change of interest-hedged item in portfolio hedge		33	31	35	51	45
Bonds and other interest-bearing securities		61,243	65,436	63,909	53,855	46,223
Shares		21,353	23,397	20,412	35,964	52,541
Investments in associates		212	218	255	259	257
Assets where the customer bears the value change risk		128,870	123,595	118,646	115,532	107,004
Derivative instruments	Note 9,10	61,940	73,111	82,633	78,688	92,381
Reinsurance assets		9	9	9	10	10
Intangible assets	Note 11	9,579	9,460	9,393	9,293	8,450
Property and equipment		2,353	2,363	2,387	2,323	2,264
Current tax assets		1,379	518	38	2,409	1,575
Deferred tax assets		436	534	962	1,978	1,979
Net pension assets		1,368	379	-	-	-
Assets held for sale		3	3	1	2	-
Other assets		12,302	29,034	5,615	19,496	25,810
Prepaid expenses and accrued income		5,864	5,266	6,222	5,691	5,708
<b>Total assets</b>		<b>2,961,094</b>	<b>2,922,929</b>	<b>2,627,580</b>	<b>2,908,935</b>	<b>3,030,645</b>
<b>Liabilities and equity</b>						
Due to credit institutions	Note 12	202,681	205,971	178,781	205,274	207,312
Deposits and borrowing from the public	Note 12	1,120,291	1,049,699	829,336	1,009,427	1,134,500
Liabilities where the customer bears the value change risk		128,962	123,653	118,745	115,600	107,054
Issued securities	Note 13	1,264,536	1,295,668	1,261,765	1,315,684	1,320,083
Derivative instruments	Note 9,10	31,654	24,297	31,738	33,296	37,283
Short positions		7,876	11,753	1,572	11,441	8,581
Insurance liabilities		562	599	574	583	591
Current tax liabilities		1,388	809	514	1,657	1,008
Deferred tax liabilities		7,749	7,842	7,875	9,788	10,006
Provisions		426	615	731	734	773
Net pension liabilities		-	-	2,161	6,547	6,544
Other liabilities		13,851	21,684	9,427	16,452	18,817
Accrued expenses and deferred income		13,436	15,399	14,580	15,359	15,608
Subordinated liabilities		32,782	33,199	33,400	33,008	32,903
<b>Total liabilities</b>		<b>2,826,194</b>	<b>2,791,188</b>	<b>2,491,199</b>	<b>2,774,850</b>	<b>2,901,063</b>
Minority interest		6	6	6	6	5
Share capital		3,013	3,013	3,013	3,008	3,001
Share premium		5,629	5,629	5,628	5,410	5,081
Reserves		9,339	10,237	9,268	10,639	11,037
Retained earnings		108,746	108,745	102,222	102,222	102,222
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		8,167	4,111	16,244	12,800	8,236
<b>Total equity</b>		<b>134,900</b>	<b>131,741</b>	<b>136,381</b>	<b>134,085</b>	<b>129,582</b>
<b>Total liabilities and equity</b>		<b>2,961,094</b>	<b>2,922,929</b>	<b>2,627,580</b>	<b>2,908,935</b>	<b>3,030,645</b>

## STATEMENT OF CHANGES IN EQUITY – GROUP

January - June 2017 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>3,013</b>	<b>5,628</b>	<b>1,656</b>	<b>2,487</b>	<b>974</b>	<b>4,151</b>	<b>118,466</b>	<b>6</b>	<b>136,381</b>
Profit for the period							8,167	0	8,167
Other comprehensive income			2,597	-580	54	-2,000		0	71
<b>Total comprehensive income for the period</b>			<b>2,597</b>	<b>-580</b>	<b>54</b>	<b>-2,000</b>	<b>8,167</b>	<b>0</b>	<b>8,238</b>
Dividend							-9,721		-9,721
Effects of convertible subordinated loans	0	1							1
Change of minority interests							1	0	1
<b>Closing equity</b>	<b>3,013</b>	<b>5,629</b>	<b>4,253</b>	<b>1,907</b>	<b>1,028</b>	<b>2,151</b>	<b>116,913</b>	<b>6</b>	<b>134,900</b>

January - December 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							16,244	1	16,245
Other comprehensive income			3,117	-2,453	-1,050	1,214		0	828
<b>Total comprehensive income for the period</b>			<b>3,117</b>	<b>-2,453</b>	<b>-1,050</b>	<b>1,214</b>	<b>16,244</b>	<b>1</b>	<b>17,073</b>
Dividend							-11,442		-11,442
Effects of convertible subordinated loans	57	2,424							2,481
Change of minority interests							0	1	1
<b>Closing equity</b>	<b>3,013</b>	<b>5,628</b>	<b>1,656</b>	<b>2,487</b>	<b>974</b>	<b>4,151</b>	<b>118,466</b>	<b>6</b>	<b>136,381</b>

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

During the January–June 2017 period, convertibles for a nominal value of SEK 1m (1,951) relating to subordinated convertible bonds were converted into 22,151 class A shares (28,800,955). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

## CASH FLOW STATEMENT, CONDENSED – GROUP

SEK m	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Operating profit, total operations	10,604	10,286	20,674
Adjustment for non-cash items in profit/loss	1,300	-1,371	89
Paid income tax	-2,909	-3,591	-5,544
Changes in the assets and liabilities of operating activities	252,433	299,035	-11,167
<b>Cash flow from operating activities</b>	<b>261,428</b>	<b>304,359</b>	<b>4,052</b>
Aquisition / disposal of subsidiaries	-	-	-408
Change in shares	7	1,026	5,462
Change in interest-bearing securities	-	1,000	1,003
Change in property and equipment	-164	563	385
Change in intangible assets	-355	-207	-546
<b>Cash flow from investing activities</b>	<b>-512</b>	<b>2,382</b>	<b>5,896</b>
Repayment of subordinated loans	-	1,951	-2,512
Issued subordinated loans	-	-	-
Dividend paid	-9,721	-11,442	-11,442
<b>Cash flow from financing activities</b>	<b>-9,721</b>	<b>-9,491</b>	<b>-13,954</b>
<b>Liquid funds at beginning of the period</b>	<b>199,362</b>	<b>202,630</b>	<b>202,630</b>
Cash flow for the period	251,195	297,250	-4,000
Exchange rate difference on liquid funds	-13,709	1,864	738
<b>Liquid funds at end of the period*</b>	<b>436,848</b>	<b>501,744</b>	<b>199,362</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.

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 2016.

## Future regulatory changes

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, has been adopted for application by the EU. The standard will be applied as of the 2018 financial year. The standard encompasses three areas: classification and measurement, impairment, and general hedge accounting. The forthcoming regulations on impairment are based on expected loan

losses, and not on incurred loan losses as in the current IAS 39 regulations. The provisions will also be based on a probability-weighted outcome, unlike the current IAS 39 where the provision is based on the most expected outcome. All in all, in the transition to IFRS 9, this may entail higher provisions for loan losses. This regulatory change may lead to an adjustment of equity. No final decision has yet been taken as to how these effects will be dealt with as regards the relationship between the expected loan loss provisions in accounting terms and the expected loan losses in capital adequacy terms. 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 adopted for application in the EU. The standard will be applied as of the 2018 financial year. IFRS 15 introduces a five-step model to establish how and when revenue must be recognised. However, the standard does not apply to financial instruments, insurance contracts or leases. IFRS 15 also contains increased disclosure requirements relating to revenue. The Bank's 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 main change due to the new standard is that all lease contracts (with the exception of short-term and minor lease contracts) must be recognised as an asset (right-of-use asset) and as a liability in the lessee's balance sheet. The lease payment must be reported as depreciation and interest expense. There are also increased disclosure requirements. For lessors, the requirements are largely unchanged. The Bank is analysing the financial effects of the new standard.

In addition, IFRS 17 Insurance contracts has been published by the IASB. Assuming that IFRS 17 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 2021 financial year. IFRS 17 will mean a

change in how insurance contracts are reported and measured. The Bank is analysing the financial effects of the new standard.

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

## Note 2 Net interest income

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
<b>Interest income</b>									
Loans to credit institutions and central banks	522	347	50%	391	34%	869	872	0%	1,422
Loans to the public	9,750	9,695	1%	9,759	0%	19,445	19,571	-1%	39,333
Interest-bearing securities eligible as collateral with central banks	43	57	-25%	109	-61%	100	227	-56%	229
Interest-bearing securities	164	176	-7%	232	-29%	340	425	-20%	783
Derivative instruments	-380	-326	-17%	-1,218	69%	-706	-1,637	57%	-2,629
Other interest income	359	320	12%	329	9%	679	640	6%	1,317
<b>Total interest income</b>	<b>10,458</b>	<b>10,269</b>	<b>2%</b>	<b>9,602</b>	<b>9%</b>	<b>20,727</b>	<b>20,098</b>	<b>3%</b>	<b>40,455</b>
Of which interest income reported in Net gains/losses on financial transactions	60	59	2%	151	-60%	119	311	-62%	505
<b>Interest income according to income statement</b>	<b>10,398</b>	<b>10,210</b>	<b>2%</b>	<b>9,451</b>	<b>10%</b>	<b>20,608</b>	<b>19,787</b>	<b>4%</b>	<b>39,950</b>
<b>Interest expense</b>									
Due to credit institutions and central banks	-309	-299	3%	-261	18%	-608	-543	12%	-1,086
Deposits and borrowing from the general public	-398	-294	35%	-382	4%	-692	-786	-12%	-1,423
Issued securities	-4,023	-4,157	-3%	-4,582	-12%	-8,180	-8,974	-9%	-17,740
Derivative instruments	2,454	2,432	1%	3,210	-24%	4,886	5,423	-10%	10,771
Subordinated liabilities	-356	-360	-1%	-384	-7%	-716	-773	-7%	-1,534
State fees	-516	-527	-2%	-318	62%	-1,043	-654	59%	-1,300
Other interest expense	-19	-28	-32%	-124	-85%	-47	-195	-76%	-279
<b>Total interest expense</b>	<b>-3,167</b>	<b>-3,233</b>	<b>-2%</b>	<b>-2,841</b>	<b>11%</b>	<b>-6,400</b>	<b>-6,502</b>	<b>-2%</b>	<b>-12,591</b>
Of which interest expense reported in Net gains/losses on financial transactions	-90	-104	-13%	-198	-55%	-194	-318	-39%	-584
<b>Interest expense according to income statement</b>	<b>-3,077</b>	<b>-3,129</b>	<b>-2%</b>	<b>-2,643</b>	<b>16%</b>	<b>-6,206</b>	<b>-6,184</b>	<b>0%</b>	<b>-12,007</b>
<b>Net interest income</b>	<b>7,321</b>	<b>7,081</b>	<b>3%</b>	<b>6,808</b>	<b>8%</b>	<b>14,402</b>	<b>13,603</b>	<b>6%</b>	<b>27,943</b>

The derivative instrument rows include net interest income related to hedged assets and liabilities. These may have both a positive and a negative impact on interest income and interest expense.

