Annual Report 2016

Handelsbanken

This is Handelsbanken

Handelsbanken is a full-service bank for both private and corporate customers. The Bank has a nationwide branch network in Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The Bank regards these countries as its home markets. Handelsbanken was founded in 1871 and has operations in more than 20 countries.

More satisfied customers than the sector average in all six of our home markets.*

145 years of availability.

More than 800 branches in our six home markets.

45 years running with better profitability than the average of peer banks in home markets.

SATISFIED CUSTOMERS IN ALL OUR HOME MARKETS*

Every year, EPSI Rating/SKI (Swedish Quality Index) carries out independent surveys of customer satisfaction. This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. Thus the Bank continues to have a strong position in terms of customer satisfaction.

In Sweden, Handelsbanken has had the most satisfied customers for 28 years running according to SKI*.

HANDELSBANKEN'S CREDIT RATING IS TOP OF GLOBAL BANKS

Handelsbanken is one of few banks with an AA credit rating. In May, the Fitch credit rating agency upgraded Handelsbanken's long-term rating to AA from AA-. Handelsbanken is the only bank in Europe with such a high rating from Fitch. In 2015, Handelsbanken also received a raised credit rating from Moody's to the equivalent level. No other bank in the world has a higher rating than Handelsbanken in terms of bank ratings from Fitch, Moody's and Standard & Poor's.

CREATING SHAREHOLDER VALUE

Handelsbanken is one of few banks in Europe which has created positive shareholder value since the financial crisis started in autumn 2007. Handelsbanken is the only commercial bank on the Stockholm stock exchange which has not needed to ask its shareholders for new capital during this period.

During the past five years – since 31 December 2011 – Handelsbanken has generated positive shareholder value of SEK 179 billion. Market capitalisation has grown by SEK 133 billion, while Handelsbanken has paid out SEK 46 billion in dividends to shareholders.

* According to EPSI Rating/SKI (Swedish Quality Index). Since SKI surveys started in 1989, Handelsbanken has had the most satisfied private customers among the four major Swedish banks – Handelsbanken, Nordea, SEB and Swedbank.

Highlights of the year

Operating profit rose by 1 per cent to SEK 20,633 million (20,475).

The period's profit after tax for total operations decreased by 1 per cent to SEK 16,245 million (16,343).

Earnings per share for total operations were SEK 8.43 (8.57).

Return on equity for total operations declined to 13.1 per cent (13.5).

Income increased by 1 per cent to SEK 40,763 million (40,336).

Net interest income rose by 1 per cent to SEK 27,943 million (27,740).

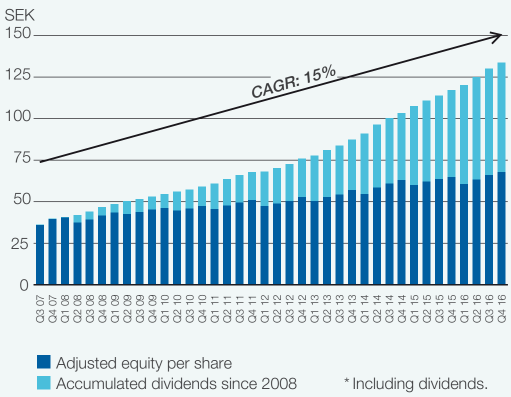
The loan loss ratio was unchanged at 0.09 per cent (0.09).

The common equity tier 1 ratio increased to 25.1 per cent (21.2) and the total capital ratio rose to 31.4 per cent (27.2).

Lending growth was maintained in all home markets.

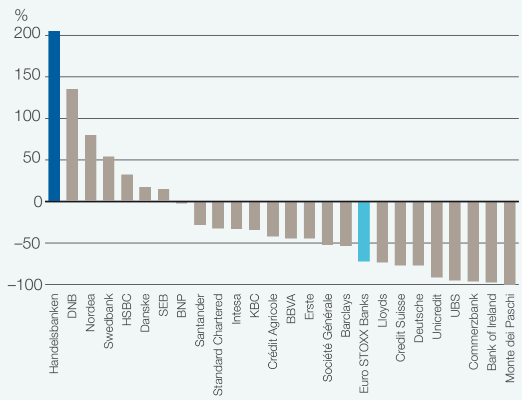
The Board proposes an ordinary dividend of SEK 5.00 per share and an extension of the existing share repurchasing mandate for another year.

Average growth in equity 2007–2016*



* Including dividends.

Total return since the start of the financial crisis 30 June 2007–31 December 2016



Source: SNL, as at 31 December 2016 (dividends reinvested).

Brief information

Handelsbanken's Annual General Meeting 2017

Location: Grand Hôtel, Winter Garden, Royal entrance, Stallgatan 4, Stockholm.
Time: Wednesday, 29 March 2017 at 10.00 a.m.

Notice of attendance

Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB (formerly VPC AB), by Thursday, 23 March 2017 at the latest. Notice of attendance is to be made to Handelsbanken, Corporate Governance, SE-106 70 Stockholm, Sweden, telephone +46 8 701 19 84, or via handelsbanken.se/ireng by Thursday, 23 March 2017 at the latest.

To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request a temporary entry in the register of shareholders kept by Euroclear. Shareholders must notify the nominee of this well before Thursday, 23 March 2017, when this entry must have been effected.

Dividend

The Board proposes that the record day for the dividend be Friday, 31 March 2017, which means that Handelsbanken's shares will be traded ex-dividend on Thursday, 30 March 2017. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Wednesday, 5 April 2017.

Financial calendar 2017

8 February	Annual accounts 2016
29 March	Annual General Meeting
26 April	Interim report January–March 2017
18 July	Interim report January–June 2017
18 October	Interim report January–September 2017

Financial information

The following reports can be downloaded or ordered from handelsbanken.se/ireng:
- annual reports
- interim reports
- risk reports
- corporate governance reports
- fact books
- sustainability reports.

Distribution

The annual report can be ordered from Investor Relations, phone +46 8 701 10 00, or online at handelsbanken.se/ireng, where other reports as stated above are also available.

Handelsbanken's Sustainability Report 2016

In addition to Handelsbanken's Annual Report 2016, Handelsbanken also publishes a complete Sustainability Report. The Sustainability Report is a separate publication covering activities and results during the 2016 calendar year. The report is prepared in accordance with Global Reporting Initiative's (GRI) G4 guidelines for reporting and has been examined by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities annually.

The report constitutes Handelsbanken's Communication on Progress for the UN Global Compact.

Information regarding Handelsbanken's sustainability activities is also published at handelsbanken.se/csreng.

THE GLOBAL COMPACT
WE SUPPORT

Contents

Svenska Handelsbanken AB (publ)
Corporate identity number: 502007-7862
Registered office: Stockholm
handelsbanken.com

This report is also available in Swedish. Every care has been taken in this translation into English. In the event of discrepancies, the Swedish original will supersede the English version.

Our model works both locally and digitally

My name is Anders Bouvin, and last summer I became President and Group Chief Executive of Handelsbanken. I have worked for the Bank for 32 years, most recently as Head of Handelsbanken UK.

This is my first time to comment on the year as Group CEO, so let me say right from the start that anyone expecting a grand declaration of new, exciting corporate goals, bold strategic shifts and radical changes in our business model may well be a bit disappointed.

Our corporate goal stands firm. That is, we must deliver a better return on equity than the average of our competitors'. We will achieve this by having lower costs and more satisfied customers than the other banks.

We reached this goal yet again in 2016, the 45th year running.

But times change. Isn't it about time for some new strategies? First, allow me to point out that the times have always been changing. Every generation has struggled with its own challenges, its paradigm shifts, its technology leaps. When we established our corporate goals more than four decades ago, our branches had just started installing their first computer terminals, and we offered numerous products and services that are no longer in demand today and so are no longer around.

Handelsbanken is changing all the time in step with our customers' demands. That is why we have advanced so far on the road to digitalisation – because nowadays our customers prefer to do more of their banking using smartphones or computers. At the same time, we still have our branches, with a strong local presence and a great deal of autonomy – because now and then our customers still want to meet and do business with someone they recognise and trust, someone who can make decisions.

> "Our way of working is strictly decentralised: the person working closest to the customer and the market makes the decisions."

I don't know if you would call this a strategy – but it's how our model works. Just about all changes are made based on customer needs that are identified by our branches, often in face-to-face meetings, in the local market. Our way of working is strictly decentralised: the person working closest to the customer and the market makes the decisions.

Our business model and our way of working are based on a fundamentally humanistic approach. We are convinced that every human being wants to do a good job. If employees are allowed to decide on all those matters that they observe in their everyday work, then the decisions they make will be much more accurate than decisions made at a head office, far from the customer and the business.

In addition, our customers appreciate local decision-making, having direct access to the person in the Bank who decides.

So the Bank we are today is the result of an infinite number of decisions made over the years throughout the organisation. The starting point for all those decisions is our customers: customers' needs and customers' expectations.

Listening to our customers has helped us arrive at the right decision in many a tricky situation. As to the existential question of local branches in a world where customers increasingly choose to interact digitally with their bank, we at Handelsbanken have again listened to our customers. The message is crystal clear: customers want the option of meeting the Bank via digital media as well as at the local branches, depending on what suits the customer best on each particular occasion.

Our customers are both local and digital. That is why we are, too.

Our decentralised model also serves as a foundation for our profitability. When every person feels involved and takes responsibility, then they make more of those smart decisions, resulting in lower costs, more satisfied customers and higher profitability. And healthy profitability gives us a stable financial base, which in turn enables us to grow. We do that in part by opening branches in places where we have not had a presence. This happens especially in our newest home markets – the Netherlands and the United Kingdom, where we now have 25 and 206 branches, respectively.

> "Our customers are both local and digital. That is why we are, too."

But opening new branches is not the only way we are growing. We also grow when our existing branches win new customers and new business. This is where our solid financial base is a comparative advantage: we never have to say no to a transaction that we and the customer want to carry through, regardless of the economic climate or business environment.

That makes us predictable to our customers. They know that they can count on us even during periods when others have pulled back. This is how we build strong, long-term relationships with our customers.

This is fundamental to the way we want to run our Bank. What we do, we do thoroughly, sustainably and for the long term.

We must be an asset to the community in which we operate – never a burden. During the most recent financial crisis, unlike our competitors we did not require help from the central banks, taxpayers or our shareholders. Quite the contrary – for many years we have been one of the biggest taxpayers in Sweden.

> "When every person feels involved and takes responsibility, then they make more of those smart decisions, resulting in lower costs, more satisfied customers and higher profitability."

Banks that get into trouble – and thereby become a burden to society – often have one thing in common: they take excessive risks. Handelsbanken takes a very strict approach to risk. We do not modify our credit assessments depending on the economic climate; a bad credit risk is a bad credit risk, even in good times. Loan losses are an ordeal – not just for the bank, which loses money, but above all for the individuals whose personal finances are shattered, or for the company that faces insolvency.

We wish to contribute in various ways to more sustainable development in our world, not only when we grant loans but also in the way we invest our customers' savings. Of course, this should also manifest itself in the way we work and act in our day-to-day tasks, including when our branches take – or participate in – various local initiatives. These are issues that we work on in a highly structured way. Sustainability has long been a natural part of our fundamental values.

Thus, Handelsbanken continues to support wholeheartedly international initiatives for corporate sustainability, such as the Principles for Responsible Investment (PRI) and UN Global Compact, whose principles for human rights, labour rights, the environment and business ethics are wholly in line with the Bank's values, work methods and guidelines.

Our work towards gender equality and diversity continues. Personally, I feel that we can always do a little better here. These are basic issues for humanity but also crucial for our business. In our Bank, where all employees have – and take – such great responsibility, neither gender, ethnicity nor any other irrelevant factor should be a barrier to recruitment, career advancement or personal development. We cannot afford to waste talent.

Handelsbanken's future success will be based on the resolve and ability of our skilled staff to continue making all those smart decisions that have made us what we are today.

That is how we run our Bank, Handelsbanken.

Profit for the past year was SEK 16.2 billion, corresponding to a return on equity of 13.1 per cent. As noted above, this means we have met our corporate goal for the 45th year in a row, with higher profitability than the average for our competitors.

We also have more satisfied customers and, according to credit rating agencies, more stable finances than our competitors. We are one of the handful of banks worldwide with the highest credit rating, and no bank in our home markets has a higher rating than we do.

So you can surely understand that I will not be implementing any radical changes in our business model. The model is working – and evolving – perfectly. But that does not mean we're standing still. On the contrary. As I noted, our entire business model rests on our ability to continuously change, in step with the world around us. We will continue to meet our customers' expectations, requirements and demands on us as a bank and to work even harder to be even more Handelsbanken, every day, everywhere. Exactly as we have done during the past year. Exactly as we have always done.

> "We will continue to meet our customers' expectations, requirements and demands on us as a bank and to work even harder to be even more Handelsbanken, every day, everywhere."

We can do this thanks to all our employees, who day in and day out make all those key business decisions, build relationships and win more and more satisfied customers. Thus, allow me to express my deep gratitude to all of you for your hard work during the past year.

Also, many thanks to all of you who have chosen Handelsbanken. Thank you for your trust. I promise that we will do our utmost to live up to – and preferably exceed – your expectations.

Stockholm, February 2017
Anders Bouvin, President and Group Chief Executive

Administration report

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Handelsbanken

Concept

Handelsbanken is a full-service bank with a decentralised way of working, a strong local presence due to nationwide branch networks and a long-term approach to customer relations.

The Bank grows internationally by establishing its business model on selected markets.

Goal

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets.

One of the purposes of Handelsbanken's corporate goal is to offer shareholders long-term high growth in value expressed in increasing earnings per share over a business cycle.

This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

High profitability is crucial, not only because it attracts shareholders to invest in the Bank, but also because it creates the conditions for growth, a high rating and low funding costs, and for the Bank's lending capacity.

The Bank's profitability also affects its ability to manage risks and to achieve efficient capital management.

Goal achievement

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is mainly to be achieved by the Bank having more satisfied customers and lower costs than its competitors.

OVERALL GOAL

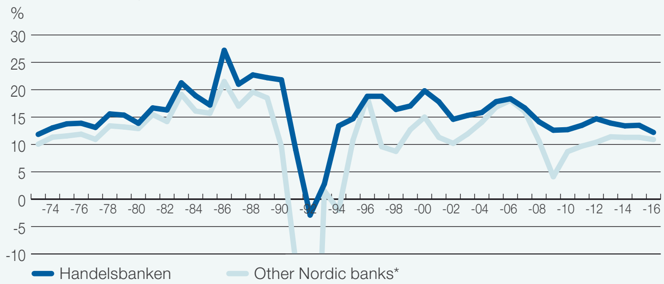
Corporate goal

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets.

Goal achievement

Handelsbanken's return on equity for total operations was 13.1 per cent (13.5). Adjusted for non-recurring items, return on equity was 12.2 per cent (13.5). The corresponding figure for a weighted average of other major Nordic banks was 10.9 per cent (11.3). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at approximately 10 per cent (10.4). This means that for the 45th consecutive year, Handelsbanken has met its corporate goal.

Return on equity 1973–2016



* Only Swedish banks are included for the period up to and including 2002.

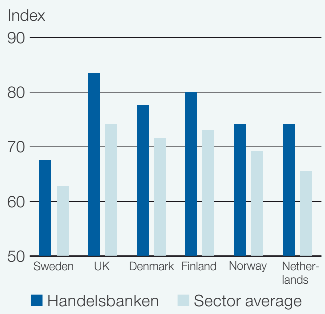
MOST SATISFIED CUSTOMERS

One of the ways in which Handelsbanken will achieve its profitability goal is by having more satisfied customers than its competitors. Quality and service must therefore at least meet customer expectations, and preferably exceed them.

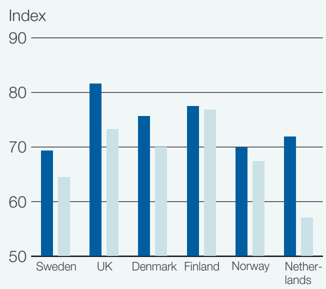
Outcome

Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. In this way, the Bank retains its strong and stable position regarding customer satisfaction. Satisfied customers are proof of the viability of Handelsbanken's method of working.

Customer satisfaction – Private customers 2016



Customer satisfaction – Corporate customers 2016



Source: SKI/EPSI.

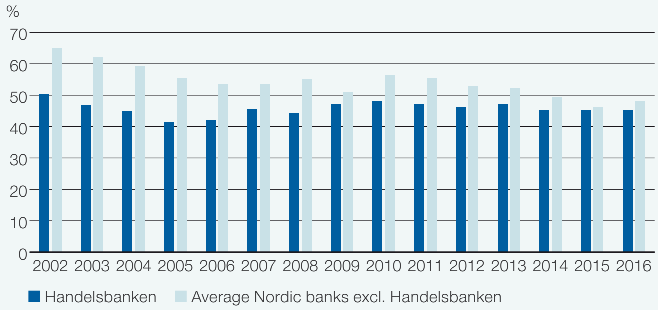
MOST COST-EFFECTIVE BANK

The profitability goal will also be achieved by having higher cost-effectiveness than peer banks.

Outcome

Handelsbanken's costs in relation to income for continuing operations were 45.2 per cent (45.3). The corresponding figure for an average of other major Nordic banks was 48.1 per cent (46.2).

Costs/Income, excluding loan losses 2002–2016



RATING

Handelsbanken aims to have a high rating with the external rating agencies.

Outcome

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

Ratings of Nordic banks

	Moody's			Standard & Poor's		Fitch	
31 December 2016	Financial strength (BCA)*	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Handelsbanken	a2	Aa2	P-1	AA-	A-1+	AA	F1+
Nordea	a3	Aa3	P-1	AA-	A-1+	AA-	F1+
Swedbank	a3	Aa3	P-1	AA-	A-1+	AA-	F1+
SEB	a3	Aa3	P-1	A+	A-1	AA-	F1+
DNB	a3	Aa2	P-1	A+	A-1		
Danske Bank	baa1	A1	P-1	A	A-1	A	F1

* Baseline Credit Assessment (BCA) is an indicator of *the issuers' standalone intrinsic strength*.

Source: SNL.

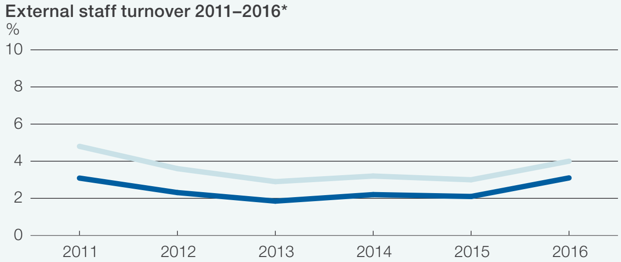
A LONG-TERM PERSPECTIVE

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term.

Outcome

External staff turnover continued to be low and was 4.0 per cent (3.0) in the Group and 3.1 per cent (2.1) in Sweden.

External staff turnover 2011–2016*



* The proportion of employees who have left the Bank (excluding retirements and deaths) in relation to the average number of employees.

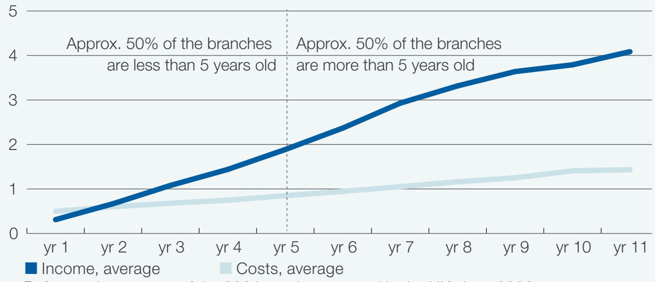
GROWTH

Handelsbanken's business is based on meeting the customer locally. It is therefore natural to open new branches in places where the Bank has not previously had operations.

Outcome

During the year, Handelsbanken opened 13 branches in its home markets: two in Sweden, nine in the UK and two in the Netherlands.

Income and cost performance, new branches in the UK



Refers to the average of the 203 branches opened in the UK since 2000.

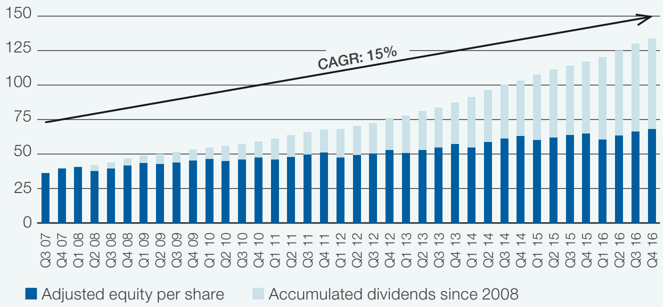
HIGH, STABLE VALUE GROWTH

Growth in equity, including dividends and share repurchases, is a measure of the financial value created.

Outcome

Average growth in equity, including dividends and share repurchases, has been 15 per cent each year for the past eight years. The low variation between the quarters confirms the Bank's low risk tolerance and is a measure of the stability of the value creation.

Average growth in equity per share, SEK, 2007–2016*



* Including dividends.

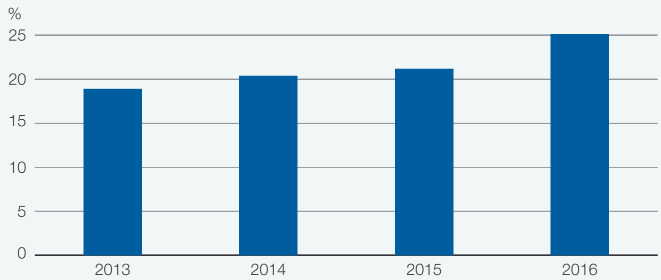
CAPITAL

The Bank's goal is that its common equity tier 1 ratio under normal circumstances should exceed the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by 1–3 percentage points. The tier 1 ratio and the total capital ratio must also be at least one percentage point above the total capital assessment communicated to the Bank by the Supervisory Authority for the respective capital tiers. Additionally, the Bank must fulfil any other capital requirements set by the regulators.

Outcome

The common equity tier 1 ratio according to CRD IV rose to 25.1 per cent (21.2). The Swedish Financial Supervisory Authority calculated Handelsbanken's common equity tier 1 capital requirement at the end of Q3 2016 at an amount corresponding to a common equity tier 1 ratio of 21.3 per cent.

Common equity tier 1 ratio, CRD IV 2013–2016



LIQUIDITY AND FUNDING

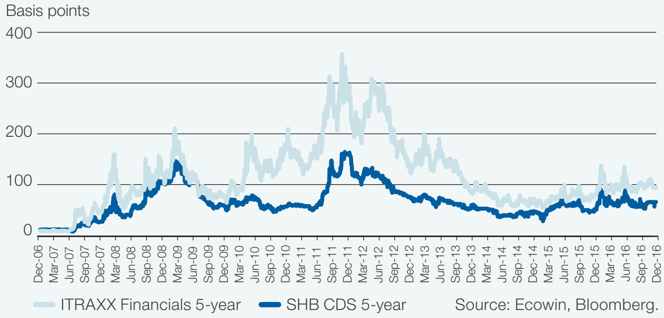
Handelsbanken must be able to manage for at least 12 months under stressed conditions without borrowing any new funds in the financial markets. Its funding cost must be lower than for peer banks.

Outcome

The issue volume for long-term funding during the year was SEK 198 billion. The Bank still has a strong liquidity situation. Cash funds and liquid assets invested with central banks amounted to SEK 225 billion, while the volume of liquid bonds and other liquid assets totalled SEK 158 billion.

The Bank's funding costs were the lowest among peer banks in the Nordic countries and continued to be among the very lowest in the global banking market.

ITRAXX Financials 5-year and Handelsbanken's CDS spread 5-year



Source: Ecowin, Bloomberg.

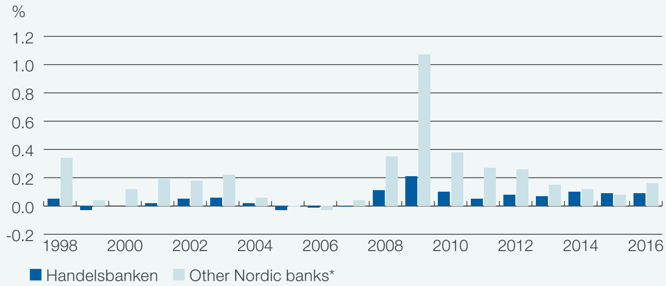
CREDIT QUALITY

Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Loan losses were SEK -1,724 million (-1,597). Loan losses as a proportion of lending were 0.09 per cent (0.09). Since 2008, the Bank's loan loss ratio has averaged 0.10 per cent. This can be compared with the average figure for the other major Nordic banks over the same period: 0.29 per cent.

Loan losses as a percentage of lending 1998–2016



* Only Swedish banks are included for the period up to and including 2000.

Our concept

Handelsbanken is a full-service bank where personal meetings with our customers are key. We have a decentralised way of working and a strong local presence through nationwide branch networks.

The Bank attaches great importance to availability and long-term customer relations, has low tolerance of risk and achieves international growth by applying its business model to selected markets.

A LONG-TERM PERSPECTIVE

Handelsbanken has been conducting banking operations since 1871 and has the oldest listed share on the Stockholm stock exchange. Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

Our idea of how we should run our bank is based on trust and respect for individuals. This is why we are decentralised. This approach leads to better, quicker decisions close to the customer, and creates commitment and the opportunity for our employees to make an impact and do an even better job. This in turn helps the Bank to gain more satisfied customers.

The whole of a bank's business is based on trust. Our customers have chosen us because they trust us and have confidence in the way we do banking.

> "Our aim is for the customer to be able to do the same type of business with the Bank, regardless of the meeting place."

In short, our customers attach great importance to the fact that we are available, simple to deal with, and show understanding and care when interacting with them. With more than 140 years' experience, we have learned what is important to our customers.

Slightly simplified, the basis of our method of building and running Handelsbanken has several important elements, as follows.

SATISFIED CUSTOMERS

All important business decisions should be taken as close to the customer as possible. This contributes to better decisions and more satisfied customers: our customers meet the person who will make the decision, not a messenger. This gives a sound basis for successful customer meetings – both at branches and our other meeting places. The customer's trust is built up over the long term, but is won and nurtured at every meeting. By winning its customers' trust, Handelsbanken becomes their natural choice as a provider of financial services. Therefore, meetings with customers are key to Handelsbanken's operations. To help customers in the best possible manner, the branches are supported by the Bank's Group units, business areas and regional head offices.

> "Our customers meet the person who will make the decision, not a messenger."

Availability

We put a great deal of effort into being available for our customers, and this is a major component in Handelsbanken's method of banking. Our customers appreciate the fact that we are local, that we know them and the local market, and that we make our business decisions there, locally together with the customer. But our customers also expect to be able to do their banking when and where they please. This is why we are continually developing and improving our availability and our digital meeting places in all our home markets, enabling customers to visit their branch on their smartphone, tablet or computer. In several home markets, we also offer our customers personal technical support 24 hours a day. In addition, in Sweden our customers can receive personal service 24 hours a day, 365 days a year from bankers by phone.

Simplicity

When a customer contacts us, the meeting should be unbureaucratic. Our aim is that the customer should be able to do the same type of business with the Bank regardless of the meeting place. That is why we are constantly working to develop and improve the Bank's technical solutions.

Several new technical solutions and digital services were launched during the year in all our home markets to simplify matters for our private and corporate customers. Many new functions and services have also been launched in the Bank's online services.

Care

In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. It is through these meetings that the Bank creates, maintains and develops strong, long-term customer relationships.

One example which creates the right conditions for customers to regard us as "the best bank in town" is that we continue to develop the Bank's various meeting places – because that is what our customers want.

When we meet our customers, it is not just a matter of solving their everyday banking needs in a simple way. We always focus on the customer's needs, and our aim is that they should feel that care is a feature of our advisory services and service level.

> "Our customers appreciate the fact that we are local, that we know them and the local market."

Decentralised decisions

Handelsbanken's constant aim is that all important business decisions should be taken as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers.

Handelsbanken is organised geographically. Handelsbanken's branches are led by a manager who is responsible for all operations in his or her branch's local area of operations. The branches' independence gives them a very strong local presence, leading to long-term customer relationships. Short decision paths make it possible to adapt more quickly to changes in local markets and make the most of new business opportunities.

Skilled staff

Handelsbanken's decentralised method of working means that we give our staff a high degree of responsibility and authority to make decisions in all kinds of matters important to the customer. This high degree of trust is based on a belief in people's willingness and ability to constantly become more skilled in their work and in their efforts to seek and overcome new challenges.

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term. Employees with broad knowledge and experience from many parts of the Bank make a vital contribution to the Bank having satisfied customers. To retain employees, the right conditions must exist for development in their work and consideration must also be taken of the stage of life that they are in.

Our aim for long-term relations with our employees is reinforced by the Oktogonen profit-sharing scheme which, instead of short-term bonus systems, creates a long-term, identical incentive for all employees of the Bank, regardless of their position or work tasks. Furthermore, the employees are the largest owner of the Bank via Oktogonen, since it mainly invests the employees' units in shares in Handelsbanken. Some 98 per cent of the Group's employees are now covered by Oktogonen.

External staff turnover in the Group during the year was 4 per cent.

> "The Bank takes a long-term approach to relations with both customers and employees."

The keys to the Bank

All our customer relations start at the customer's branch, but after this customers meet Handelsbanken far more often via their smartphones, tablet devices, online, or on the phone. Customers should be able to move freely between our meeting places and do their banking business when and where it suits them best. We like to say that we should give our customers "all the keys to the Bank".

A full range of products and services

One condition vital to successful customer meetings is that Handelsbanken offers a full range of products and services to meet all the financial needs of its customers. We do not divide customers into different segments or specialise in product or service areas. The individual customer's unique requirements are the governing factor.

Our best advice

Regardless of the meeting place, we always give the customer our best advice without looking at what is the most profitable product for Handelsbanken in the short term. Our employees who meet customers are not paid variable remuneration, either in the form of bonuses or commission, and therefore have no financial incentive to convince the customer that a certain service or product suits them best.

By giving our best advice, we build trusting, long-term relationships with every customer.

PROFITABILITY BEFORE VOLUMES

Handelsbanken adapts its offering to each customer's unique needs and circumstances. The Bank therefore has no requirements as regards volumes, budgets or centrally determined sales targets. Instead, the Bank measures its success in terms of customer satisfaction, cost-effectiveness and profitability.

Handelsbanken achieves higher profitability by running the Bank more efficiently, and thus at a lower cost, than peer banks on its home markets. Consequently, "high profitability" does not mean that Handelsbanken's customers pay more.

ORGANIC GROWTH

For Handelsbanken to retain high profitability in the long term, growth is necessary. Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch. This organic model enables Handelsbanken to achieve growth coupled with low risk and good cost control. This method of working and of achieving growth has proved successful in an increasing number of locations and in an increasing number of countries.

Handelsbanken has a nationwide branch network in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

Stable finances

By means of low funding costs and low loan losses, coupled with high profitability, Handelsbanken builds a strong balance sheet. Stable finances are essential for the Bank to be able to do all the business that we and our customers wish to do – on favourable terms.

Stable finances not only provide freedom of action, but also lower funding costs, and thus contribute to higher profitability – without the customer paying more.

Handelsbanken builds its stable finances on entirely commercial terms, and is one of the few banks in its home markets that has not sought financial support from the government, central banks or shareholders during periods of turbulence in the financial markets.

LOW RISK TOLERANCE

Handelsbanken has a low risk tolerance. The Bank's strict approach to risk means that it deliberately avoids high-risk transactions, even if the remuneration is high at the time. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group.

> "The branches' independence gives them a very strong local presence, with long-term customer relationships."

The Bank's business model focuses on taking credit risks in the branch operations. The only risks we are prepared to take are credit risks to customers that we know well and with whom we build long-term relations. The objective is therefore to minimise other risks, such as market risk, in order to have a business model that is independent of changes in the business cycle. Position-taking in the Bank's business operations is only accepted in customer-driven transactions, and only within strictly defined limits.

Organisation and working methods

Handelsbanken is geographically organised so as to create the best possible conditions for relationships with our customers. Practically all important business decisions are made close to our customers, at one of our more than 800 local branches in our six home markets.

Our branches can be reached in many different ways: digitally via the internet and apps, personal visits to the branch, or 24 hours a day by phone.

OUR HOME MARKETS

Handelsbanken has six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. We have a nationwide branch network in these countries, organised into one or more regional banks in each country.

In step with the establishment of new home markets, the Bank strives to devolve central decision-making power, so that the decisions can be taken as close to the customers and the market as possible. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country.

Handelsbanken has more than 800 offices in over 20 countries. Most of these are in our home markets, but we also have branch offices and representative offices around the world. Their main task is to support the Bank's customers in its home markets with their international business.

We have given our branch managers a very high degree of independence, as we are convinced that those who work closest to the customer will make the most sensible decisions, from the customer's and from the Bank's point of view.

> "The individual customer's unique requirements are the governing factor."

At Handelsbanken, we strive for as many business decisions as possible to be taken locally, close to the customer. This creates a cost-effective, flexible organisation based on the customer's requirements, and provides the basis for reacting quickly to market changes.