## Note 3 Net fee and commission income

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Brokerage and other securities commissions	246	261	-6%	229	7%	507	462	10%	916
Mutual funds	895	849	5%	717	25%	1,744	1,412	24%	3,023
Custody and other asset management fees	169	164	3%	148	14%	333	295	13%	623
Advisory services	105	56	88%	98	7%	161	202	-20%	317
Insurance	168	160	5%	151	11%	328	309	6%	634
Payments	847	760	11%	795	7%	1,607	1,513	6%	3,185
Loans and deposits	308	301	2%	290	6%	609	570	7%	1,172
Guarantees	99	97	2%	108	-8%	196	207	-5%	422
Other	125	124	1%	127	-2%	249	246	1%	488
<b>Total fee and commission income</b>	<b>2,962</b>	<b>2,772</b>	<b>7%</b>	<b>2,663</b>	<b>11%</b>	<b>5,734</b>	<b>5,216</b>	<b>10%</b>	<b>10,780</b>
Securities	-70	-72	-3%	-70	0%	-142	-136	4%	-260
Payments	-368	-331	11%	-293	26%	-699	-593	18%	-1,289
Other	-16	-15	7%	-20	-20%	-31	-37	-16%	-75
<b>Total fee and commission expense</b>	<b>-454</b>	<b>-418</b>	<b>9%</b>	<b>-383</b>	<b>19%</b>	<b>-872</b>	<b>-766</b>	<b>14%</b>	<b>-1,624</b>
<b>Net fee and commission income</b>	<b>2,508</b>	<b>2,354</b>	<b>7%</b>	<b>2,280</b>	<b>10%</b>	<b>4,862</b>	<b>4,450</b>	<b>9%</b>	<b>9,156</b>

## Note 4 Net gains/losses on financial transactions

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Trading, derivatives, FX effect etc	439	706	-38%	-90		1,145	-357		832
Other financial instruments at fair value in profit/loss	-132	-139	5%	447		-271	1,030		466
<i>of which interest-bearing securities</i>	-123	-129	5%	455		-252	1,040		502
<i>of which loans</i>	-9	-10	10%	-8	-13%	-19	-10	-90%	-36
Financial instruments at amortised cost	32	13	146%	56	-43%	45	92	-51%	182
<i>of which loans</i>	86	84	2%	127	-32%	170	213	-20%	446
<i>of which liabilities</i>	-54	-71	24%	-71	24%	-125	-121	-3%	-264
Financial instruments available for sale	4	2	100%	89	-96%	6	916	-99%	1,689
Hedge accounting	3	-10		36	-92%	-7	36		-3
<i>of which net gains/losses on fair value hedges</i>	6	-6		10	-40%	-	12		-8
<i>of which cash flow hedge ineffectiveness</i>	-3	-4	25%	26		-7	24		5
Gains/losses on unbundled insurance contracts	-29	-25	-16%	-15	-93%	-54	-32	-69%	-100
<b>Total</b>	<b>317</b>	<b>547</b>	<b>-42%</b>	<b>523</b>	<b>-39%</b>	<b>864</b>	<b>1,685</b>	<b>-49%</b>	<b>3,066</b>

## Note 5 Other expenses

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Property and premises	-290	-318	-9%	-303	-4%	-608	-611	0%	-1,234
External IT costs	-489	-478	2%	-420	16%	-967	-828	17%	-1,698
Communication	-75	-84	-11%	-80	-6%	-159	-165	-4%	-317
Travel and marketing	-88	-68	29%	-85	4%	-156	-153	2%	-306
Purchased services	-317	-318	0%	-298	6%	-635	-562	13%	-1,159
Supplies	-38	-48	-21%	-43	-12%	-86	-88	-2%	-173
Other administrative expenses	-113	-116	-3%	-117	-3%	-229	-242	-5%	-514
<b>Other expenses</b>	<b>-1,410</b>	<b>-1,430</b>	<b>-1%</b>	<b>-1,346</b>	<b>5%</b>	<b>-2,840</b>	<b>-2,649</b>	<b>7%</b>	<b>-5,401</b>



## Note 6 Loan losses and impaired loans

## Loan losses

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
<b>Specific provision for individually assessed loans</b>									
Provision for the period	-165	-301	-45%	-297	-44%	-466	-641	-27%	-1,899
Reversal of previous provisions	64	61	5%	76	-16%	125	133	-6%	377
<b>Total</b>	<b>-101</b>	<b>-240</b>	<b>-58%</b>	<b>-221</b>	<b>-54%</b>	<b>-341</b>	<b>-508</b>	<b>-33%</b>	<b>-1,522</b>
<b>Collective provisions</b>									
Net provision for the period for individually assessed loans	-67	6		-4		-61	3		-62
Net provision for the period for homogeneous loans	-3	1		0		-2	1		-10
<b>Total</b>	<b>-70</b>	<b>7</b>		<b>-4</b>		<b>-63</b>	<b>4</b>		<b>-72</b>
<b>Off-balance-sheet items</b>									
Losses on off-balance-sheet items	0	-1		-2		-1	-4	-75%	-16
Reversal of previous losses on off-balance-sheet items	9	1		2	350%	10	2	400%	2
Change in collective provision for off-balance-sheet items	-9	12		-10	-10%	3	5	-40%	-26
<b>Total</b>	<b>0</b>	<b>12</b>	<b>-100%</b>	<b>-10</b>		<b>12</b>	<b>3</b>	<b>300%</b>	<b>-40</b>
<b>Write-offs</b>									
Actual loan losses for the period	-253	-410	-38%	-142	78%	-663	-1,357	-51%	-2,183
Utilised share of previous provisions	195	396	-51%	114	71%	591	1,309	-55%	1,863
Recoveries	42	40	5%	34	24%	82	133	-38%	230
<b>Total</b>	<b>-16</b>	<b>26</b>		<b>6</b>		<b>10</b>	<b>85</b>	<b>-88%</b>	<b>-90</b>
Value change for the period	1	-1		-		-	-		-
<b>Net loan losses</b>	<b>-186</b>	<b>-196</b>	<b>-5%</b>	<b>-229</b>	<b>-19%</b>	<b>-382</b>	<b>-416</b>	<b>-8%</b>	<b>-1,724</b>

## Impaired loans

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

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Impaired loans	7,303	7,594	7,746	7,710	7,427
Specific provision for individually assessed loans	-3,840	-3,985	-4,188	-3,972	-3,671
Provision for collectively assessed homogeneous groups of loans with limited value	-108	-105	-107	-107	-94
Collective provisions for individually assessed loans	-403	-340	-348	-310	-279
<b>Impaired loans, net</b>	<b>2,952</b>	<b>3,164</b>	<b>3,103</b>	<b>3,321</b>	<b>3,383</b>
Total impaired loans reserve ratio	59.6%	58.3%	59.9%	56.9%	54.4%
Proportion of impaired loans	0.15%	0.16%	0.16%	0.17%	0.17%
Impaired loans reserve ratio excl. collective provisions	54.1%	53.9%	55.4%	52.9%	50.7%
Loan loss ratio as a % of loans, acc.	0.04%	0.04%	0.09%	0.06%	0.04%
Loans past due > 60 days	4,067	3,925	4,123	4,928	4,629
Loans past due > 60 days, which are not impaired	1,116	946	1,061	1,381	1,229

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 past due by more than 60 days, by sector

30 June 2017	Impaired loans				Loans past due > 60 days, which are not impaired
	SEK m	Gross	Provisions	Net*	
Private individuals	1,306	-708	598	411	657
Housing co-operative associations	39	-19	20	4	27
Property management	1,782	-611	1,171	323	278
Manufacturing	640	-474	166	19	27
Retail	349	-187	162	57	24
Hotel and restaurant	111	-38	73	71	-
Passenger and goods transport by sea	1,564	-1,020	544	0	-
Other transport and communication	53	-36	17	10	2
Construction	225	-150	75	40	47
Electricity, gas and water	260	-104	156	56	-
Agriculture, hunting and forestry	76	-41	35	7	17
Other services	259	-211	48	21	28
Holding, investment and insurance companies, funds etc.	572	-307	265	14	2
Other corporate lending	67	-42	25	22	7
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>7,303</b>	<b>-3,948</b>	<b>3,355</b>	<b>1,055</b>	<b>1,116</b>

\* Book value after deduction of specific provisions.

31 December 2016	Impaired loans				Loans past due > 60 days, which are not impaired
	SEK m	Gross	Provisions	Net*	
Private individuals	1,405	-745	660	435	721
Housing co-operative associations	41	-20	21	5	-
Property management	1,793	-691	1,102	263	240
Manufacturing	719	-522	197	26	18
Retail	457	-270	187	45	0
Hotel and restaurant	96	-32	64	64	6
Passenger and goods transport by sea	1,849	-1,244	605	0	-
Other transport and communication	52	-36	16	7	5
Construction	269	-161	108	46	13
Electricity, gas and water	68	-39	29	4	9
Agriculture, hunting and forestry	53	-31	22	11	2
Other services	214	-113	101	94	18
Holding, investment and insurance companies, funds etc.	601	-316	285	30	6
Other corporate lending	129	-75	54	14	23
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>7,746</b>	<b>-4,295</b>	<b>3,451</b>	<b>1,044</b>	<b>1,061</b>

\* Book value after deduction of specific provisions.

## Note 7 Discontinued operations

The Bank divested its ownership of Plastal Industri AB in Q2 2016. Discontinued operations refer to the results from the Plastal Industri AB subsidiary for the time before the divestment, as well as the profits from the divestment of the company.