EFFICIENT GEOGRAPHICAL STRUCTURE

Handelsbanken is an internationally active full-service bank with a local presence and long-term customer relations. The individual customer's unique requirements are the governing factor. Therefore, Handelsbanken has a full range of products and services to meet all the financial needs of our customers.

Handelsbanken is organised geographically. This means that we do not face the challenges of a complex matrix organisation where both employees and customers risk ending up in inefficient work processes.

Our geographical structure is decentralised and cost-effective, with short, clear decision paths. Every local branch has its own area of operations, with its own cost centre. An "area of operations" is a geographically delimited area that constitutes the branch's local market.

When there are a sufficient number of branches in a larger geographical area, Handelsbanken establishes a regional bank, containing all the branches' profit/cost centres. It includes joint administrative resources, regional expertise and specialists to support the branches' business.

The regional bank is part of, or in turn forms, a national organisation that may include several regional banks, depending on how many local branches there are in the country concerned and where they are located.

At present, Handelsbanken has over 800 profit centres (i.e. branches), each of which contributes to the Group's profits.

Handelsbanken's geographical structure means that it has a distinct local presence in all the markets where the Bank operates. Our local branches are responsible for all the Bank's customers and make all credit decisions within their geographical area of operations. All income and expenses within the branch's area of operations are allocated to the branch, and the Bank's Group staff functions, business areas or national organisations have only one main task: to support the branches. Product specialists at the Bank's business areas are responsible for the full range of products and services that the local branches offer their customers.

INDEPENDENT LOCAL BRANCHES

Handelsbanken's geographical structure ensures a local presence that creates loyal, satisfied customers and provides access to local information in the markets where we operate.

Decision-making at Handelsbanken is strictly decentralised to the local branch.

Every branch of Handelsbanken is led by a manager who is responsible for all operations in his or her branch's local area of operations. Branch managers staff and organise their branches according to the business that the branch chooses to do in its local market.

This mandate to take the important business decisions, in discussions with the customer, is a sound basis for creating and maintaining strong customer relations. Our customers are able to meet the person who takes the decisions – not a representative of a central decision-maker.

> "Decision-making at Handelsbanken is strictly decentralised to the local branch."

This engenders trust and increases customer satisfaction. In most cases, the branch manager also lives in the local town and is very much involved in the community in which she or he works, giving valuable knowledge of the local market.

This in turn creates a sound basis for rapid access to local information when assessing credit risks, for example. At the same time, it increases the branch's knowledge of its customers and their local situation; it also enables better personal service and a basis for decisions that is adapted individually to our customers.

At the central level, Handelsbanken establishes policies and rules in a number of different areas, including lending, ethical standards and HR matters. And it is within these central frameworks, as well as the Bank's corporate culture, that the branches take decisions that are based on local information.

Handelsbanken's decentralised structure has been developed and refined for 145 years, in order to increase customer satisfaction and the Bank's efficiency. With a geographically organised structure, it is easier for the branches to contribute to Group profitability.

In addition, local, decentralised decision-making reduces the Bank's need of central functions and managers at middle levels. But it also requires a well-defined business model, a strong corporate culture and a robust system for business control. Handelsbanken has applied this work method and these functions for a long time, and thus the Group has good cost-effectiveness.

"At Handelsbanken, the local branch always has customer responsibility, regardless of how, where or when the customer contacts the Bank."

THE BRANCH IS THE BANK

At Handelsbanken, the local branch always has customer responsibility, regardless of how, where or when the customer contacts the Bank. The customer can meet the branch in many different ways. Almost all the Bank's customer relationships begin with a personal meeting at a local branch. However, after this, relatively few customer meetings take place at the customer's physical branch. Although our customers consider one-to-one meetings to be important to them, these are no longer the most common way for customers to meet the Bank.

In step with rapid IT advances, Handelsbanken is constantly developing new meeting places where customers can meet the branch. In Handelsbanken's geographical structure, all contact paths – both digital and personal – lead to the branch. Regardless of how the customer chooses to contact the Bank, the local branch always offers several meeting places with high availability, so that customers can present or carry out their business – for example via apps, e-mail, online, Handelsbanken Direkt Personal Service, or a personal visit to a branch.

Customers' needs regarding how they wish to meet and visit the branch determine the development of our meeting places. Our task is to make it simple for customers to access the branch when it suits them best, and with the greatest possible freedom of action. We have long worked in this way, because it ensures that we offer our customers high accessibility to their local branches.

Technical advances are not only rapid, increasing availability for our customers. They also lead to greater efficiency, so that branch costs decrease.

Expanding digitalisation contributes to greater customer benefit, and it increases accessibility to the Bank. Today, the great majority of customers have a smartphone and therefore have access to the Bank's apps. Here they can carry out more and more types of banking transactions, including paying bills, viewing balances, trading in securities, applying for loans, and opening and closing cards for payments, which makes it easier for customers on an everyday basis.

Customer needs are always in focus, which means that Handelsbanken continually strives to enable the customer to do the same type of business with the Bank, regardless of the meeting place. Therefore we are constantly expanding our apps with new functions and making them even more available and user-friendly.

On the Swedish market, Swish is another example of a service that provides customer benefit and simplifies customers' everyday lives. By using the Swish app, all customers can quickly and simply make payments to private individuals, companies, associations and organisations that are linked to the service.

"Expanding digitalisation contributes to greater customer benefit, and it increases accessibility to the Bank."

New, better and more cost-effective information technology is constantly creating new ways for the customer to contact Handelsbanken. But in parallel with the high-tech environment of today, Handelsbanken also continues to open new local branches with decentralised decision-making powers and personal service in our home markets – simply because that is what our customers want.

How we are organised

Handelsbanken's way of working is best depicted by an arrow where all operations focus on the customer. The branches are closest to the customer and are responsible for the Bank's customers in their local market. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country. For our customer offering to be of the highest quality, we have a number of joint business areas for the Group where product owners design and develop our products and solutions. The central head office also has joint units and staff functions with overarching responsibility for various functions at the Bank.

Local and digital – how we build long-term customer relationships

At Handelsbanken, digitalisation is a constant technical development driven by our customers' requirements, expectations and wishes.

We are present when our customers need us – with both effective digital solutions and personal meetings at our local branches.

Handelsbanken is always close at hand. Our customers choose the meeting place when they need us – digitally via effective apps and websites, or physically with personal meetings at more than 800 local branches in the Bank's six home markets.

The starting point for Handelsbanken's long-term customer relationships is always the local branch. Every branch is well-established in its own community and has a great deal of expertise regarding its local market. This engenders unique customer loyalty. At the same time, we are close to our customers and understand their circumstances and wishes.

In this way, the long-term integration of the Bank into the local town or city district creates in-depth knowledge of the local market conditions, with the ability to make better risk assessments and utilise more business opportunities. This is an important reason why Handelsbanken has long shown considerably lower loan losses than our competitors.

Local and digital are two key concepts in the digitalisation that has constantly been in progress at Handelsbanken since the 1960s, when the first mainframe computers made their appearance. Since then, digital development has resulted in new technical solutions such as telephone banking, online banking and, in recent years, advanced apps for smartphones and tablet devices.

NEW EXPECTATIONS

Now that the digitalisation of society is speeding up, Handelsbanken is continuing – with the same speed – to digitalise the Bank and adapt itself to our customers' wishes and needs. This is also leading to new expectations as regards our meeting places, where new digital solutions are contributing to simpler day-to-day life and more efficient service, as well as new services and solutions to benefit our customers.

Our self-service banking has existed for a long time. But rapid technical advances are enabling us to provide our customers with even better personal service, both locally at our branches and through various digital solutions.

For example, recent progress has meant that customers expect to be able to start a banking transaction in one meeting place, and then continue it in another. Regardless of where customers are located, they want information on the transaction that has been started, plus other background information, to be available when they contact the Bank again.

NEW FINANCIAL PLAYERS

Increasing responsibility for managing your own personal finances has been a clear trend for a long while now. At the same time, many new financial players offer simple solutions for personal finance needs – with every solution packaged in a mobile app.

In the EU, work has been ongoing since 2007 to simplify and facilitate payments between different players on the European payments market. The most recent revision of the Payment Services Directive (PSD2), which will become effective in 2018, increases consumers' rights to own their personal information, i.e. the data that the Bank has regarding its customers' accounts and transactions. Therefore, regulated by the EU, there are opportunities for new players to use this information for new types of payment solutions and account information services.

And the same opportunities are naturally open to Handelsbanken. This means that we as a Bank can provide our customers with an even better overview of their finances by compiling information from other financial commitments in one and the same place.

DIGITAL, LOCAL AND PERSONAL

The need for good personal service and good personal advice in important financial matters will not decrease in our digital world – quite the contrary.

At Handelsbanken, we aim to build long-term customer relationships and to assist our customers in all phases of their lives. In the long run, digitalisation is increasingly about maintaining personal relationships with the customer, including with the aid of new digital meeting places.

As a Handelsbanken customer, you should always receive individual, personal service at the best possible level, regardless of how and where you meet us. New technology makes it possible to have the local branch as the customer's base, with the other meeting places supporting the relationship with the customer.

Our branch staff are the people who are responsible for relationships with our customers, and thus they give us the most important competitive edge of all. The customer meetings of the future will be both digital and local, and the branches must be able to meet customers both digitally and physically. They must be able to assist our customers in their meetings with the Bank with the right solution at the right time, in the right place and in the right manner. That's why we say that the branch is the Bank.

With good overall digital solutions we are getting closer to our customers' everyday lives in a new way – by dealing with their day-to-day business with the aid of effective self-service banking and by providing good personal service both locally and digitally.

One example of this is that new digital technology is making it possible to hold customer meetings remotely. If a local branch needs to bring in experts to a meeting, they can take part by video link, so that they can share their expertise with the customer directly. By utilising all the advantages arising from the combination of physical presence and digital solutions, Handelsbanken's offering becomes unique.

BRANCH WORK IS BECOMING STREAMLINED

As customers' day-to-day business moves from the local branch to the smartphone app, branch work is becoming increasingly streamlined towards personal service and advanced advisory services.

At the same time, the branches are being developed as meeting places. There, customers can find new information, become inspired and interested in how external events affect their financial situation, and receive advice on anything from day-to-day finances to pensions, savings, insurance and how to run a business.

In step with advances in technology, the branches' way of working and physical appearance are also changing. More and more branches have now replaced their cash desks and queue-ticket systems with open meeting places, tables for standing at, and rooms for meetings that have been booked in advance.

Handelsbanken is also close to the customer so that it can provide the best service if there are unforeseen events or acute problems. The customer's local branch can help to resolve any questions quickly and smoothly.

In Sweden there is Handelsbanken Direkt, which is open for help and advanced advice 24 hours a day, 365 days a year, and in several of our home markets we also offer our customers personal technical support 24 hours a day. The Bank's customer service on social media also responds quickly to simple questions.

NEW ARENAS FOR CUSTOMER MEETINGS

Social media are developing rapidly, and have become an increasingly common area of contact between the Bank and its customers. Creating benefit for our customers is the most important thing for us when we meet them on social media.

From the Bank's point of view, it may be about providing an update in a particular area, or reminding customers about something before a financial decision. It may also be about giving advice on various forms of savings or promptly providing information about topical customer-related issues.

Of course, it is not possible to answer all questions via social media. Nevertheless, social media may be an initial contact with the customer, who will go on to seek more detailed assistance or advice, or a means of keeping up to date with what is happening locally.

THE KNOWLEDGE BANK

As people take greater responsibility for their personal finances, it becomes increasingly important for them to have control over their savings, their pension and other financial matters.

Therefore we offer our customers advanced financial expertise on which they can base their decisions. We share all the knowhow generated every day by different parts of the Bank. We do this via different channels – locally and digitally – because we aim to be a Knowledge Bank for our customers.

An important part of the Bank's operations is that of analysing, mapping and understanding developments on the financial markets. We also believe it is very important to analyse how these developments affect our customers' finances and everyday lives.

This information is of great benefit to our customers in helping them to take decisions. They receive the information directly, via our local branches or digital meeting places.

Subscribing to digital newsletters and following the Bank on social media are examples of other ways of benefiting from the Bank's knowledge in a simple, easily accessible way.

At Handelsbanken we avoid central advertising campaigns. Our view is that advertising and broad mass marketing benefit neither us nor our customers. We believe that our customers do not accept and are not convinced by financial information that is slanted to suit the sender. That is why, for the past few years, we have run an editorially independent financial news channel – EFN.se – where experienced financial journalists report on economic news, stock market and financial news, and issues of personal finance. The content is freely available online, and also to the Bank's customers via our mobile app and our branches.

In 2016, EFN.se came top in the research company Hallvarsson & Halvarsson's annual ranking of financial journalism, in the Radio & TV category – ahead of Sveriges Television, Sveriges Radio and TV4.

This better knowledge of economics and finance stands our customers in good stead in a digitalised world. Add to this the Bank's expert advice, long-term relationships and personal service, and our customers have a stronger basis for taking even better decisions in many different areas.

This is good for our customers – and for Handelsbanken.

Always close at hand – local and digital.

Financial overview 2016

- Operating profit rose by 1 per cent to SEK 20,633 million (20,475).
- The period's profit after tax for total operations decreased by 1 per cent to SEK 16,245 million (16,343).
- Earnings per share for total operations were SEK 8.43 (8.57).
- Return on equity for total operations declined to 13.1 per cent (13.5).
- Income increased by 1 per cent to SEK 40,763 million (40,336).
- Net interest income rose by 1 per cent to SEK 27,943 million (27,740).
- The loan loss ratio was unchanged at 0.09 per cent (0.09).
- The common equity tier 1 ratio increased to 25.1 per cent (21.2) and the total capital ratio rose to 31.4 per cent (27.2).
- Lending growth was maintained in all home markets.
- The Board proposes an ordinary dividend of SEK 5.00 per share and an extension of the existing share repurchasing mandate for another year.

Review of operations

The Group's operating profit grew by 1 per cent to SEK 20,633 million (20,475). The period's profit after tax for total operations decreased by 1 per cent to SEK 16,245 million (16,343) and earnings per share were SEK 8.43 (8.57). The common equity tier 1 ratio increased to 25.1 per cent (21.2), and the return on equity for total operations decreased to 13.1 per cent (13.5). The C/I ratio fell slightly to 45.2 per cent (45.3).

INCOME

The Group – Income SEK m	Full year 2016	Full year 2015	Change
Net interest income	27 943	27 740	1%
Net fee and commission income	9 156	9 320	-2%
Net gains/losses on financial transaction	3 066	2 608	18%
Other income	598	668	-10%
Total income	**40 763**	**40 336**	**1%**

Income increased by 1 per cent to SEK 40,763 million (40,336).

Net interest income grew by 1 per cent to SEK 27,943 million (27,740). Adjusted for exchange rate effects of SEK -489 million, net interest income grew by 2 per cent compared to the previous year.

Growing lending volumes increased net interest income by SEK 1,512 million. Lending margins in branch operations had a negative impact of SEK -568 million, while lower funding costs had a positive effect of SEK 947 million. Changing deposit volumes affected net interest income by SEK -109 million as a result of negative interest rates in Sweden. Decreasing short-term rates led to deposit margins falling by SEK 1,015 million.

The benchmark effect in Stadshypotek was SEK -8 million (-105), and the cost for the Resolution Fund totalled SEK -976 million (-804). Including fees for various other deposit guarantees, government fees increased by SEK 182 million to SEK -1,300 million (-1,118).

The average volume of loans to the public grew by 5 per cent to SEK 1,937 billion (1,847). Exchange rate movements affected lending volumes negatively by SEK -24 billion. Household lending increased by 7 per cent to SEK 1,000 billion (932), while corporate lending grew by 2 per cent to SEK 937 billion (915). In local currencies, lending increased in all home markets.

The average volume of deposits and borrowing declined by 2 per cent to SEK 983 billion (1,008). The average volume of household deposits went up by 13 per cent to SEK 381 billion (338), while corporate deposits decreased by 10 per cent to SEK 603 billion (670).

Net fee and commission income fell by 2 per cent to SEK 9,156 million (9,320), chiefly as a result of lower brokerage income and a lower net result from payment operations. This decrease was offset by rising commissions from asset management and lending operations.

Brokerage income fell by 14 per cent to SEK 916 million (1,071), mainly due to lower trading volumes. Net payment commissions decreased by SEK 131 million, or 6 per cent, to SEK 1,896 million (2,027). The decrease was chiefly attributable to the ceiling for interchange fees that was implemented in December 2015, which was one factor in net fee and commission income from card operations falling by SEK 152 million to SEK 1,248 million (1,400). Fund management commissions increased by 1 per cent, while other custody and asset management commissions grew by 4 per cent.

Net gains/losses on financial transactions rose by 18 per cent to SEK 3,066 million (2,608); this was chiefly attributable to higher capital gains from the sale of shares, which totalled SEK 1,689 million (1,229) during the period.

Other income went down to SEK 598 million (668). The decrease was chiefly due to lower dividend income as a result of reduced equity holdings.

EXPENSES

The Group – Expenses SEK m	Full year 2016	Full year 2015	Change
Staff costs	-12 542	-12 581	0%
Other expenses	-5 401	-5 203	4%
Depreciation and amortisation	-495	-487	2%
Total expenses	**-18 438**	**-18 271**	**1%**

Total expenses increased by 1 per cent to SEK -18,438 million (-18,271). Exchange rate effects reduced expenses by SEK 305 million.

Staff costs decreased slightly to SEK -12,542 million (-12,581). Exchange rate movements lowered staff costs by SEK 222 million, while forecast pension costs according to IAS 19 rose by SEK 227 million. During the period, no provision was made for Oktogonen (SEK -858 million). Adjusted for the above-mentioned items and the Q1 provision of SEK -700 million, mainly for early retirements, staff costs rose by 1 per cent.

Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -102 million (-114).

The average number of employees fell to 11,759 (11,819). Excluding the expanding operations in the UK and the Netherlands, the average number of employees decreased by just over 2 per cent. The ongoing work to improve the efficiency is continuing according to plan.

Other expenses rose by 4 per cent to SEK -5,401 million (-5,203), chiefly due to higher external IT expenses and the increased cost of purchased services. Exchange rate effects reduced other expenses by SEK 77 million.

LOAN LOSSES

The Group – Loan losses SEK m	Full year 2016	Full year 2015	Change
Net loan losses	-1 724	-1 597	127
Loan loss ratio as a % of loans, acc.	0.09	0.09	0.00
Impaired loans, net	3 103	4 028	-23%
Proportion of impaired loans, %	0.16	0.21	-0.05

Loan losses increased by 8 per cent to SEK -1,724 million (-1,597) and the loan loss ratio was 0.09 per cent (0.09). Net impaired loans decreased by 23 per cent to SEK 3,103 million (4,028), equivalent to 0.16 per cent (0.21) of lending.

FUNDING AND LIQUIDITY

The volume of bonds issued during the year increased to SEK 198 billion (181), of which SEK 148 billion (139) was in covered bonds and SEK 50 billion (32) 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 unsecured market funding was 210 per cent (203 per cent at year-end 2015).

The Bank still has a strong liquidity situation. Cash funds and liquid assets invested with central banks amounted to SEK 225 billion, while the volume of liquid bonds and other liquid assets totalled SEK 158 billion.

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of December was 126 per cent (137). In USD, the LCR was 322 per cent (429), and in EUR it was 136 per cent (161). The Group's LCR, calculated according to the European Commission's delegated act, was 142 per cent (140). At year-end, the net stable funding ratio (NSFR) was 102 per cent (100).

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. The Authority calculated Handelsbanken's common equity tier 1 capital requirement at the end of the third quarter to be an amount corresponding to a common equity tier 1 ratio of 21.3 per cent. The already announced raising of the countercyclical buffer is expected to increase the requirement by 0.5 percentage points in the first quarter of 2017. At the end of the year, Handelsbanken's common equity tier 1 ratio was 25.1 per cent. The Bank has made an application regarding new PD models for corporate exposures. Approval will mean that the risk weights for the Bank's corporate exposures will increase. If the proposed new models had been used at year-end, the common equity tier 1 ratio would have decreased to 23.3 per cent. At the same time, the Bank estimates that the Supervisory Authority's capital requirement at the end of 2016, including the future increase in the countercyclical buffer, would have been 20.3 per cent. Taking into account these changes, the Bank's common equity tier 1 ratio at year-end was at the top end of the range of 1–3 percentage points above the Supervisory Authority's requirement level. The Bank sees growth potential in its lending business, and is therefore choosing to maintain its capital adequacy in the upper part of the target range.

Oktogonen

The decision not to make a provision for Oktogonen for 2016 was due to the sharp increase in the Bank's capital requirement announced by the Swedish Financial Supervisory Authority in early 2016. During the year, the Bank continued to generate capital. Taking into account the outcome of the Supervisory Authority's capital assessment, the Bank's assessment is that provisions for Oktogonen can resume during 2017.

Capital situation 31 December 2016 compared with 31 December 2015

Capital-related matters SEK m	**31 Dec 2016**	**31 Dec 2015**	**Change**
Common equity tier 1 ratio, CRD IV	25.1%	21.2%	3.9
Total capital ratio, CRD IV	31.4%	27.2%	4.2
Risk exposure amount CRD IV, SEK m	458 787	473 132	-3%
Common equity tier 1 capital	115 240	100 535	15%
Total own funds	144 233	128 489	12%
Capital requirement, Basel I floor	98 235	94 833	4%
Total own funds, Basel I floor	145 760	129 884	12%

Own funds increased to SEK 144 billion (128), and the Bank's total capital ratio rose to 31.4 per cent (27.2).

The common equity tier 1 capital increased to SEK 115 billion (101) and the common equity tier 1 ratio rose by 3.9 percentage points to 25.1 per cent (21.2). Conversions of the 2011 staff convertible bond increased the ratio by 0.5 percentage points. The period's profit, after deducting for dividends generated, and excluding the capital gains from the divestment of AFS holdings, contributed 2.0 percentage points. This effect includes a dividend from Handelsbanken Liv totalling SEK 4.1 billion.

Higher lending volumes and credit risk migration in the loan portfolio affected the common equity tier 1 ratio by -0.1 and -0.5 percentage points respectively. The effect of the fact that new lending volumes are lower risk than the credit portfolio average (known as volume migration) increased the common equity tier 1 ratio by 0.8 percentage points.

The effect of IAS 19 increased the common equity tier 1 capital ratio by 0.8 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 movements were neutral, and the net effect of other factors reduced the common equity tier 1 ratio by -0.2 percentage points.

Economic capital and available financial resources

Handelsbanken's internal assessment of the capital requirement 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 per cent. At the end of the fourth quarter, Group EC totalled SEK 54.2 billion, while AFR was SEK 146.0 billion. Thus, the ratio between AFR and EC was 269 per cent. For the parent company, EC totalled SEK 46.6 billion, and AFR was SEK 127.4 billion.

For the consolidated situation, EC totalled SEK 29.1 billion, and AFR was SEK 145.6 billion.

RATING

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

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

HANDELSBANKEN'S ANNUAL GENERAL MEETING ON 29 MARCH

The Board proposes to the annual general meeting an ordinary dividend of SEK 5.00 per share (4.50), and that the current repurchasing programme of a maximum of 120 million shares be extended for an additional year.

In addition, the Board proposes that the annual general meeting authorise the Board to be able to issue convertible debt instruments in the form of AT1 bonds, in order to adapt the Bank's capital structure to capital requirements prevailing at any time.

The Board proposes that the record day for the dividend be 31 March 2017, which means that the Handelsbanken share will be traded ex-dividend on 30 March 2017, and that the dividend is then expected to be disbursed on 5 April 2017.

OTHER MATTERS, INCLUDING EVENTS AFTER THE END OF THE REPORTING PERIOD

Visa

In November 2015, Visa Inc. and Visa Europe Ltd. signed an agreement for Visa Inc. to acquire Visa Europe, in which Handelsbanken is a shareholder and a member. The transaction was concluded during the second quarter, and the Bank thereby received cash of SEK 69 million, together with preference shares in Visa Inc. valued at SEK 12 million. This had a favourable effect on net gains/losses on financial transactions. In addition, a dividend of SEK 64 million was received from Visa Norway, which has been reported as Other dividend income. Moreover, the value of the Bank's share of the Visa Sweden Economic Association has increased, which during the year had a positive effect on Other comprehensive income of SEK 624 million. The holding is classified as available-for-sale financial assets. When the distribution index for the indirect Swedish members is ready, the value will be realised in the income statement.

Five-year overview Group

Consolidated income statement SEK m	**2016**	**2015**	**2014**	**2013**	**2012**
Net interest income	27 943	27 740	27 244	26 669	26 081
Net fee and commission income	9 156	9 320	8 556	7 804	7 369
Net gains/losses on financial transactions	3 066	2 608	1 777	1 357	1 120
Risk result – insurance	142	157	165	142	196
Other dividend income	228	281	251	161	152
Share of profit of associates	25	17	18	9	8
Other income	203	213	303	185	136
Total income	**40 763**	**40 336**	**38 314**	**36 327**	**35 062**
Staff costs	-12 542	-12 581	-11 766	-11 404	-11 167
Other expenses	-5 401	-5 203	-5 099	-5 181	-5 069
Depreciation, amortisation and impairment of property, equipment and intangible assets	-495	-487	-462	-476	-464
Total expenses	**-18 438**	**-18 271**	**-17 327**	**-17 061**	**-16 700**
Profit before loan losses	**22 325**	**22 065**	**20 987**	**19 266**	**18 362**
Net loan losses	-1 724	-1 597	-1 781	-1 195	-1 251
Gains/losses on disposal of property, equipment and intangible assets	32	7	6	17	-3
Operating profit	**20 633**	**20 475**	**19 212**	**18 088**	**17 108**
Taxes	-4 401	-4 277	-4 069	-3 915	-3 092
Profit for the year from continuing operations	**16 232**	**16 198**	**15 143**	**14 173**	**14 016**
Profit for the year pertaining to discontinued operations, after tax	13	145	41	122	22
Profit for the year	**16 245**	**16 343**	**15 184**	**14 295**	**14 038**
Attributable to					
Shareholders in Svenska Handelsbanken AB	16 244	16 342	15 183	14 295	14 037
Minority interest	1	1	1	0	1
Earnings per share, continuing operations, SEK	8.42	8.49	7.94	7.45	7.44
after dilution	8.30	8.32	7.82	7.36	7.27
Earnings per share, discontinued operations, SEK	0.01	0.08	0.02	0.06	0.01
after dilution	0.01	0.07	0.02	0.06	0.01
Earnings per share, total operations, SEK	8.43	8.57	7.96	7.51	7.45
after dilution	8.31	8.39	7.84	7.42	7.28

A five-year overview for the parent company is shown on page 165.

The last five-year period has been characterised by the aftermath of the global financial crisis that started in 2007 and gradually developed into a debt crisis and severe recession. During this period, Handelsbanken has increased its profits, strengthened its balance sheet, expanded its operations and boosted customer satisfaction.

Creating shareholder value

During the past five years – since 31 December 2011 – Handelsbanken has generated positive shareholder value of SEK 179 billion. Market capitalisation has grown by SEK 133 billion, while Handelsbanken has paid out SEK 46 billion in dividends to shareholders. Handelsbanken is the only listed commercial bank in Sweden which did not need to ask its shareholders for new capital during the financial crisis.

15 per cent annual growth in equity

Since the financial crisis began, around 1 July 2007, the Bank has increased its adjusted equity per share by 96 per cent, from SEK 35.31 per share to SEK 69.28 per share. Taking into account reinvestment of the period's accumulated dividends, the average annual growth in adjusted equity per share was 15 per cent.

Lower risk

During the past five-year period, Handelsbanken's total loan losses amounted to SEK 7,548 million, which corresponds to an average annual loan loss ratio of just under 0.09 per cent. The corresponding figure for the other major Nordic banks was 0.15 per cent.

More satisfied customers

Since SKI (Swedish Quality Index) started its customer satisfaction surveys in 1989, every year for private customers and every year but one for corporate customers, Handelsbanken has been the bank of the four major banks with the most satisfied customers in Sweden. During the autumn, SKI presented its survey. For private customers, Handelsbanken's index value was 67.6, as compared with the other major Swedish banks, all of which recorded scores in the 56.4–66.0 range. For corporate customers, Handelsbanken's index value was 69.4, as compared to the other major Swedish banks, all of which recorded scores in the 55.4–67.6 range.

In the other home markets, too, Handelsbanken had more satisfied customers than the sector average.

Organic growth

Five years ago, Handelsbanken had five home markets, with a total of 724 branches. Five years later, on 31 December 2016, Handelsbanken had more than 800 branches in its six home markets.

Consolidated statement of comprehensive income SEK m	2016	2015	2014	2013	2012
Profit for the year	16 245	16 343	15 184	14 295	14 038
Other comprehensive income					
Items that will not be reclassified to the income statement					
Defined benefit pension plans	3 993	-3 152	-2 699	1 402	2 583
Tax on items that will not be reclassified to the income statement	-876	688	592	-307	-568
Total items that will not be reclassified to the income statement	**3 117**	**-2 464**	**-2 107**	**1 095**	**2 015**
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	-3 145	-501	8 772	-3 410	2 390
Available-for-sale instruments	-1 160	682	295	535	984
Translation difference for the year	1 183	-1 713	5 924	763	-126
of which hedges of net investments in foreign operations	*-142*	*-394*	*2 558*	*767*	*486*
Tax on items that may subsequently be reclassified to the income statement	833	215	-2 501	514	-913
of which cash flow hedges	*692*	*110*	*-1 924*	*744*	*-565*
of which available-for-sale instruments	*110*	*18*	*-14*	*-61*	*-248*
of which hedges of net investments in foreign operations	*31*	*87*	*-563*	*-169*	*-100*
Total items that may subsequently be reclassified to the income statement	**-2 289**	**-1 317**	**12 490**	**-1 598**	**2 335**
Total other comprehensive income	**828**	**-3 781**	**10 383**	**-503**	**4 350**
Total comprehensive income for the year	**17 073**	**12 562**	**25 567**	**13 792**	**18 388**
Attributable to					
Shareholders in Svenska Handelsbanken AB	17 072	12 562	25 566	13 792	18 387
Minority interest	1	0	1	0	1

Consolidated balance sheet SEK m	2016	2015	2014	2013	2012
Assets					
Cash and central banks	224 889	236 748	505 579	369 954	248 915
Loans to the public	1 963 622	1 866 467	1 807 836	1 696 339	1 680 479
Loans to other credit institutions	31 347	49 656	70 339	62 898	89 511
Interest-bearing securities	161 114	119 290	141 944	121 576	117 260
Other assets	246 608	249 972	290 978	233 954	247 786
Total assets	**2 627 580**	**2 522 133**	**2 816 676**	**2 484 721**	**2 383 951**
Liabilities and equity					
Deposits and borrowing from the public	829 336	753 855	1 022 267	825 205	682 223
Due to credit institutions	178 781	163 770	200 074	171 624	183 945
Issued securities	1 261 765	1 245 367	1 212 613	1 150 641	1 151 426
Subordinated liabilities	33 400	34 216	30 289	15 965	21 167
Other liabilities	187 917	196 657	224 606	209 947	241 340
Equity	136 381	128 268	126 827	111 339	103 850
Total liabilities and equity	**2 627 580**	**2 522 133**	**2 816 676**	**2 484 721**	**2 383 951**

Key figures per year

Key figures for the Handelsbanken Group	2016	2015	2014	2013	2012
Profit before loan losses, continuing operations, SEK m	22 325	22 065	20 987	19 266	18 362
Net loan losses, SEK m	-1 724	-1 597	-1 781	-1 195	-1 251
Operating profit, continuing operations, SEK m	20 633	20 475	19 212	18 088	17 108
Profit for the year, continuing operations, SEK m	16 232	16 198	15 143	14 173	14 016
Profit for the year, discontinued operations, SEK m	13	145	41	122	22
Profit for the year, total operations, SEK m	16 245	16 343	15 184	14 295	14 038
Total assets, SEK m	2 627 580	2 522 133	2 816 676	2 484 721	2 383 951
Equity, SEK m	136 381	128 268	126 827	111 339	103 850
Return on equity, total operations, %	13.1	13.5	13.4	13.9	14.9
Return on equity, continuing operations, %	13.1	13.4	13.3	13.8	14.8
Return on capital employed, %	0.58	0.58	0.57	0.59	0.57
Cost/income ratio, continuing operations, %	45.2	45.3	45.2	47.0	47.6
Cost/income ratio, continuing operations, incl. loan losses, %	49.5	49.3	49.9	50.3	51.2
Loan loss ratio, %	0.09	0.09	0.10	0.07	0.08
Impaired loans reserve ratio, %	59.9	54.5	47.2	56.2	56.4
Proportion of impaired loans, %	0.16	0.21	0.25	0.18	0.18
Earnings per share, SEK	8.43	8.57	7.96	7.51	7.45
after dilution	8.31	8.39	7.84	7.42	7.28
Ordinary dividend per share, SEK	5.00[1]	4.50	4.17	3.83	3.58
Total dividend per share, SEK	5.00[1]	6.00	5.83	5.50	3.58
Adjusted equity per share, SEK	69.28	65.14	64.13	59.24	54.21
No. of shares as at 31 December, millions	1 944.2	1 907.0	1 907.0	1 906.9	1 898.4
of which outstanding	1 944.2	1 907.0	1 907.0	1 906.9	1 898.4
Average number of outstanding shares, millions	1 927.1	1 907.0	1 907.0	1 904.4	1 885.5
after dilution	1 972.7	1 971.9	1 959.0	1 942.6	1 949.8
Common equity tier 1 ratio, % according to Basel II				19.2	17.9
Common equity tier 1 ratio, % according to CRR	25.1	21.2	20.4		
Tier 1 ratio, % according to Basel II				21.5	20.4
Tier 1 ratio, % according to CRR	27.9	23.8	22.1		
Capital ratio, % according to Basel II				21.6	20.7
Total capital ratio, % according to CRR	31.4	27.2	25.6		
Average number of employees	11 759	11 819	11 692	11 503	11 192
No. of branches and meeting places in Sweden	435	474	478	474	473
No. of branches and meeting places in the UK	207	198	179	161	133
No. of branches in Denmark	57	57	57	56	54
No. of branches in Finland	45	46	46	45	45
No. of branches in Norway	50	50	51	49	49
No. of branches in the Netherlands	25	23	20	18	13
No. of branches in other countries	13	13	17	19	19

For definitions of alternative key figures, please see page 218 and for calculation of these key figures, please see the Fact Book which is available at handelsbanken.se/ireng.

[1] Dividend as recommended by the Board.

Quarterly performance

Quarterly performance for the Handelsbanken Group SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Interest income	10 220	9 943	9 451	10 336	10 540
Interest expense	-2 921	-2 902	-2 643	-3 541	-3 569
Net interest income	**7 299**	**7 041**	**6 808**	**6 795**	**6 971**
Fee and commission income	2 895	2 669	2 663	2 553	2 781
Fee and commission expense	-448	-410	-383	-383	-438
Net fee and commission income	**2 447**	**2 259**	**2 280**	**2 170**	**2 343**
Net gains/losses on financial transactions	269	1 112	523	1 162	1 503
Risk result – insurance	6	25	35	76	36
Other dividend income	2	1	222	3	2
Share of profit of associates	0	10	13	2	-11
Other income	102	25	41	35	65
Total income	**10 125**	**10 473**	**9 922**	**10 243**	**10 909**
Staff costs	-2 981	-2 941	-2 952	-3 668	-3 353
Other expenses	-1 518	-1 234	-1 346	-1 303	-1 442
Depreciation, amortisation and impairment of property, equipment and intangible assets	-114	-137	-119	-125	-112
Total expenses	**-4 613**	**-4 312**	**-4 417**	**-5 096**	**-4 907**
Profit before loan losses	**5 512**	**6 161**	**5 505**	**5 147**	**6 002**
Net loan losses	-832	-476	-229	-187	-475
Gains/losses on disposal of property, equipment and intangible assets	18	6	1	7	6
Operating profit	**4 698**	**5 691**	**5 277**	**4 967**	**5 533**
Taxes	-1 254	-1 127	-1 091	-929	-1 076
Profit for the period from continuing operations	**3 444**	**4 564**	**4 186**	**4 038**	**4 457**
Profit for the period pertaining to discontinued operations, after tax	0	0	8	5	44
Profit for the period	**3 444**	**4 564**	**4 194**	**4 043**	**4 501**
Attributable to					
Shareholders in Svenska Handelsbanken AB	3 444	4 564	4 194	4 042	4 501
Minority interest	0	0	0	1	0
Earnings per share, continuing operations, SEK	1.77	2.36	2.18	2.12	2.34
after dilution	1.76	2.32	2.14	2.07	2.28
Earnings per share, discontinued operations, SEK	-	-	0.01	0.00	0.02
after dilution	-	-	0.01	0.00	0.02
Earnings per share, total operations, SEK	1.77	2.36	2.19	2.12	2.36
after dilution	1.76	2.32	2.15	2.07	2.30

Business segments

Segment reporting 2016

	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	15 519	4 414	1 686	1 218	3 355	438	557	756		27 943
Net fee and commission income	4 233	519	379	419	381	75	3 081	69		9 156
Net gains/losses on financial transactions	725	219	75	87	114	5	984	857		3 066
Risk result – insurance							142			142
Share of profit of associates						2		23		25
Other income	47	3	15	10	81	1	8	266		431
Total income	**20 524**	**5 155**	**2 155**	**1 734**	**3 931**	**521**	**4 772**	**1 971**		**40 763**
Staff costs	-3 671	-1 849	-655	-380	-676	-210	-2 368	-2 335	-398	-12 542
Other expenses	-1 153	-463	-194	-210	-206	-60	-871	-2 244		-5 401
Internal purchased and sold services	-2 645	-545	-287	-239	-379	-77	-56	4 228		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-67	-46	-14	-14	-8	-7	-76	-248	-15	-495
Total expenses	**-7 536**	**-2 903**	**-1 150**	**-843**	**-1 269**	**-354**	**-3 371**	**-599**	**-413**	**-18 438**
Profit before loan losses	**12 988**	**2 252**	**1 005**	**891**	**2 662**	**167**	**1 401**	**1 372**	**-413**	**22 325**
Net loan losses	-416	-160	-716	-36	-347	0	-49			-1 724
Gains/losses on disposal of property, equipment and intangible assets	0	2	7	0	0	-	0	23		32
Operating profit	**12 572**	**2 094**	**296**	**855**	**2 315**	**167**	**1 352**	**1 395**	**-413**	**20 633**
Profit allocation	997	35	85	131	91	3	-1 342	-		
Operating profit after profit allocation	**13 569**	**2 129**	**381**	**986**	**2 406**	**170**	**10**	**1 395**	**-413**	**20 633**
Internal income	116	-1 195	-334	-262	-2 463	-210	-2 851	7 199		
C/I ratio, %	35.0	55.9	51.3	45.2	31.6	67.6	98.3			45.2
Loan loss ratio, %	0.03	0.08	0.85	0.03	0.17	0.00	0.10			0.09
Assets	1 572 446	316 732	108 299	178 132	246 940	35 293	279 905	1 810 638	-1 920 805	2 627 580
Liabilities	1 494 646	305 306	102 078	171 880	231 057	34 042	274 872	1 810 638	-1 933 320	2 491 199
Allocated capital	77 800	11 426	6 221	6 252	15 883	1 251	5 033		12 515	136 381
Return on allocated capital, %	14.7	15.4	4.8	13.0	13.3	12.5	0.2			13.1
The year's investments in non-financial non-current assets	66	155	4	20	17	13	295	403		973
The year's investments in associated companies								19		19
Average number of employees	4 293	1 959	624	491	668	206	1 678	1 840		11 759

Applied principles for segment reporting and a description of the items shown in the Other and Adjustments and eliminations columns are explained further in note G45.

Segment reporting 2015	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	15 278	4 570	1 678	1 361	3 248	328	641	636		27 740
Net fee and commission income	4 619	452	436	387	395	23	2 972	36		9 320
Net gains/losses on financial transactions	383	194	77	60	94	5	1 226	569		2 608
Risk result – insurance							157			157
Share of profit of associates								17		17
Other income	61	7	17	23	31	-	10	345		494
Total income	**20 341**	**5 223**	**2 208**	**1 831**	**3 768**	**356**	**5 006**	**1 603**		**40 336**
Staff costs	-3 620	-1 870	-629	-369	-713	-158	-2 447	-2 651	-124	-12 581
Other expenses	-1 163	-429	-178	-161	-207	-37	-857	-2 171		-5 203
Internal purchased and sold services	-2 595	-455	-279	-247	-370	-84	-86	4 116		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-88	-30	-15	-11	-13	-3	-79	-248		-487
Total expenses	**-7 466**	**-2 784**	**-1 101**	**-788**	**-1 303**	**-282**	**-3 469**	**-954**	**-124**	**-18 271**
Profit before loan losses	**12 875**	**2 439**	**1 107**	**1 043**	**2 465**	**74**	**1 537**	**649**	**-124**	**22 065**
Net loan losses	-763	-224	-299	-83	-222	-2	-4			-1 597
Gains/losses on disposal of property, equipment and intangible assets	-2	-12	8	0	6	-	0	7		7
Operating profit	**12 110**	**2 203**	**816**	**960**	**2 249**	**72**	**1 533**	**656**	**-124**	**20 475**
Profit allocation	935	34	72	110	57	0	-1 209	1		
Operating profit after profit allocation	**13 045**	**2 237**	**888**	**1 070**	**2 306**	**72**	**324**	**657**	**-124**	**20 475**
Internal income	46	-1 481	-295	-367	-2 805	-175	-2 347	7 424		
C/I ratio, %	35.1	53.0	48.3	40.6	34.1	79.2	91.4			45.3
Loan loss ratio, %	0.07	0.13	0.37	0.07	0.11	0.01	0.01			0.09
Assets	1 488 781	302 077	94 037	168 403	211 360	24 514	284 166	1 777 015	-1 828 220	2 522 133
Liabilities	1 416 887	291 625	87 818	162 217	198 394	23 663	278 495	1 777 015	-1 842 249	2 393 865
Allocated capital	71 894	10 452	6 219	6 186	12 966	851	5 671		14 029	128 268
Return on allocated capital, %	14.7	16.8	11.2	13.8	13.6	6.4	4.5			13.4
The year's investments in non-financial non-current assets	59	364	3	27	20	17	273	246		1 009
The year's investments in associated companies								10		10
Average number of employees	4 468	1 794	631	496	676	159	1 766	1 829		11 819

Handelsbanken Sweden

Handelsbanken Sweden comprises five regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 435 branches and meeting places throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

Quarterly performance
Handelsbanken Sweden

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Total 2016	Total 2015	Change %
Net interest income	4 018	3 929	3 813	3 759	15 519	15 278	2
Net fee and commission income	1 102	1 047	1 080	1 004	4 233	4 619	-8
Net gains/losses on financial transactions	184	167	242	132	725	383	89
Other income	28	4	4	11	47	61	-23
Total income	**5 332**	**5 147**	**5 139**	**4 906**	**20 524**	**20 341**	**1**
Staff costs	-867	-278	-920	-1 606	-3 671	-3 620	1
Other expenses	-302	-261	-310	-280	-1 153	-1 163	-1
Internal purchased and sold services	-680	-630	-677	-658	-2 645	-2 595	2
Depreciation, amortisation and impairment of property, equipment and intangible assets	-11	-19	-17	-20	-67	-88	-24
Total expenses	**-1 860**	**-1 188**	**-1 924**	**-2 564**	**-7 536**	**-7 466**	**1**
Profit before loan losses	**3 472**	**3 959**	**3 215**	**2 342**	**12 988**	**12 875**	**1**
Net loan losses	-180	-128	-84	-24	-416	-763	-45
Gains/losses on disposal of property, equipment and intangible assets	-1	1	1	-1	0	-2	
Operating profit	**3 291**	**3 832**	**3 132**	**2 317**	**12 572**	**12 110**	**4**
Profit allocation	300	271	224	202	997	935	7
Operating profit after profit allocation	**3 591**	**4 103**	**3 356**	**2 519**	**13 569**	**13 045**	**4**
Internal income	35	71	121	-111	116	46	
C/I ratio, %	33.0	21.9	35.9	50.2	35.0	35.1	
Loan loss ratio, %	0.06	0.04	0.03	0.01	0.03	0.07	
Assets	1 572 446	1 570 194	1 554 887	1 517 375	1 572 446	1 488 781	6
Liabilities	1 494 646	1 497 197	1 486 245	1 443 000	1 494 646	1 416 887	5
Allocated capital	77 800	72 997	68 642	74 375	77 800	71 894	8
Return on allocated capital, %	14.4	17.5	15.3	10.6	14.7	14.7	
Average number of employees	4 109	4 352	4 300	4 412	4 293	4 468	-4
Number of branches and meeting places	435	463	472	472	435	474	-8

Business volumes,
Sweden

Average volumes, SEK bn	2016	2015	Change %
Loans to the public[1]	**1 219**	**1 165**	**5**
of which households	*740*	*688*	*8*
of which mortgage loans	*687*	*633*	*9*
companies	*479*	*477*	*0*
of which mortgage loans	*271*	*270*	*0*
Deposits from the public	**496**	**456**	**9**
of which households	*295*	*263*	*12*
companies	*201*	*193*	*4*

[1] Excluding loans to the National Debt Office.

435 branches

FINANCIAL PERFORMANCE

Operating profit rose by 4 per cent to SEK 12,572 million (12,110).

Net interest income rose by 2 per cent to SEK 15,519 million (15,278). A lower interest rate environment reduced the deposit margin by SEK -1,119 million. At the same time, higher deposit volumes had a negative impact on net interest income of SEK -188 million. Higher lending margins improved net interest income by SEK 20 million and growing lending volumes increased net interest income by SEK 688 million. Fees to the Resolution Fund and the deposit guarantee reduced slightly to SEK -659 million (-671). The remainder of the change in net interest income was chiefly attributable to lower funding costs.

Net fee and commission income declined by 8 per cent to SEK 4,233 million (4,619). The decrease was mainly due to lower interchange fees from card operations and reduced fund management commissions and brokerage income.

Net gains/losses on financial transactions grew by 89 per cent to SEK 725 million (383). The increase was chiefly the result of higher profits from foreign exchange business.

Total expenses increased by 1 per cent to SEK -7,536 million (-7,466). Staff costs rose by 1 per cent to SEK -3,671 million (-3,620). The average number of employees fell by 4 per cent or 175 people to 4,293 (4,468). The C/I ratio was 35.0 per cent (35.1).

Loan losses went down by 45 per cent to SEK -416 million (-763), and the loan loss ratio fell to 0.03 per cent (0.07).

BUSINESS DEVELOPMENT

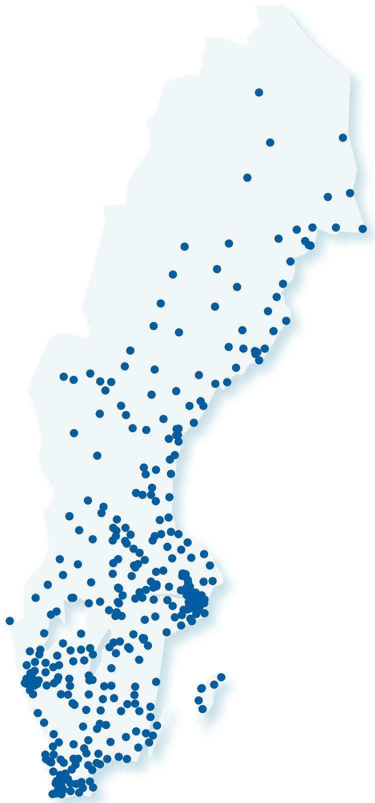
In Finansbarometern's annual survey, Handelsbanken was voted Business Bank of the Year – for the sixth year running – and Sweden's Small Enterprise Bank – for the fifth year running.

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

During the year, new savings in the Bank's mutual funds in Sweden amounted to SEK 11.9 billion (26.5), corresponding to a market share of 22 per cent (31).

The average volume of deposits from households rose by 12 per cent to SEK 295 billion (263). The average volume of mortgage loans to private individuals increased by 9 per cent to SEK 687 billion (633), while the average volume of lending to companies increased to SEK 479 billion (477).

During the year, continued adjustments were made in branch operations, not least as a result of changed behaviour resulting from digitalisation. Several of the Bank's major city branches left premises at street level to move to more fit-for-purpose premises a few floors up. At the same time, several of the Bank's branches in small towns have moved to new less centrally located premises. The business operations of nine inner-city branches in Stockholm, Gothenburg and Malmö, together with that of 30 branches in other locations were merged with large branches nearby. During the year, two new branches were established: Arenastaden and Älvsborg. This brought the number of branches and meeting places at year-end to 435 (474).



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 and meeting places throughout the UK.

Quarterly performance Handelsbanken UK

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Total 2016	Total 2015	Change %
Net interest income	1 111	1 085	1 102	1 116	4 414	4 570	-3
Net fee and commission income	147	121	132	119	519	452	15
Net gains/losses on financial transactions	59	34	76	50	219	194	13
Other income	3	-1	0	1	3	7	-57
Total income	**1 320**	**1 239**	**1 310**	**1 286**	**5 155**	**5 223**	**-1**
Staff costs	-470	-444	-462	-473	-1 849	-1 870	-1
Other expenses	-143	-109	-105	-106	-463	-429	8
Internal purchased and sold services	-151	-137	-137	-120	-545	-455	20
Depreciation, amortisation and impairment of property, equipment and intangible assets	-11	-11	-11	-13	-46	-30	53
Total expenses	**-775**	**-701**	**-715**	**-712**	**-2 903**	**-2 784**	**4**
Profit before loan losses	**545**	**538**	**595**	**574**	**2 252**	**2 439**	**-8**
Net loan losses	-73	-20	-26	-41	-160	-224	-29
Gains/losses on disposal of property, equipment and intangible assets	0	0	-1	3	2	-12	
Operating profit	**472**	**518**	**568**	**536**	**2 094**	**2 203**	**-5**
Profit allocation	9	11	7	8	35	34	3
Operating profit after profit allocation	**481**	**529**	**575**	**544**	**2 129**	**2 237**	**-5**
Internal income	-208	-310	-327	-350	-1 195	-1 481	19
C/I ratio, %	58.3	56.1	54.3	55.0	55.9	53.0	
Loan loss ratio, %	0.15	0.04	0.05	0.08	0.08	0.13	
Assets	316 732	305 688	303 021	295 962	316 732	302 077	5
Liabilities	305 306	295 106	292 758	285 051	305 306	291 625	5
Allocated capital	11 426	10 582	10 263	10 911	11 426	10 452	9
Return on allocated capital, %	13.1	15.6	17.5	15.6	15.4	16.8	
Average number of employees	1 980	1 987	1 957	1 912	1 959	1 794	9
Number of branches and meeting places	207	206	205	201	207	198	5

Business volumes, UK

Average volumes, GBP m	2016	2015	Change %
Loans to the public	**16 534**	**14 834**	**11**
of which households	*5 527*	*4 809*	*15*
companies	*11 007*	*10 025*	*10*
Deposits from the public	**9 787**	**8 323**	**18**
of which households	*2 569*	*1 747*	*47*
companies	*7 218*	*6 576*	*10*

207 branches

FINANCIAL PERFORMANCE

Operating profit went down by 5 per cent to SEK 2,094 million (2,203). Exchange rate movements reduced operating profit by SEK -220 million, but expressed in local currency, operating profit grew by 6 per cent.

Return on allocated capital was 15.4 per cent (16.8).

Income decreased by 1 per cent, due entirely to the depreciation of sterling. In local currency, income rose by 10 per cent.

Net interest income went down by 3 per cent to SEK 4,414 million (4,570). Exchange rate movements reduced net interest income by SEK -463 million, but expressed in local currency, net interest income grew by 8 per cent, despite increasing margin pressure. The growth was mainly attributable to rising business volumes, with lending contributing SEK 360 million and deposit volumes SEK 82 million. Lower lending margins negatively affected net interest income by SEK -79 million, while deposit margins were largely unchanged.

Net fee and commission income increased by 15 per cent to SEK 519 million (452). In local currency, the increase was 28 per cent, mainly due to higher lending commissions.

Net gains/losses on financial transactions rose to SEK 219 million (194).

Expenses rose by 4 per cent to SEK -2,903 million (-2,784). In local currency, expenses were up by 16 per cent, this being entirely due to the expanding operations.

The average number of employees grew by 9 per cent to 1,959 (1,794).

Loan losses went down to SEK -160 million (-224) and the loan loss ratio fell to 0.08 per cent (0.13).

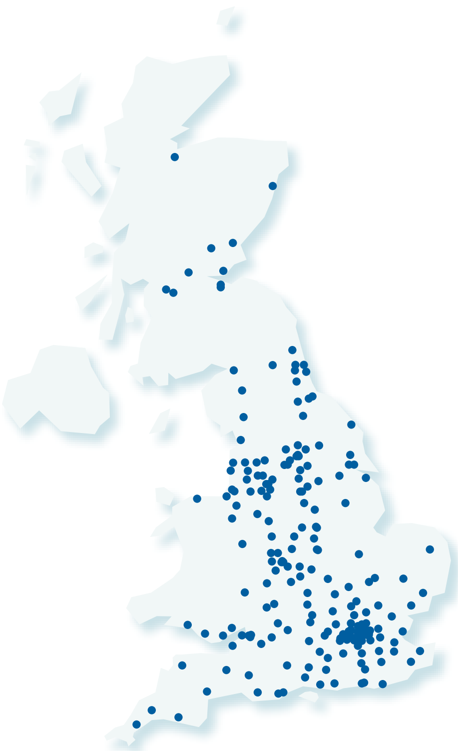
BUSINESS DEVELOPMENT

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

Business volumes continued to grow. The average volume of deposits from households climbed by 47 per cent during the year, while lending to households grew by 15 per cent. Overall, the average volume of lending increased by 11 per cent to GBP 16.5 billion, while total deposits grew by 18 per cent to GBP 9.8 billion. During the fourth quarter, the loan-to-deposit ratio decreased to 162 per cent, compared with 178 per cent in the corresponding quarter of 2015.

Heartwood's assets under management totalled GBP 2.9 billion, as compared to GBP 2.5 billion at the start of the year.

Nine new branches were opened during the year, bringing the total number of branches and meeting places in the UK to 207.



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.

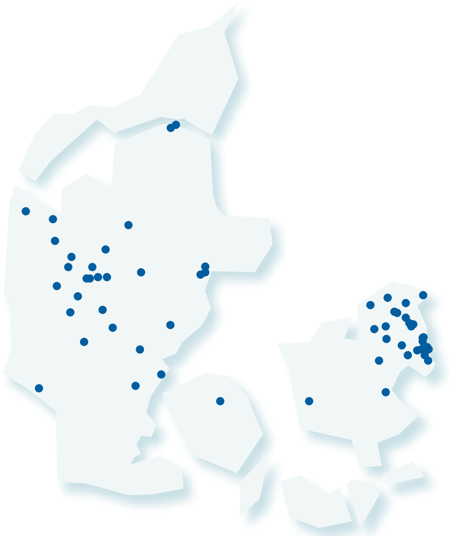
Quarterly performance
Handelsbanken Denmark

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Total 2016	Total 2015	Change %
Net interest income	447	425	405	409	1 686	1 678	0
Net fee and commission income	95	93	93	98	379	436	-13
Net gains/losses on financial transactions	21	19	18	17	75	77	-3
Other income	3	3	6	3	15	17	-12
Total income	**566**	**540**	**522**	**527**	**2 155**	**2 208**	**-2**
Staff costs	-177	-164	-155	-159	-655	-629	4
Other expenses	-66	-43	-41	-44	-194	-178	9
Internal purchased and sold services	-78	-71	-69	-69	-287	-279	3
Depreciation, amortisation and impairment of property, equipment and intangible assets	-4	-3	-4	-3	-14	-15	-7
Total expenses	**-325**	**-281**	**-269**	**-275**	**-1 150**	**-1 101**	**4**
Profit before loan losses	**241**	**259**	**253**	**252**	**1 005**	**1 107**	**-9**
Net loan losses	-478	-194	-38	-6	-716	-299	139
Gains/losses on disposal of property, equipment and intangible assets	1	5	1	0	7	8	-13
Operating profit	**-236**	**70**	**216**	**246**	**296**	**816**	**-64**
Profit allocation	22	26	18	19	85	72	18
Operating profit after profit allocation	**-214**	**96**	**234**	**265**	**381**	**888**	**-57**
Internal income	-43	-92	-95	-104	-334	-295	-13
C/I ratio, %	55.3	49.6	49.8	50.4	51.3	48.3	
Loan loss ratio, %	2.26	0.92	0.18	0.03	0.85	0.37	
Assets	108 299	104 386	100 881	97 240	108 299	94 037	15
Liabilities	102 078	97 974	94 735	91 217	102 078	87 818	16
Allocated capital	6 221	6 412	6 146	6 023	6 221	6 219	0
Return on allocated capital, %	-10.7	4.6	11.9	13.7	4.8	11.2	
Average number of employees	617	627	629	626	624	631	-1
Number of branches	57	57	57	57	57	57	0

Business volumes,
Denmark

Average volumes, DKK bn	2016	2015	Change %
Loans to the public	**69.6**	**65.6**	**6**
of which households	*40.8*	*36.7*	*11*
companies	*28.8*	*28.9*	*0*
Deposits from the public	**27.6**	**28.0**	**-1**
of which households	*11.9*	*11.1*	*7*
companies	*15.7*	*16.9*	*-7*

57 branches



FINANCIAL PERFORMANCE

Operating profit went down to SEK 296 million (816), mainly as a result of higher loan losses.

Return on allocated capital was 4.8 per cent (11.2).

Net interest income grew marginally to SEK 1,686 million (1,678). Adjusted for exchange rate effects, net interest income went down by 1 per cent. Increasing lending volumes had a positive impact of SEK 78 million, although this was offset by lower lending margins, which reduced net interest income by SEK -91 million. Lower deposit margins negatively affected net interest income by SEK -15 million.

Fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -43 million (-56).

Net fee and commission income fell by 13 per cent to SEK 379 million (436), mainly due to lower brokerage and asset management commissions.

Net gains/losses on financial transactions totalled SEK 75 million (77).

Expenses rose by 4 per cent to SEK -1,150 million (-1,101). Adjusted for exchange rate movements, the increase was 3 per cent; this was primarily attributable to costs associated with the reorganisation of the finance company operation.

Loan losses rose to SEK -716 million (-299), chiefly due to an increased provision made on a single customer exposure. The loan loss ratio increased to 0.85 per cent (0.37).

BUSINESS DEVELOPMENT

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

The Bank continued to have a stable inflow of new customers, and business volumes continued to increase. The average volume of lending to households climbed by 11 per cent during the year, while deposits from households grew by 7 per cent. Corporate lending remained unchanged while corporate deposits went down by 7 per cent. The average volume of lending increased by 6 per cent to DKK 69.6 billion (65.6), while deposits amounted to DKK 27.6 billion (28.0).

Handelsbanken Finland

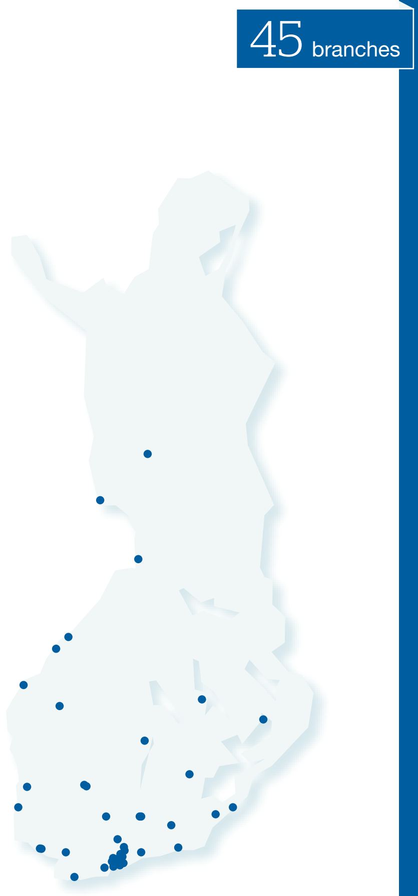
Handelsbanken Finland consists of the branch operations in Finland, which are organised as a regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Finland. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The 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.

Quarterly performance Handelsbanken Finland

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Total 2016	Total 2015	Change %
Net interest income	302	304	294	318	1 218	1 361	-11
Net fee and commission income	116	108	102	93	419	387	8
Net gains/losses on financial transactions	21	8	45	13	87	60	45
Other income	3	1	3	3	10	23	-57
Total income	**442**	**421**	**444**	**427**	**1 734**	**1 831**	**-5**
Staff costs	-101	-94	-95	-90	-380	-369	3
Other expenses	-53	-37	-50	-70	-210	-161	30
Internal purchased and sold services	-62	-59	-60	-58	-239	-247	-3
Depreciation, amortisation and impairment of property, equipment and intangible assets	-4	-4	-3	-3	-14	-11	27
Total expenses	**-220**	**-194**	**-208**	**-221**	**-843**	**-788**	**7**
Profit before loan losses	**222**	**227**	**236**	**206**	**891**	**1 043**	**-15**
Net loan losses	14	-16	-11	-23	-36	-83	-57
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
Operating profit	**236**	**211**	**225**	**183**	**855**	**960**	**-11**
Profit allocation	38	31	30	32	131	110	19
Operating profit after profit allocation	**274**	**242**	**255**	**215**	**986**	**1 070**	**-8**
Internal income	-25	-90	-62	-85	-262	-367	29
C/I ratio, %	45.8	42.9	43.9	48.1	45.2	40.6	
Loan loss ratio, %	-0.05	0.05	0.04	0.08	0.03	0.07	
Assets	178 132	180 512	174 097	170 176	178 132	168 403	6
Liabilities	171 880	174 575	168 529	164 206	171 880	162 217	6
Allocated capital	6 252	5 937	5 568	5 970	6 252	6 186	1
Return on allocated capital, %	13.7	12.7	14.3	11.2	13.0	13.8	
Average number of employees	482	500	496	489	491	496	-1
Number of branches	45	45	45	46	45	46	-2

Business volumes, Finland

Average volumes, EUR m	2016	2015	Change %
Loans to the public	**12 736**	**12 566**	**1**
of which households	*3 975*	*3 947*	*1*
companies	*8 761*	*8 619*	*2*
Deposits from the public	**3 442**	**3 593**	**-4**
of which households	*1 451*	*1 367*	*6*
companies	*1 991*	*2 226*	*-11*



FINANCIAL PERFORMANCE

Operating profit fell by 11 per cent to SEK 855 million (960). Exchange rate effects increased profits by SEK 11 million. Return on allocated capital was 13.0 per cent (13.8).

Income fell by 5 per cent. Net interest income declined by 11 per cent to SEK 1,218 million (1,361). The reduction was entirely due to lower lending margins which negatively affected net interest income by SEK 167 million. Government fees to the Resolution Fund and the deposit guarantee amounted to SEK -53 million (-51).

Net fee and commission income grew by 8 per cent to SEK 419 million (387), due to higher payment commissions, and net gains/losses on financial transactions increased to SEK 87 million (60).

Total expenses rose by 7 per cent to SEK -843 million (-788), which was mainly attributable to high costs during the first quarter. Staff costs rose by 3 per cent, with half of this figure being attributable to exchange rate movements. The average number of employees fell to 491 (496).

Loan losses decreased to SEK -36 million (-83), and the loan loss ratio was 0.03 per cent (0.07).

BUSINESS DEVELOPMENT

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

The average volume of deposits from households during the year climbed by 6 per cent, while lending to households grew by 1 per cent.

The average volume of corporate lending grew by 2 per cent, while corporate deposits decreased by 11 per cent, as a result of reduced deposits from large corporates.

Handelsbanken Norway

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

Quarterly performance Handelsbanken Norway

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Total 2016	Total 2015	Change %
Net interest income	933	856	797	769	3 355	3 248	3
Net fee and commission income	107	99	91	84	381	395	-4
Net gains/losses on financial transactions	21	25	30	38	114	94	21
Other income	5	4	68	4	81	31	161
Total income	**1 066**	**984**	**986**	**895**	**3 931**	**3 768**	**4**
Staff costs	-180	-175	-158	-163	-676	-713	-5
Other expenses	-62	-46	-50	-48	-206	-207	0
Internal purchased and sold services	-107	-96	-90	-86	-379	-370	2
Depreciation, amortisation and impairment of property, equipment and intangible assets	-6	-3	4	-3	-8	-13	-38
Total expenses	**-355**	**-320**	**-294**	**-300**	**-1 269**	**-1 303**	**-3**
Profit before loan losses	**711**	**664**	**692**	**595**	**2 662**	**2 465**	**8**
Net loan losses	-107	-73	-64	-103	-347	-222	56
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	6	
Operating profit	**604**	**591**	**628**	**492**	**2 315**	**2 249**	**3**
Profit allocation	30	22	16	23	91	57	60
Operating profit after profit allocation	**634**	**613**	**644**	**515**	**2 406**	**2 306**	**4**
Internal income	-592	-629	-558	-684	-2 463	-2 805	12
C/I ratio, %	32.4	31.8	29.3	32.7	31.6	34.1	
Loan loss ratio, %	0.20	0.14	0.12	0.20	0.17	0.11	
Assets	246 940	251 424	234 657	221 697	246 940	211 360	17
Liabilities	231 057	236 983	221 787	208 314	231 057	198 394	16
Allocated capital	15 883	14 441	12 870	13 383	15 883	12 966	22
Return on allocated capital, %	12.4	13.2	15.6	12.0	13.3	13.6	
Average number of employees	667	681	658	665	668	676	-1
Number of branches	50	50	50	50	50	50	0

Business volumes, Norway

Average volumes, NOK bn	2016	2015	Change %
Loans to the public	**229.0**	**201.8**	**13**
of which households	*85.9*	*81.3*	*6*
companies	*143.1*	*120.5*	*19*
Deposits from the public	**65.6**	**68.4**	**-4**
of which households	*19.3*	*17.3*	*12*
companies	*46.3*	*51.1*	*-9*

50 branches

FINANCIAL PERFORMANCE

Operating profit increased by 3 per cent to SEK 2,315 million (2,249) but was negatively affected by the depreciation of the Norwegian krone compared to the previous year. Expressed in local currency, operating profit improved by 6 per cent.