## Note 8 Loans and credit exposure

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Loans to the public	2,011,455	1,991,434	1,963,622	1,965,649	1,937,155
of which reverse repos	8,322	11,182	7,493	14,041	11,360
Loans to other credit institutions	33,526	34,542	31,347	41,410	48,479
of which reverse repos	11,175	10,805	4,088	16,984	19,330
Other loans to central banks	52,718	79,245	25,527	103,113	81,267
of which reverse repos	-	1,003	-	-	-

## Loans to the public, by sector

SEK m	30 June 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	1,009,125	-708	1,008,417	982,640	-745	981,895
<i>of which mortgage loans</i>	821,232	-37	821,195	800,092	-33	800,059
<i>of which other loans with property mortgages</i>	122,856	-132	122,724	120,121	-146	119,975
<i>of which other loans to private individuals</i>	65,037	-539	64,498	62,427	-566	61,861
Housing co-operative associations	195,283	-19	195,264	187,016	-20	186,996
<i>of which mortgage loans</i>	163,882	-12	163,870	156,835	-12	156,823
Property management	548,610	-611	547,999	540,194	-691	539,503
Manufacturing	25,923	-474	25,449	27,633	-522	27,111
Retail	23,775	-187	23,588	21,947	-270	21,677
Hotels and restaurants	8,482	-38	8,444	8,516	-32	8,484
Passenger and goods transport by sea	8,506	-1,020	7,486	9,375	-1,244	8,131
Other transport and communication	15,461	-36	15,425	14,614	-36	14,578
Construction	18,600	-150	18,450	18,103	-161	17,942
Electricity, gas, water	24,078	-104	23,974	25,224	-39	25,185
Agriculture, hunting and forestry	11,757	-41	11,716	11,727	-31	11,696
Other services	18,935	-211	18,724	19,608	-113	19,495
Holding, investment, insurance, funds, etc.	72,507	-307	72,200	66,730	-316	66,414
Government and municipalities	13,361	-	13,361	15,891	-	15,891
Other corporate lending	21,403	-42	21,361	19,047	-75	18,972
<b>Total loans to the public, before collective provisions</b>	<b>2,015,806</b>	<b>-3,948</b>	<b>2,011,858</b>	<b>1,968,265</b>	<b>-4,295</b>	<b>1,963,970</b>
Collective provisions			-403			-348
<b>Total loans to the public</b>			<b>2,011,455</b>			<b>1,963,622</b>

## Specification of Loans to the public – Property management

SEK m	30 June 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
<b>Loans in Sweden</b>						
State-owned property companies	4,427	-	4,427	3,228	-	3,228
Municipal-owned property companies	8,999	-	8,999	9,771	-	9,771
Residential property companies	101,706	-24	101,682	99,598	-26	99,572
<i>of which mortgage loans</i>	88,507	-	88,507	85,134	-1	85,133
Other property management	128,088	-129	127,959	127,578	-130	127,448
<i>of which mortgage loans</i>	55,094	-2	55,092	52,925	-2	52,923
<b>Total loans in Sweden</b>	<b>243,220</b>	<b>-153</b>	<b>243,067</b>	<b>240,175</b>	<b>-156</b>	<b>240,019</b>
<b>Loans outside Sweden</b>						
Denmark	20,269	-100	20,169	19,755	-118	19,637
Finland	35,948	-4	35,944	33,891	-4	33,887
Norway	101,267	-100	101,167	103,767	-108	103,659
UK	116,519	-251	116,268	111,800	-289	111,511
The Netherlands	24,635	-	24,635	23,194	-	23,194
Other countries	6,752	-3	6,749	7,612	-16	7,596
<b>Total loans outside Sweden</b>	<b>305,390</b>	<b>-458</b>	<b>304,932</b>	<b>300,019</b>	<b>-535</b>	<b>299,484</b>
<b>Total loans - Property management</b>	<b>548,610</b>	<b>-611</b>	<b>547,999</b>	<b>540,194</b>	<b>-691</b>	<b>539,503</b>

## Credit risk exposure

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Loans to the public	2,011,455	1,991,434	1,963,622	1,965,649	1,937,155
<i>of which reverse repos</i>	8,322	11,182	7,493	14,041	11,360
Loans to other credit institutions	33,526	34,542	31,347	41,410	48,479
<i>of which reverse repos</i>	11,175	10,805	4,088	16,984	19,330
Interest-bearing securities eligible as collateral with central banks	119,603	97,262	97,205	119,532	117,753
Bonds and other interest-bearing securities	61,243	65,436	63,909	53,855	46,223
Derivative instruments*	61,940	73,111	82,633	78,688	92,381
Contingent liabilities	75,293	80,481	78,530	82,361	78,459
<i>of which guarantees, credits</i>	10,088	9,839	9,643	10,110	10,440
<i>of which guarantees, other</i>	58,620	64,512	63,108	67,122	63,551
<i>of which letters of credit</i>	6,585	6,130	5,779	5,129	4,468
Other commitments	441,532	427,927	425,267	431,564	425,390
<i>of which unutilised part of granted overdraft facilities</i>	131,721	132,366	128,967	128,930	130,525
<i>of which loan commitments</i>	290,250	273,876	272,729	274,810	268,866
<i>of which other</i>	19,561	21,685	23,571	27,824	25,999
<b>Total</b>	<b>2,804,592</b>	<b>2,770,193</b>	<b>2,742,513</b>	<b>2,773,059</b>	<b>2,745,840</b>
Cash and balances with central banks	436,848	387,092	199,362	353,680	501,744
Other loans to central banks	52,718	79,245	25,527	103,113	81,267
<b>Total</b>	<b>3,294,158</b>	<b>3,236,530</b>	<b>2,967,402</b>	<b>3,229,852</b>	<b>3,328,851</b>

\* Refers to the total of positive market values.

## Note 9 Derivatives

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
<b>Positive market values</b>					
Trading	35,432	37,290	44,703	53,324	66,498
Fair value hedges	133	96	79	15	22
Cash flow hedges	48,394	60,151	64,905	60,986	62,328
Amounts set off	-22,019	-24,426	-27,054	-35,637	-36,467
<b>Total</b>	<b>61,940</b>	<b>73,111</b>	<b>82,633</b>	<b>78,688</b>	<b>92,381</b>
<b>Negative market values</b>					
Trading	37,676	40,050	47,824	58,556	63,037
Fair value hedges	78	91	82	146	129
Cash flow hedges	15,651	8,512	9,689	8,264	8,096
Amounts set off	-21,751	-24,356	-25,857	-33,670	-33,979
<b>Total</b>	<b>31,654</b>	<b>24,297</b>	<b>31,738</b>	<b>33,296</b>	<b>37,283</b>
<b>Nominal value</b>					
Trading	3,610,265	3,665,721	3,167,735	3,370,296	3,390,582
Fair value hedges	59,903	53,248	42,228	26,073	24,725
Cash flow hedges	1,080,938	1,092,773	1,058,071	925,397	891,575
Amounts set off	-1,621,005	-1,967,179	-1,747,179	-1,671,455	-1,575,310
<b>Total</b>	<b>3,130,101</b>	<b>2,844,563</b>	<b>2,520,855</b>	<b>2,650,311</b>	<b>2,731,572</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.

## Note 10 Offsetting of financial instruments

30 June 2017 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	83,959	25,068	109,027
Amounts set off	-22,019	-4,701	-26,720
<b>Carrying amount on the balance sheet</b>	<b>61,940</b>	<b>20,367</b>	<b>82,307</b>
<b>Related amounts not set off on the balance sheet</b>			
Financial instruments, netting arrangements	-16,938	-	-16,938
Financial assets received as collateral	-33,025	-20,358	-53,383
<b>Total amounts not set off on the balance sheet</b>	<b>-49,963</b>	<b>-20,358</b>	<b>-70,321</b>
<b>Net amount</b>	<b>11,977</b>	<b>9</b>	<b>11,986</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	53,405	5,033	58,438
Amounts set off	-21,751	-4,701	-26,452
<b>Carrying amount on the balance sheet</b>	<b>31,654</b>	<b>332</b>	<b>31,986</b>
<b>Related amounts not set off on the balance sheet</b>			
Financial instruments, netting arrangements	-16,938	-	-16,938
Financial assets pledged as collateral	-4,310	-332	-4,642
<b>Total amounts not set off on the balance sheet</b>	<b>-21,248</b>	<b>-332</b>	<b>-21,580</b>
<b>Net amount</b>	<b>10,406</b>	<b>0</b>	<b>10,406</b>

31 December 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	109,687	13,427	123,114
Amounts set off	-27,054	-1,030	-28,084
<b>Carrying amount on the balance sheet</b>	<b>82,633</b>	<b>12,397</b>	<b>95,030</b>
<b>Related amounts not set off on the balance sheet</b>			
Financial instruments, netting arrangements	-20,643	-	-20,643
Financial assets received as collateral	-42,238	-12,397	-54,635
<b>Total amounts not set off on the balance sheet</b>	<b>-62,881</b>	<b>-12,397</b>	<b>-75,278</b>
<b>Net amount</b>	<b>19,752</b>	<b>-</b>	<b>19,752</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amount	57,595	1,032	58,627
Amounts set off	-25,857	-1,030	-26,887
<b>Carrying amount on the balance sheet</b>	<b>31,738</b>	<b>2</b>	<b>31,740</b>
<b>Related amounts not set off on the balance sheet</b>			
Financial instruments, netting arrangements	-20,643	-	-20,643
Financial assets pledged as collateral	-3,807	-2	-3,809
<b>Total amounts not set off on the balance sheet</b>	<b>-24,450</b>	<b>-2</b>	<b>-24,452</b>
<b>Net amount</b>	<b>7,288</b>	<b>-</b>	<b>7,288</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. Repurchase agreements and reverse repurchase agreements with central counterparty clearing houses are set off on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. This occurs when the Bank has both a contractual right and intention to settle the agreed cash flows with a net amount. The remaining counterparty risk in derivatives is reduced through netting agreements if payments are suspended, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

The amount set off for derivative assets includes set-off cash collateral of SEK 2,438m (3,565), derived from the balance sheet item deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 914m (2,367), derived from the balance sheet item loans to the public.

## Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Jun 2017	Jan-Jun 2016	Full year 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Opening residual value	6,761	6,460	6,460	2,632	1,794	1,794	9,393	8,254	8,254
Additional during the period	-	-	147	355	219	1,070	355	219	1,217
The period's amortisation	-	-	-	-130	-86	-198	-130	-86	-198
The period's impairments	-	-	-	-9	-1	-1	-9	-1	-1
Foreign exchange effect	-24	90	154	-6	-26	-33	-30	64	121
<b>Closing residual value</b>	<b>6,737</b>	<b>6,550</b>	<b>6,761</b>	<b>2,842</b>	<b>1,900</b>	<b>2,632</b>	<b>9,579</b>	<b>8,450</b>	<b>9,393</b>

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

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Due to credit institutions	202,681	205,971	178,781	205,274	207,312
<i>of which repos</i>	-	1,003	-	450	912
Deposits and borrowing from the public	1,120,291	1,049,699	829,336	1,009,427	1,134,500
<i>of which repos</i>	332	4,861	2	5,559	4,522

## Note 13 Issued securities

SEK m	Jan-Jun 2017	Jan-Jun 2016
<b>Issued securities at beginning of year</b>	<b>1,261,765</b>	<b>1,245,367</b>
Issued	641,229	717,771
Repurchased	-34,557	-21,664
Matured	-566,205	-625,066
Foreign exchange effect etc.	-37,696	3,675
<b>Issued securities at end of period</b>	<b>1,264,536</b>	<b>1,320,083</b>

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

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Assets pledged for own debt	812,294	852,739	839,982	822,426	829,996
Other pledged assets	31,755	53,558	33,375	38,286	34,969
Contingent liabilities	75,293	80,481	78,530	82,361	78,459
Other commitments	441,532	427,927	425,267	431,564	425,390