Return on allocated capital was 13.3 per cent (13.6).

Income was more or less unchanged, but adjusted for exchange rate effects it grew by 7 per cent. Net interest income increased by 3 per cent to SEK 3,355 million (3,248). Lending margins went down by SEK 236 million, while increasing lending volumes had a positive effect on net interest income of SEK 261 million. The decrease in lending margins was partially offset by deposit margins increasing by SEK 125 million. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -98 million (-101).

Net fee and commission income declined by 4 per cent to SEK 381 million (395). Adjusted for exchange rate movements, net fee and commission income went down by 1 per cent, chiefly due to higher fee and commission expenses.

Net gains/losses on financial transactions rose by 21 per cent to SEK 114 million (94), including capital gains in Q2 from the sale of shares in Visa Europe.

Other income increased to SEK 81 million (31). This increase was attributable to the receipt in Q2 of a dividend from Visa Norway FLI, deriving from Visa Inc's acquisition of Visa Europe.

Expenses decreased by 3 per cent to SEK -1,269 million (-1,303). Exchange rate effects reduced expenses by SEK 32 million. Staff costs expressed in local currency fell by 3 per cent, and the average number of employees decreased to 668 (676).

Loan losses increased to SEK -347 million (-222), and the loan loss ratio was 0.17 per cent (0.11).

BUSINESS DEVELOPMENT

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

Business volumes continued to grow during the fourth quarter. In 2016, the average volume of deposits from households climbed by 12 per cent compared with the previous year, while lending to households grew by 6 per cent. The average volume of lending to corporates increased by 19 per cent while corporate deposits were 9 per cent lower than during the corresponding period of the previous year.

In total, the average volume of lending increased by 13 per cent to NOK 229.0 billion (201.8), while total deposits fell by 4 per cent, due to a drop in corporate deposits.

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 Vermogens-beheer. The regional bank offers banking services at 25 branches throughout the Netherlands.

Quarterly performance Handelsbanken The Netherlands

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Total 2016	Total 2015	Change %
Net interest income	126	117	100	95	438	328	34
Net fee and commission income	49	15	6	5	75	23	226
Net gains/losses on financial transactions	2	2	0	1	5	5	0
Other income	3	0	-	-	3	-	
Total income	**180**	**134**	**106**	**101**	**521**	**356**	**46**
Staff costs	-65	-56	-45	-44	-210	-158	33
Other expenses	-16	-20	-16	-8	-60	-37	62
Internal purchased and sold services	-24	-14	-19	-20	-77	-84	-8
Depreciation, amortisation and impairment of property, equipment and intangible assets	-2	-2	-2	-1	-7	-3	133
Total expenses	**-107**	**-92**	**-82**	**-73**	**-354**	**-282**	**26**
Profit before loan losses	**73**	**42**	**24**	**28**	**167**	**74**	**126**
Net loan losses	0	-1	1	0	0	-2	-100
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
Operating profit	**73**	**41**	**25**	**28**	**167**	**72**	**132**
Profit allocation	1	0	2	0	3	0	
Operating profit after profit allocation	**74**	**41**	**27**	**28**	**170**	**72**	**136**
Internal income	-47	-55	-56	-52	-210	-175	-20
C/I ratio, %	59.1	68.7	75.9	72.3	67.6	79.2	
Loan loss ratio, %	0.00	0.02	-0.02	0.00	0.00	0.01	
Assets	35 293	37 601	33 250	29 315	35 293	24 514	44
Liabilities	34 042	36 470	32 294	28 394	34 042	23 663	44
Allocated capital	1 251	1 131	956	921	1 251	851	47
Return on allocated capital, %	18.6	11.2	8.6	9.8	12.5	6.4	
Average number of employees	245	198	188	181	206	159	30
Number of branches	25	25	23	23	25	23	9

Business volumes, Netherlands

Average volumes, EUR m	2016	2015	Change %
Loans to the public	**2 953**	**2 171**	**36**
of which households	*1 434*	*1 022*	*40*
companies	*1 519*	*1 149*	*32*
Deposits from the public	**482**	**750**	**-36**
of which households	*62*	*47*	*32*
companies	*420*	*703*	*-40*

25 branches

FINANCIAL PERFORMANCE

Operating profit grew by 132 per cent to SEK 167 million (72), chiefly as a result of business volumes continuing to increase. Income rose by 46 per cent, while expenses went up by 26 per cent. Return on allocated capital was 12.5 per cent (6.4).

Net interest income grew by 34 per cent to SEK 438 million (328). Increasing lending volumes contributed SEK 115 million, while declining lending margins reduced net interest income by SEK -15 million. Higher deposit margins improved net interest income by SEK 5 million.

Net fee and commission income increased to SEK 75 million (23), largely due to the acquisition of the Optimix asset management company, which has been a part of Handelsbanken the Netherlands since 1 September 2016 and made a contribution of SEK 53 million.

Expenses rose by 26 per cent to SEK -354 million (-282), as a result of the continuing expansion. The C/I ratio improved to 67.6 per cent (79.2) and the average number of employees increased by 30 per cent to 206 (159).

Net recoveries of previous provisions for loan losses amounted to SEK 0 million (-2), and the loan loss ratio was 0.00 per cent (0.01).

BUSINESS DEVELOPMENT

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

The average volume of lending to households grew by 40 per cent to EUR 1,434 million (1,022), while deposits from households increased by 32 per cent to EUR 62 million (47). Corporate lending went up by 32 per cent to EUR 1,519 million (1,149). As a result of reduced business volumes from a few large corporates, the average volume of deposits from companies decreased by 40 per cent to EUR 420 million (703). Business volumes with small and medium-sized companies continued to grow.

During the year, the Bank opened two new branches, bringing the total of Handelsbanken branches in the Netherlands to 25 at year-end.

In April, Handelsbanken signed an agreement to acquire the Dutch asset manager, Optimix. The company is mainly active within discretionary asset management, with assets under management of EUR 2 billion, including its own mutual funds. The transaction was concluded on 1 September 2016.

Handelsbanken Capital Markets

Handelsbanken Capital Markets consists of Markets & Asset Management, Pension & Life, Handelsbanken International and Business Support. It has employees in 21 countries.

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.

Quarterly performance Capital Markets

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Total 2016	Total 2015	Change %
Net interest income	151	135	134	137	557	641	-13
Net fee and commission income	815	753	771	742	3 081	2 972	4
Net gains/losses on financial transactions	162	244	338	240	984	1 226	-20
Risk result – insurance	6	25	35	76	142	157	-10
Other income	2	3	1	2	8	10	-20
Total income	**1 136**	**1 160**	**1 279**	**1 197**	**4 772**	**5 006**	**-5**
Staff costs	-581	-580	-597	-610	-2 368	-2 447	-3
Other expenses	-239	-203	-217	-212	-871	-857	2
Internal purchased and sold services	-17	-17	-22	0	-56	-86	-35
Depreciation. amortisation and impairment of property. equipment and intangible assets	-19	-18	-19	-20	-76	-79	-4
Total expenses	**-856**	**-818**	**-855**	**-842**	**-3 371**	**-3 469**	**-3**
Profit before loan losses	**280**	**342**	**424**	**355**	**1 401**	**1 537**	**-9**
Net loan losses	-8	-44	-7	10	-49	-4	
Gains/losses on disposal of property. equipment and intangible assets	0	0	0	0	0	0	
Operating profit	**272**	**298**	**417**	**365**	**1 352**	**1 533**	**-12**
Profit allocation	-400	-361	-297	-284	-1 342	-1 209	11
Operating profit after profit allocation	**-128**	**-63**	**120**	**81**	**10**	**324**	**-97**
Internal income	-825	-745	-702	-579	-2 851	-2 347	-21
C/I ratio. %	116.3	102.4	87.1	92.2	98.3	91.4	
Loan loss ratio. %	0.07	0.37	0.06	-0.08	0.10	0.01	
Assets	279 905	342 023	350 870	334 929	279 905	284 166	-1
Liabilities	274 872	337 216	345 832	329 948	274 872	278 495	-1
Allocated capital	5 033	4 807	5 038	4 981	5 033	5 671	-11
Return on allocated capital. %	-8.0	-4.1	7.5	5.0	0.2	4.5	
Average number of employees	1 636	1 674	1 681	1 720	1 678	1 766	-5

Assets under management

SEK bn	2016	2015
Mutual funds. excl. PPM and unit-linked insurance	308	282
PPM	26	22
Unit-linked insurance	93	82
of which external funds	*-2*	*-2*
Total mutual funds	**425**	**384**
Structured products	17	18
Portfolio bond insurance	21	19
of which in Handelsbanken mutual funds and structured products	*-8*	*-7*
Traditional insurance	8	9
of which in Handelsbanken mutual funds and structured products	*-1*	*-1*
Discretionary and Institutional assets, excl. insurance[1]	207	174
of which in Handelsbanken mutual funds and structured products	*-127*	*-105*
Total assets under management. excl. securities in custody	**542**	**491**
Securities in custody, excl. mutual funds	332	312
Securities in custody, excl. mutual funds, foundations associated with Handelsbanken	52	53

[1] Including the whole volume managed by Heartwood and Optimix, of which SEK 21bn in Heartwood's mutual funds and SEK 11bn in Optimix mutual funds.

FINANCIAL PERFORMANCE

Operating profit fell by 12 per cent to SEK 1,352 million (1,533). Total income fell by 5 per cent to SEK 4,772 million (5,006), as a result of net gains/losses on financial transactions declining to SEK 984 million (1,226). Net fee and commission income rose by 4 per cent to SEK 3,081 million (2,972). Mutual fund commissions increased, while equity-related brokerage income was lower than the previous year.

Total expenses decreased by 3 per cent to SEK -3,371 million (-3,469). The decrease was mainly attributable to staff costs falling by 3 per cent to SEK -2,368 million (-2,447), as a result of a 5 per cent fall in the average number of employees to 1,678 (1,766).

Loan losses amounted to SEK -49 million (-4), corresponding to a loan loss ratio of 0.10 per cent (0.01).

BUSINESS DEVELOPMENT

Asset management operations continued to show a strong performance. Net savings in Handelsbanken's mutual funds in Sweden during 2016 amounted to SEK 11.9 billion, corresponding to a market share of 22.3 per cent. Net savings elsewhere in the Nordic region showed strong growth, increasing to SEK 2.6 billion. Total net savings in the Group's funds amounted to SEK 14.7 billion. Xact Kapitalförvaltning remained the largest player as regards Nordic exchange-traded funds.

The total fund volume, including exchange-traded funds, increased by 10.6 per cent from the previous year to SEK 425 billion (384). Total assets under management in the Group rose during the same period by 10.4 per cent to SEK 542 billion (491).

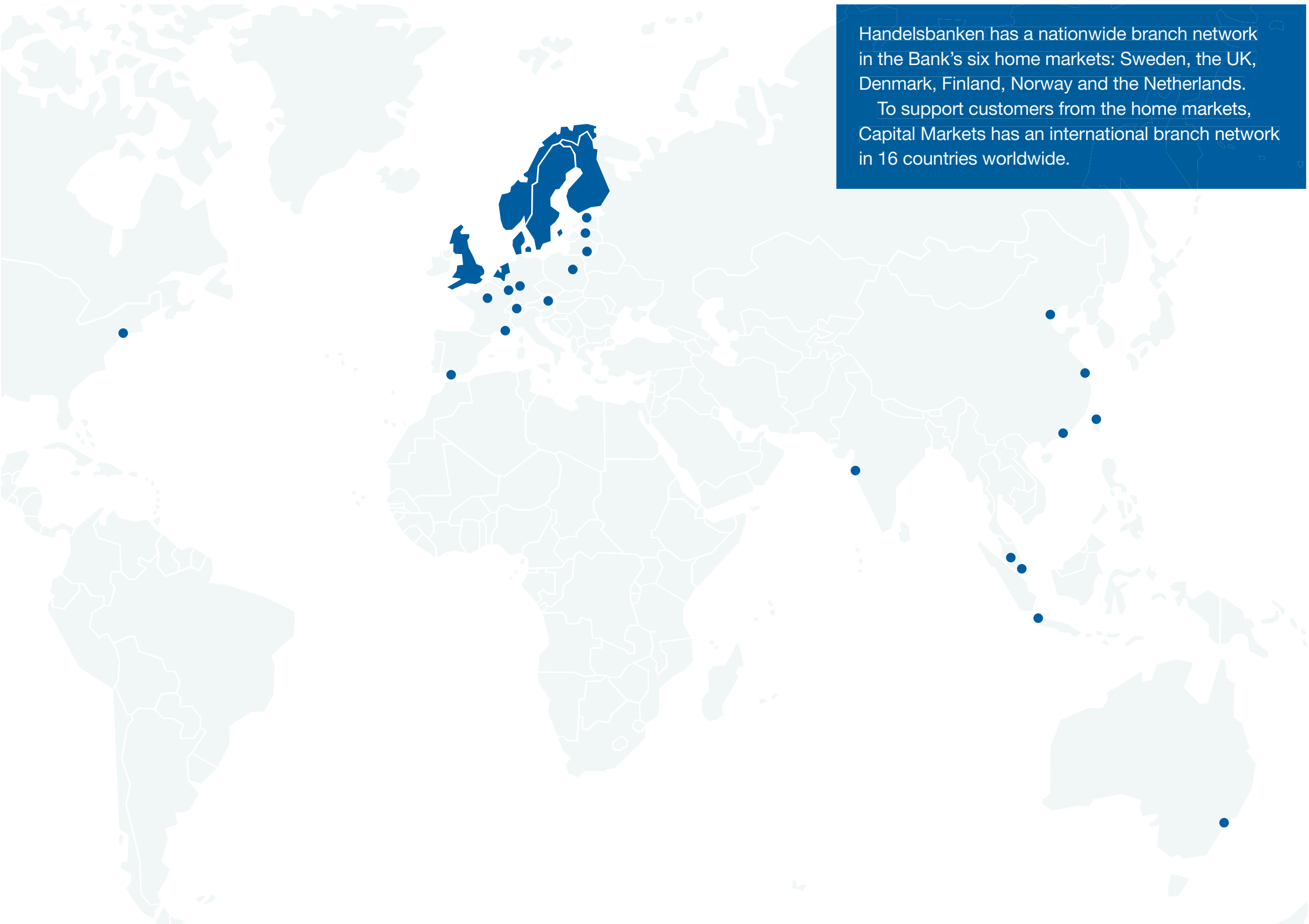
Morningstar, a mutual fund research company, ranked Handelsbanken's equity funds highest of the Nordic banks when it evaluated the 30 largest fund managers on the Swedish market. The mutual fund trading site Fondmarknaden.se named Handelsbanken's Nordic Small Cap as both the Mutual Fund of the Year for 2016 and the Nordic Mutual Fund of the Year for 2016.

The Pension & Life business area showed positive performance, increasing its market share. The volume of assets under management by Handelsbanken Liv grew to SEK 123 billion (111).

Corporate Finance business performed well, and during the year, the Bank was the largest M&A player for purchases and sales of Swedish companies. The Bank was also the largest player for new share issues in Sweden.

The Bank's business volumes in terms of capital market funding also showed strong performance. Above all, there was increased demand for green bonds. Among other things, the Bank acted as an advisor for the launch of the world's first green MTN programme and for the first sustainable bond in the Nordic region, which, in addition to environmentally correct investments, also includes social objectives. Four advisory mandates for new green issuers were carried out, and green bonds for an overall value of SEK 4.9 billion were arranged during the year. In total, the Bank arranged 117 bond issues for a value of EUR 13.2 billion.

The average volume of lending in Handelsbanken International, i.e. the operations outside the Bank's home markets, increased by 4 per cent from the corresponding period of the previous year to SEK 35.7 billion (34.2). During the same period, deposits decreased by 17 per cent to SEK 47.0 billion (56.4).



Handelsbanken has a nationwide branch network in the Bank's six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

To support customers from the home markets, Capital Markets has an international branch network in 16 countries worldwide.

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).

Handelsbanken's shares and shareholders

Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange.

There are two classes of Handelsbanken's share: class A and class B. Class A shares are by far the most common and represent more than 98 per cent of all shares, both in terms of the number of shares and the turnover. Class A shares each carry one vote, while class B shares have one-tenth of a vote. The share capital was SEK 3,013 million, divided among 1,944,151,400 shares. Each share thus represented SEK 1.55 of the share capital.

STOCK EXCHANGE TRADE

Handelsbanken's shares are traded on several different market places. Turnover is largest on Nasdaq Stockholm, but for the past couple of years, the shares have also been traded on other venues, such as BATS Chi-X. In 2016, an average of 3.9 million class A shares in Handelsbanken were traded each day on Nasdaq Stockholm. The Handelsbanken share is in the group of the most traded shares on the Stockholm stock exchange. Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange.

DIVIDEND

One of the purposes of Handelsbanken's profitability goal is to offer shareholders long-term high growth in value, expressed in increasing earnings per share over a business cycle. The Bank aims for the ordinary dividend to show long-term, stable growth which reflects the value creation. But the dividend level must not lead to the authorities' capital requirements not being met. The Board is proposing that the 2017 AGM resolve on an ordinary dividend of SEK 5.00 per share (4.50). The complete proposal on share dividends is presented on page 159.

CREATING SHAREHOLDER VALUE

Handelsbanken is one of few banks in Europe which has created a positive shareholder value during the years of the financial and debt crisis. Handelsbanken is the only commercial bank on the Stockholm stock exchange which has not needed to ask its shareholders for new capital during this period. During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 179 billion. Market capitalisation has grown by SEK 133 billion, while Handelsbanken has paid out SEK 46 billion in dividends.

SHARE PRICE PERFORMANCE

As at 31 December 2016, Handelsbanken's market capitalisation was SEK 246 billion (215). The Swedish stock market rose by 5 per cent during the year, and the Stockholm stock exchange bank index went up by 11 per cent. Handels-

Handelsbanken's shares	2016	2015	2014	2013	2012
Earnings per share, total operations, SEK	8.43	8.57	7.96	7.51	7.45
after dilution	8.31	8.39	7.84	7.42	7.28
Ordinary dividend per share, SEK	5.00[1]	4.50	4.17	3.83	3.58
Total dividend per share, SEK	5.00[1]	6.00	5.83	5.50	3.58
Dividend growth, ordinary dividend, %	11[1]	8	9	7	10
Price of class A share, 31 December, SEK	126.60	112.90	122.20	105.33	77.47
Price of class B share, 31 December, SEK	123.40	116.30	117.67	100.50	73.90
Highest share price during year, SEK	134.60	142.00	124.27	106.53	83.30
Lowest share price during year, SEK	92.00	108.40	101.70	78.10	60.33
Share price performance, %	12	-8	16	36	28
Total return, %	17	-3	21	41	34
Dividend yield, %	3.9[1]	4.0	3.4	3.6	4.6
Adjusted equity per share, SEK	69.28	65.14	64.13	59.24	54.21
Stock exchange price/equity, %	183	173	191	178	143
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	3 856 880	3 425 715	3 250 808	3 722 265	4 628 283
Class B	37 222	60 342	58 700	51 021	48 333
P/E ratio	15.0	13.2	15.3	14.0	10.4
Market capitalisation, SEK bn	246	215	233	201	147
No. of converted shares from the convertible subordinated loan issued in 2008, millions	0.0	0.0	0.0	8.5	26.2
No. of converted shares from the convertible subordinated loan issued in 2011, millions	37.1				
No. of shares as at 31 December, millions	1 944.2	1 907.0	1 907.0	1 906.9	1 898.4
Holding of repurchased own shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	-	-	-
Number of outstanding shares as at 31 December, millions	1 944.2	1 907.0	1 907.0	1 906.9	1 898.4
Dilution effect, end of period, millions	30.1	65.7	64.9	35.9	46.2
Number of outstanding shares after dilution, millions	1 974.3	1 972.7	1 971.9	1 942.8	1 944.6
Average number of outstanding shares, millions	1 927.1	1 907.0	1 907.0	1 904.4	1 885.5
after dilution	1 972.7	1 971.9	1 959.0	1 942.6	1 949.8

[1] Dividend as recommended by the Board.

banken's class A share ended the year at SEK 126.60, an increase of 12 per cent. Including dividends, the total return was 17 per cent.

REPURCHASE OF SHARES

At the AGM in March 2016, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2017. This mandate was not used in 2016.

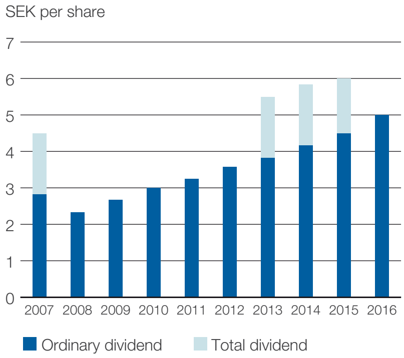
CONVERTIBLE LOAN

In spring 2014, the Bank issued a subordinated convertible loan for SEK 3.2 billion on market terms directed at the Group's employees. Holders can convert to class A shares in Handelsbanken between 1 May 2019 and 30 November 2019. The convertible is fully dividend-protected which means that the ordinary conversion price is adjusted downwards by an amount corresponding in percentage terms to the dividend paid on a class A share. The conversion price has been recalculated at SEK 114.40 after the dividend paid in spring 2016. The Bank can also demand conversion.

OWNERSHIP STRUCTURE

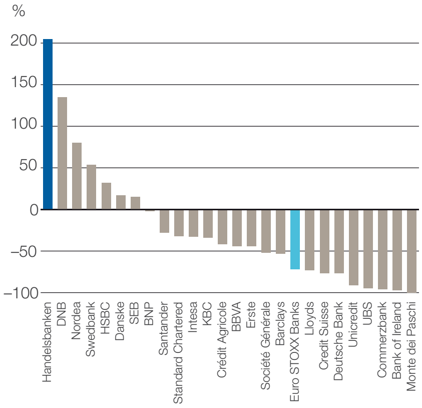
In recent years, the proportion of non-Swedish shareholders has increased, from 30 per cent at the end of 2008 to 49 per cent (48) at the year-end. Handelsbanken has more than 100,000 shareholders. Almost two thirds of these owned fewer than 1,001 shares. Just over two per cent of the shareholders owned more than 20,001 shares each, and together they held 91 per cent of the share capital. Two shareholders own more than 10 per cent of the shares: the Oktogonen Foundation and Industrivärden. In addition to these two, the Edinburgh-based asset manager, Baillie Gifford, has a shareholding which exceeds 5 per cent.

Share dividends in the past ten years



2016 according to Board proposal. A 3:1 stock split was carried out in May 2015. Historical dividends have been adjusted for this.

Total return for the period 30 June 2007–31 December 2016



Source: SNL, as at 31 December 2016 (dividends reinvested).

The largest Swedish shareholders as at 31 December 2016	Number of shares	% of capital	% of votes
Oktogonen Foundation	195 872 046	10.07	10.24
Industrivärden	194 923 948	10.03	10.19
Swedbank Robur funds	61 371 411	3.16	3.21
Lundbergs	55 575 000	2.86	2.91
Alecta	41 269 000	2.12	2.16
Handelsbanken funds	26 115 746	1.34	1.37
AMF and funds	18 139 110	0.93	0.95
1st National Swedish Pension Fund	14 286 190	0.73	0.75
Didner & Gerge Fonder	14 170 178	0.73	0.74
3rd National Swedish Pension Fund	12 438 278	0.64	0.65
The J. Wallander & T. Hedelius Stiftelse, The T. Browaldh Stiftelse	12 300 000	0.63	0.64
SEB Investment Management	12 007 900	0.62	0.63
SPP Fonder	11 627 681	0.60	0.61
Folksam	9 900 403	0.51	0.52
4th National Swedish Pension Fund	9 899 720	0.51	0.52

Shareholdings per shareholder 31 December 2016			Shareholdings			
Number of shares		Shareholders Number	Number of class A shares	Number of class B shares	% of share capital	% of votes
1–500	shares	54 125	6 606 901	2 761 786	0.5	0.4
501–1,000	shares	17 478	10 213 303	2 965 430	0.7	0.5
1,001–5,000	shares	28 656	57 505 001	9 702 850	3.4	3.0
5,001–20,000	shares	9 061	75 088 152	8 398 192	4.3	4.0
20,001–	shares	2 608	1 759 486 714	11 423 071	91.1	92.1
Total		**111 928**	**1 908 900 071**	**35 251 329**	**100.0**	**100.0**

Shares divided into share classes 31 December 2016 Share class	Number	% of capital	% of votes	Average prices/ repurchased amount	Share capital
Class A	1 908 900 071	98.19	99.82		2 958 795 110
Class B	35 251 329	1.81	0.18		54 639 560
Total	**1 944 151 400**	**100.00**	**100.00**		**3 013 434 670**

Sustainability, employees and the environment

Handelsbanken's business opportunities and successes depend upon the confidence that customers, investors, the public and public authorities have in us and our employees. A condition for this confidence is that the Bank's operations are subject to high ethical standards and responsible actions, and that employees of the Bank conduct themselves in a manner that upholds confidence. For further information about Handelsbanken's work with sustainability, we refer to the Bank's separate Sustainability Report.

SUSTAINABILITY

Sustainability is completely integrated into Handelsbanken's corporate culture and working methods and encompasses the whole of the Group's operations in all markets where the Bank operates.

In addition to internal governance documents and guidelines is – such as the Group's sustainability policy and ethical guidelines – the Bank is also a member of the voluntary UN initiatives Global Compact and Principles for Responsible Investment (PRI), and follows the OECD Guidelines for Multinational Enterprises.

These initiatives and guidelines are totally in keeping with the values, principles and working methods that have applied at Handelsbanken for a long time.

For Handelsbanken, corporate social responsibility is about the Bank acting responsibly and with a long-term perspective in areas where we as a Bank can make a difference, either directly or indirectly, through our own operations. This comprises economic, social, ethical and environmental perspectives. By acting responsibly, we build long-term relations with our customers, employees, owners/investors and the wider community.

HANDELSBANKEN IN THE COMMUNITY

Handelsbanken is a bank with long-term stability – a bank which, regardless of the situation in the world around us, is there for our customers. By being a bank with stable finances and a stable presence, Handelsbanken aims to fulfil its role as a responsible institution in society. Handelsbanken also takes responsibility in this role by managing risks so that as few customers as possible have payment difficulties. The Bank can thus continue to be a bank with stable finances, generating a positive contribution to customers, shareholders, and the community.

HANDELSBANKEN IN THE LOCAL COMMUNITY

Handelsbanken is convinced of the need for a local presence. The basic concept of our way of operating is that business decisions are made as close to the customer as possible. This is why Handelsbanken offers a nationwide branch network in the countries the Bank sees as its home markets. Our strictly decentralised geographical organisation, where the local branch manager is responsible for all the Bank's business in its local operating area, means that Handelsbanken is firmly established in the local community. At present, the Bank has more than 800 branches in our six home markets.

> "Sustainability is completely integrated into Handelsbanken's corporate culture and working methods and encompasses the whole of the Group's operations in all markets where the Bank operates."

RESPONSIBLE LENDING

Handelsbanken has a very low risk tolerance, which applies to all areas of the Group.

Handelsbanken considers it very important that the Bank's lending is responsible, and that it is based on an assessment of the customer's repayment capacity. The aim of short-term profits for the Bank must take second place to what can be considered sustainable in the long term.

Handelsbanken's credit policy states that the Bank must maintain sound ethical standards in its lending operations. This means that in its granting of credit, the Bank must work to ensure that principles of human rights, basic working conditions, anti-corruption and environmental considerations are upheld.

RESPONSIBLE INVESTMENTS

Our goal as an asset manager is to generate strong long-term returns for our customers, and this requires that we invest in a sustainable, responsible manner. We do this by integrating sustainability topics in our investment process and by offering a wide range of savings products that meet our customers' expectations in terms of sustainable investment opportunities.

A long-term approach is an important part of Handelsbanken's corporate culture and is well integrated into our investment philosophy. In mutual fund and asset management, as well as pension management, we work for sustainable development in financial, social and environmental terms in the companies in which we invest on behalf of our customers. We do so based on common standards set out in international conventions and guidelines.

HUMAN RIGHTS

Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. Since 2009, Handelsbanken has adhered to the UN Global Compact, cementing the Bank's expressed support for universal human rights.

MATERIAL SUSTAINABILITY TOPICS

In 2016, Handelsbanken performed an updated materiality analysis, which was part of the process of defining the Bank's most material sustainability topics. This analysis is a continued confirmation of the view that Handelsbanken has had of its sustainability work over many years.

To clarify the outcome of the most material topics for Handelsbanken, both internally and externally, we have grouped these into six areas:

- the Bank and its customers
- the Bank's role in the community
- the Bank's indirect impact
- the Bank as an employer
- the Bank's business culture
- the Bank as an investment.

The outcome of Handelsbanken's materiality analysis is presented in the Bank's separate Sustainability Report.

EMPLOYEES

In 2016, Handelsbanken had 11,759 employees, working in more than 20 countries, just over 40 per cent of whom were employed outside Sweden.

WE RECRUIT PEOPLE WHO SHARE THE BANK'S BASIC VALUES

Above all, working at Handelsbanken is about relationships with other people and sharing the Bank's core values. For us, it is very important that our employees are driven by putting the customer first, enjoy taking a large amount of individual responsibility, and want to take their own initiatives.

Handelsbanken's joint Group guidelines for its employees are based on the Bank's corporate culture, working methods and fundamental view of people.

CONSTANT DEVELOPMENT AND INTERNAL OPPORTUNITIES

Handelsbanken's strength is derived from the combined expertise of our employees. The most important source of increased professionalism is learning in your daily work, where all employees are responsible for constant development – their own and that of the operations.

All of the Bank's employees participate in their own unit's business planning every year. After that, individual competency mapping, planning dialogues and performance reviews are carried out, linking the business operations' goals with each employee's goals. The result is an individual action plan for each employee which is followed up regularly during the year and then forms the basis of an annual salary dialogue review between employee and manager.

Strong cultural ambassadors

Handelsbanken's strong corporate culture and values are vital to the Bank's success. Internal mobility spreads the working method, exchange of experience and corporate culture to all parts of the Bank. This means that internal recruitment and long-term employment are important for the Bank. To retain an employee, the right conditions must exist for development in their work and consideration must also be taken of the stage of life that she or he is in. The Handelsbanken Group continues to have low external staff turnover. In 2016, the figure was 4.0 per cent (3.0).

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. Smoothly functioning management succession planning activities are critical to being able to meet the Bank's current and future needs for competency. In 2016, 99 per cent (100) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure was 93 per cent (93).

The Wheel – the relationship between the Bank's operations and the employee's development

CONTINUOUS WORK FOR GENDER EQUALITY AND DIVERSITY

Working with gender equality, diversity and an inclusive corporate culture is a fundamental part of Handelsbanken's values. It is about making the most of the employees' combined potential, and of broadening the recruitment base, to become, to an even greater extent, a bank that reflects the community in which it operates. In the light of this, all types of discrimination and harassment are totally unacceptable, which is also stated in the Groupwide guidelines for employees.

Initiatives are being taken in several parts of the Group to further increase knowledge and awareness of gender equality and diversity.

Handelsbanken's gender equality goal is to be a company where men and women have the same opportunities, chances and power to shape the Bank and their own career. In all countries where Handelsbanken operates, a gender equality plan to support the Group's equality goals must be produced, in order to create (among other things) an equal gender distribution of the various professional roles, work groups and units at the Bank. In the Group as a whole, 40 per cent (39) of managers were women; the corresponding figure for the total number of employees in the Group was 50 per cent (50). At the year-end, 48 per cent (47) of the Bank's managers in Sweden were women, with the corresponding figure for the total number of employees in Sweden being 53 per cent (53).

Handelsbanken is working to rectify unwarranted pay differentials between women and men. In Sweden this work has advanced for several years in co-operation with the union organisations, so it is now an integral part of ordinary business operations. The Bank and the union organisations closely monitor trends in gender-equal salaries within the Bank. Managers at the Bank have a mandate and the tools to correct any differentials that are identified in the annual salary mapping.

WORK ENVIRONMENT AND HEALTH

Handelsbanken's overall goal for the work environment is that employees should be able to enjoy good health, develop on a personal level and function in an optimal way. This is a long-term goal with many contributing factors.

Each manager is responsible for performing regular work environment reviews together with their employees, and the results form the foundation of a work environment plan. This includes topics relating to the physical and psychosocial work environment, gender equality, diversity and an inclusive corporate culture. The plan is integrated with the unit's business plan and in this way becomes a natural part of how the operation develops. The plans are regularly followed up in order to evaluate and continuously improve the Bank's efforts for the work environment and health. Handelsbanken also follows up the sickness absence rate figures, as well as reported incidents.