## Note 15 Classification of financial assets and liabilities

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

30 June 2017 SEK m	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 liabilities	Total carrying amount	Fair value
	Trading	Other							
<b>Assets</b>									
Cash and balances with central banks					436,848			436,848	436,848
Other loans to central banks					52,718			52,718	52,718
Interest-bearing securities eligible as collateral with central banks	9,203	109,258				1,142		119,603	119,603
Loans to other credit institutions					33,526			33,526	33,491
Loans to the public		664			2,010,791			2,011,455	2,023,367
Value change of interest-hedged item in portfolio hedge					33			33	
Bonds and other interest-bearing securities	18,783	36,998				5,462		61,243	61,243
Shares	18,732	947				1,674		21,353	21,353
Assets where the customer bears the value change risk		128,813			57			128,870	128,870
Derivative instruments	15,865		46,075					61,940	61,940
Other assets	25				12,277			12,302	12,302
Prepaid expenses and accrued income	152	478			5,230	4		5,864	5,864
<b>Total financial assets</b>	<b>62,760</b>	<b>277,158</b>	<b>46,075</b>		<b>2,551,480</b>	<b>8,282</b>		<b>2,945,755</b>	<b>2,957,599</b>
Investments in associates								212	
Other non-financial assets								15,127	
<b>Total assets</b>								<b>2,961,094</b>	
<b>Liabilities</b>									
Due to credit institutions							202,681	202,681	204,582
Deposits and borrowing from the public							1,120,291	1,120,291	1,120,284
Liabilities where the customer bears the value change risk		128,902					60	128,962	128,962
Issued securities	5,722						1,258,814	1,264,536	1,280,830
Derivative instruments	17,158		14,496					31,654	31,654
Short positions	7,876							7,876	7,876
Other liabilities	29						13,822	13,851	13,851
Accrued expenses and deferred income	50						13,386	13,436	13,436
Subordinated liabilities							32,782	32,782	34,218
<b>Total financial liabilities</b>	<b>30,835</b>	<b>128,902</b>	<b>14,496</b>				<b>2,641,836</b>	<b>2,816,069</b>	<b>2,835,693</b>
Other non-financial liabilities								10,125	
<b>Total liabilities</b>								<b>2,826,194</b>	

31 December 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 liabilities	Total carrying amount	Fair value
	Trading	Other							
SEK m									
<b>Assets</b>									
Cash and balances with central banks					199,362			199,362	199,362
Other loans to central banks					25,527			25,527	25,527
Interest-bearing securities eligible as collateral with central banks	13,000	83,458				747		97,205	97,205
Loans to other credit institutions					31,347			31,347	31,148
Loans to the public		926			1,962,696			1,963,622	1,978,834
Value change of interest-hedged item in portfolio hedge					35			35	
Bonds and other interest-bearing securities	22,328	36,117				5,464		63,909	63,909
Shares	17,727	1,067				1,618		20,412	20,412
Assets where the customer bears the value change risk		118,588				58		118,646	118,646
Derivative instruments	19,742		62,891					82,633	82,633
Other assets	32				5,584			5,616	5,616
Prepaid expenses and accrued income	170	520			5,528	4		6,222	6,222
<b>Total financial assets</b>	<b>72,999</b>	<b>240,676</b>	<b>62,891</b>	<b>-</b>	<b>2,230,137</b>	<b>7,833</b>		<b>2,614,536</b>	<b>2,629,514</b>
Investments in associates								255	
Other non-financial assets								12,790	
<b>Total assets</b>								<b>2,627,581</b>	
<b>Liabilities</b>									
Due to credit institutions							178,781	178,781	180,648
Deposits and borrowing from the public							829,336	829,336	829,303
Liabilities where the customer bears the value change risk		118,687					58	118,745	118,745
Issued securities	5,763						1,256,002	1,261,765	1,280,523
Derivative instruments	23,272		8,466					31,738	31,738
Short positions	1,572							1,572	1,572
Other liabilities	21						9,407	9,428	9,428
Accrued expenses and deferred income	2						14,578	14,580	14,580
Subordinated liabilities							33,400	33,400	35,330
<b>Total financial liabilities</b>	<b>30,630</b>	<b>118,687</b>	<b>8,466</b>				<b>2,321,562</b>	<b>2,479,345</b>	<b>2,501,867</b>
Other non-financial liabilities								11,855	
<b>Total liabilities</b>								<b>2,491,200</b>	



## Note 16 Fair value measurement of financial instruments

30 June 2017 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	117,526	2,077	-	119,603
Loans to the public	-	648	16	664
Bonds and other interest-bearing securities	57,188	4,055	-	61,243
Shares	13,061	6,522	1,770	21,353
Assets where the customer bears the value change risk	128,359	-	454	128,813
Derivative instruments	286	61,654	-	61,940
<b>Total financial assets at fair value</b>	<b>316,420</b>	<b>74,956</b>	<b>2,240</b>	<b>393,616</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	128,448	-	454	128,902
Issued securities	-	5,722	-	5,722
Derivative instruments	413	31,241	-	31,654
Short positions	7,799	77	-	7,876
<b>Total financial liabilities at fair value</b>	<b>136,660</b>	<b>37,040</b>	<b>454</b>	<b>174,154</b>

31 December 2016 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	95,511	1,694	-	97,205
Loans to the public	-	909	17	926
Bonds and other interest-bearing securities	61,514	2,395	-	63,909
Shares	11,528	7,047	1,837	20,412
Assets where the customer bears the value change risk	117,826	-	762	118,588
Derivative instruments	408	82,225	-	82,633
<b>Total financial assets at fair value</b>	<b>286,787</b>	<b>94,270</b>	<b>2,616</b>	<b>383,673</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	117,925	-	762	118,687
Issued securities	-	5,763	-	5,763
Derivative instruments	443	31,295	-	31,738
Short positions	1,097	475	-	1,572
<b>Total financial liabilities at fair value</b>	<b>119,465</b>	<b>37,533</b>	<b>762</b>	<b>157,760</b>

**Valuation process**

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

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 same as the price which would be received or paid if the net position were divested.

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

**Valuation hierarchy**

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the 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 substantially are based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities and interest- and currency-related derivatives. Financial instruments whose value to a material extent 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 2016), the instrument has been moved between the levels in the table. During the January–June 2017 period, some of the volumes were moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, equities worth SEK 68m were moved from level 2 to level 1. Derivatives with a value of SEK 5m

were moved from level 1 to level 2. On the liabilities side, derivatives with a value of SEK 30m were transferred from level 1 to level 2.

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 63m (76) has been amortised in net gains/losses on financial transactions during the January–June 2017 period. At the end of the period, non-recognised day 1 gains/losses amounted to SEK 601m; at the previous year-end, the corresponding figure was SEK 585m.

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

**Reconciliation of financial instruments in level 3**

January – June 2017 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
Carrying amount at beginning of year	1,837	17	762	-762
Acquisitions/issues	11	-	-	-
Repurchases/sales	-54	-	-312	312
Matured during the period	-	-2	-	-
Unrealised value change in income statement	-68	-	4	-4
Unrealised value change in other comprehensive income	44	-	-	-
Transfer from level 1 or 2	-	1	-	-
Transfer to level 1 or 2	-	-	-	-
<b>Carrying amount at end of period</b>	<b>1,770</b>	<b>16</b>	<b>454</b>	<b>-454</b>

January – December 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
Carrying amount at beginning of year	1,283	10	732	-732
Acquisitions/issues	14	-	-	-
Repurchases/sales	-90	-	-	-
Matured during the period	-	-2	-	-
Unrealised value change in income statement	-55	0	30	-30
Unrealised value change in other comprehensive income	685	1	-	-
Transfer from level 1 or 2	-	8	-	-
Transfer to level 1 or 2	-	-	-	-
<b>Carrying amount at end of period</b>	<b>1,837</b>	<b>17</b>	<b>762</b>	<b>-762</b>

## Note 17 Assets and liabilities by currency

30 June 2017								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	167	113,121	4,169	1,752	95,545	220,625	1,469	436,848
Other loans to central banks	4,774	64	25,116	22,175	429	-	160	52,718
Loans to other credit institutions	1,658	7,090	750	38	938	21,160	1,892	33,526
Loans to the public	1,264,946	192,936	228,488	90,496	199,777	26,045	8,767	2,011,455
<i>of which corporates</i>	479,876	130,075	139,198	33,585	133,080	25,788	7,904	949,506
<i>of which households</i>	785,070	62,861	89,290	56,911	66,697	257	863	1,061,949
Interest-bearing securities eligible as collateral with central banks	93,925	6,747	-	11	-	17,991	929	119,603
Bonds and other interest-bearing securities	44,427	2,340	1,173	-	1,668	11,635	-	61,243
Other items not broken down by currency	245,701							245,701
<b>Total assets</b>	<b>1,655,598</b>	<b>322,298</b>	<b>259,696</b>	<b>114,472</b>	<b>298,357</b>	<b>297,456</b>	<b>13,217</b>	<b>2,961,094</b>
<b>Liabilities</b>								
Due to credit institutions	74,025	65,955	6,305	15,901	14,614	19,756	6,125	202,681
Deposits and borrowing from the public	554,035	103,244	72,713	40,510	145,862	198,543	5,384	1,120,291
<i>of which corporates</i>	223,411	85,483	51,814	23,753	104,966	196,231	4,909	690,567
<i>of which households</i>	330,624	17,761	20,899	16,757	40,896	2,312	475	429,724
Issued securities	436,694	254,931	24,262	442	86,677	425,266	36,264	1,264,536
Subordinated liabilities	8,308	14,432	-	-	-	10,042	-	32,782
Other items not broken down by currency, incl. equity	340,804							340,804
<b>Total liabilities and equity</b>	<b>1,413,866</b>	<b>438,562</b>	<b>103,280</b>	<b>56,853</b>	<b>247,153</b>	<b>653,607</b>	<b>47,773</b>	<b>2,961,094</b>
Other assets and liabilities broken down by currency (net)		116,415	-156,285	-57,490	-51,084	356,199	34,600	
<b>Net foreign currency position</b>		<b>151</b>	<b>131</b>	<b>129</b>	<b>120</b>	<b>48</b>	<b>44</b>	<b>623</b>

31 December 2016								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	140	99,547	6,199	102	61,774	30,463	1,137	199,362
Other loans to central banks	4,820	-		20,269	394	-	44	25,527
Loans to other credit institutions	7,630	6,983	360	5	976	14,127	1,266	31,347
Loans to the public	1,220,175	187,649	232,704	92,299	192,953	28,636	9,206	1,963,622
<i>of which corporates</i>	460,084	128,416	139,985	36,741	128,371	28,413	8,287	930,297
<i>of which households</i>	760,091	59,233	92,719	55,558	64,582	223	919	1,033,325
Interest-bearing securities eligible as collateral with central banks	72,683	6,431	-	11	-	17,344	736	97,205
Bonds and other interest-bearing securities	43,464	2,181	1,329	-	1,701	15,234	-	63,909
Other items not broken down by currency	246,608							246,608
<b>Total assets</b>	<b>1,595,520</b>	<b>302,791</b>	<b>240,592</b>	<b>112,686</b>	<b>257,798</b>	<b>105,804</b>	<b>12,389</b>	<b>2,627,580</b>
<b>Liabilities</b>								
Due to credit institutions	36,630	73,200	4,454	17,700	4,775	27,768	14,254	178,781
Deposits and borrowing from the public	503,890	78,736	59,761	34,733	122,374	23,181	6,661	829,336
<i>of which corporates</i>	192,720	61,542	38,662	19,051	86,076	21,003	6,170	425,224
<i>of which households</i>	311,170	17,194	21,099	15,682	36,298	2,178	491	404,112
Issued securities	463,704	240,231	30,826	324	84,338	405,286	37,056	1,261,765
Subordinated liabilities	8,230	14,355	-	-	-	10,815	-	33,400
Other items not broken down by currency, incl. equity	324,298							324,298
<b>Total liabilities and equity</b>	<b>1,336,752</b>	<b>406,522</b>	<b>95,041</b>	<b>52,757</b>	<b>211,487</b>	<b>467,050</b>	<b>57,971</b>	<b>2,627,580</b>
Other assets and liabilities broken down by currency (net)		103,917	-145,364	-59,815	-46,342	361,349	45,650	
<b>Net foreign currency position</b>		<b>186</b>	<b>187</b>	<b>114</b>	<b>-31</b>	<b>103</b>	<b>68</b>	<b>627</b>

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

The requirements for the calculation of own funds and capital requirements are regulated in Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU, which comprise the EU's implementation of the international Basel III regulations. All references to CRR in this 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 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
<b>TIER 1 CAPITAL</b>					
Equity, Group	134,900	131,741	136,381	134,085	129,582
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year	-5,127	-2,595	-9,721	-6,400	-4,118
Adjustment of Group result	-429	-195	3,829	-162	34
Adjustment of Group equity	3,289	3,267	-593	3,532	3,518
Minority interests	-6	-6	-6	-6	-5
<b>Equity (consolidated entities)</b>	<b>132,627</b>	<b>132,212</b>	<b>129,890</b>	<b>131,049</b>	<b>129,011</b>
Deducted items					
Goodwill and other intangible assets	-9,513	-9,409	-9,355	-9,268	-8,433
Value adjustments (fair value)	-477	-633	-645	-637	-685
Special deduction for IRB institutions	-2,272	-2,270	-1,527	-1,567	-1,543
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-607	-622	-636	-593	-529
Adjustments in accordance with stability filter					
Cash flow hedges	-1,907	-2,749	-2,487	-7,850	-8,815
Unrealised accumulated gains, shares	-	-	-	-	-
<b>Common equity tier 1 capital, gross</b>	<b>117,851</b>	<b>116,529</b>	<b>115,240</b>	<b>111,134</b>	<b>109,006</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>117,851</b>	<b>116,529</b>	<b>115,240</b>	<b>111,134</b>	<b>109,006</b>
Additional tier 1 instruments	12,011	12,598	12,768	12,156	12,045
<b>Total tier 1 capital</b>	<b>129,862</b>	<b>129,127</b>	<b>128,008</b>	<b>123,290</b>	<b>121,051</b>
<b>TIER 2 CAPITAL</b>					
Subordinated loans	17,431	17,293	17,354	17,392	17,135
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>16,302</b>	<b>16,164</b>	<b>16,225</b>	<b>16,263</b>	<b>16,006</b>
<b>Total own funds</b>	<b>146,164</b>	<b>145,291</b>	<b>144,233</b>	<b>139,553</b>	<b>137,057</b>

## Capital ratios and buffers

	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Common equity tier 1 ratio, CRR	23.4%	23.8%	25.1%	24.0%	23.0%
Tier 1 ratio, CRR	25.8%	26.4%	27.9%	26.6%	25.5%
Total capital ratio, CRR	29.0%	29.7%	31.4%	30.1%	28.9%
Risk exposure amount CRR	504,199	489,456	458,787	463,675	474,500
Own funds in relation to capital requirement according to Basel I floor	148%	149%	148%	144%	142%
Institution-specific buffer requirements*	6.6%	6.6%	6.4%	6.4%	6.4%
<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>	1.1%	1.1%	0.9%	0.9%	0.9%
<i>of which systemic risk buffer requirement</i>	3.0%	3.0%	3.0%	3.0%	3.0%
Common equity tier 1 capital available for use as a buffer	18.9%	19.3%	20.6%	19.5%	18.5%

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

## Capital requirement

	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
SEK m					
Credit risk according to standardised approach	6,609	6,330	6,472	6,336	6,186
Credit risk according to IRB Approach	27,560	26,334	23,950	24,476	25,603
Market risks	800	936	873	817	711
Credit valuation adjustment risk (CVA)	438	627	594	650	645
Operational risk	4,929	4,929	4,815	4,815	4,815
<b>Total capital requirement</b>	<b>40,336</b>	<b>39,156</b>	<b>36,704</b>	<b>37,094</b>	<b>37,960</b>
Adjustment according to Basel I floor	60,239	59,790	61,531	61,134	59,499
<b>Capital requirement, Basel I floor</b>	<b>100,575</b>	<b>98,946</b>	<b>98,235</b>	<b>98,228</b>	<b>97,459</b>
Total own funds, Basel I floor	148,436	147,561	145,760	141,120	138,600

## Risk exposure amount

	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
SEK m					
Credit risk according to standardised approach	82,608	79,126	80,896	79,204	77,323
Credit risk according to IRB Approach	344,497	329,180	299,370	305,951	320,041
Market risk	10,004	11,705	10,910	10,216	8,890
Credit valuation adjustment risk (CVA)	5,477	7,832	7,429	8,122	8,064
Operational risk	61,613	61,613	60,182	60,182	60,182
<b>Total risk exposure amount</b>	<b>504,199</b>	<b>489,456</b>	<b>458,787</b>	<b>463,675</b>	<b>474,500</b>

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

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Sovereign and central banks	98	255,748	0	77	0	6	0.0	0.0
Municipalities	1	54,908	0	22	0	2	0.0	0.0
Multilateral development banks	592	636	0	0	0	0	0.0	0.0
International organisations	0	49	0	0	0	0	0.0	0.0
Institutions	6,257	4,215	373	343	30	27	6.0	8.1
Corporates	11,458	10,640	11,348	10,017	908	801	99.0	94.1
Households	16,990	17,042	12,703	12,737	1,016	1,019	74.8	74.7
Collateral in real estate	97,700	92,087	35,095	33,316	2,808	2,665	35.9	36.2
Past due items	255	199	333	258	27	21	130.6	129.6
Collective investment undertakings	88	0	88	0	7	0	100.0	0.0
Equities	6,784	6,796	16,114	16,126	1,289	1,290	237.5	237.3
Other items	7,148	8,571	6,554	8,000	524	641	91.7	93.4
<b>Total</b>	<b>147,371</b>	<b>450,891</b>	<b>82,608</b>	<b>80,896</b>	<b>6,609</b>	<b>6,472</b>	<b>56.1</b>	<b>17.9</b>

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

## Credit risks IRB

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Sovereign and central banks</b>	<b>581,859</b>		<b>9,659</b>		<b>772</b>		<b>1.7</b>	
<b>Corporate</b>	<b>840,765</b>	<b>821,000</b>	<b>230,800</b>	<b>194,650</b>	<b>18,464</b>	<b>15,572</b>	<b>27.5</b>	<b>23.7</b>
Corporate lending	818,366	798,330	226,639	190,709	18,131	15,257	27.7	23.9
<i>of which other loans foundation approach *</i>	109,110	116,048	30,858	35,946	2,469	2,876	28.3	31.0
<i>of which other loans advanced approach *</i>	709,256	682,282	195,781	154,763	15,662	12,381	27.6	22.7
<i>of which large companies</i>	149,881	126,774	55,131	57,176	4,411	4,574	36.8	45.1
<i>of which medium-sized companies</i>	78,803	81,640	37,042	32,486	2,963	2,599	47.0	39.8
<i>of which property companies</i>	480,572	473,868	103,608	65,101	8,288	5,208	21.6	13.7
Counterparty risk	22,399	22,670	4,161	3,941	333	315	18.6	17.4
<b>Housing co-operative associations</b>	<b>186,293</b>	<b>187,897</b>	<b>8,871</b>	<b>7,555</b>	<b>710</b>	<b>604</b>	<b>4.8</b>	<b>4.0</b>
<b>Retail</b>	<b>1,000,376</b>	<b>982,270</b>	<b>71,523</b>	<b>72,398</b>	<b>5,722</b>	<b>5,792</b>	<b>7.1</b>	<b>7.4</b>
Private individuals	974,568	955,346	64,412	65,258	5,153	5,221	6.6	6.8
<i>of which property loans</i>	897,973	874,253	50,295	48,178	4,024	3,854	5.6	5.5
<i>of which other loans</i>	76,595	81,093	14,117	17,080	1,129	1,367	18.4	21.1
Small companies	25,808	26,924	7,111	7,140	569	571	27.6	26.5
<i>of which property loans</i>	7,317	7,650	1,846	1,706	148	137	25.2	22.3
<i>of which other loans</i>	18,491	19,274	5,265	5,434	421	434	28.5	28.2
<b>Institutions</b>	<b>86,065</b>	<b>105,185</b>	<b>14,007</b>	<b>17,397</b>	<b>1,121</b>	<b>1,392</b>	<b>16.3</b>	<b>16.5</b>
Lending to institutions	15,523	20,066	5,128	6,175	410	494	33.0	30.8
Counterparty risk	70,542	85,119	8,879	11,222	710	898	12.6	13.2
<i>of which repos and securities loans</i>	18,069	14,070	312	631	25	50	1.7	4.5
<i>of which derivatives</i>	52,473	71,049	8,567	10,591	685	848	16.3	14.9
<b>Equity exposures</b>	<b>2,128</b>	<b>1,340</b>	<b>7,262</b>	<b>4,959</b>	<b>581</b>	<b>397</b>	<b>341.2</b>	<b>370.0</b>
<i>of which listed shares</i>	766	-	2,220	-	178	-	290.0	-
<i>of which other shares</i>	1,362	1,340	5,042	4,959	403	397	370.0	370.0
<b>Non credit-obligation assets</b>	<b>2,353</b>	<b>2,387</b>	<b>2,353</b>	<b>2,387</b>	<b>188</b>	<b>191</b>	<b>100.0</b>	<b>100.0</b>
<b>Securitisation positions</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>24</b>	<b>2</b>	<b>2</b>	<b>106.0</b>	<b>105.9</b>
<i>of which Traditional securitisation</i>	21	22	22	24	2	2	106.0	105.9
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
<b>Total IRB Approach</b>	<b>2,699,860</b>	<b>2,100,101</b>	<b>344,497</b>	<b>299,370</b>	<b>27,560</b>	<b>23,950</b>	<b>12.8</b>	<b>14.3</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 in accordance with CRR. There are two different IRB Approaches: the IRB Approach without own estimates of LGD and CCF, and the IRB Approach with own estimates of LGD and CCF.

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

Handelsbanken uses the IRB Approach without own estimates of LGD and CCF for exposures to institutions and for certain product and collateral types for corporate exposures and, starting from Q2 2017, for sovereign exposures in the whole of the regional banking operations and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB, Ecster AB, Handelsbanken Finans (Shanghai) Financial Leasing Co. Ltd and Rahoitus Oy.