RELATIONS WITH UNIONS

Handelsbanken's traditionally good relationships with unions are a valuable component of the Bank's culture. The Bank supports the right of all employees to join a trade union or employee organisation.

There is an ongoing dialogue between union representatives and managers concerning operations – such as when changes and new services are to be launched – where valuable information is exchanged at the very early stages. As well as matters which are dealt with in a dialogue with the union organisations and other types of employee organisations in each country, there is also Handelsbanken's European Works Council (EWC), which serves as a forum for joint and cross-border questions in the countries in Europe where the Group has operations.

OKTOGONEN – THE BANK'S PROFIT-SHARING SCHEME

A condition for achieving the Bank's financial goal of better profitability than the average of peer banks in its home markets is that the Bank's employees achieve a better performance than their peers in the rest of the sector. In every year but three since 1973, the Board has decided to allocate part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

Allocations are subject to Handelsbanken achieving its corporate goal. If this is satisfied, one third of the extra profits can be allocated to the employees. The amount allocated is limited to 10 per cent of the ordinary dividend to the shareholders. If the Bank reduces the dividend paid to its shareholders, no allocation can be made to the foundation.

All employees receive an equal part of the allocated amount, regardless of their position or work tasks. 98 per cent of the Group's employees are now covered by Oktogonen.

ENVIRONMENTAL PERFORMANCE

HANDELSBANKEN'S ENVIRONMENTAL IMPACT

At Handelsbanken, we aim to minimise the Bank's impact on the environment. Its direct impact derives mainly from consumption of energy, business travel and transport, and use of resources such as paper. The Bank measures its environmental impact on all six home markets. These markets represent more than 96 per cent of the Bank's total number of employees.

We are working to minimise the carbon dioxide emissions generated in our operations. For 2016, total carbon dioxide emissions from Handelsbanken's operations were 11,337 tonnes, which is a decrease of 15 per cent from the preceding year and is mainly attributable to the Bank increasing the proportion of renewable electricity. Since 2012, the Bank has reduced its carbon dioxide emissions by 24 per cent and the electricity consumption with 12 per cent.

Handelsbanken also works with its indirect environmental impact via lending, asset management and agreements with suppliers.


SVENSKA
HANDELSBANKEN

Corporate Governance Report

Handelsbanken is a Swedish public limited company, whose shares are listed on Nasdaq Stockholm. Here the Board submits its Corporate Governance Report for 2016. Handelsbanken applies the Swedish Corporate Governance Code.

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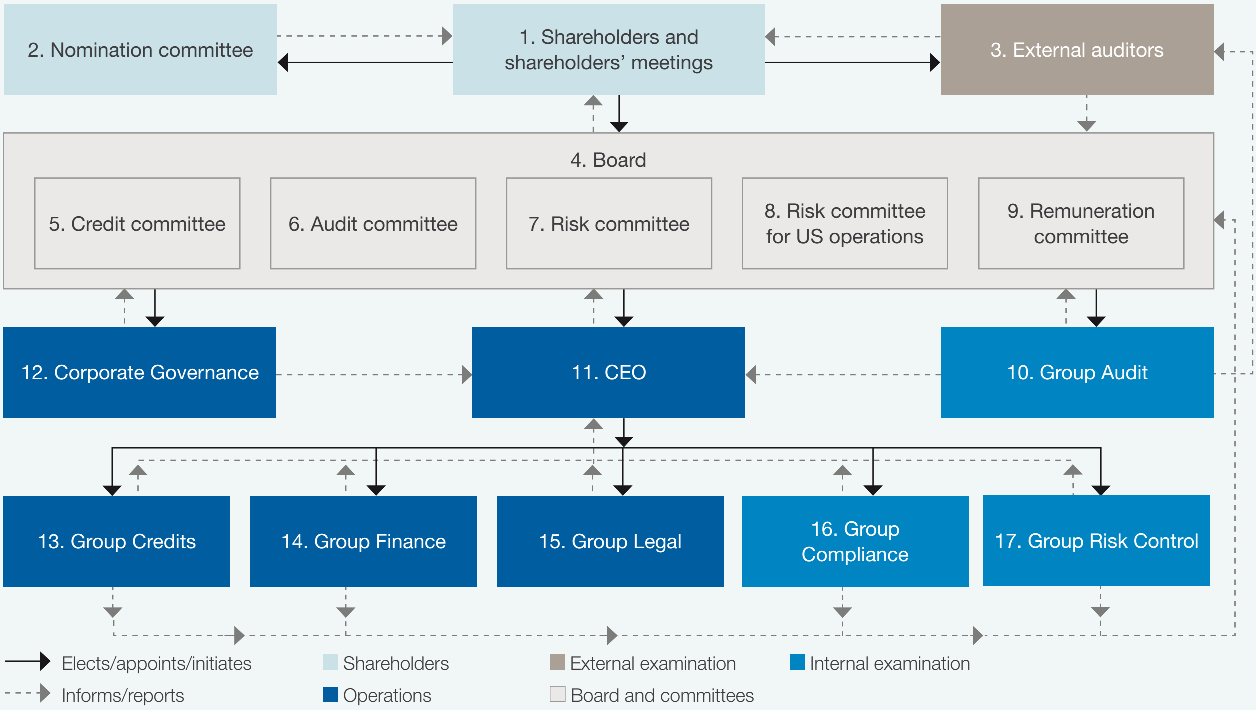
Corporate Governance at Handelsbanken – an overview



The diagram provides an overview of corporate governance at Handelsbanken. The shareholders take decisions at the AGM. For certain questions, the shareholders' decisions are prepared by the nomination committee. The shareholders appoint a Board, which in turn appoints a CEO to manage the operating activities. The Board organises itself into various committees and has a corporate governance unit at its disposal. To support the work of governing the Bank, the CEO has Group Finance, Group Credits and Group Legal. There are also a number of control functions at the Bank. In addition to this, the shareholders exercise control through auditors appointed by the AGM.

1. SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders exercise their right to decide on matters concerning Handelsbanken at shareholders' meetings, which are the Bank's highest decision-making body. Every year, an annual general meeting is held, which among other things appoints the Board, the Chairman of the Board and auditors. It can also decide how the nomination committee is to be appointed. See also page 50.

2. NOMINATION COMMITTEE

The nomination committee's task is to prepare and submit proposals to the AGM regarding the appointment of the Chairman and other members of the Board and fees to the Chairman and other members of the Board. The committee also proposes the appointment of the auditors, and their fees. The AGM decides how the nomination committee will be appointed.

3. EXTERNAL AUDITORS

The auditors are appointed by the AGM for the period until the end of the following year's AGM. The auditors are accountable to the shareholders at the AGM. They carry out an audit and submit an audit report covering matters such as the Annual Report, including this Corporate Governance Report and the administration of the Board and the CEO. In addition, the auditors report orally and in writing to the Board's audit committee concerning how their audit was conducted and their assessment of the Bank's administrative order and internal control. The auditors also submit a summary report of their audit to the Board as a whole.

4. THE BOARD

The Board is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its shareholders. The Board is to continuously assess the Bank's financial situation and ensure that the Bank is organised in such a way that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The Board establishes policies and instructions on how this is to be executed, and establishes a work procedure for the Board and also instructions for the CEO.

These central policy documents state how responsibility and authority are allocated among the Board as a whole and the committees, and also between the Chairman of the Board and the CEO. The Board appoints the CEO, Executive Vice Presidents and the Head of Group Audit and stipulates the employment terms for these persons. The Board also decides the employment terms for the Heads of Group Compliance and Group Risk Control. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the results of the evaluation.

5. CREDIT COMMITTEE

The Board's credit committee decides on credit cases where the amount exceeds the decision limit that the Central Board has delegated to another unit. However, cases of special importance and credits to Board members and certain persons in managerial positions are decided on by the Board as a whole. A representative from the unit within the Bank to which the credit case applies presents the case to the credit committee.

6. AUDIT COMMITTEE

The Board's audit committee monitors the Bank's financial reporting by examining important accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management with regard to financial reporting, as well as the external auditors' impartiality and independence. It evaluates the audit work and assists the nomination committee in appointing auditors. The committee also receives reports from the Bank's internal and external auditors.

7. RISK COMMITTEE
The Board's risk committee monitors risk control and risk management in the Handelsbanken Group. The committee prepares decisions regarding the Bank's risk strategy, risk tolerance, etc., and examines reports from Group compliance and Group Risk Control.

8. RISK COMMITTEE FOR US OPERATIONS
The Board's risk committee for the US operations deals with the risks in Handelsbanken's total US operations in accordance with US regulations.

9. REMUNERATION COMMITTEE
The Board's remuneration committee evaluates the employment conditions for the Bank's executive officers in the light of prevailing market terms. The committee's tasks include preparing the Board's proposals to the AGM concerning guidelines for remuneration to executive officers, monitoring and evaluating the application of these guidelines, and preparing the Board's decisions on remuneration and other terms of employment for executive officers, as well as for the Heads of Group Compliance, Group Audit and Group Risk Control. The committee also makes an independent assessment of Handelsbanken's remuneration policy and remuneration system.

10. GROUP AUDIT
Group Audit (internal audit) performs an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. A key task for Group Audit is to assess and verify processes for risk management, internal control and corporate governance. The Chief Audit Officer is appointed by the Board and reports regularly to the audit committee, orally and in writing, and also submits an annual summary report to the whole Board.

11. PRESIDENT AND GROUP CHIEF EXECUTIVE (CEO)
The CEO is appointed by the Board to lead Handelsbanken's day-to-day operations. In addition to instructions from the Board, the CEO is obliged to comply with the provisions of the Swedish Companies Act and a number of other statutes concerning the Bank's accounting, management of funds and operational control.

12. CORPORATE GOVERNANCE
The Corporate Governance unit ensures that decisions made at shareholders' meetings and by the Board, as well as changes in legislation, regulations and the Corporate Governance Code, are implemented in policy documents from the Board, with the aim of stipulating general responsibilities and powers of authority. These are then passed on within the organisation, chiefly through guidelines and instructions from the CEO.

13. GROUP CREDITS
Group Credits is responsible for formulating and maintaining the Bank's credit process, and for preparing every major credit case that the Board's credit committee or the Board as a whole decides on. The head of the department, Handelsbanken's Chief Credit Officer, reports to the CEO and is a member of the Board's credit committee. The Chief Credit Officer also reports to the Board about loan losses and risks in the credit portfolio.

14. GROUP FINANCE
Group Finance is responsible for control systems, reporting, book-keeping, accounting and taxes. It is also responsible for the Group's liquidity, funding and capital, and for the Group's overall risk management for all risks except credit risk, insurance risk, compliance risk and operational risk outside the department. For a detailed description of this risk management, see note G2 on pages 80–107. The Head of Group Finance, Handelsbanken's CFO, reports to the CEO and also regularly reports on behalf of the CEO to the Board's audit committee and risk committee and, regarding market risks, liquidity, funding and capital, to the Board as a whole.

15. GROUP LEGAL
Group Legal is responsible for legal matters within the Group, and provides other units with legal advisory services. The department monitors developments as regards regulations, laws, standards and guidelines on Handelsbanken's home markets, and organises a unit that manages Handelsbanken's contacts with public authorities. Group Legal is also responsible for operational governance, meaning that the department works to ensure that decisions taken by the CEO, as well as changes in legislation, public authority regulations and guidelines relating to internal governance, risk management and control, are implemented in internal guidelines and instructions, with the aim of establishing responsibilities and powers of authority within the Bank.

More information
More information about Handelsbanken's corporate governance is available at handelsbanken.se/ireng. The site includes the following information:
- previous corporate governance reports from 2006 onwards
- Articles of Association
- information about the nomination committee
- minutes of shareholders' meetings from 2008 onwards.

16. GROUP COMPLIANCE
The Compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices and norms, are complied with in the operations conducted by the Handelsbanken Group. The function must give support to the business operations and assist in developing the internal rules and implementation of regulations. The compliance function must also identify and report risks regarding compliance and check compliance with internal rules. A further key task is to inform the units concerned about the regulations and the risks that may arise in the operations due to inadequate compliance. Compliance officers have been appointed for all business areas and regional banks, and most central units, as well as for all countries where the Bank operates. Group Compliance has the functional responsibility for compliance. The Head of Group Compliance reports regularly to the CEO, the risk committee, the remuneration committee and the Board in matters regarding compliance.

17. GROUP RISK CONTROL
The centrally placed Group Risk Control function is responsible for monitoring and reporting all the Group's material risks at an aggregate level. This responsibility comprises credit and market risks (interest rate, exchange rate, equity price and commodity price risk), operational risk, liquidity risks and insurance risks, as well as risks associated with the Group's remuneration system. Group Risk Control reports continually to the CEO and on a regular basis to the risk committee, the remuneration committee and the Board. The Head of Group Risk Control, Handelsbanken's CRO, also provides regular information to the CFO. Group Risk Control reports directly to the CEO and acts independently and is separate from the controlled operations. Group Risk Control has functional responsibility for all risk control at Handelsbanken.

CORPORATE GOVERNANCE AT HANDELSBANKEN

Corporate governance concerns how rights and obligations are allocated among the Bank's entities, in accordance with prevailing laws and regulations. Corporate governance also encompasses the systems for decision-making, and the structure through which shareholders control the Bank, directly and indirectly. Handelsbanken's shareholders exercise corporate governance principally by electing the Board, and the Board appoints the CEO.

The following are fundamental to corporate governance at Handelsbanken: on the one hand the documents adopted by the Board, for example the Board's rules of procedure, instructions to the CEO and the Chief Audit Officer, and credit instructions and policy documents regarding the Bank's operations (see also pages 55–57), and on the other hand the instructions and guidelines issued by the CEO. These documents are revised every year, but can be adjusted more often when necessary.

However, the foundation of functioning corporate governance is not only formal documents but also the Bank's corporate culture, corporate goal, working methods and remuneration system.

A central part of governance of Handelsbanken comprises managing the risks that arise in operations. Risk management is described in detail in a separate risk section in the Annual Report, note G2 on pages 80–107, in the Bank's Pillar 3 report, and also briefly in this Corporate Governance Report.

The Bank's culture and long-term goal

Handelsbanken's corporate goal is to have better profitability than the average of peer banks in its home markets. This is mainly to be achieved by having more satisfied customers and lower costs than those of competitors. One of the purposes of this goal is to offer shareholders long-term high growth in value.

Handelsbanken is a full-service bank with a decentralised working method, a strong local presence due to nationwide branch networks and a long-term approach to customer relations. The Bank's decentralised working model involves profound trust in employees' willingness and ability to take responsibility. This working model has been consistently applied for many decades and has resulted in the Bank's very strong corporate culture.

The Oktogonen profit-sharing scheme sharpens the employees' focus on profitability, and is thus a method of reinforcing a corporate culture that is characterised by cost-awareness and prudence. Allocations to the Oktogonen scheme are made if Handelsbanken's profitability is better than the average of peer banks on Handelsbanken's home markets. However, no provisions for an allocation were made during 2016, due to the uncertainty surrounding capital regulations that prevailed for much of the year.

Handelsbanken takes a long-term view of both its employees and its customers. The Bank wishes to recruit young employees for long-term employment at the Bank by offering development opportunities that make the Bank self-sufficient in terms of skilled employees and managers.

This long-term approach also applies to the way in which the Bank relates to its customers. It is manifested in, for example, the ambition of always giving the customer the best possible advice – without looking at what is most profitable for the Bank in the short term. This enables the Bank to build long-term relationships with both customers and employees.

Application of the Swedish Corporate Governance Code

Handelsbanken applies the Swedish Corporate Governance Code with no deviations. The code is publicly available on the Swedish Corporate Governance Board's website.

General information on regulation and supervision of banks

The operations of Swedish banks are regulated by law, and banking operations may only be run with a licence from the Swedish Financial Supervisory Authority.

The regulations for banking operations are very extensive, and are not described in detail in this report. A list of the key regulations is available on the Swedish Financial Supervisory Authority's website. Handelsbanken's main principle is that operations outside Sweden are subject both to Swedish regulations and to the host country's regulations, if these are stricter or require deviations from Swedish rules.

The Swedish Financial Supervisory Authority extensively supervises the Bank's operations in Sweden and in all countries where the Bank runs branches, in other words, when the foreign operation is part of the Swedish legal entity Svenska Handelsbanken AB. Equivalent authorities in other countries exercise limited supervision over the branches' operations, but have full supervision over the Bank's subsidiaries outside Sweden. The supervisory work is co-ordinated in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority.

In addition to laws and ordinances, the Swedish supervision is also based on regulations and general guidelines from the Swedish Financial Supervisory Authority. The Supervisory Authority requires extensive reporting on various matters such as the Bank's organisation, decision-making structure and internal control.

The Supervisory Authority's work also includes systematically visiting various parts of the Bank. The purpose of this is to follow up the Bank's actual compliance with the terms and conditions of granted licences and other detailed regulations.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Rights of shareholders

At the end of 2016, Handelsbanken had over 110,000 shareholders. They have the right to decide on matters related to the company at the AGM or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represented more than 98 per cent of all outstanding shares at the end of 2016. Class A shares each carry one vote, while class B shares carry one-tenth of a vote each. Handelsbanken's Articles of Association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than 10 per cent of the total number of votes in the Bank. Class A shares and class B shares entitle holders to the same proportion of the profit.

Shareholders who wish to have a matter considered by the AGM must submit a written request to the Board sufficiently far in advance so that the matter can be included in the notice of the meeting. The Bank's website contains information as to when this request must have reached the Board.

At the AGM, the Bank's shareholders make various decisions of major importance to the Bank's governance. Shareholders' decisions include:

- adopting the income statement and balance sheet
- appropriation of profits
- discharge from liability for the Board and the CEO for the past financial year
- how many members should be on the Board of the Bank, who these members should be, and who should be the Bank's auditors
- determining fees to Board members and auditors
- principles for remuneration to executive officers.

The shareholders at a shareholders' meeting can also make decisions on the Bank's Articles of Association. The Articles of Association constitute the fundamental governing document for the Bank. They specify which operations the Bank is to conduct, the limits on the amount of share capital, the right of shareholders to participate at shareholders' meetings and the items to be presented at the AGM. The Articles of Association state that the number of board members must be at least eight and at most 15. They are elected for one year at a time. Handelsbanken's Articles of Association contain no stipulation regarding the appointment and discharging of board members nor concerning amendments to the Articles of Association.

Information in preparation for meetings is published at handelsbanken.se/ireng.

Minutes of previous meetings are also available there in English.

Major shareholders

At the end of 2016, two shareholders had more than 10 per cent of the votes: the Oktogonen Foundation, with 10.2 per cent, and AB Industrivärden, with 10.2 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 43.

Annual general meeting 2016

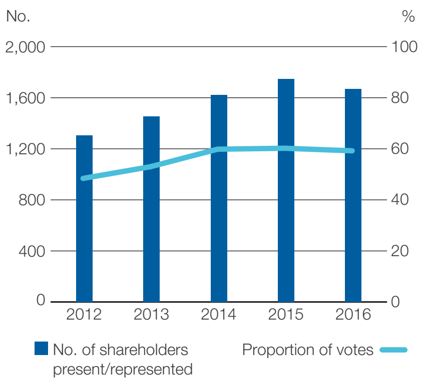
The annual general meeting took place on 16 March 2016.

A total of 1,667 shareholders were represented at the meeting. They represented 58 per cent of all votes in the Bank. All board members were present at the meeting. Also participating were Helena Stjernholm, nomination committee chair, as well as Anders Bäckström of KPMG AB and Jesper Nilsson of Ernst & Young AB – the principal auditors from the auditing companies elected by the AGM. The chairman of the meeting was Sven Unger, a lawyer.

The decisions made by the shareholders at the meeting included:

- A dividend of SEK 6.00 per share, of which SEK 4.50 comprised the ordinary dividend.
- Authorisation for the Board to resolve on acquisition of not more than 120 million shares in the Bank, as well as divestment of shares.
- Authorisation for the Board to resolve on issuance of convertibles with conditions for tier 1 capital instruments. The convertibles entail mandatory conversion in certain cases, but no right of conversion for the holders. Conversion may result in a maximum of 365 million shares.
- The Board is to consist of 11 members.
- The re-election of nine board members and the election of two new board members, Karin Apelman and Kerstin Hessius, for the period until the next AGM.
- The election of Pär Boman as Chairman of the Board.
- Fees to be paid to the Board members as follows: SEK 3,150,000 to the Chairman of the Board, SEK 900,000 to the Vice Chairman, and SEK 640,000 to the other Board members. Fees for committee work are as follows for each member of the respective committee: SEK 335,000 for the credit committee. SEK 130,000 for the remuneration committee, SEK 335,000 for the risk committee, SEK 250,000 for the risk committee for the US operations and SEK 285,000 for the audit committee. It was decided that the fee to the chairperson of the audit committee would be SEK 335,000. Board members who are employees of Handelsbanken shall not receive a fee. It was noted that the fees can be paid as salary or invoiced by a company on condition that this is neutral in terms of costs for the Bank.

Attendance at AGMs 2012–2016



The shareholders at the meeting also adopted the following guidelines for remuneration and other terms of employment for executive officers, as proposed by the Board:

- The total remuneration is to be on market terms.
- Remuneration is only paid in the form of a fixed salary, pension provision and customary benefits.
- By special decision of the Board, the Bank can provide housing.
- Variable remuneration benefits, such as bonuses or commission on profits, are not paid.
- The executive officers in question are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank.
- The retirement age is normally 65. Retirement benefits are defined benefit or defined contribution, or a combination of the two.
- The period of notice on the part of an executive officer is six months, and on the part of Handelsbanken a maximum of 12 months. If the Bank terminates the contract later than five years after the person's appointment as one of the Bank's executive officers, the maximum period of notice is 24 months. No other termination benefits are paid. Other time periods may apply due to collective agreements and labour legislation.
- The Board shall have the right to deviate from the established guidelines if there are special reasons in an individual case.

The guidelines do not affect remuneration previously decided for executive officers. The guidelines are applied to the Group Chief Executive, other Executive Directors, and any members of Handelsbanken's Central Board who are also employees of the Bank.

Auditors

Anders Bäckström is principal auditor for KPMG AB at Handelsbanken and is chairman of Handelsbanken's auditing team. Mr Bäckström has been an authorised public accountant since 1996. He is also auditor for Brummer & Partners, Folksam, Hoist Finance and Investment AB Öresund. Mr Bäckström was born in 1966.

Jesper Nilsson has been an authorised public accountant since 2007 and is principal auditor for Ernst & Young AB at Handelsbanken. In addition, Mr Nilsson is an auditor for Creades and Alecta, and is also CEO of Ernst & Young AB. Mr Nilsson was born in 1964.

NOMINATION COMMITTEE

The shareholders at the 2010 AGM resolved to establish instructions for how the nomination committee is to be appointed. According to the decision, the instructions will apply until they are amended by a future AGM. The instructions state that the nomination committee shall comprise five members: the Chairman of the Board and one representative from each of the Bank's four largest shareholders as at 31 August the year before the AGM is held.

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the Chairman of the Board's task to contact the largest owners, so that they appoint one representative each to sit on the nomination committee together with the Chairman. The 2017 nomination committee comprises:

Representative	Shareholders	Voting power in % as at 31 Aug 2016
Helena Stjernholm, Chair	Industrivärden	10.2
Christian Dahl	Oktogonen Foundation	10.3
Mats Guldbrand	Lundberg ownership group	2.9
Bo Selling	Alecta	2.3
Pär Boman, Board Chairman		

Information on the composition of the nomination committee has been available on the Bank's website since 14 September 2016.

The nomination committee's task in preparation for the AGM on 29 March 2017 is to submit proposals for the election of a chairman of the AGM, the Chairman of the Board and other members of the Board, the fees to the Board chairman and other Board members, and remuneration for committee work. In addition, the Handelsbanken Board has decided that proposals regarding the election of and fees to auditors be made by the nomination committee.

Recruitment and diversity-related work

In its work, the nomination committee takes into account matters relating to diversity, including gender distribution, on the Board. Handelsbanken's Board has adopted a policy to promote diversity on the Board. The policy states that to promote independent opinions and critical questioning, it is desirable that the Board should be characterised by sufficient diversity in terms of age, gender, geographical origin, and educational and professional background. The proportion of women on the Board of the Bank is 50 per cent and the proportion of members of another nationality than where Handelsbanken is domiciled is 40 per cent. In compiling its proposal for the AGM, the nomination committee will also consider the evaluation of the Board carried out by the Chairman of the Board.

THE BOARD

After the shareholders at the 2016 AGM had appointed Pär Boman to be Chairman of the Board, Fredrik Lundberg was appointed as Vice Chairman at the first Board meeting immediately after the AGM. At the same time, the Board appointed members of the credit committee, audit committee, risk committee and remuneration committee. In 2016, the Board also appointed members of the risk committee for the US operations. Information about the Board is shown on pages 60–61.

Composition of the Board

The Board consists of 10 members after Frank Vang-Jensen left the Board on 16 August 2016. When the Board is elected, the nomination committee proposes members. The nomination committee includes the Oktogonen Foundation, which also proposes two of the members in the nomination committee's proposal.

The Board members have broad and extensive experience from the business community. Several are, or have been, chief executives of major companies, and most of them are also board members of major companies. See also pages 60–61. Several members have worked on the Bank's Board for a long time and are very familiar with the Bank's operations. The nomination committee's proposals at previous AGMs, including their reasons, are available at handelsbanken.se/ireng.

Independence of Board members

The Swedish Corporate Governance Code stipulates that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of those of the company's shareholders that control 10 per cent or more of the shares and votes in the Bank. The composition of the Board fulfils the Code's requirements for independence. See also page 50.

Regulations governing the Board's work

The fundamental rules regarding the distribution of tasks among the Board, the Board committees, the Chairman, the CEO and Group Audit are expressed in the Board's rules of procedure, as well as in its instructions to the CEO and to the Chief Audit Officer.

Chairman of the Board

The Board's rules of procedure state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the Bank's operations, and that new members receive appropriate introduction and training. The Chairman must be available to the CEO as an advisor and discussion partner, but must also prepare the Board's evaluation of the CEO's work.

The Chairman's duties include being chairman of the credit, remuneration and risk committees, and the risk committee for the US operations, as well as being a member of the audit committee. The Chairman is responsible for ensuring that the Board's work is evaluated annually. The 2016 Board evaluation was performed by means of a survey and through discussions between the Chairman and each member. The Chairman informed the Board of the outcome of the evaluation and led a Board discussion on this. He also informed the nomination committee about the Board evaluation.

The Chairman is responsible for maintaining contact with the major shareholders concerning ownership matters. As chairman of the Bank's pension foundation, pension fund and staff foundation, he has overall responsibility for ownership issues associated with shareholdings of these three entities.

There is no other division of work for the Board except as concerns the committees.

The Board's work in 2016

During the year, the Board had 15 meetings, including a lengthy strategy meeting.

The figure on page 53 gives an overview of the Board's work in 2016 relating to regularly occurring major items at ordinary Board meetings. In addition, matters discussed at each committee meeting are reported at the next Board meeting.

Committee work

Credit committee

The credit committee consisted of eight members: the Chairman of the Board (Pär Boman, who is also chairman of the committee), the Vice Chairman (Fredrik Lundberg), the chair of the audit committee (Bente Rathe), the CEO (Anders Bouvin and previously Frank Vang-Jensen), the Chief Credit Officer (Per Beckman), and three Board members appointed by the Board (Tommy Bylund, Ole Johansson and Lise Kaae).

The credit committee normally holds one meeting every month to take decisions on credit cases that exceed a set limit and that are not decided on by the whole Board due to the importance of these cases or legal requirements. The heads of the regional banks and Handelsbanken International presented cases to the credit committee from their own units in 2016 and participated when other cases were presented, with the objective of providing them with a good picture of the Board's approach to risk. Credit cases that are decided upon by the whole Board are presented by the Chief Credit Officer. If a delay in the credit decision would cause inconvenience to the Bank or the borrower, the credit instructions allow the CEO and the Chief Credit Officer to decide on credit cases during the interval between credit committee meetings.

In 2016, the credit committee had 12 meetings.

Audit committee

The audit committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Jon Fredrik Baksaas, Ole Johansson and Bente Rathe). The committee appointed Bente Rathe as its Chair.

The work of the audit committee includes the following:

- Monitoring the financial reporting, as well as the effectiveness of the Bank's internal control, internal audit and risk management systems in relation to financial reporting.
- Establishing an audit plan for the work of Group Audit.
- Regular contact with the external auditors. These auditors report to the committee on significant matters that have emerged from the statutory audit, especially regarding shortcomings in the internal control of the financial reporting.
- Keeping up to date with the Swedish Supervisory Board of Public Accountants' quality control.
- Considering reports from Group Audit.
- Submitting a recommendation regarding the election of auditors.

All interim reports and annual highlights reports are reviewed by the audit committee. Items are presented by the CEO, the CFO, the Chief Audit Officer and the persons with main responsibility from the audit companies appointed by the AGM.

In 2016, the audit committee had eight meetings.

Risk committee

The risk committee comprised the Chairman of the Board (Pär Boman, who is also chairman of the committee) and three Board members appointed by the Board (Jon Fredrik Baksaas, Ole Johansson and Bente Rathe). The latter members are independent of the Bank, its management, and major shareholders.

The work of the risk committee includes the following:

- Receiving reports from the CRO and the Chief Compliance Officer.
- Preparing the Board's decisions regarding the establishment of the internal capital adequacy assessment.
- Receiving the validation and evaluation of the internal risk classification system.
- Preparing the Board's decisions regarding risk tolerance and risk strategy.

- Receiving the evaluation of the risk calculation methods used for limiting financial risks, calculating capital requirements and calculating economic capital.
- Preparing the Board's decisions regarding the establishment of Handelsbanken's recovery plan.
- Receiving the presentation of Group Risk Control's quarterly reports.
- Receiving the presentation of Group Compliance's six-month and full-year reports.

The Head of Group Risk Control, who is also the Bank's CRO, and the Chief Compliance Officer present their reports to the risk committee in person. The Bank's CEO, CFO and Chief Credit Officer also attend meetings of the risk committee. In 2016, the Board's risk committee had six meetings.

Risk committee for US operations

The risk committee for Handelsbanken's US operations comprised the Chairman of the Board (Pär Boman, who is also chairman of the committee) and Board member Jon-Fredrik Baksaas, who was appointed by the Board. At least one member of the committee must have experience of identifying, assessing and managing risk exposure in large, complex companies.

The duties of the risk committee for the US operations include the following:

- Receiving information from the US risk and compliance committee regarding the risk profile and all material risks for the US operations as a whole.
- Receiving information from the US risk and compliance committee regarding the risk management framework for the US operations as a whole, including whether this is being complied with.

The Head of Group Risk Control, who is also the Bank's CRO, presents reports to the risk committee for the US operations. The Bank's CEO (or the person to whom the task is delegated) and the Head of Handelsbanken's branch in the United States also attend meetings of the risk committee. In 2016, the risk committee for the US operations had one meeting.

Remuneration committee

The remuneration committee comprised the Chairman of the Board (Pär Boman, who is also the committee chairman) and two Board members appointed by the Board (Ole Johansson and Bente Rathe), who are independent of the Bank, its management and major shareholders.

The tasks of the remuneration committee include making an independent assessment of Handelsbanken's remuneration policy and remuneration system. In addition, the remuneration committee prepares matters regarding remuneration to be decided on by the Board and the AGM. After the shareholders at the AGM have decided on guidelines for the terms and conditions of remuneration to executive officers, the Board decides on remuneration to these officers and the heads of the control functions: Group Audit, Group Risk Control and Group Compliance. The remuneration committee annually evaluates Handelsbanken's guidelines, as well as its remuneration structures and levels in accordance with the Swedish Corporate Governance Code. A statement from the committee in this regard is published on handelsbanken.se/ireng prior to the AGM.

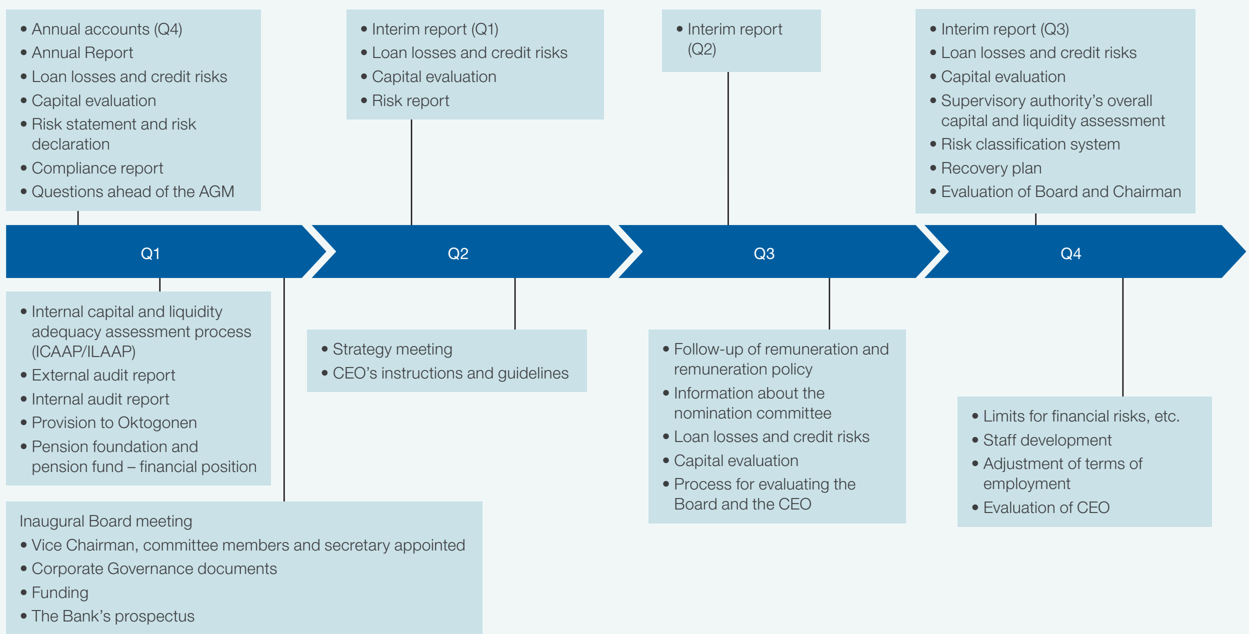
In 2016, the remuneration committee had 14 meetings.

THE BANK'S MANAGEMENT

Group Chief Executive

Anders Bouvin has been President and Group Chief Executive since August 2016. Mr Bouvin was born in 1958, has a BA degree (filosofie kandidat) in Business and Economics, and also an honorary doctorate from The London Institute of Banking & Finance. He has worked at Handelsbanken since 1985. In 2002, Anders Bouvin became a member of what was then called the Group management as Executive Vice President and Head of Handelsbanken Denmark. Since then, Mr Bouvin has been Head of Regional Bank Northern Great Britain and Head of Handelsbanken UK. With the exception of his position as board member in the Swedish Bankers' Association, Anders Bouvin has no assignments of importance outside Handelsbanken. His shareholdings in the Bank and those of close relatives are 5,000 shares, as well as 42,862 shares held indirectly via the Oktogonen profit-sharing scheme. In addition, Anders Bouvin has a holding of staff convertible notes in Handelsbanken, issued on market terms to the Bank's employees in 2014. His holding in the 2014 convertible

Board work 2016[1] – regularly occurring major items at normal board meetings[2]



[1] The committees' meetings are not presented in the chart.
[2] Utilisation of market risk limits, liquidity and funding, as well as the business situation are dealt with at all meetings.

totals SEK 5,869,254 which, at a conversion price of SEK 114.40, corresponds to 51,304 shares.

According to the Swedish Corporate Governance Code, information must be submitted regarding material shareholdings of the CEO and his close relatives, or other holdings in companies with which the Bank has significant business relations. No such shareholdings exist.

Senior Management and management structure

Handelsbanken has long had a decentralised working method, where almost all major business decisions are taken at the local branches, close to customers. Operations are pursued to a large extent within the parent company, but also in subsidiaries.

Branch operations

Branch operations are geographically organised into regional banks: five in Sweden, five in the UK, and one each in Denmark, Finland, Norway and the Netherlands. Together, these countries comprise the Bank's home markets. Each regional bank is led by a head. The regional banks in the UK are co-ordinated under the Head of UK. In Sweden, business support functions have been pooled centrally under a chief operating officer.

In Denmark, Finland, Norway and the Netherlands, the heads of the regional banks are also general managers. These heads, as well as the Head of UK operations and the general managers for the international operations outside the home markets, are responsible to the public authorities in their respective countries for all operations that the Bank and its subsidiaries pursue in those countries.

Business areas

There are five business areas within Handelsbanken. Three of these business areas are part of the Handelsbanken Capital Markets segment: Pension & Life, Markets & Asset Management and Handelsbanken International. The joint functions of these three business areas, such as back-office operations, IT development, finance, HR, communications, risk control and compliance, are co-ordinated under a joint head. The remaining two business areas are Stadshypotek and Retail & E-services. Each business area has Groupwide responsibility for its products and services.

The Pension & Life business area includes the Bank's entire pensions-related offering, as well as the Handelsbanken Liv subsidiary. The Markets & Asset Management business area includes trading in financial instruments, corporate finance and asset management, with the Handelsbanken Fonder and Xact Kapitalförvaltning subsidiaries. The Handelsbanken International business area includes all the Bank's international operations outside its home markets. For every country outside the home markets in which Handelsbanken pursues operations there is a general manager who reports to the Head of Handelsbanken International.

The Stadshypotek business area comprises the Stadshypotek AB subsidiary, which pursues mortgage loan operations and other property financing. Retail & E-services develops services for e-commerce and traditional retailing under its own brand.

Risk Forum and Senior Management

Handelsbanken has a Risk Forum, the purpose of which is to discuss the Bank's overall risk situation ahead of Board meetings, and to ensure that sufficient risk assessments are carried out prior to all decisions of a material nature. In addition to the CEO, the Risk Forum includes the CFO and the Heads of Group Risk Control, Group Compliance and Group Legal.

Members of the Risk Forum, heads of business areas, heads of regional banks and heads of Handelsbanken's home markets are members of the Senior Management group. Senior Management also includes the heads of the Bank's central departments and administrative functions. Senior Management is a consultative body, not a decision-making body. To a large extent, responsibilities and powers of authority at Handelsbanken have been assigned to individual members of staff, rather than groups or committees. However, there are collective decisions regarding credit decisions made in credit committees and the boards of regional banks. It is also required that the members are unanimous regarding these decisions. Further information about Senior Management and the Risk Forum can be found on pages 62–63.

FRAMEWORK FOR CONTROL

Internal control for operations

Responsibility for internal control has been delegated from the CEO to managers who report directly to the CEO and who are in charge of internal control within their respective units. In turn, these managers have delegated responsibility for internal control to managers who report to them. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

Group Audit

Long before external requirements on internal auditing were introduced, the Bank had an internal audit function that was independent of the line organisation. The organisation has centrally and regionally placed internal auditors. The regional internal audit departments are part of Group Audit, which constitutes an integrated internal audit function. Group Audit comprises some 100 employees. The Chief Audit Officer is appointed by and reports to the Board. Thus, Group Audit is the Board's controlling body. The selected organisation and long tradition give Group Audit the authority and integrity required to enable the auditors elected by the AGM to rely on measures and data from Group Audit.

Group Audit is tasked with performing an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. This includes assessing and verifying processes for risk management, internal control and corporate governance. Their assignment is based on a policy established by the Board and is performed on the basis of a risk-based methodology in accordance with internationally accepted standards issued by the Institute of Internal Auditors. The planned auditing tasks are documented every year in an audit plan which is established by the Board's audit committee on behalf of the Board. Group Audit's conclusions, the actions to be taken, and their status are reported regularly to the audit committee and every year to the Board as a whole. The Chief Audit Officer is also the contact person for Handelsbanken's separate system for whistleblowing.

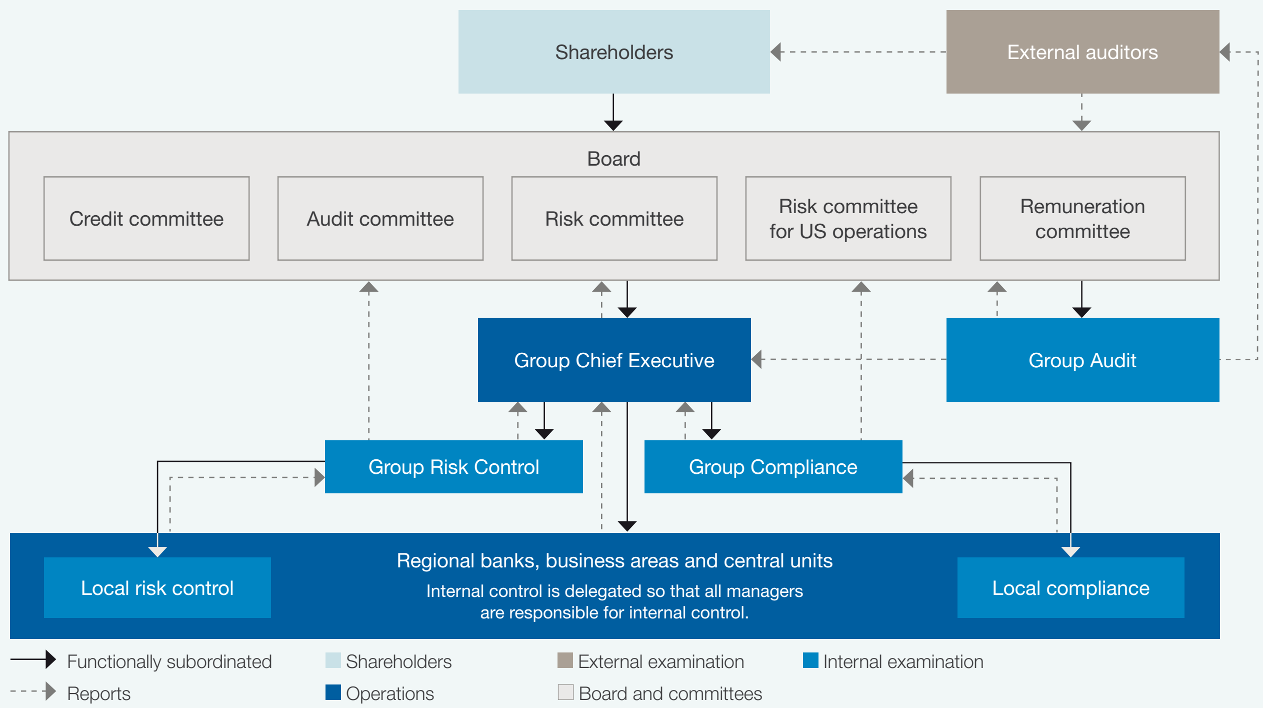
Group Audit is regularly subject to independent external quality reviews. In addition, the Bank's external auditors perform an annual quality review of the work of Group Audit.

Group Compliance

Compliance is the responsibility of all employees in the Group. Establishing compliance functions centrally, for regional banks, business areas and central departments, as well as for each country where the Bank has operations, does not release any employee from the responsibility of complying with the external and internal regulations applying to the operations. The compliance function must follow up and check that laws, regulations and internal rules, as well as accepted business practices and standards, are complied with in the operations conducted by the Handelsbanken Group. The regulations are often complex, and in some cases the individual employee may have limited experience. It is therefore important that compliance is able to provide support and guidance. In its supporting role, compliance must provide advice and support to business operations, assist in drawing up internal rules and implementing regulations, and also provide information about new and amended rules for operations.

Group Compliance is an independent unit with the functional responsibility for compliance matters in the Group. The CEO appoints the Chief Compliance Officer. The Chief Compliance Officer reports quarterly to the CEO on compliance in the Group. The Chief Compliance Officer reports on compliance in the Group twice a year directly to the Board's risk committee and once a year to the Board as a whole. In addition, material observations are reported regularly to the CEO.

Control at Handelsbanken



Group Risk Control
The Bank is characterised by a clear division of responsibility, whereby each part of the business operations bears full responsibility for risk management. There is local risk control at each regional bank and within the various business areas, which check, for example, that risks are within the limits and are correctly valued. Local risk control carries out risk analyses and verifies that transactions are conducted in a manner that does not entail undesirable risks. Local risk control reports to Group Risk Control and also to the management of the operations.

Group Risk Control identifies, measures, analyses and reports all the Group's material risks. This includes monitoring and checking the Group's risk management and assessing that Handelsbanken's risk management framework is fit-for-purpose and efficient. Group Risk Control also monitors that the risks and risk management comply with the Bank's risk strategy and risk tolerance. Together with local risk control functions, Group Risk Control is also responsible for correct valuation of financial instruments. This responsibility includes ensuring that management has reliable information regarding risks to use in critical situations. Group Risk Control has functional responsibility for risk control at Handelsbanken.

The CRO reports directly to the CEO. Information is also provided to the CFO on a regular basis. The CRO reports regularly to the Board's risk committee and remuneration committee, and once a year to the Board as a whole. The Board is kept continuously informed of material risks at the Bank. Group Risk Control is also in charge of the Bank's extensive risk reporting to the supervisory authorities.

A more detailed description of the Bank's risk management and control is contained in note G2 on pages 80–107, and also in the Bank's Pillar 3 Report.

POLICY DOCUMENTS
The following is a brief summary of the policy documents which the Board of Handelsbanken has decided on and which apply at the time this Annual Report is published.

Credit policy
Credits may only be granted if there are good grounds for expecting the borrower to meet his/her commitments. Credits must normally have satisfactory collateral. Handelsbanken strives to maintain its historically low level of loan losses compared to other banks, thus contributing to the Bank's profitability target and retaining its sound position.

Policy for independent risk control
Handelsbanken must have a risk control function that is independent of the functions that are to be monitored. Risk control must be enforced regarding all material risks at Handelsbanken. The risk control function must verify that all major risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions, and also supervise and monitor the Group's risk management. The risk control function must also verify that every business unit monitors all its material risks in an efficient manner. Risk control is organised into both central and local risk control. Central risk control, called Group Risk Control, reports to the Group Chief Executive.

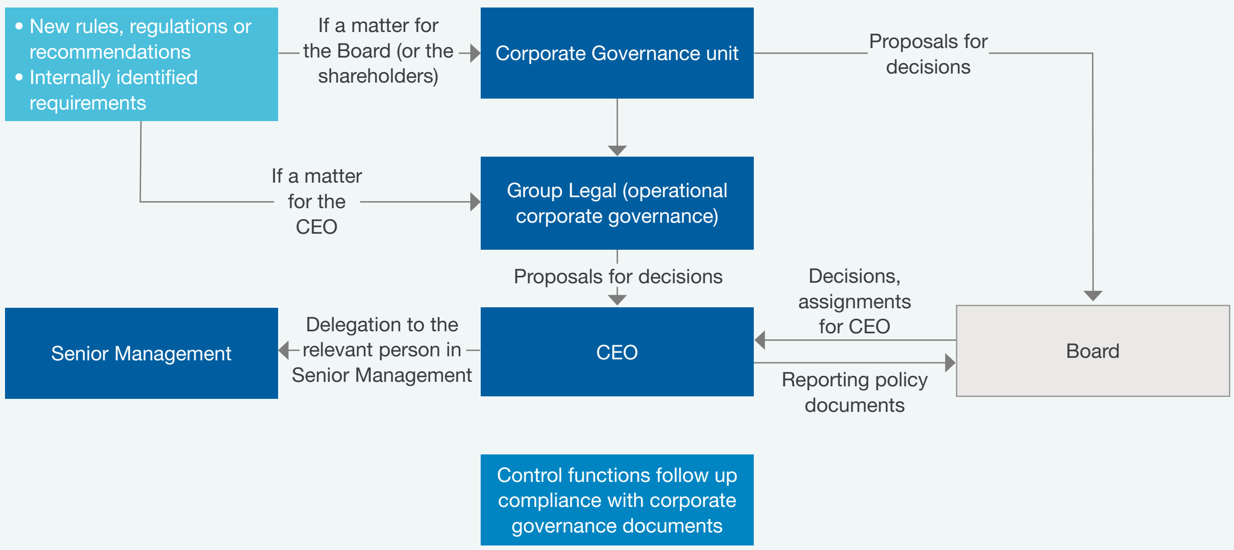
Policy for operational risk
Handelsbanken's tolerance of operational risk is very low. "Operational risk" refers to errors in internal processes, faulty systems or external events. Operational risk must be managed so that operational losses remain small, both in comparison with previous losses incurred and with other banks' losses. The responsibility for operational risk is an integral part of managerial responsibility throughout the Group.

Capital policy
The purpose of the capital policy is to ensure that the Group's supply of capital is satisfactory. The Group must at all times be well capitalised in relation to risk, and fulfil the goals established by the Board and the capital adequacy requirements established by supervisory authorities, even in situations of financial stress (see the section on risk in note G2 on pages 80–107). Handelsbanken's capital situation must also justify a continued high rating from the most important rating agencies.

Financial policy
The purpose of the Group's funding and liquidity management is to ensure that Handelsbanken is able to meet its payment commitments in the short and long term. The Group's funding must be well diversified in terms of markets, currencies and maturities. During stressed market conditions, Handelsbanken must have an adequate liquidity reserve to be able to continue its operations for predetermined periods of time, without new funding in the financial markets.

Policy for financial risks
"Financial risks" here refers to market risks and liquidity risks. Market risks are in turn divided

Production and follow-up of corporate governance documents – an overview



The chart shows an overview of the process of producing and following up corporate governance documents. External factors – such as new regulations – or internal requirements may mean that a policy or guidelines needs to be drawn up or amended. The Corporate Governance unit formulates proposals for policies from the Board, which are then adopted by the Board. Group Legal is responsible for formulating proposals for guidelines from the CEO, which are then submitted to the CEO for a decision. The CEO ensures that the policies and guidelines are implemented, and can delegate this task to a member of Senior Management. The Bank's control functions have the task of monitoring compliance with these documents within the organisation.

into interest rate risks, equity price risks, currency risks and commodity price risks. Financial risks shall only occur as a natural step in customer business, in connection with Handelsbanken's funding and liquidity management, and in its role as a market maker. Through this policy, the Board establishes overall measurement methods for financial risks.

Information policy

Handelsbanken's information must be correct, objective and easy to understand. It must respect the recipient of the information and be provided at the right time and in the right manner. The information will contribute to strengthening Handelsbanken's brand and the trust of its customers, the capital markets and society in general. Information provided to the capital market must be correct, relevant, clear, reliable and in compliance with stock market regulations in all other respects. Information is to be made public as soon as possible and simultaneously to the stock market, investors, analysts, news services and other media. At press conferences and the like, the media and analysts should normally participate at the same time.

Sustainability policy

The policy sets the direction for Handelsbanken's sustainability activities, in terms of Handelsbanken's approach to material topics relating to customers, the Group's actions as an employer and institution in society, and also the relationship with owners and investors. Handelsbanken aims to integrate financial, social and environmental sustainability into all its business operations.

Handelsbanken's success is dependent on the confidence of customers, employees, owners, public authorities and other stakeholders that the Group is acting in a responsible manner. In order for this confidence to be maintained, there must be transparency in the Group's sustainability activities.

The policy is available at handelsbanken.se/csreng.

Policy on ethical standards

Employees of Handelsbanken must conduct themselves in a manner that upholds confidence in Handelsbanken. All operations in the Group must be characterised by high ethical standards. Financial advice must be based on the customer's requirements. Conflicts of interest must be identified and handled in a manner that is fair to all parties involved. In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's immediate superior. There must be no discrimination on grounds such as gender or religion. The policy on ethical standards also describes how employees who suspect internal fraud or other irregularities should act, for example with the aid of Handelsbanken's whistleblowing system.

The policy is available at handelsbanken.se/csreng.

Policy for managing conflicts of interest

Conflicts of interest are a natural part of a business operation, which means that these types of conflicts may arise within the Group's operations. It is the responsibility of all heads of units within the Bank to continuously identify potential conflicts of interest. If a conflict of interest is identified, the head of the unit responsible must first ensure that the customer's interests are not adversely affected. If this is not possible, the customer must be informed of the conflict of interest.

The policy is available at handelsbanken.se/csreng.

Policy against corruption

The policy establishes the importance of preventing and never accepting corruption, and of always taking action where there is suspicion of corruption.

Employees of the Group must carry out their responsibilities in all their activities at the Group and their external assignments in a manner that upholds confidence in Handelsbanken, and must therefore not participate in actions that may involve bribery or any other improper influence.

The policy is available at handelsbanken.se/csreng.

Policy for remuneration, pensions and suitability assessment

The total remuneration is intended to contribute to the achievement of the Handelsbanken Group's corporate goal, by attracting, retaining and developing skilled staff, and ensuring good management succession. Handelsbanken considers that fixed remuneration contributes to healthy operations. This is therefore the main principle, and variable remuneration is to be applied with great caution. The total variable remuneration paid out during one year must not exceed 0.4 per cent of the common equity tier 1 capital.

Remuneration for work performed is set individually. Salaries are set locally in accordance with Handelsbanken's decentralised work method and are based on salary-setting factors which are determined in advance. This policy does not affect the rights and obligations agreed upon by employers' and employees' organisations through collective agreements.

The Head of Group HR is responsible for applying the Group's remuneration system. The control functions and their local units must identify, monitor, analyse and report material risks or deficiencies in the remuneration system.

Pensions are part of the total remuneration to the Group's employees. The total remuneration is to be on market terms. The pension terms in the countries where the Group pursues its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

A more detailed description of Handelsbanken's remuneration principles is shown on this page and details about remuneration are shown in note G8 on pages 110–113.

The responsible HR function performs suitability assessments when board members are elected for the Bank's subsidiaries. Group HR performs suitability assessments ahead of decisions to appoint members of Senior Management, or of the Chief Audit Officer.

Policy for internal audit operations

Group Audit is to evaluate the efficiency and appropriateness of the Group's processes for risk management, internal steering and control. The audit function must impartially and independently examine the Group's operations, accounts and governance process, ensure that material risks are identified and managed in a satisfactory manner, and ensure that material financial information is reliable, correct and delivered on time. Group Audit reports directly to the Board; it provides reports for the Board and its audit committee, as well as for the CEO.

Policy for managing and reporting events of material importance

Incidents of material importance must be reported to the Swedish Financial Supervisory Authority. This refers to incidents that may jeopardise the stability of the parent company or a subsidiary, or the protection of customers' assets.

Policy for the Bank's use of the external auditors' services

If the auditors that have been elected at the AGM are engaged for assignments other than auditing, special instructions from the CEO must be complied with. Furthermore, this must be reported to the audit committee.

This policy is adopted by the Board's audit committee on behalf of the Board.

Policy for compliance

Compliance means the observance of laws, regulations, directives from public authorities and internal rules, as well as accepted business practices or accepted standards. Handelsbanken has a low tolerance of compliance risk. Using a risk-based approach, the compliance function is to support and verify compliance. It also analyses shortcomings and risks relating to compliance. Group Compliance reports directly to the CEO; it provides reports for him, as well as for the Board and its risk committee. The compliance function must be independent of the functions that are monitored.

Policy for handling customer complaints

The branch responsible for the customer is responsible for receiving and handling a customer complaint. Complaints must be dealt with promptly and professionally, in a dialogue with the customer, taking into consideration the current regulations in the area to which the complaint relates.

Policy for employees' private securities and currency transactions

This policy applies to all Handelsbanken Group employees – temporary as well as permanent – closely-related persons and service providers. Its purpose is to prevent any person who is covered by the policy from carrying out his/her own securities transactions that involve market abuse, misuse or improper disclosure of confidential information under the regulations that apply to Handelsbanken and its employees, in accordance with prevailing legislation, directives from public authorities and voluntary agreements.

Accounting policy

This policy applies to Handelsbanken's accounting function. The consolidated accounts are prepared in accordance with IFRS, as adopted by the EU, plus additional standards 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. The parent company's annual report is 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. International units must prepare accounts in accordance not only with the Group's rules, but with the regulations that apply in the country where they are required to maintain accounting records.

Policy on measures against money laundering and financing of terrorism and the observance of international sanctions

This policy is based on the Swedish law on measures against money laundering and financing of terrorism and the Swedish Act on Certain International Sanctions. Handelsbanken shall not participate in transactions which may be suspected of being linked to criminal activities, or transactions of which the employees do not understand the implications. Handelsbanken's work method is based on knowledge of customers, and an understanding of customers' operations. Knowledge of the customer must be achieved and maintained for as long as the customer relationship exists. Handelsbanken shall monitor and comply with decisions and sanctions pursuant to the Swedish Act on Certain International Sanctions.

PRINCIPLES FOR REMUNERATION AT HANDELSBANKEN

The Bank's principles for remuneration to employees are long established. In general, Handelsbanken has low tolerance of risk and is of the opinion that fixed remuneration contributes to healthy operations. This is, therefore, the main principle. Variable remuneration is to be applied with caution, and is only paid to a very limited extent. Variable remuneration is not paid to the Bank's management, nor to any employee who makes decisions on credits or limits. Pursuant to Handelsbanken's remuneration policy, risk-takers (persons who can affect the Bank's risk profile to a material extent) will not receive variable remuneration.

Handelsbanken complies with the Swedish Financial Supervisory Authority's regulations governing remuneration policies in credit institutions, investment firms and fund management companies, which include special rules for employees who receive variable remuneration and who are deemed to have a significant bearing on Handelsbanken's risk profile. The regulations also contain provisions on deferred compensation. The heads of the areas concerned, as well as the CRO and Chief Compliance Officer, take part in the remuneration committee's preparation and assessment of the Board's remuneration policy and the Bank's remuneration system.

Below is an overall presentation of the Bank's fundamental principles for fixed and variable remuneration. Other information concerning remuneration paid by the Bank in accordance with the current regulations is presented in note G8 on pages 110–113. This note also provides information about amounts for salaries, pensions and other benefits, and loans to Executive Directors.

Fundamental remuneration principles

In Sweden and certain other countries, the Bank is party to collective agreements on general terms and conditions of employment during the employment period and on terms and conditions of pensions after employees have reached retirement age.

The aim of the Bank's policy on salaries is to increase the Bank's competitiveness and profitability, to enable the Bank to attract, retain and develop skilled staff, and to ensure good management succession planning. Good profitability and productivity performance at the Bank create the necessary conditions for salary growth for the Bank's employees.

The Bank takes a long-term view of its staff's employment. Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and pension. At Handelsbanken, salary-setting takes place at local level. The main principle is that salaries are set locally in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

Salaries are based on factors known in advance: the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), the market, and performance as an ambassador for the Bank's corporate culture.

The principle of only having a fixed salary applies to 98 per cent of the Group's employees, and is applied without exception to executive officers, all staff who decide on the Bank's granting of credits, and employees in the Bank's control functions.

Principles for remuneration to executive officers

The shareholders at the AGM decide on guidelines for remuneration to the Group Chief Executive and other executive officers. The guidelines are applied to the Group Chief Executive, other Executive Directors, and any members of the Handelsbanken Board who are also employees of the Bank. For the AGM guidelines from 2016, see the "Annual general meeting 2016" section on page 51.

The Board decides on remuneration to the officers who are subject to the AGM's remuneration guidelines (with the exception of the two Board members who are Handelsbanken employees), a total of 16 individuals (as at 31 December 2016). The Board also determines remuneration for heads of control functions and Executive Vice Presidents who are not executive officers.

In accordance with guidelines from the AGM, remuneration is paid only in the form of fixed salary and pension provisions, and also customary benefits such as a company car. Following a special decision by the Board, Handelsbanken can provide housing as part of the remuneration. No variable remuneration is paid, nor are there any agreements on severance pay. The period of notice on the part of the officer is a maximum of six months, and on the part of Handelsbanken a maximum of 12 months or, if the Bank terminates the contract later than five years after the person becomes a member of the group of executive officers, the period of notice is a maximum of 24 months.

According to the AGM guidelines, the retirement age for new officers is normally 65 years of age. For officers who remain in their positions after reaching standard retirement age, a mutual period of notice of no more than six months applies.

Executive officers receive an allocation in Handelsbanken's profit-sharing scheme Oktogonen on the same conditions as all other employees of the Bank and are also entitled to convert salary to pension on the same conditions as other employees. Note G8 on pages 110–113 provides further information about remuneration to executive officers. Fees for serving on the boards of other companies on behalf of the Bank are to be paid to the Bank.

Ahead of the 2017 AGM, guidelines will be proposed for remuneration and other terms of employment for executive officers as follows. The guidelines shall not affect any remuneration previously decided for executive officers.

- The total remuneration is to be on market terms.
- Remuneration is only paid in the form of a fixed salary, pension provision and customary benefits. By special decision of the Board, the Bank can provide housing. Variable remuneration benefits such as bonus and percentage of profits are not paid.
- The executive officers are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank.
- The retirement age is normally 65. Pension benefits are defined contribution and may be payable in addition to pension plans under collective agreements.
- The period of notice on the part of the executive officer is six months, and on the part of Handelsbanken a maximum of 12 months. If the Bank terminates the employment contract later than five years after the person becomes one of the Bank's executive officers, the period of notice is a maximum of 24 months. No other termination benefits are paid. Other time periods may apply due to collective agreements and labour legislation.
- The Board shall have the right to deviate from the established guidelines if there are special reasons in an individual case.

These guidelines apply to the Group Chief Executive, other Executive Directors and Board Members of the parent company who are also employees of the Bank.

Variable remuneration

At Handelsbanken, the Board decides on the remuneration policy. The main principle of the policy is that remuneration is paid in the form of fixed remuneration. However, the policy allows for variable remuneration. The Board decides on the final amount.

Variable remuneration occurs to a very limited extent, and only within Handelsbanken Capital Markets, in certain subsidiaries with mutual fund operations and in the UK subsidiary, Heartwood. Nor is variable remuneration paid to the Bank's management or to any employee who makes decisions on credits or limits.

Variable remuneration is based on Handelsbanken's factors for setting salaries and it must be designed so that it does not encourage unhealthy risk-taking. The financial result on which the variable remuneration is based is charged with the actual cost of the capital and liquidity required by the operations. It must also be adjusted for risk.

Only employees within units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to credit risk, market risk or liquidity risk are entitled to receive variable remuneration. The main rule is that variable remuneration is only paid in cash, with the exception of certain deferred variable remuneration in Heartwood, as specified belowed. The disbursement of at least 40 per cent of variable remuneration of SEK 100,000 or more is deferred by at least three years. For particularly large amounts of variable remuneration, 60 per cent is deferred for four years. Deferred variable remuneration can be removed or reduced if losses, increased risks or increased expenses arise during the deferment period, or if payment is deemed to be unjustifiable in view of the Bank's financial situation. At Heartwood, half of deferred variable remuneration is invested in Heartwood funds. Payment and the right of ownership to the variable remuneration do not accrue to the person with the entitlement until after the end of the deferment period. No employee may receive variable remuneration of more than 100 per cent of his/her fixed remuneration. Variable remuneration for 2016 was equivalent to around one per cent of the total sum of salaries and fees in the Group. The total variable remuneration paid out during one year must not exceed 0.4 per cent of the common equity tier 1 capital.

The Board's report on internal control regarding financial reporting

The presentation of Handelsbanken's internal control process for financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The process was designed to ensure compliance with the Bank's principles for financial reporting and internal control, and to ensure that the financial reporting has been prepared pursuant to the law, applicable accounting standards, and other requirements related to listed companies.

Control environment

The control environment described above in this corporate governance report is fundamental to Handelsbanken's internal control of financial reporting: organisational structure, division of responsibilities, guidelines and policy documents.

Risk assessment is another part of the internal control process and comprises identification and management of the risks that may affect financial reporting, as well as the control activities aimed at preventing, detecting and correcting errors and deviations.

Risk assessment

The annual self-evaluations carried out at regional banks, subsidiaries and central departments are an essential part of the Bank's risk assessment. Risks related to financial reporting are part of this total analysis.

In a self-evaluation, the events that constitute potential risks to the operation are evaluated and then the probability and consequences of each risk are estimated. Particular focus is placed on the risk of fraud and the risk of loss or embezzlement of assets. A plan of action is then drawn up, based on the self-evaluation. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 80–107 and in the Bank's Pillar 3 report.

Control activities

Various control activities are incorporated in the entire financial reporting process.

Group Finance is responsible for consolidated accounts, consolidated financial reports and for financial and administrative control systems. The unit's responsibilities also include the Group's liquidity, the internal bank, own funds, tax analysis and Groupwide reporting to public authorities. The capital requirement is, however, calculated by Group Risk Control. Group Finance must also ensure that the staff concerned are aware of and have access to instructions of significance to the financial reporting. Risk Control identifies, checks and reports risks of errors in the Bank's assumptions and assessments that form the basis of the Bank's financial reporting.

Reported amounts and analyses of income statements and balance sheets are reconciled and checked regularly within the accounting and control organisation.

Heads of accounting and control at regional banks, subsidiaries, central departments and international units are responsible for ensuring that the control activities in the financial reporting for their respective units are fit-for-purpose – i.e. that they are designed to prevent, detect and correct errors and deviations – and are in compliance with internal guidelines and instructions. At each quarterly closing of accounts, each unit certifies that the key controls have been carried out, with no discrepancies evident, and that its balance sheet and income statement are correct. The Head of Group Finance (i.e. the CFO) reports the status of the internal control of financial reporting to the audit committee at each quarterly closing of accounts.

The CRO is responsible for setting up and maintaining a valuation committee. The committee's role is to support risk control, Group Finance and the local risk and treasury functions in the decision-making processes for valuation and reporting matters. The committee deals with the valuation of financial assets and liabilities, including derivatives at fair value and also financial guarantees, both own holdings and holdings on behalf of others. The committee must ensure that the valuation complies with external regulations, internal guidelines and current market practices.

High information security is a precondition for good internal control of financial reporting. Thus there are regulations and guidelines to ensure availability, accuracy, confidentiality and traceability of information in the business systems.

As part of the quality control work for financial reporting, the Board has set up an audit committee consisting of the Chairman of the Board and three Board members. The committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the efficiency of the internal control, internal audit and risk management systems for financial reporting. See the section under the Committee work heading on page 52 for more details.