The IRB Approach with own estimates of LGD and CCF is applied to the majority of exposures to large corporates, medium-sized companies, property companies and housing co-operative associations in regional bank operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and

Handelsbanken Finans AB, Ecster AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB, Ecster AB, and Rahoitus Oy.

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

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

The total average risk weight for exposures approved for the IRB Approach decreased during the quarter, amounting to 12.8% (15.6). The reason why the average risk weight has decreased is that sovereign exposures began to be reported in accordance with the IRB Approach during the quarter, and these have an average risk weight of 1.7%.

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 1 and 5 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 margins of conservatism to ensure that the risk is not underestimated.

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

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

### Capital requirement market risks

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Position risk in the trading book	793	928	864	810	703
Interest rate risk	784	917	855	801	694
<i>of which general risk</i>	497	616	598	651	534
<i>of which specific risk</i>	287	300	256	149	158
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
<i>of which non-delta risk</i>	0	1	1	1	2
Equity price risk	9	11	9	9	9
<i>of which general risk</i>	1	2	1	1	1
<i>of which specific risk</i>	4	4	3	4	3
<i>of which mutual funds</i>	1	0	0	0	1
<i>of which non-delta risk</i>	3	5	5	4	4
Exchange rate risk	-	-	-	-	-
<i>of which non-delta risk</i>	-	-	-	-	-
Commodities risk	7	8	9	7	8
<i>of which non-delta risk</i>	0	0	0	0	0
Settlement risk	0	-	0	0	0
<b>Total capital requirement for market risks</b>	<b>800</b>	<b>936</b>	<b>873</b>	<b>817</b>	<b>711</b>

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

### Capital requirement operational risk

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

### Leverage ratio

The provisions of CRR include a reporting requirement regarding a non-risk-based leverage ratio. The measurement is to undergo evaluation and no decision to make it mandatory has yet been taken.

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Balance sheet according to accounting regulations	2,961,094	2,922,929	2,627,580	2,908,935	3,030,645
Deduction for assets not included in the banking group	-123,620	-120,443	-114,858	-112,161	-103,215
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-21,485	-26,092	-20,341	-27,185	-24,710
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	3,342	3,860	4,436	5,295	6,252
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>500,667</i>	<i>485,559</i>	<i>492,788</i>	<i>494,872</i>	<i>486,570</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-321,387</i>	<i>-312,461</i>	<i>-314,413</i>	<i>-313,706</i>	<i>-309,195</i>
Assets reported off the balance sheet, net	179,280	173,098	178,375	181,166	177,375
Additional adjustment	-14,775	-15,683	-14,650	-19,915	-21,106
<b>Assets on which the leverage ratio is calculated</b>	<b>2,983,836</b>	<b>2,937,669</b>	<b>2,660,542</b>	<b>2,936,135</b>	<b>3,065,241</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	129,862	129,127	128,008	123,290	121,051
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	4.4%	4.4%	4.8%	4.2%	3.9%

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 19 Risk and liquidity

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

### Risk and uncertainty factors

Handelsbanken provides credit through its branch operations, exercising a low risk tolerance. The credit process is based on the conviction that a decentralised organisation with local presence ensures high quality in credit decisions. Handelsbanken's exposure to market risks is also low. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. 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. The UK's decision to leave the EU means there is uncertainty regarding the regulations that will apply to the Bank's British operations. The Bank is preparing for the implementation of Brexit in close consultation with public authorities in both Sweden and the UK. The Bank's low tolerance of risk, 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. 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 many years, the Bank has actively worked with liquidity measures and has adopted a conservative approach. Part of this work has involved centralising liquidity management with the purpose of strengthening control of the liquidity risks and of guaranteeing and optimising the Bank's funding in all scenarios.

For many years, the Bank has worked 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 in all currencies of relevance to the Bank.

### Funding programmes/limits as at 30 June 2017 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	5,981	57,602
ECP (Stadshypotek)*	EUR	4,000	-	-
French Commercial Paper	EUR	7,500	1,839	17,706
Swedish Commercial Paper	SEK	25,000	-	-
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	-	-
USCP	USD	15,000	5,462	46,063
AMTN	AUD	5,000	1,275	8,266
AMTCN (Stadshypotek)	AUD	5,000	750	4,863
EMTN*	USD	50,000	20,983	176,964
EMTCN (Stadshypotek)*	EUR	20,000	10,002	96,327
US 144A/3(a)(2)	USD	20,000	10,650	89,819
Stadshypotek US 144A	USD	15,000	5,000	42,169
Samurai	JPY	400,000	160,700	12,084
MTN*	SEK	100,000	10,979	10,979
General funding >1 Y*	USD	15,000	3,447	29,071
Extendible Notes	USD	15,000	-	-
<b>Total</b>				<b>591,913</b>
Total programme (or limited) amounts, SEK m		1,854,124		
Unutilised amount, SEK m		1,262,211		
<b>Available amount</b>		<b>68%</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 664bn as at 30 June 2017 (see table below). In addition, there was an unutilised

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

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

Market value					
SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Cash and balances with and other lending to central banks	489,210	465,038	224,533	456,491	582,590
Balances with banks and the National Debt Office, overnight	1,555	2,301	7,712	803	1,807
Securities issued by governments and public entities	123,699	99,652	96,217	106,938	104,133
Covered bonds	48,011	53,093	53,647	53,458	50,101
Securities issued by non-financial companies	934	287	27	797	614
Securities issued by financial companies	106	301	124	242	142
<b>Total</b>	<b>663,515</b>	<b>620,672</b>	<b>382,260</b>	<b>618,729</b>	<b>739,387</b>
<i>of which in SEK</i>	<i>135,228</i>	<i>151,277</i>	<i>126,241</i>	<i>192,224</i>	<i>160,997</i>
<i>of which in EUR</i>	<i>122,095</i>	<i>123,353</i>	<i>108,380</i>	<i>135,707</i>	<i>83,698</i>
<i>of which in USD</i>	<i>246,228</i>	<i>195,289</i>	<i>47,449</i>	<i>179,920</i>	<i>366,669</i>
<i>of which in other currencies</i>	<i>159,964</i>	<i>150,753</i>	<i>100,190</i>	<i>110,878</i>	<i>128,023</i>

30 June 2017					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	4,773	113,069	220,621	150,747	489,210
Balances with other banks and the National Debt Office, overnight	1,380	26	22	127	1,555
Securities issued by governments	88,338	6,829	19,565	-	114,732
Securities issued by municipalities and other public entities	2,927	-	6,020	20	8,967
Covered bonds, external issuers	33,710	2,092	-	9,070	44,872
Own covered bonds	3,139	-	-	-	3,139
Securities issued by non-financial companies	899	35	-	-	934
Securities issued by financial companies	62	44	-	-	106
<b>Total</b>	<b>135,228</b>	<b>122,095</b>	<b>246,228</b>	<b>159,964</b>	<b>663,515</b>

## Maturities for financial assets and liabilities

30 June 2017 SEK m	Up to 1 mth	1 - 6 mths	6 - 12 mths	1 - 2 yrs	2 - 5 yrs	5 yrs -	Unspec. maturity	Total
<b>Assets</b>								
Cash and balances with central banks	489,566	-	-	-	-	-	-	489,566
Interest-bearing securities eligible as collateral with central banks	119,603	-	-	-	-	-	-	119,603
Bonds and other interest-bearing securities	61,243	-	-	-	-	-	-	61,243
Loans to credit institutions	26,897	1,282	1,256	129	1,627	2,335	-	33,526
-of which reverse repos	11,175	-	-	-	-	-	-	11,175
Loans to the public	45,187	239,645	179,395	176,293	373,101	997,834	-	2,011,455
-of which reverse repos	8,322	-	-	-	-	-	-	8,322
Other	29,361	-	-	-	-	-	216,340	245,701
-of which shares and participating interests	21,353	-	-	-	-	-	-	21,353
-of which claims on investment banking settlements	8,008	-	-	-	-	-	-	8,008
<b>Total</b>	<b>771,857</b>	<b>240,927</b>	<b>180,651</b>	<b>176,422</b>	<b>374,728</b>	<b>1,000,169</b>	<b>216,340</b>	<b>2,961,094</b>
<b>Liabilities</b>								
Due to credit institutions	119,339	53,237	1,774	4,612	281	4,864	18,574	202,681
-of which repos	-	-	-	-	-	-	-	0
-of which deposits from central banks	34,140	28,576	518	-	-	-	1,722	64,956
Deposits and borrowing from the public	192,488	44,486	4,863	754	2,346	5,806	869,548	1,120,291
-of which repos	332	-	-	-	-	-	-	332
Issued securities	98,518	307,128	178,904	183,164	417,331	79,491	-	1,264,536
-of which covered bonds	-	11,464	108,556	114,238	287,725	48,220	-	570,203
-of which certificates and other securities with original maturity of less than one year	81,484	271,853	37,952	-	-	-	-	391,289
-of which senior bonds and other securities with original maturity of more than one year	17,034	23,811	32,396	68,926	129,606	31,271	-	303,044
Subordinated liabilities	-	2,971	-	19,787	10,024	-	-	32,782
Other	12,518	-	-	-	-	-	328,286	340,804
-of which short positions	7,876	-	-	-	-	-	-	7,876
-of which investment banking settlement debts	4,642	-	-	-	-	-	-	4,642
<b>Total</b>	<b>422,863</b>	<b>407,822</b>	<b>185,541</b>	<b>208,317</b>	<b>429,982</b>	<b>90,161</b>	<b>1,216,408</b>	<b>2,961,094</b>

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

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

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

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

## Liquidity coverage ratio (LCR)

	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Liquidity coverage ratio (LCR), %					
EUR	132	178	136	178	181
USD	177	236	322	164	121
<b>Total*</b>	<b>120</b>	<b>148</b>	<b>126</b>	<b>162</b>	<b>139</b>

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

	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Liquidity coverage ratio (LCR) - decomposition, SEK m					
<b>Liquid assets</b>	<b>650,117</b>	<b>606,507</b>	<b>290,058</b>	<b>416,189</b>	<b>433,824</b>
Liquid assets level 1	613,808	565,626	251,189	375,318	394,887
Liquid assets level 2	36,309	40,881	38,869	40,871	38,937
<b>Cash outflows</b>	<b>593,185</b>	<b>489,050</b>	<b>359,659</b>	<b>514,967</b>	<b>697,349</b>
Deposits from customers	242,608	220,330	173,496	191,610	169,582
Market funding	308,352	228,791	151,735	284,083	486,320
Other cash flows	42,225	39,929	34,428	39,274	41,447
<b>Cash inflows</b>	<b>50,132</b>	<b>79,554</b>	<b>129,176</b>	<b>258,526</b>	<b>384,619</b>
Inflows from maturing lending to non-financial customers	14,486	22,186	21,146	18,618	26,985
Other cash inflows	35,646	57,368	108,030	239,908	357,634

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 in 2017 is 80%, and this will be raised to 100% by 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 a stricter LCR measurement, mainly in terms of deposit outflow assumptions and the composition of the liquidity portfolio. The minimum requirement for the net stable funding ratio is expected to be introduced in the EU in 2018 at the earliest.

At the end of the second quarter, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 120%, which shows that the Bank has high resistance to short-term disruptions in the funding market. This also applies in USD and EUR. The LCR, as an average of daily observations according to

the same regulation, was 132% during the first six months. The Bank's LCR, calculated according to the European Commission's delegated act, was 136%.

## 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 June 2017		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	664	74%
Mortgage loans	553	136%
Other household lending	185	156%
Property company lending lowest risk class (1-3)	265	186%
Other corporate lending lowest risk class (1-3)	150	203%
Loans to credit institutions lowest risk class (1-3)	28	206%
Other corporate lending	249	234%
Other assets	23	236%
<b>Total non-encumbered assets (NEA)</b>	<b>2,117</b>	<b>236%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>57</b>	
Encumbered assets with underlying liabilities	787	
<b>Total assets, Group</b>	<b>2,961</b>	

31 December 2016		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	382	46%
Mortgage loans	470	102%
Other household lending	182	124%
Property company lending lowest risk class (1-3)	260	155%
Other corporate lending lowest risk class (1-3)	144	172%
Loans to credit institutions lowest risk class (1-3)	32	176%
Other corporate lending	241	205%
Other assets	44	210%
<b>Total non-encumbered assets (NEA)</b>	<b>1,755</b>	<b>210%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>61</b>	
Encumbered assets with underlying liabilities	812	
<b>Total assets, Group</b>	<b>2,628</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 20 Related-party transactions

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

## Note 21 Segment reporting

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

## Note 22 Events after the balance sheet date

No significant events occurred after the balance sheet date.

## Condensed set of financial statements – Parent company

### INCOME STATEMENT – PARENT COMPANY

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
Net interest income	4,131	3,845	7%	3,644	13%	7,976	7,233	10%	15,011
Dividends received	1,043	-3		2,481	-58%	1,040	4,783	-78%	17,045
Net fee and commission income	1,731	1,620	7%	1,665	4%	3,351	3,228	4%	6,509
Net gains/losses on financial transactions	263	602	-56%	469	-44%	865	1,667	-48%	3,076
Other operating income	419	394	6%	392	7%	813	775	5%	1,647
<b>Total income</b>	<b>7,587</b>	<b>6,458</b>	<b>17%</b>	<b>8,651</b>	<b>-12%</b>	<b>14,045</b>	<b>17,686</b>	<b>-21%</b>	<b>43,288</b>
Staff costs	-3,122	-2,631	19%	-2,604	20%	-5,753	-5,661	2%	-10,427
Other administrative expenses	-1,372	-1,379	-1%	-1,310	5%	-2,751	-2,555	8%	-5,224
Depreciation, amortisation and impairment of property, equipment and intangible assets	-261	-270	-3%	-133	96%	-531	-265	100%	-591
<b>Total expenses before loan losses</b>	<b>-4,755</b>	<b>-4,280</b>	<b>11%</b>	<b>-4,047</b>	<b>17%</b>	<b>-9,035</b>	<b>-8,481</b>	<b>7%</b>	<b>-16,242</b>
<b>Profit before loan losses</b>	<b>2,832</b>	<b>2,178</b>	<b>30%</b>	<b>4,604</b>	<b>-38%</b>	<b>5,010</b>	<b>9,205</b>	<b>-46%</b>	<b>27,046</b>
Net loan losses	-194	-188	3%	-259	-25%	-382	-435	-12%	-1,730
Impairment of financial assets	-	-		-		-	-		-20
<b>Operating profit</b>	<b>2,638</b>	<b>1,990</b>	<b>33%</b>	<b>4,345</b>	<b>-39%</b>	<b>4,628</b>	<b>8,770</b>	<b>-47%</b>	<b>25,296</b>
Appropriations	29	28	4%	13	123%	57	50	14%	-193
<b>Profit before tax</b>	<b>2,667</b>	<b>2,018</b>	<b>32%</b>	<b>4,358</b>	<b>-39%</b>	<b>4,685</b>	<b>8,820</b>	<b>-47%</b>	<b>25,103</b>
Taxes	-447	-527	-15%	-432	3%	-974	-775	26%	-4,503
<b>Profit for the period</b>	<b>2,220</b>	<b>1,491</b>	<b>49%</b>	<b>3,926</b>	<b>-43%</b>	<b>3,711</b>	<b>8,045</b>	<b>-54%</b>	<b>20,600</b>

### STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full year 2016
<b>Profit for the period</b>	<b>2,220</b>	<b>1,491</b>	<b>49%</b>	<b>3,926</b>	<b>-43%</b>	<b>3,711</b>	<b>8,045</b>	<b>-54%</b>	<b>20,600</b>
<b>Other comprehensive income</b>									
<b>Items that may subsequently be reclassified to profit or loss</b>									
Cash flow hedges	-286	1,010		996		724	2,913	-75%	-1,882
Available-for-sale instruments	21	37	-43%	536	-96%	58	-564		-1,152
Translation differences for the period	-850	-1,187	28%	686		-2,037	-467	-336%	387
<i>of which hedging net investment in foreign operations</i>	-18	-802	98%	29		-820	-174	-371%	-65
Tax related to other comprehensive income	57	-48		-226		9	-546		538
<i>of which cash flow hedges</i>	55	-222		-219		-167	-641	74%	414
<i>of which available-for-sale instruments</i>	-2	-2	0%	0		-4	57		110
<i>of which hedging net investment in foreign operations</i>	4	176	-98%	-7		180	38	374%	14
<b>Total items that may subsequently be reclassified to profit or loss</b>	<b>-1,058</b>	<b>-188</b>	<b>-463%</b>	<b>1,992</b>		<b>-1,246</b>	<b>1,336</b>		<b>-2,109</b>
<b>Total other comprehensive income for the period</b>	<b>-1,058</b>	<b>-188</b>	<b>-463%</b>	<b>1,992</b>		<b>-1,246</b>	<b>1,336</b>		<b>-2,109</b>
<b>Total comprehensive income for the period</b>	<b>1,162</b>	<b>1,303</b>	<b>-11%</b>	<b>5,918</b>	<b>-80%</b>	<b>2,465</b>	<b>9,381</b>	<b>-74%</b>	<b>18,491</b>

### Comment on results for parent company, January – June 2017 compared with January – June 2016

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 decreased by 47% to SEK 4,628m (8,770), chiefly owing to reduced dividends, as well as lower net gains/losses on financial transactions. Profit for the period decreased by 54% to SEK 3,711m (8,045). Net interest income rose by 10% to SEK 7,976m (7,233), and net fee and commission income increased by 4% to SEK 3,351m (3,228). Since the start of the year, the parent company's equity has decreased to SEK 109,358m (116,642).

## BALANCE SHEET – PARENT COMPANY

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
<b>Assets</b>					
Cash and balances with central banks	436,848	387,092	199,362	353,680	501,696
Interest-bearing securities eligible as collateral with central banks	116,399	94,096	94,236	116,301	114,485
Loans to credit institutions	692,429	670,211	593,125	684,565	638,845
Loans to the public	779,600	778,918	763,567	781,690	770,214
Bonds and other interest-bearing securities	57,779	61,788	60,311	50,394	42,794
Shares	20,400	22,363	19,339	34,838	51,704
Shares in subsidiaries and investments in associates	47,205	46,358	46,363	46,382	45,773
Assets where the customer bears the value change risk	4,079	3,969	4,172	3,860	3,743
Derivative instruments	66,804	77,322	87,061	82,232	96,260
Intangible assets	2,428	2,336	2,268	2,146	2,056
Property, equipment and leasing assets	2,911	2,914	2,970	1,101	1,081
Current tax assets	1,313	448	-	2,322	1,484
Deferred tax assets	310	365	425	472	471
Other assets	8,968	12,727	16,713	13,307	20,061
Prepaid expenses and accrued income	4,139	3,761	4,792	4,075	4,068
<b>Total assets</b>	<b>2,241,612</b>	<b>2,164,668</b>	<b>1,894,704</b>	<b>2,177,365</b>	<b>2,294,735</b>
<b>Liabilities and equity</b>					
Due to credit institutions	212,715	209,637	189,176	218,830	217,291
Deposits and borrowing from the public	1,118,658	1,048,659	827,753	1,007,257	1,132,359
Liabilities where the customer bears the value change risk	4,166	4,027	4,271	3,927	3,793
Issued securities	684,792	674,987	648,977	712,465	707,071
Derivative instruments	48,645	44,266	54,491	57,377	59,539
Short positions	7,876	11,753	1,572	11,441	8,581
Current tax liabilities	-	-	184	-	-
Deferred tax liabilities	932	1,066	1,066	2,026	2,234
Provisions	328	307	429	426	455
Other liabilities	12,909	20,939	8,786	12,931	14,383
Accrued expenses and deferred income	7,717	6,841	7,164	8,343	8,614
Subordinated liabilities	32,782	33,199	33,400	33,008	32,903
<b>Total liabilities</b>	<b>2,131,520</b>	<b>2,055,681</b>	<b>1,777,269</b>	<b>2,068,031</b>	<b>2,187,223</b>
<b>Untaxed reserves</b>	<b>734</b>	<b>762</b>	<b>793</b>	<b>535</b>	<b>539</b>
Share capital	3,013	3,013	3,013	3,008	3,001
Share premium	5,629	5,629	5,628	5,410	5,081
Other funds	8,218	9,156	9,242	12,056	12,456
Retained earnings	88,787	88,936	78,159	78,285	78,390
Profit for the period	3,711	1,491	20,600	10,040	8,045
<b>Total equity</b>	<b>109,358</b>	<b>108,225</b>	<b>116,642</b>	<b>108,799</b>	<b>106,973</b>
<b>Total liabilities and equity</b>	<b>2,241,612</b>	<b>2,164,668</b>	<b>1,894,704</b>	<b>2,177,365</b>	<b>2,294,735</b>

## CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

January – June 2017 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>3,013</b>	<b>2,682</b>	<b>1,766</b>	<b>5,628</b>	<b>-119</b>	<b>974</b>	<b>3,939</b>	<b>98,759</b>	<b>116,642</b>
Profit for the period								3,711	3,711
Other comprehensive income					557	54	-1,857		-1,246
<b>Total comprehensive income for the period</b>					<b>557</b>	<b>54</b>	<b>-1,857</b>	<b>3,711</b>	<b>2,465</b>
Dividend								-9,721	-9,721
Group contributions provided								-37	-37
Tax effect on Group contribution								8	8
Effects of convertible subordinated loans	0			1					1
Fund for internally developed software			222					-222	
<b>Closing equity</b>	<b>3,013</b>	<b>2,682</b>	<b>1,988</b>	<b>5,629</b>	<b>438</b>	<b>1,028</b>	<b>2,082</b>	<b>92,498</b>	<b>109,358</b>

January – December 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								20,600	20,600
Other comprehensive income					-1,468	-1,042	401		-2,109
<b>Total comprehensive income for the period</b>					<b>-1,468</b>	<b>-1,042</b>	<b>401</b>	<b>20,600</b>	<b>18,491</b>
Dividend								-11,442	-11,442
Effects of convertible subordinated loans	57			2,424					2,481
Fund for internally developed software			1,766					-1,766	
<b>Closing equity</b>	<b>3,013</b>	<b>2,682</b>	<b>1,766</b>	<b>5,628</b>	<b>-119</b>	<b>974</b>	<b>3,939</b>	<b>98,759</b>	<b>116,642</b>

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

\* Included in fair value fund.