Information and communication

The Bank has information and communication paths designed to achieve completeness and correctness in its financial reports. The Group's general accounting instructions and special procedures for producing financial reports are communicated to the staff concerned via the Group's intranet. The system used for financial reporting encompasses the entire Group.

Follow-up

Group Audit, Group Compliance and Group Risk Control, and also the accounting/control units, monitor compliance with internal policies, instructions and other policy documents. Monitoring takes place at central level, but also locally in regional banks, subsidiaries, central departments and international units. The instructions established by the Board for internal audit state that it must examine internal governance and control, and evaluate the reliability of the Group's financial reporting. Internal audit is described in more detail on page 54. The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.

The Board

Name	Pär Boman, Chairman	Fredrik Lundberg, Vice Chairman	Karin Apelman, Board Member	Jon Fredrik Baksaas, Board Member	Tommy Bylund, Board Member
Year elected	2006	2002	2016	2003	2000
Year of birth	1961	1951	1961	1954	1959
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish
Position and assignments	Chairman of Svenska Cellulosa AB SCA • Vice Chairman AB Industrivärden • Board member Skanska AB.	President and CEO of L E Lundbergföretagen AB • Chairman of Holmen AB, Hufvudstaden AB, AB Industrivärden, Indutrade AB • Board member L E Lundbergföretagen AB, Skanska AB.	Board member, Bliwa Livförsäkring, ömsesidigt, STINT (the Swedish Foundation for International Co-operation in Research and Higher Education), Swedavia AB.	No other assignments.	Head of Compliance at Handelsbanken Central Sweden.
Background	2006–2015 President and CEO of Handelsbanken • 2002–2005 EVP, Head of Handelsbanken Markets • 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken.	Active in Lundbergs since 1977 • President and CEO, L E Lundbergföretagen AB since 1981.	2007–2016 Swedish Export Credits Guarantee Board (EKN), Director General • 2001–2007 LFV Air Navigation Services of Sweden, CFO • 1994–2001 SAAB Aircraft Leasing, Deputy CEO • 1990–1994 SAS, Leasing & Project Finance and Corporate Finance & Assistant Treasurer • 1987–1990 SAAB Aircraft Credit, Vice President • 1986–1987 Sven Hagströmer AB, Corporate Finance • 1981–1985 Swedish Export Credits Guarantee Board (EKN).	2008–2016 Board member GSM Association, Chairman 2013–2016 • 2002–2015 Telenor Group, President and CEO • 1989–2002 Telenor Group, various positions in finance, financial control and general management • Employee of Aker AS (1988–1989), Stolt Nielsen Seaway AS (1985–1988) and Det Norske Veritas, Norway and Japan (1979–1985).	1990–2016 Board member Oktogonen Foundation, Chairman 2000–2016 • 1992–2016 Branch manager at Handelsbanken • Employed by Handelsbanken since 1980.
Education	Engineer and Business/ Economics degree	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Business Administration	Graduate in Business Administration and PED from IMD	Upper Secondary School
Remuneration 2016[1]	SEK 4,388,750	SEK 1,235,000	SEK 480,000	SEK 1,413,750	SEK 0
Credit committee Participation	Chair 12/12	12/12	–	Deputy member –	12/12
Audit committee Participation	8/8	–	–	8/8	–
Remuneration committee Participation	Chair 14/14	–	–	–	–
Risk committee Participation	Chair 6/6	–	–	6/6	–
Risk committee for US operations Participation	Chair 1/1	–	–	1/1	–
Board meetings Participation	Chair 15/15	15/15	12/15[2]	15/15	15/15
Own shareholdings and those of immediate family	44,383, of which 21,883 in indirect holdings[3].	50,775,000	0	0	67,026, of which 67,026 in indirect holdings[3]. 2014 convertible at nominal amount: SEK 1,188,742
Dependent/ independent	Not independent of the Bank and its management (former CEO). Not independent of major shareholders (Vice Chairman of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Chairman of AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2016 was SEK 12,321,250.
[2] Member of the Board/committee from March 2016.
[3] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

Name	Kerstin Hessius, Board Member	Ole Johansson, Board Member	Lise Kaae, Board Member	Bente Rathe, Board Member	Charlotte Skog, Board Member
Year elected	2016	2012	2015	2004	2012
Year of birth	1958	1951	1969	1954	1964
Nationality	Swedish	Finnish	Danish	Norwegian	Swedish
Position and assignments	CEO Third National Swedish Pension Fund • Board member Vasakronan AB, Hemsö Fastighets AB, Trenum AB, Svensk-Danska Bro-förbindelsen SVEDAB AB and Øresundsbro Konsortiet.	Chairman of Aker Arctic Technology Inc, Hartwall Capital Oy Ab • Board member Konecranes Oyj Apb.	CFO Bestseller A/S • Board member Normal A/S, Whiteway A/S and various companies in the Bestseller Group.	Chair of Ecohz AS and Cenium AS (both companies are subsidiaries of Home Invest AS) • Board member Polaris Media ASA, SalMar ASA, Home Invest AS and its subsidiary Nordic Choice Hospitality Group AS.	Bank officer at Handelsbanken • Chair, Finansliv Sverige AB • Board member Financial Sector Union of Sweden, Oktogonen Foundation.
Background	2001–2004 Stockholm stock exchange, CEO • 1999–2000 Sveriges Riksbank, Deputy Governor of the central bank • 1998 Danske Bank, Chief Executive, Asset Management • 1990–1997 ABN Amro Bank/Alfred Berg • 1989–1990 Finanstidningen • 1986–1989 Swedish National Debt Office • 1985–1986 Sveriges Riksbank (central bank) • 1984–1985 Swedish Agency for Public Management.	1975–2011 various positions within Wärtsilä (Metra) Group, except for a period at Valmet 1979–1981 • CEO 2000–2011.	1992–2008 Pricewaterhouse-Coopers.	1999–2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, Chair of Mutual Fund and Asset Management Company) • 1996–1999 CEO Gjensidige Bank AS • 1993–1996 CEO Elcon Finans AS • 1991–1993 Deputy CEO Forenede Forsikring • 1989–1991 CFO Forenede Forsikring • 1977–1989 Head of credits and CFO E.A. Smith AS.	Has held various positions at Handelsbanken. Employed since 1989.
Education	Graduate in Business Administration	Diploma in Economics and Business Administration	Authorised Public Accountant	Graduate in Business Administration and MBA	Economics Programme Upper Secondary School
Remuneration 2016[1]	SEK 480,000	SEK 1,691,250	SEK 891,250	SEK 1,741,250	SEK 0
Credit committee Participation	–	10/12	9/12[2]	11/12	Deputy member –
Audit committee Participation	–	8/8	–	Chair 8/8	–
Remuneration committee Participation	–	14/14	–	14/14	–
Risk committee Participation	–	6/6	–	6/6	–
Risk committee for US operations Participation	–	–	–	–	–
Board meetings Participation	11/15[2]	15/15	15/15	15/15	15/15
Own shareholdings and those of immediate family	8,700	59,750	2,560	0	24,620, of which 23,904 in indirect holdings[3]. 2014 convertible at nominal amount: SEK 251,744
Dependent/ independent	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (employee). Not independent of major shareholders (Board Member of Oktogonen Foundation).

Secretary of the Board and Corporate Governance

Klas Tollstadius
Secretary of the Board and Corporate Governance • Year of birth 1954 • Employed at Handelsbanken since 1991 • Shareholdings* 34,778, of which 22,497 in indirect holdings** • 2014 convertible: SEK 5,617,510

* Direct holdings of shares or convertibles refer to own holdings or those of closely related persons.
** Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

Senior Management

and Audit and Whistleblowing Function

Group Functions Executives

Per Beckman [1,2]
Chief Credit Officer, Group Credits • Year of birth 1962 • Employed 1993 • Shareholdings* 11,974, of which 11,974 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Pål Bergström [2]
Chief Compliance Officer, Group Compliance • Year of birth 1967 • Employed 2015 • Shareholdings* 5,857, of which 5,857 in indirect holdings** • 2014 convertible[3]: –

Klas Bornälv
Head, Group Infrastructure • Year of birth 1971 • Employed 1997 • Shareholdings* 11,732, of which 11,732 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

Anders Bouvin [1,2]
President and Group Chief Executive • Year of birth 1958 • Employed 1985 • Shareholdings* 47,862, of which 42,862 in indirect holdings** • 2014 convertible[3]: SEK 5,869,254

Michael Green
Chairman of subsidiary • Year of birth 1966 • Employed 1994 • Shareholdings* 87,672, of which 15,797 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Maria Hedin [1,2]
CRO, Group Risk Control • Year of birth 1964 • Employed 2010 • Shareholdings* 3,741, of which 3,495 in indirect holdings** • 2014 convertible[3]: SEK 5,176,431

Elisabet Jamal Bergström
Chief Sustainability Officer, Group Sustainability • Year of birth 1968 • Employed 1994 • Shareholdings* 14,011, of which 10,399 in indirect holdings** • 2014 convertible[3]: SEK 251,744

Joakim Jansson [1]
Head, Business Support Capital Markets • Year of birth 1976 • Employed 2006 • Shareholdings* 5,813, of which 5,813 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

Johan Lagerström [1]
Chief Communications Officer, Group Communications • Year of birth 1961 • Employed 2002 • Shareholdings* 9,449, of which 8,261 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Agneta Lilja [1,2]
CIO, Group IT • Year of birth 1961 • Employed 1985 • Shareholdings* 42,038, of which 42,038 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Rolf Marquardt [1,2]
CFO, Group Finance • Year of birth 1964 • Employed 2002 • Shareholdings* 8,491, of which 8,491 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

Stefan Nilsson [1]
Chairman of subsidiary • Year of birth 1957 • Employed 1980 • Shareholdings* 66,896, of which 66,896 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Stina Petersson [1]
Chief Human Resources Officer, Group HR • Year of birth 1965 • Employed 1985 • Shareholdings* 35,109, of which 35,109 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

Juha Rantamaa
Head, Group IT Operations & Development • Year of birth 1964 • Employed 2011 • Shareholdings* 9,854, of which 9,854 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

Martin Wasteson [2]
Chief Legal Officer, Group Legal • Year of birth 1971 • Employed 2012 • Shareholdings* 1,624, of which 1,624 in indirect holdings** • 2014 convertible[3]: –

Independent of Senior Management – Audit and Whistleblowing Function

Tord Jonerot
Chief Audit Executive, Group Audit • Year of birth 1958 • Employed 1990 • Shareholdings* 23,507, of which 23,507 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Group Business Executives

Nina Arkilahti [1]
CEO, Handelsbanken Finland • Year of birth 1967 • Employed 1995 • Shareholdings* 19,183, of which 11,986 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Per Elcar [1]
Head, Markets & Asset Management • Year of birth 1962 • Employed 2002 • Shareholdings* 24,568, of which 7,858 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

Magnus Ericson
Head, Handelsbanken Northern Sweden • Year of birth 1968 • Employed 1988 • Shareholdings* 21,830, of which 20,830 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

John Hodson
Head, Handelsbanken Southern UK • Year of birth 1961 • Employed 2007 • Shareholdings* 1,673, of which 1,673 in indirect holdings** • 2014 convertible[3]: SEK 1,340,957

Katarina Ljungqvist
Head, Handelsbanken Western Sweden • Year of birth 1965 • Employed 1989 • Shareholdings* 24,486, of which 24,486 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Simon Lodge
Head, Handelsbanken Yorkshire and North East UK • Year of birth 1958 • Employed 2004 • Shareholdings* 3,204, of which 3,204 in indirect holdings** • 2014 convertible[3]: SEK 5,769,602

Nick Lowe
Head, Handelsbanken Central UK • Year of birth 1958 • Employed 2007 • Shareholdings* 1,611, of which 1,611 in indirect holdings** • 2014 convertible[3]: SEK 5,152,092

Lars Moesgaard [1]
CEO, Handelsbanken Denmark • Year of birth 1968 • Employed 1988 • Shareholdings* 7,532, of which 6,089 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

John Parker
Head, Handelsbanken Northern UK • Year of birth 1955 • Employed 2006 • Shareholdings* 2,064, of which 2,064 in indirect holdings** • 2014 convertible[3]: SEK 5,769,607

Louise Sander
CEO, Handelsbanken Liv Pension & Life • Year of birth 1969 • Employed 2013 • Shareholdings* 1,259, of which 1,109 in indirect holdings** • 2014 convertible[3]: SEK 1,188,742

Göran Stille
Head, Handelsbanken South East Sweden • Year of birth 1966 • Employed 1987 • Shareholdings* 21,874, of which 11,974 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Ulrica Stolt Kirkegaard
CEO, Stadshypotek • Year of birth 1968 • Employed 1994 • Shareholdings* 14,969, of which 14,446 in indirect holdings** • 2014 convertible[3]: SEK 5,251,744

Mikael Sørensen [1]
CEO, Handelsbanken UK • Year of birth 1966 • Employed 1994 • Shareholdings* 5,703, of which 5,703 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Chris Teasdale
Head, Handelsbanken South West UK • Year of birth 1970 • Employed 2007 • Shareholdings* 1,729, of which 1,729 in indirect holdings** • 2014 convertible[3]: SEK 820,000

Dag Tjernsmo [1]
CEO, Handelsbanken Norway • Year of birth 1962 • Employed 1988 • Shareholdings* 14,577, of which 14,577 in indirect holdings** • 2014 convertible[3]: SEK 5,436,030

Jens Wiklund [1]
CEO, Handelsbanken The Netherlands • Year of birth 1975 • Employed 1997 • Shareholdings* 5,541, of which 5,541 in indirect holdings** • 2014 convertible[3]: SEK 835,878

Pontus Åhlund
Head, Handelsbanken Central Sweden • Year of birth 1963 • Employed 1983 • Shareholdings* 44,215, of which 35,648 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Carina Åkerström [1]
Deputy Group Chief Executive • Head, Handelsbanken Stockholm • Year of birth 1962 • Employed 1986 • Shareholdings* 24,753, of which 24,753 in indirect holdings** • 2014 convertible[3]: SEK 5,617,510

Business Support Home Markets

Katarina Berner Frösdal
Chief Operating Officer, Handelsbanken Sweden • Year of birth 1956 • Employed 1979 • Shareholdings* 2,467, of which 2,467 in indirect holdings** • 2014 convertible[3]: SEK 5,617,410

[1] ***Executive Directors:*** *Covered by the remuneration guidelines in accordance with the Swedish Companies Act.*
[2] ***Risk Forum:*** *This is a forum, the purpose of which is to discuss the Bank's overall risk situation ahead of Board meetings, and to ensure that sufficient risk assessments are carried out prior to all decisions of a material nature.*

* Direct holdings of shares or convertibles refer to own holdings or those of closely related persons.
** Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.
[3] See note G38.

Financial reports Group

CONTENTS

Income statement Group

Group SEK m		2016	2015
Interest income	*Note G3*	39 950	43 052
Interest expense	*Note G3*	-12 007	-15 312
Net interest income		**27 943**	**27 740**
Fee and commission income	*Note G4*	10 780	10 975
Fee and commission expense	*Note G4*	-1 624	-1 655
Net fee and commission income		**9 156**	**9 320**
Net gains/losses on financial transactions	*Note G5*	3 066	2 608
Risk result – insurance	*Note G6*	142	157
Other dividend income		228	281
Share of profit of associates	*Note G19*	25	17
Other income	*Note G7*	203	213
Total income		**40 763**	**40 336**
Staff costs	*Note G8*	-12 542	-12 581
Other expenses	*Note G9*	-5 401	-5 203
Depreciation, amortisation and impairment of property, equipment and intangible assets	*Note G24, G25*	-495	-487
Total expenses		**-18 438**	**-18 271**
Profit before loan losses		**22 325**	**22 065**
Net loan losses	*Note G10*	-1 724	-1 597
Gains/losses on disposal of property, equipment and intangible assets	*Note G11*	32	7
Operating profit		**20 633**	**20 475**
Taxes	*Note G34*	-4 401	-4 277
Profit for the year from continuing operations		**16 232**	**16 198**
Profit for the year pertaining to discontinued operations, after tax	*Note G12*	13	145
Profit for the year		**16 245**	**16 343**
Attributable to			
Shareholders in Svenska Handelsbanken AB		16 244	16 342
Minority interest		1	1
Earnings per share, continuing operations, SEK	*Note G13*	8.42	8.49
after dilution	*Note G13*	8.30	8.32
Earnings per share, discontinued operations, SEK	*Note G13*	0.01	0.08
after dilution	*Note G13*	0.01	0.07
Earnings per share, total operations, SEK	*Note G13*	8.43	8.57
after dilution	*Note G13*	8.31	8.39

Statement of comprehensive income Group

Group SEK m	**2016**	**2015**
Profit for the year	16 245	16 343
Other comprehensive income		
Items that will not be reclassified to the income statement		
Defined benefit pension plans	3 993	-3 152
Tax on items that will not be reclassified to the income statement	-876	688
Total items that will not be reclassified to the income statement	**3 117**	**-2 464**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	-3 145	-501
Available-for-sale instruments	-1 160	682
Translation difference for the year	1 183	-1 713
of which hedges of net investments in foreign operations	*-142*	*-394*
Tax on items that may subsequently be reclassified to the income statement	833	215
of which cash flow hedges	*692*	*110*
of which available-for-sale instruments	*110*	*18*
of which hedges of net investments in foreign operations	*31*	*87*
Total items that may subsequently be reclassified to the income statement	**-2 289**	**-1 317**
Total other comprehensive income	**828**	**-3 781**
Total comprehensive income for the year	**17 073**	**12 562**
Attributable to		
Shareholders in Svenska Handelsbanken AB	17 072	12 562
Minority interest	1	0

The period's reclassifications to the income statement are presented in Statement of changes in equity.

Discontinued operations only affect Translation difference for the year in Other comprehensive income.

In 2016, other comprehensive income totalled SEK 828m (-3,781) after tax. In individual periods, the results of all items within other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

The pension liability for the defined benefit pension plans has decreased, and this affected other comprehensive income by SEK 3,117m after tax, compared with the period of comparison when the effect was SEK -2,464m after tax. The reason for this year's change is an increase in the discount rate to 2.40% (2.25) for the Swedish pension obligations and an increase in the value of the plan assets for the Swedish pension obligations by 17% since year-end 2015.

Most of the Group's long-term funding is hedged using derivatives where all cash flows are matched until maturity. Cash flow hedging manages the risk of variations in the cash flows related to changes in variable interest rates and currencies on lending and funding. The underlying funding and the asset which is being funded are valued at amortised cost, while the derivatives which are hedging these items are valued at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. In 2016, the value changes on hedge derivatives in cash flow hedges were SEK -2,453m (-391) after tax. The value changes derived partly from exchange rate movements, but above all from changes in the discount rates of the respective currency. During the year, SEK 5m (32) 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 a negative effect on other comprehensive income of SEK -1,050m (700) after tax during the year. The negative result is mainly due to the fact that gains of SEK 1,689m from sales of shares have been recognised in the income statement.

Unrealised exchange rate effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations affected other comprehensive income by SEK 1,214m (-1,626) after tax during the year.

Balance sheet Group

Group SEK m		2016	2015
ASSETS			
Cash and balances with central banks		199 362	202 630
Other loans to central banks	*Note G14*	25 527	34 118
Interest-bearing securities eligible as collateral with central banks	*Note G17*	97 205	74 777
Loans to other credit institutions	*Note G15*	31 347	49 656
Loans to the public	*Note G16*	1 963 622	1 866 467
Value change of interest-hedged item in portfolio hedge		35	27
Bonds and other interest-bearing securities	*Note G17*	63 909	44 513
Shares	*Note G18*	20 412	30 387
Investments in associates	*Note G19*	255	245
Assets where the customer bears the value change risk	*Note G20*	118 646	105 146
Derivative instruments	*Note G22*	82 633	85 347
Reinsurance assets		9	10
Intangible assets	*Note G24*	9 393	8 254
Property and equipment	*Note G25*	2 387	2 348
Current tax assets		38	143
Deferred tax assets	*Note G34*	962	1 489
Assets held for sale		1	1 442
Other assets	*Note G26*	5 615	8 887
Prepaid expenses and accrued income	*Note G27*	6 222	6 247
Total assets	*Note G39*	**2 627 580**	**2 522 133**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note G28*	178 781	163 770
Deposits and borrowing from the public	*Note G29*	829 336	753 855
Liabilities where the customer bears the value change risk	*Note G30*	118 745	105 225
Issued securities	*Note G31*	1 261 765	1 245 367
Derivative instruments	*Note G22*	31 738	40 592
Short positions	*Note G32*	1 572	2 416
Insurance liabilities	*Note G33*	574	607
Current tax liabilities		514	996
Deferred tax liabilities	*Note G34*	7 875	8 844
Provisions	*Note G35*	731	113
Net pension liabilities	*Note G8*	2 161	5 314
Liabilities related to assets held for sale		-	759
Other liabilities	*Note G36*	9 427	14 206
Accrued expenses and deferred income	*Note G37*	14 580	17 585
Subordinated liabilities	*Note G38*	33 400	34 216
Total liabilities	*Note G39*	**2 491 199**	**2 393 865**
Minority interest		6	4
Share capital		3 013	2 956
Share premium reserve		5 628	3 204
Reserves		9 268	8 440
Retained earnings		102 222	97 322
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB		16 244	16 342
Total equity		**136 381**	**128 268**
Total liabilities and equity		**2 627 580**	**2 522 133**

Statement of changes in equity Group

Group 2016

SEK m	Share capital	Share premium reserve	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2016	2 956	3 204	-1 461	4 940	2 024	2 937	113 664	4	128 268
Profit for the year							16 244	1	16 245
Other comprehensive income			3 117	-2 453	-1 050	1 214		0	828
Total comprehensive income for the year			**3 117**	**-2 453**	**-1 050**	**1 214**	**16 244**	**1**	**17 073**
Dividend							-11 442		-11 442
Effects of convertible subordinated loans	57	2 424							2 481
Change in minority interests							0	1	1
Closing equity 2016	**3 013**	**5 628**	**1 656**	**2 487**	**974**	**4 151**	**118 466**	**6**	**136 381**

Group 2015

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

During the period January to December 2016, convertibles for a nominal value of SEK 2,513 m (1) relating to the 2008 and 2011 subordinated convertible bond had been converted into 37,105,318 class A shares (18,925). At the end of the financial year the number of Handelsbanken shares in the trading book was 0 (0).

Specification of changes in equity

Change in hedge reserve SEK m	2016	2015
Hedge reserve at beginning of year	4 940	5 331
Unrealised value changes during the year	2 324	-1 681
Reclassified in the income statement[1]	-4 777	1 290
Hedge reserve at end of year	**2 487**	**4 940**

Change in fair value reserve SEK m	2016	2015
Fair value reserve at beginning of year	2 024	1 324
Unrealised market value change during the year for remaining and new holdings	706	748
Reclassified in the income statement[2]	-1 756	-48
Fair value reserve at end of year	**974**	**2 024**

Change in translation reserve SEK m	2016	2015
Translation reserve at beginning of year	2 937	4 562
Change in translation difference pertaining to branches	651	-1 217
Change in translation difference pertaining to subsidiaries	565	-403
Reclassified in the income statement[3]	-2	-5
Translation reserve at end of year	**4 151**	**2 937**

[1] Tax that has been reclassified to the income statement pertaining to this item SEK 1,347m (-364).
[2] Tax that has been reclassified to the income statement pertaining to this item SEK 121m (63).
[3] Tax that has been reclassified to the income statement pertaining to this item SEK 0m (1).

Cash flow statement Group

Group SEK m	2016	2015
OPERATING ACTIVITIES		
Operating profit, total operations	20 674	20 656
of which paid-in interest	*40 049*	*43 870*
of which paid-out interest	*-12 596*	*-16 084*
of which paid-in dividends	*315*	*706*
Adjustment for non-cash items in profit/loss		
Loan losses	1 910	1 758
Unrealised changes in value	-2 317	1 956
Depreciation, amortisation and impairment	495	487
Paid income tax	-5 544	-4 878
Changes in the assets and liabilities of operating activities		
Other loans to central banks	8 591	16 928
Loans to other credit institutions	18 401	20 635
Loans to the public	-99 011	-60 419
Interest-bearing securities and shares	-35 764	35 113
Due to credit institutions	15 001	-36 304
Deposits and borrowing from the public	75 480	-268 412
Issued securities	16 398	32 754
Derivative instruments, net positions	-5 529	8 414
Short positions	-1 006	-18 187
Claims and liabilities on investment banking settlements	-1 784	3 350
Other	-1 943	-26 146
Cash flow from operating activities	**4 052**	**-272 295**
INVESTING ACTIVITIES		
Acquisition of subsidary	-408	-
Acquisitions of and contributions to associates	-19	-10
Disposals of shares	5 481	3 685
Disposals of interest-bearing securities	1 003	11
Acquisitions of property and equipment	-443	-760
Disposals of property and equipment	828	250
Acquisitions of intangible assets	-558	-456
Disposals of intangible assets	12	-
Cash flow from investing activities	**5 896**	**2 720**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-2 512	-5 690
Issued subordinated loans	-	10 082
Dividend paid	-11 442	-11 124
Cash flow from financing activities	**-13 954**	**-6 732**
Cash flow for the year	**-4 006**	**-276 307**
Liquid funds at beginning of year	202 630	454 532
Cash flow from operating activities	4 052	-272 295
Cash flow from investing activities	5 896	2 720
Cash flow from financing activities	-13 954	-6 732
Exchange rate difference on liquid funds	738	24 405
Liquid funds at end of year	**199 362**	**202 630**

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

On 1 September 2016, the acquisition of Optimix Vermogensbeheer N.V. was completed. For further information about the acquisition, see note G50.

Notes Group

G1 Accounting policies and other basis for preparing the financial reports

1. STATEMENT OF COMPLIANCE

The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. In addition, the accounting policies also adhere to the 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 parent company's accounting policies are shown in note P1.

Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the Board on 7 February 2017 and will be presented for adoption by the AGM on 29 March 2017.

2. CHANGED ACCOUNTING POLICIES ETC.

ESMA has published guidelines on disclosures regarding alternative performance measures which should be followed in financial reports published after 3 July 2016. The guidelines entail an increase in the disclosure of financial ratios that are not defined in IFRS. In accordance with the requirements in the guidelines, the Bank publishes definitions and reconciliation of alternative performance measures in the Fact Book which is available at www.handelsbanken.se/ireng and also in the Definitions and explanations on pages 218–219. In other respects, the accounting policies, classifications and calculation methods applied by the Group during the financial year agree in all essentials with the policies applied in the 2015 annual report.

Future regulatory changes

IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement, has been adopted for application by the EU. The standard must be applied as of the 2018 financial year. The standard comprises three areas: classification and measurement, impairment of financial instruments and general hedge accounting.

According to the new classification and measurement rules, financial assets must be classified at fair value through profit or loss, at amortised cost or at fair value through other comprehensive income. The starting point for classification of debt instruments is the company's business model for managing the financial assets and whether the instrument's contractual cash flows only contain payments of interest and principal amounts. Equity instruments are to be classified at fair value through profit or loss unless the company at the time of initial recognition opted to present these instruments at fair value through other comprehensive income. This option means that only dividends from these holdings are recognised in the income statement. Other gains and losses due to changes in fair value are not permitted to be reclassified from other comprehensive income to the income statement. The rules for classification of financial liabilities are largely unchanged compared to IAS 39. The main change is that fair value changes due to changes in own credit risk for financial liabilities, where it has been decided to value at fair value through profit or loss, are reported in other comprehensive income instead of in the income statement. Handelsbanken's current assessment is that the classification and measurement rules are not expected to have any significant impact on the financial reports. No significant reclassifications between fair value and amortised cost are expected for the first application period, but this conclusion is affected by which financial instruments are carried in Handelsbanken's balance sheet at the time of transition.

As a result of the new regulations on impairment, a model is being introduced which is based on expected loan losses and not on incurred loan losses as in the existing model in IAS 39. IFRS 9 states that all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and credit commitments, must be subject to the impairment testing requirement. The assets whose impairment needs to be tested are split into three stages depending on the degree of credit impairment. Stage 1 comprises assets for which the credit risk has not increased significantly since initial recognition. Stage 2 comprises assets for which the credit risk has significantly increased since initial recognition. Stage 3 comprises assets which have been individually valued as impaired loans. In stage 1, provisions are to be recognised corresponding to the loss expected to occur within 12 months. In stages 2 and 3, provisions are to be recognised corresponding to the loss expected to occur during the entire remaining maturity of the asset. Forward-looking factors must be taken into account in conjunction with the calculation of these provisions. The provisions must also be based on a probability-weighted outcome, unlike the current IAS 39 where the provision is based on the most expected outcome. Depending on the factors which are established as defining a significant increase in the credit risk, and how the forward-looking factors are weighted in the calculation of the provisions, these may fluctuate more over time than is the case today. In conjunction with the transition to IFRS 9, the total provisions will increase and equity will decrease. It is still not clear how the supervisory authorities will treat the relationship between the expected loan loss provisions in accounting terms and the expected loan losses according to the capital adequacy.

The new general rules for hedge accounting allow the company's own risk management to be better reflected in the financial reports and also introduce less detailed rules for how the effectiveness of the hedges is to be assessed.

The Bank is currently analysing the financial effects of IFRS 9 in more detail.

IFRS 15 Revenue from Contracts with Customers has also been adopted for application in the EU. The standard must be applied as of the 2018 financial year, but can be applied before this. Handelsbanken does not intend to apply the standard ahead of the stipulated date. 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 requirement relating to revenue. The current assessment is that the new standard will not have any material impact on Handelsbanken's financial reports, capital adequacy or large exposures.

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

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

3. BASIS OF CONSOLIDATION AND PRESENTATION

Subsidiaries

All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. The Bank is deemed to have direct control of a company when it is exposed to, or is entitled to, variable returns from its holdings in the company and can affect the return by means of its influence over the company. Control is normally presumed to exist if Handelsbanken owns more than 50 per cent of the voting power at shareholders' meetings or the equivalent.

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the acquisition date. The cost of the business combination comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. Acquisition-related expenses are recognised when they arise. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

Where the accounting policies applied for an individual subsidiary do not correspond to the policies applied in the Group, an adjustment is made to the consolidated accounts when consolidating the subsidiary.

Funds for which the Bank is asset manager and where the Bank owns more than 50 per cent of the shares are consolidated in their entirety in the balance sheet under Assets/Liabilities where the customer bears the value change risk. Ownership of between 20 and 50 per cent is consolidated in certain cases if the circumstances indicate that the Bank has a controlling interest, for example if the fund has a broad management mandate and generates a high proportion of variable return. Funds which the Bank owns through unit-linked insurance contracts are not consolidated.

Associated companies

Companies in which Handelsbanken has a significant influence are reported as associates. A significant influence normally exists when the share of voting power in the company is at least 20 per cent and at most 50 per cent. Associates are reported in the consolidated accounts in accordance with the equity method. This means that the holding is initially reported at cost. The carrying amount is increased or decreased to recognise the Group's share of the associated company's profits or losses after the date of acquisition. Any dividends from associates are deducted from the carrying amount of the holding. Shares of the profit of associates are reported as Share of profit of associates on a separate line in the Group's income statement.

Discontinued operations and held-for-sale assets

Non-current assets or a group of assets (disposal group) are classified as held for sale when the carrying amount will be mainly recovered through sale and when the sale is highly probable. After classification as an asset held for sale, special valuation principles are applied. These principles essentially mean that, with the exception of items such as financial assets and liabilities, assets held for sale and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. Thus, property, plant and equipment or intangible assets held for sale are not depreciated or amortised. Any impairment losses and subsequent revaluations are recognised directly in the income statement. Gains are not recognised if they exceed accumulated impairment loss. Assets and liabilities held for sale are reported as a separate line item in the Group's balance sheet until the time of sale.

Independent operations of a material nature which can be clearly differentiated from the Group's other operations and which are classified as held for sale using the described policies are recognised as discontinued operations. Subsidiaries acquired solely for resale are also recognised as discontinued operations. In recognition as a discontinued operation, the operation's profit is reported on a separate line in the income statement, separate from other profit/loss items. Profit or loss from discontinued operations comprises the after-tax profit or loss of discontinued operations, the profit or loss after tax that arises when valuing the assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised profit or loss from the disposal of discontinued operations.

4. SEGMENT REPORTING

The segment reporting presents income/expenses and assets/liabilities broken down by business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by senior management as part of corporate governance. The principles for segment reporting are described further in note G45.

5. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The Group's presentation currency is Swedish kronor. The functional currency for the Group's operations outside Sweden usually differs from the Group's presentation currency. The currency used in the economic environment where the operations are primarily conducted is regarded as the functional currency.

Transactions in foreign currency are translated to the functional currency on the transaction date. Monetary items and assets and liabilities at fair value are valued at the functional currency's spot rate at the end of the balance sheet date. Translation differences arising from non-monetary items classified as available-for-sale financial assets are recognised as a component of Other comprehensive income and accumulated in equity. Exchange rate differences arising when translating monetary items comprising part of a net investment in a foreign operation are recognised in the same way. Other exchange rate differences are recognised in the income statement.