During the January–June 2017 period, convertibles for a nominal value of SEK 1m (1,951) relating to subordinated convertible bonds were converted into 22,151 class A shares (28,800,955). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

## CASH FLOW STATEMENT, CONDENSED – PARENT COMPANY

SEK m	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Operating profit	4,628	8,770	25,296
Adjustment for non-cash items in profit/loss	1,465	-1,554	-12,351
Paid income tax	-2,477	-3,132	-5,281
Changes in the assets and liabilities of operating activities	246,605	290,041	-11,861
<b>Cash flow from operating activities</b>	<b>250,221</b>	<b>294,125</b>	<b>-4,197</b>
Acquisition / divestment of subsidiaries	-	-	-408
Change in shares	-843	950	5,437
Change in interest-bearing securities	-	1,000	1,000
Change in property and equipment	-363	-149	-2,257
Change in intangible assets	-319	-204	-598
<b>Cash flow from investing activities</b>	<b>-1,525</b>	<b>1,597</b>	<b>3,174</b>
Repayment of subordinated loans	-	1,951	-2,512
Issued subordinated loans	-	-	-
Dividend paid	-9,721	-11,442	-11,442
Received group contributions	12,220	10,971	10,971
<b>Cash flow from financing activities</b>	<b>2,499</b>	<b>1,480</b>	<b>-2,983</b>
<b>Liquid funds at beginning of the year</b>	<b>199,362</b>	<b>202,630</b>	<b>202,630</b>
Cash flow for the period	251,195	297,202	-4,006
Exchange rate difference on liquid funds	-13,709	1,864	738
<b>Liquid funds at end of year</b>	<b>436,848</b>	<b>501,696</b>	<b>199,362</b>



## OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

## Own funds and capital ratios – Parent company

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Common equity tier 1 capital	101,639	101,698	102,883	96,742	95,408
Total tier 1 capital	113,650	114,296	115,651	108,898	107,453
Total tier 2 capital	16,302	16,164	16,225	16,263	16,006
Total own funds	129,952	130,460	131,876	125,161	123,459
<b>Capital ratios and buffers</b>					
Common equity tier 1 ratio, CRR	21.8%	22.3%	23.4%	21.8%	20.8%
Tier 1 ratio, CRR	24.4%	25.0%	26.3%	24.5%	23.5%
Total capital ratio, CRR	27.9%	28.5%	30.0%	28.2%	27.0%
Risk exposure amount, CRR	466,443	456,975	439,657	444,468	457,600
Own funds in relation to capital requirement according to transitional rules	255%	258%	260%	244%	241%
Institution-specific buffer requirements	3.7%	3.6%	3.4%	3.4%	3.4%
<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>	1.2%	1.1%	0.9%	0.9%	0.9%
<i>of which systemic risk buffer requirement</i>	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	17.3%	17.8%	18.9%	17.3%	16.3%

## Capital requirement – Parent company

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Credit risk according to standardised approach	11,367	11,136	11,258	11,390	11,190
Credit risk according to IRB Approach	21,317	20,466	19,043	19,295	20,657
Market risk	800	936	873	817	711
Credit valuation adjustment risk (CVA)	438	627	594	650	645
Operational risk	3,393	3,393	3,405	3,405	3,405
<b>Total capital requirement</b>	<b>37,315</b>	<b>36,558</b>	<b>35,173</b>	<b>35,557</b>	<b>36,608</b>
Adjustment according to Basel I floor	14,421	14,686	16,010	16,137	15,147
<b>Capital requirement, Basel I floor</b>	<b>51,736</b>	<b>51,244</b>	<b>51,183</b>	<b>51,694</b>	<b>51,755</b>
Total own funds, Basel I floor	131,739	132,262	133,016	126,315	124,606

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

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Sovereign and central banks	0	14	6	4	5
Municipalities	0	2	2	3	1
Multilateral development banks	0	0	0	0	0
International organisations	0	0	0	0	0
Institutions	65	61	64	65	58
Corporates	903	771	783	917	818
Households	995	992	1,011	957	938
Collateral in real estate	2,808	2,762	2,665	2,574	2,487
Past due items	27	26	21	19	19
Equities	6,115	6,111	6,111	6,354	6,372
Other items	455	397	595	497	492
<b>Total</b>	<b>11,367</b>	<b>11,136</b>	<b>11,258</b>	<b>11,390</b>	<b>11,190</b>

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

## Capital requirement credit risks IRB – Parent company

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Sovereign and central banks	587				
Corporates	16,429	15,875	14,512	15,107	15,314
Households	2,050	2,261	2,265	2,343	2,335
Private individuals	1,575	1,779	1,788	1,847	1,831
<i>of which property loans</i>	845	821	812	836	830
<i>of which other loans</i>	730	958	976	1,011	1,001
Small companies	475	482	477	496	504
Institutions	1,121	1,443	1,392	1,301	1,381
Equity exposures	1,038	794	780	456	1,541
<i>of which listed shares</i>	-	-	-	-	949
<i>of which other shares</i>	1,038	794	780	456	593
Non credit-obligation assets	90	91	92	88	86
Securitisation positions	2	2	2	0	0
<b>Total IRB</b>	<b>21,317</b>	<b>20,466</b>	<b>19,043</b>	<b>19,295</b>	<b>20,657</b>

## Capital requirement market risks – Parent company

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Position risk in the trading book	793	928	864	810	703
Interest rate risk	784	917	855	801	694
<i>of which positions in securitisation instruments</i>	-	-	-	-	0
Equity price risk	9	11	9	9	9
Exchange rate risk	-	-	-	-	-
Commodities risk	7	8	9	7	8
Settlement risk	0	-	0	0	0
<b>Total capital requirement for market risks</b>	<b>800</b>	<b>936</b>	<b>873</b>	<b>817</b>	<b>711</b>

## Leverage ratio – Parent company

SEK m	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Balance sheet according to accounting regulations	2,241,612	2,164,668	1,894,704	2,177,365	2,294,735
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-23,522	-24,891	-12,825	-18,977	-16,621
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	3,342	3,856	4,440	5,447	8,471
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>541,924</i>	<i>530,052</i>	<i>539,468</i>	<i>539,151</i>	<i>531,167</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-352,673</i>	<i>-345,307</i>	<i>-348,431</i>	<i>-347,254</i>	<i>-343,000</i>
Assets reported off the balance sheet, net	189,251	184,745	191,037	191,897	188,167
Additional adjustment	-619,930	-574,506	-572,136	-563,981	-8,361
<b>Assets on which the leverage ratio is calculated</b>	<b>1,790,753</b>	<b>1,753,872</b>	<b>1,505,220</b>	<b>1,791,751</b>	<b>2,466,391</b>
<b>Capital on which the leverage ratio can be calculated</b>					
Tier 1 capital	113,650	114,296	115,651	108,898	107,453
<b>Leverage ratio</b>					
Leverage ratio calculated on tier 1 capital	6.3%	6.5%	7.7%	6.1%	4.4%

We hereby declare that this half-yearly report provides a true and fair view of the Bank's and the Group's operations, financial position and performance and describes material risks and uncertainty factors faced by the Bank and the companies that are part of the Group.

Stockholm, 18 July 2017

Pär Boman  
Chairman of the Board

Fredrik Lundberg  
Vice Chairman

Karin Apelman  
Board Member

Jon Fredrik Baksaas  
Board Member

Kerstin Hessius  
Board Member

Jan-Erik Höög  
Board Member

Ole Johansson  
Board Member

Lise Kaae  
Board Member

Benthe Rathe  
Board Member

Charlotte Skog  
Board Member

Anders Bouvin  
Group Chief Executive

## PRESS AND TELEPHONE CONFERENCE

A press and analyst conference is being arranged at the Bank's head office at 9 a.m. (CET) on 18 July.

A phone conference will be held at 10:30 a.m. (CET) on 18 July.

Press releases, presentations, the Fact Book and a recording of the telephone conference will be available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng).

The interim report for January–September 2017 will be published on 18 October 2017.

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## Auditors' review report

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

### INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 June 2017 and for the six-month period then ended. 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.

### SCOPE OF THE REVIEW

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

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

### CONCLUSION

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

Stockholm, 18 July 2017

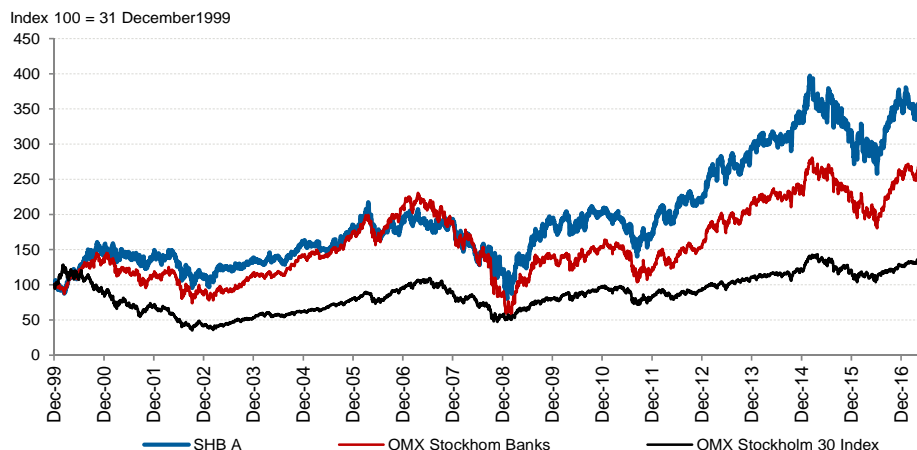
Ernst & Young AB  
Jesper Nilsson, Authorised Public Accountant

PricewaterhouseCoopers AB  
Johan Rippe, Authorised Public Accountant

## Share price performance and other information

The Swedish stock market grew by 6% during the first six months of the year. The Stockholm stock exchange's bank index rose by 1%. Handelsbanken's class A shares closed at SEK 120.60, a decline of 5%, but including the dividend paid amounting to SEK 5.00, the total return was -1%. Since 1 January 2000, Handelsbanken's share price has increased by 238%, excluding dividends, while the Stockholm stock exchange has risen by 34%.

### SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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