Translation of foreign operations to the Group's presentation currency

When translating the foreign units' (including branches') balance sheets and income statements from the functional currency to the Group's presentation currency, the current method has been used. This means that assets and liabilities are translated at the closing day rate. Equity is translated at the rate applicable at the time of investment or earning. The income statement has been translated at the average annual rate. Exchange differences are recognised as a component of Other comprehensive income and are included in the translation reserve in equity.

6. RECOGNITION OF ASSETS AND LIABILITIES

Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date. Financial assets are removed from the balance sheet when the contractual rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party. A financial liability is removed from the balance sheet when the obligation ceases or is cancelled.

When accounting for business combinations, the acquired operations are recognised in the Group's accounts from the acquisition date. The acquisition date is the date when controlling influence of the acquired entity starts. The acquisition date may differ from the date when the transaction is legally established.

Financial assets and liabilities are set off in the balance sheet if the Bank has a contractual right and intention to settle with a net amount. Further information about set-off of financial assets and liabilities is provided in note G23.

The policies for recognising assets and liabilities in the balance sheet are of special importance when accounting for repurchase transactions, securities loans and leases. See the separate sections concerning these.

7. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

For the purposes of measurement, in compliance with IAS 39, all financial assets are placed in the following valuation categories:
1. loans and receivables
2. assets held to maturity
3. assets at fair value through profit or loss
   - held for trading
   - which upon initial recognition were designated at fair value through profit or loss
4. available-for-sale assets.

Financial liabilities are classified as follows:
1. liabilities at fair value through profit or loss
   - liabilities held for trading
   - liabilities which upon initial recognition were designated at fair value through profit or loss
2. other financial liabilities.

The classification in the balance sheet is independent of the measurement category. Thus, different measurement principles may be applied for assets and liabilities carried on the same line in the balance sheet. A classification into measurement categories of the financial assets and liabilities which are recognised on the balance sheet is shown in note G39.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit or loss, the transaction costs are recognised in the income statement under Net gains/losses on financial transactions. For other financial instruments, the transaction costs are included in the acquisition value.

Loans and receivables

Unlisted interest-bearing assets are classified as Loans and receivables. Loans and receivables are carried at amortised cost, i.e. the discounted present value of all future cash flows relating to the instrument where the discount rate is the asset's effective interest rate at the time of acquisition. Loans and receivables are subject to impairment testing when indications of an impairment loss are present. See section 9 for more details. The impairment loss is recognised in the income statement. Thus, loans and receivables are recognised at their net amount, after deduction for probable and actual loan losses. Early redemption fees for loans and receivables which are repaid before maturity are recognised immediately in the income statement under Net gains/losses on financial transactions.

Assets held to maturity

Interest-bearing assets which the Group intends and has the capacity to hold to maturity are reported in the Assets held to maturity category. Assets that are classified to be held to maturity are carried at amortised cost. Assets held to maturity are subject to impairment testing when there are indications of an impairment loss. See section 9 for more details.

Assets and liabilities held for trading

Assets and liabilities held for trading consist of listed financial instruments and derivatives. Financial instruments held for trading are recognised at fair value in the balance sheet. Interest, dividends and other value changes related to these instruments are recognised in the income statement under Net gains/losses on financial transactions.

Financial assets and liabilities which upon initial recognition were classified at fair value in the income statement

The option of classifying financial instruments at fair value through the income statement has been applied for financial assets and liabilities that are not held for trading but for which the internal management and valuation is based on fair values. This valuation principle has also been applied to avoid inconsistencies when valuing assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis (for example, assets and liabilities resulting from unit-linked insurance contracts). The option of recognising assets and liabilities at fair value in the income statement has been applied for financial instruments that are reported in the balance sheet under Interest-bearing securities eligible as collateral with central banks, Loans to the public, Bonds and other interest-bearing securities, Shares and Assets/Liabilities where the customer bears the value change risk.

Changes in the fair value of financial instruments that are measured at fair value are reported in the income statement under Net gains/losses on financial transactions. Interest related to lending which upon initial recognition was categorised at fair value in the income statement is recognised in Net interest income.

Available-for-sale financial assets

The majority of the Group's holdings of financial instruments for which there is an active market but which are not held for trading are classified as available-for-sale financial assets.

Financial assets which have been classified as available for sale are recognised at fair value in the balance sheet. Changes in market value of the assets are recognised as a component of Other comprehensive income and are included in the fair value reserve in equity. Changes in fair value are not recognised in the income statement until the asset has been realised or an impairment loss has occurred. Interest related to this category of assets is recognised directly in net interest income in the income statement. Exchange rate effects relating to monetary assets which are available for sale are reported in Net gains/losses on financial transactions. Impairment testing of available-for-sale financial assets is performed when there is an indication of impairment; see section 9 concerning impairment losses for financial assets. Dividends on shares designated as available for sale are continuously recognised in profit or loss as Other dividend income.

Reclassification of financial instruments

During the financial year 2008, Handelsbanken reclassified some portfolios of interest-bearing securities. The regulations in IAS 39 only allow for reclassification of certain financial assets and only under exceptional circumstances. No further reclassification has been performed since the reclassification in 2008. The impact of the reclassification is described in note G39.

Repurchase transactions

Repurchase transactions, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a predetermined price. Securities sold in a repo transaction remain on the balance sheet during the life of the transaction. The sold instrument is also reported off the balance sheet as collateral pledged. Depending on the counterparty, payment received is recognised under Due to credit institutions or as Deposits and borrowing from the public. Securities bought in a repo transaction are accounted for in the corresponding way, i.e. they are not recognised in the balance sheet during the life of the transaction. Depending on the counterparty, the payment made is recognised under Other loans to central banks, Loans to other credit institutions or Loans to the public. Collateral received which are sold on under repurchase agreements are reported as off-balance-sheet commitments.

Securities loans

Lent securities remain in the balance sheet and are also reported off-balance as Assets pledged. Borrowed securities are not recognised in the balance sheet unless they are sold, in which case a value corresponding to the sold instrument's fair value is recognised as a liability. Borrowed securities which are lent to a third party are reported as off-balance-sheet commitments.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, for example a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as deferred income in the balance sheet. The guarantee is subsequently measured at the higher of the amortised premium or the amount that represents the expected cost of settling the obligation to which the guarantee gives rise. In addition, the total guaranteed amount relating to guarantees issued is reported off-balance as a contingent liability. A utilised guarantee is reported as a probable or actual loan loss, depending on the circumstances.

Premiums for purchased financial guarantees are accrued and recognised as decreased interest income in net interest income if the debt instrument to which the guarantee refers is recognised there. Other premiums for purchased guarantees are recognised in Net fee and commission income. Loan commitments are reported off-balance until the settlement date of the loan. Fees received for loan commitments are accrued in net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled, in which case the fee received is included in the effective interest rate of the loan.

Combined financial instruments

Clearly separable financial components of assets and liabilities (such as derivatives) are normally accounted for separately in the balance sheet. This is the case, for example, for issues of equity-linked bonds and other structured products where the derivative is reported separately from the host contract at fair value in the income statement.

Combined financial instruments held for trading and combined financial instruments where the economic characteristics and risks of the instrument's various components are similar (such as variable rate lending with an interest rate cap) are not accounted for separately. The inherent value of the option to convert in issued convertible debt instruments is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible instrument. The liability component is recognised at fair value in the balance sheet at the time of issue. After initial recognition, the liability component is carried at amortised cost at the original effective interest rate.

8. PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants.

For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information received can be verified by means of regularly occurring transactions. The current market price is generally the same as the current bid price for financial assets or the current ask price 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. The valuation models used are based on input data which essentially can be verified using market observations such as market interest rates and share prices. If necessary, an adjustment is made for other variables which a market participant would be expected to take into consideration when setting a price. The assumptions used in the valuation are based on internally generated experience and are continuously examined by the risk control function. The result is compared with the actual outcome so as to identify any need for adaptations of assumptions and forecasting models.

Interest-bearing securities

Interest-bearing securities issued by governments and Swedish mortgage bonds are valued using current market prices. Corporate bonds are valued using valuation techniques based on market yields for the corresponding maturity adjusted for credit and liquidity risk. The values are regularly examined in order to ensure that the valuation reflects the current market price. The examinations are mainly performed by obtaining prices from several independent price sources and by reconciliation with recently performed transactions in the same or equivalent instruments.

Shares

Shares listed on an active market are valued at market price. When valuing unlisted shares and participations, the choice of model is determined by what is deemed appropriate for the individual instrument.

Holdings of unlisted securities mainly consist of various types of jointly owned operations related to the Bank's core business. In general, such holdings are valued at the Bank's share of the company's net asset value. For unlisted shares for which the company agreement regulates the price at which the shares can be divested, the holdings are valued at the divestment price determined in advance. In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in Other comprehensive income.

When valuing unlisted shares in private equity funds, valuation principles adopted by the European Venture Capital & Private Equity Association (EVCA) are used. In these models, the market value of the investments is derived from a relative valuation of comparable listed companies in the same sector. Adjustments are made for profit/loss items that prevent comparison between the investment and the compared company, and the value of the investment is then determined on the basis of profit multiples such as P/E and EV/EBITA. Value changes and capital gains on holdings in private equity funds which comprise part of the investment assets in the insurance operations are not reported directly in the income statement but are included in the basis for calculating the yield split in the insurance operations. See section 12 for more information.

Derivatives

Derivatives which are traded on an active market are valued at market price. Most of the Group's derivative contracts, including interest rate swaps and various types of linear currency derivatives, are valued using valuation models based on market rates and other market prices. The valuation of non-linear derivative contracts that are not actively traded is also based on a reasonable assumption of market-based input data such as volatility.

When performing model valuation for derivatives, in some cases there are differences between the transaction price and the value measured by a valuation model upon initial recognition. Such differences occur when the applied valuation model does not fully capture all the components that affect the value of the derivative. Material unrealised results due to positive differences between the transaction price and the value measured by a valuation model (day 1 effect) are not recognised in profit/loss upon initial recognition, but are amortised over the life of the derivative. In addition, the Bank makes an independent valuation of the total credit risk component (own credit risk as well as counterparty risk) in outstanding model-valued derivatives. Changes in fair value due to changed credit risk are recognised in profit/loss to the extent that the overall effect exceeds non-recognised day 1 effects.

Lending classified to be measured at fair value

Lending that is classified to be measured at fair value through the income statement is valued at the present value of expected future cash flows. When performing the calculation the market rate is adjusted for credit risk. The credit risk premium is assumed to be the same as the original margin as long as there is no proof that the counterparty's repayment capacity has significantly deteriorated. Information about repayment capacity is obtained from the Bank's internal rating system. Value changes of loans at fair value are reported in Net gains/losses on financial transactions.

Assets and liabilities where the customer bears the value change risk

Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk. Assets and liabilities where the customer bears the value change risk have essentially been classified at fair value through profit of loss.

9. LOAN LOSSES AND IMPAIRMENT OF FINANCIAL ASSETS

Loans and receivables recognised at amortised cost

All units with customer and credit responsibility in the Handelsbanken Group regularly perform individual assessments of the need for recognising impairment losses for loans and receivables that are recognised at amortised cost. Impairment testing is performed where there are objective circumstances indicating that the recoverable amount of the loan is less than its carrying amount. Objective evidence could, according to the circumstances, be late or non-payment, bankruptcy, changed credit rating, or a decline in the market value of the collateral.

When performing impairment testing, the recoverable value of the loan is calculated by discounting the estimated future cash flows related to the loan and any collateral (including guarantees) by the effective interest rate of the loan. If the collateral is a listed asset, the valuation of the collateral is based on the quoted price; otherwise the valuation is based on the yield value or the market value estimated in some other way. Collateral in the form of property mortgages is valued in the same way as repossessed real property. An impairment loss is recognised if the estimated recoverable value is less than the carrying amount and is recognised as a loan loss in the income statement. A reported loan loss reduces the carrying amount of the loan in the balance sheet, either directly (actual loss) or by a provision account for loan losses (probable loss).

In addition to this individual assessment of loans, a collective assessment is made with the purpose of identifying the need to recognise an impairment loss that cannot yet be allocated to individual loans. The analysis is based on a distribution of individually valued loans in terms of the risk class. An impairment loss is recognised if this is justifiable taking into account changes in the risk classification and expected loss. Impairment losses which have been recognised for a group of loans are transferred to impairment losses for individual loans as soon as there is available information about the impairment in value at an individual level. A group impairment test is also performed for homogeneous groups of smaller loans with a similar risk profile.

Loan losses for the period comprise actual losses and probable losses on credits granted, minus recoveries and reversals of previous impairment losses recognised for probable loan losses. Actual loan losses may refer to entire loans or parts of loans and are recognised when there is no realistic possibility of recovery. This is the case, for example, when a trustee in bankruptcy has estimated bankruptcy dividends, when a scheme of arrangement has been accepted, or a concession has been extended in some other way. An amount forgiven in connection with reconstruction of a loan or group of loans is always classified as an actual loss. If the customer is following a payment plan for a loan which was previously classified as an actual loan loss, the amount of the loss is subject to new testing. Recoveries comprise reversed amounts on loan losses previously reported as actual losses. Information about probable and actual losses is provided in note G10.

Interest rate effects arising due to discounting effects when the period until the expected payment is decreasing result in a reversal of previously provisioned amounts which are recognised as interest income in accordance with the effective interest method.

Disclosures concerning impaired loans

Information concerning impaired loans is provided gross, before a provision for probable loan losses, and net, after a provision for probable loan losses. Loans are defined as impaired if it is not probable that all contracted cash flows will be fulfilled. The full amount of all loans which have been classified as impaired are carried as impaired loans even if parts of the loan are covered by collateral. Loans which have been written off as actual loan losses are not included in impaired loans.

Valuation of repossessed property and equipment to protect claims

Upon initial recognition, repossessed property and equipment is recognised at fair value in the balance sheet. Repossessed property and equipment (including repossessed lease assets) which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell. Repossessed property which is not expected to be divested in the near future is reported as investment properties at fair value in profit/loss. Unlisted shareholdings taken over to protect claims are recognised as available-for-sale financial assets.

Impairment losses on available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised when there is objective evidence that one or more events of default have occurred with an impact on the expected future cash flows for the asset. For interest-bearing financial assets, examples of events of default that may indicate an impairment loss are a probable future bankruptcy, evidence of considerable financial difficulties on the part of the issuer, or evidence of permanent changes in the market where the asset is traded. For equity instruments, a permanent or considerable decline in the fair value is an indication of the need to recognise an impairment loss. When recognising an impairment loss, the part of the cumulative loss that was previously recognised in the fair value reserve in equity is recognised in the income statement.

Previously recognised impairment losses on interest-bearing securities classified as available-for-sale financial assets are reversed in the income statement if the fair value of the asset has increased since the impairment loss was recognised and the increase can be objectively related to an event occurring after the impairment loss was recognised. Previous impairment losses on equity instruments classified as available-for-sale financial instruments are not reversed.

10. HEDGE ACCOUNTING

The Group applies different methods for hedge accounting, depending on the purpose of the hedge. Derivatives – mainly interest rate swaps and cross-currency interest rate swaps – are used as hedging instruments. In addition, when hedging currency risks related to net investments in foreign operations, liabilities in the functional currency of the respective foreign operation are used as a hedging instrument. As part of the Group's hedging strategies, the value changes of a hedging instrument are sometimes divided into separate components and included in more than one hedge relationship. Therefore, one and the same hedging instrument can hedge different risks. Division of hedging instruments is only done if the hedged risks can clearly be identified, the efficiency can be reliably measured, and the total value change of the hedging instrument is included in any hedge relationship.

Cash flow hedges are applied to manage exposures to variations in cash flows relating to changes in the floating interest rates on lending and funding. The expected maturity for this type of lending and funding is normally much longer than the fixing period, which is very short. Cash flow hedging is also used to hedge currency risk in future cash flows deriving from lending and funding. Currency risks deriving from intragroup monetary items can also be subject to this type of hedging, if they give rise to currency exposures which are not fully eliminated on consolidation. Derivatives which are hedging instruments in cash flow hedges are measured at fair value. If the derivative's value change is effective – that is, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the derivative's value change are recognised in the income statement under Net gains/losses on financial transactions. When a cash flow hedge is terminated prematurely, the cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income will be recycled over profit and loss (Net gains/losses on financial transactions).

Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to exposure to changes in market prices. Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. Hedged risks in hedging packages at fair value comprise the interest rate and currency risk on lending and funding at fixed interest rates and also lending with interest rate caps. The hedging instruments in these hedging relationships consist of interest rate swaps, cross-currency interest rate swaps and interest rate options. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial transactions. When portfolio hedging is applied, the value of the hedged item is reported as a separate line item in the balance sheet in conjunction with Loans to the public. When fair value hedges are prematurely terminated, the accrued value change on the hedged item is amortised in Net gains/losses on financial transactions. Accumulated value changes on portfolio hedges which have been terminated prematurely are reported in the balance sheet under Other assets.

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. Cross-currency interest rate swaps and loans in foreign currencies are used as hedging instruments. The hedged item in these hedges is made up of net investments in the form of direct investments, as well as claims on foreign operations that are not expected to be settled in the foreseeable future. Loans in foreign currency that hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange rate differences for such loans is recognised as a component of Other comprehensive income and in the translation reserve in equity. The effective part of changes in value in cross-currency interest rate swaps that hedge exchange rate risk in claims on foreign operations is recognised in the same manner. The ineffective components of hedges of net investments in foreign operations are recognised in the income statement under Net gains/losses on financial transactions.

11. LEASES

The Group's leases are defined as either finance or operating leases. A finance lease substantially transfers all the risks and rewards incidental to legal ownership of the leased asset from the lessor to the lessee. Other leases are operating leases. All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans in the balance sheet, initially for an amount corresponding to the net investment. Lease fees received are recognised on a continual basis as interest income or repayments. Impairment testing on finance lease agreements is performed according to the same principles as for other lending which is reported at amortised cost.

Operating lease contracts are not reported in the balance sheet. Expenses relating to operating leases where the Group is the lessee are recognised on a straight-line basis as Other expenses.

12. INSURANCE OPERATIONS

The Group's insurance operations are run through the subsidiary Handelsbanken Liv. Products consist mainly of legal life insurance in the form of traditional life insurance, unit-linked insurance and risk insurance in the form of health insurance and waiver of premium.

Classification and unbundling of insurance contracts

Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. Contracts that do not transfer significant insurance risk are classified in their entirety as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are split and recognised separately in accordance with the principles described below.

Accounting for insurance components in insurance contracts

Premium income and insurance claims paid for insurance contracts are recognised in the income statement as a net amount under the item Risk result – insurance. The change in the Group's insurance liability is also reported under this item.

Premiums received which have not yet been recognised as income are carried as a liability for paid-in premiums under Insurance liabilities in the balance sheet. The balance-sheet item Insurance liabilities also includes liabilities for sickness annuities, life annuities and other outstanding claims. The insurance liability is valued by discounting the expected future cash flows relating to insurance contracts entered into. The valuation is based on assumptions concerning interest, longevity, health and future charges. The assumptions concerning longevity vary depending on when the policy was taken out and takes into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions on the insured's future health are based on internally acquired experience and vary depending on the product. Interest rate assumptions are based on current market rates and depend on the maturity of the liability. The Group's insurance liabilities are subject to regular review, at least annually, to ensure that the reported insurance liability is sufficient to cover expected future claims. If necessary, an additional provision is made. The difference is recognised in the income statement.

Accounting for investment contracts and financial components of insurance contracts

In-payments and out-payments referring to customers' savings capital originating in investment contracts and financial components of insurance contracts are recognised directly over the balance sheet as deposits and withdrawals.

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised in the balance sheet as borrowing from the public. These liabilities are valued at the higher of the guaranteed amount and the current value of the insurance contract. The guaranteed amount earns interest at the guarantee rate of interest and corresponds to the amortised cost of the insurance contract. The current value of the insurance contract is equal to the value of the assets managed on behalf of the policyholders, and earns interest with a return that is based on the total return for the assets with a deduction for any yield split. The yield split implies that the insurer is allocated a contracted part of the total return if this return exceeds the guaranteed return during the calendar year. The calculation is performed annually and is accumulated for each individual insurance contract. This means that the conditional bonus is reduced in those cases where the yield in an individual year is less than the guaranteed interest rate and vice versa. The share that accrues to the Group under the yield split model is reported as Fee and commission income. If the yield is less than the guaranteed yield per contract, the difference is recognised in the income statement under Net gains/losses on financial transactions. Assets and liabilities arising from unit-linked insurance contracts are recognised at fair value in the balance sheet as Assets/Liabilities where the customer bears the value change risk.

Premium fees and administrative charges for investment contracts and financial components of insurance contracts are accrued and recognised in the income statement under Fee and commission income. Acquisition costs are recognised directly in the income statement.

Reinsurance

The reinsurer's share of the Group's insurance liabilities is recognised as Reinsurance assets in the balance sheet.

13. INTANGIBLE ASSETS

Recognition in the balance sheet

An intangible asset is an identifiable non-monetary asset without physical form. An intangible asset is only recognised in the balance sheet if the probable future economic benefits attributable to the asset will flow to the Group and the acquisition cost can be reliably measured. This means that internally generated values in the form of goodwill, trademarks, customer databases and similar are not recognised as assets in the balance sheet.

Investments in software developed in-house are carried as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or software. In the case of in-house development of new software, or development of existing software for new business operations, the expenditure incurred that can be reliably measured, is capitalised from the time when it is probable that economic benefit will arise. Expenditure arising from borrowing costs is capitalised from the date on which the decision was made to capitalise expenditure for development of intangible assets.

When accounting for business combinations, the acquisition price is allocated to the value of acquired identifiable assets, liabilities and contingent liabilities in the acquired business. These assets may also include intangible assets that would not have been recognised in the balance sheet if they had been acquired separately or internally generated. The part of the acquisition price in a business combination that cannot be allocated to identifiable assets and liabilities is recognised as goodwill.

Goodwill and intangible assets with an indefinite useful life

Goodwill and other intangible assets with an indefinite useful life are recorded at cost less possible impairment losses. These assets are tested annually for impairment when preparing the annual report or when there is an indication that the asset is impaired. Impairment testing is performed by calculating the recoverable amount of the assets, i.e. the higher of the value in use and the fair value less costs to sell. As long as the recoverable amount exceeds the carrying amount, no impairment loss needs to be recognised. Impairment losses are recognised directly in the income statement.

Since it is not possible to differentiate cash flows arising from goodwill from cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is followed up at business segment level. Material assessments and assumptions in impairment testing of goodwill are described in note G24. Previously recognised goodwill impairment losses are not reversed.

Intangible assets with a finite useful life
Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. Currently this means that customer contracts are amortised over 20 years and that internally developed software is normally amortised over five years. In certain infrastructure projects, the useful life is assessed to be more than five years. For these types of investment, the amortisation period is up to 15 years. Brand names which are subject to amortisation are amortised over five years. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are reviewed for impairment when there is an indication that the asset may be impaired. The impairment test is performed according to the same principles as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

14. PROPERTY AND EQUIPMENT
The Group's tangible non-current assets consist of property and equipment. With the exception of real property that constitutes investment assets in the insurance business, and repossessed properties to protect claims, these assets are recorded at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are reviewed annually. The tangible assets that consist of components with different estimated useful lives are sub-divided into different categories with separate depreciation plans. Such depreciation of components is normally only applied for real property. Only components of the property whose acquisition costs are substantial in relation to the total acquisition cost are separately depreciated. The remaining parts of the real property (building structure) are depreciated as a whole over their expected useful life. Currently, the useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for building fixtures and fittings ten years. Personal computers and other IT equipment are usually depreciated over three years and investments in bank vaults and similar investments in premises over ten years. Other equipment is normally depreciated over five years.

Impairment testing of property and equipment is carried out when there is an indication that the value of the asset may have decreased. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in the income statement. An impairment charge is reversed if there is an indication that there is no longer any impairment loss and there has been a change in the assumptions underlying the estimated recoverable amount.

15. PROVISIONS
Provisions consist of recognised expected negative outflows of resources from the Group and which are uncertain in terms of timing or amount. Provisions are reported when the Group, as a consequence of past events, has a legal or constructive obligation, and it is probable that an outflow of resources will be required to settle the obligation. For recognition it must be possible to estimate the amount reliably. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

Provisions are reported for restructuring. Restructuring refers to major organisational changes, for example when employees receive termination benefits relating to early termination of employment, or branches are closed. In order for a provision to be reported, a restructuring plan must have been established and communicated so that a valid expectation has been created in those affected, that the enterprise will carry out the restructuring. A restructuring provision only includes the direct expenditures arising from the restructuring and which are not related to the future operations.

16. EQUITY
Equity comprises the components described here.

Share premium reserve
The share premium reserve comprises the options component of issued convertible notes and the amount that in the issue of shares and conversion of convertible debt securities exceeds the quotient value of the shares issued.

Hedge reserve
Unrealised changes in value on derivative instruments which comprise hedge instruments in cash flow hedges are reported in the hedge reserve.

Fair value reserve
The fair value reserve comprises unrealised changes in value on financial assets classified as available for sale.

Translation reserve
The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the presentation currency of the consolidated accounts.

Defined benefit pension plans
Defined benefit pension plans comprises actuarial gains and losses on the pension obligation and return which exceeds the calculated return on the plan assets.

Retained earnings
Retained earnings comprise the profits generated from the current and previous financial years. Dividends and repurchase of own shares are reported as deductions from Retained earnings.

Minority interest
The minority interest consists of the portion of the Group's net assets that is not directly or indirectly owned by holders of the parent company's ordinary shares. The minority interest is recorded as a separate component of equity.

Accounting for own shares
Repurchased own shares are not carried as assets but are offset against Retained earnings under equity.

17. INCOME
Income is recognised in the income statement when it is probable that future economic benefits will be gained and these benefits can be reliably measured. The following general principles apply to recognition of income for various types of fees and charges:

- Fees that are earned gradually as the services are performed, such as management fees in asset management, are recognised as income at the rate these services are delivered.
- Fees attributable to a specific service or action are recognised as income when the service has been performed. Examples of such fees are brokerage and payment commission.

- Fees that constitute part of the effective interest of a financial instrument are accrued in cases where the instrument is valued at amortised cost in accordance with the effective interest method. For financial instruments at fair value, such fees are recognised as income immediately.

Net interest income
Interest income and interest expense are recognised as Net interest income in the income statement, with the exception of interest flows deriving from financial instruments held for trading. Net interest income also includes interest deriving from derivative instruments that hedge items whose interest flows are recognised in Net interest income. In addition to interest income and interest expense, net interest income includes fees for state guarantees, such as deposit guarantees and the stability fee.

In order to arrive at a net interest income figure which is free from interest deriving from financial assets and liabilities held for trading and to gain an overall view of the activity in the trading book, interest income and interest expense relating to financial assets and liabilities held for trading are recognised under Net gains/losses on financial transactions.

Net fee and commission income
Income and expense for various kinds of services are recognised in the income statement under Fee and commission income and Fee and commission expense, respectively. This means that brokerage income and various types of management fees are recognised as commissions. Other forms of income recognised as commission are payment commissions and card fees, premiums referring to financial guarantees issued, as well as commissions from insurance operations. Positive yield split in the insurance operations is also recognised as commission. Guarantee commissions that are comparable to interest and such fees that constitute integrated components of financial instruments and therefore included when calculating the effective interest, are recognised under Net interest income and not commissions.

Net gains/losses on financial transactions
Net gains/losses on financial transactions include all items with an impact on profit or loss which arise when measuring financial assets and liabilities at fair value in the income statement and when all financial assets and liabilities are realised. Specifically, the items reported here are:

- Capital gains or losses from the disposal and settlement of financial assets and liabilities.
- Unrealised changes in value of the assets and liabilities which upon initial recognition were classified as Assets at fair value, through the income statement, excluding the component of change in value recognised as interest.
- Realised and unrealised changes in value on financial assets and liabilities classified as held for trading.
- Interest from financial instruments held for trading, with the exception of interest originating from derivatives that are hedging instruments whose interest flows are reported in net interest income.
- Dividend income on financial assets classified as held for trading.
- Unrealised changes in fair value of the hedged risk in assets and liabilities which are hedged items in fair value hedges, and amortisation of unrealised value changes for hedges which have been prematurely terminated.
- Unrealised value changes on derivatives which comprise hedging instruments in fair value hedges.
- Ineffective component of value changes on hedging instruments which are hedging cash flow hedges and hedging of net investments in foreign operations.
- Negative yield split in the insurance operations, i.e. the losses arising when the yield on financial assets in the insurance business is less than the change in guaranteed yield.

Dividend received
Dividends on shares classified as available for sale are recognised in profit and loss as Other dividend income. Dividends on shares classified as financial assets held for trading are recognised in the income statement as Net gains/losses on financial transactions. Dividends on shares in associates are not included in the Dividends item in the income statement. The accounting for shares in the profits of associates is described in section 3.

18. EMPLOYEE BENEFITS

Staff costs
Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

Accounting for pensions
Post-employment benefits consist of defined contribution plans and defined benefit plans. Benefit plans under which the Group pays fixed contributions into a separate legal entity, and subsequently has no legal or constructive obligation to pay further contributions if the legal entity does not hold sufficient assets to fulfil its obligations to the employee, are accounted for as defined contribution plans. Premiums paid for defined contribution plans are recognised in the income statement as staff costs as they arise. Other post-employment benefit plans are accounted for as defined benefit plans. For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension obligation. For the majority of defined benefit plans, the Group has kept plan assets separate in pension foundations and a pension fund. For defined benefit plans, the pension obligations minus the plan assets are reported as a net liability in the balance sheet. Actuarial gains and losses on the pension obligation and any return which exceeds the return according to the discount rate on plan assets are reported in Other comprehensive income.

The pension cost recognised for defined benefit plans is the net amount of the following items, all included in staff costs:

\+ Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.

\+ Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current corporate bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.

\- Estimated yield (interest) on the plan assets. Interest on the plan assets is reported in profit/loss using the same interest rate as when establishing the year's interest expense.

\+ The estimated cost of special payroll tax is accrued using the same principles as for the underlying pension cost.

Calculation of costs and obligations resulting from the Group's defined benefit plans depends on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 20 and note G8.

19. TAXES

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's, or previous periods', taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are carried at nominal value. Tax is recognised in the income statement, in Other comprehensive income or directly in equity depending on where the underlying transaction is reported.

20. ESTIMATES AND KEY ASSUMPTIONS

In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected in a number of cases by assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessments and assumptions applied always reflect the management's best and fairest assessments and are continually subject to examination and validation. Below follows a report of the assessments and assumptions that have had a material impact on the financial reports. Information on key assumptions is also described in the relevant notes.

Actuarial calculation of defined benefit pension plans

Calculation of the Group's expense and obligations for defined benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of defined benefit obligations for employees in Sweden is based on DUS14, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend. The discount rate is based on first-class corporate bonds. In this context, covered mortgage bonds are considered to be corporate bonds. The maturity corresponds to the estimate average maturity of the pension obligation, this being 20 years. Since there is no liquid market for covered mortgage bonds with this maturity period, the discount rate is instead set on the basis of a yield curve. The yield curve is constructed as a spread over the Swedish swap curve. The spread, which is based on covered mortgage bonds, excluding own issues, is applied to the swap curve. In this way, a yield curve is modelled and a 20-year yield can be derived from this.

Note G8 provides a sensitivity analysis of the Group's defined benefit obligation for all major actuarial assumptions. This shows how the obligation would have been affected by reasonable possible changes in these assumptions.

Assessment of need to recognise an impairment loss for loans and receivables

The value of the Group's loans is reviewed regularly and individually for each loan. If necessary, the loan is written down to the assessed recoverable amount. The estimated recoverable amount is based on an assessment of the counterparty's financial repayment capacity and assumptions on the realisable value of any collateral. The final outcome may deviate from the original provisions for loan losses. The assessments and assumptions used are subject to regular examinations by the internal credit organisation. See also note G2 for a detailed description of internal risk control and how the Bank manages credit risk.

G2 Risk- and capital management

Handelsbanken works on the basis of a well-tested business model which has been unchanged for more than 40 years. This business model means that the Bank has very low risk tolerance. As a consequence of this, the Bank has reported very stable profitability levels for a long period of time and its financial goal has been achieved for more than 40 years running. The Bank's business model focuses on taking credit risks in its branch operations, and the model means that the Bank only takes credit risks which are in line with its very restrictive view of risk. The Bank aims to restrict as far as possible all other risks, such as market and liquidity risks.

For the past few decades, Handelsbanken's loan loss ratio has been significantly lower than the average of other Nordic banks. The Bank's stated goal is always that no credit will lead to a loss. This approach completely determines the branches' granting of credit and work with their credit portfolios.

By building up liquidity reserves and matching cash flows, the Bank has worked on limiting its liquidity risks for a long period of time. This is also a natural consequence of the Bank's low risk tolerance, and this work started before the new liquidity regulations were formulated. Handelsbanken is the only major Swedish bank which has managed completely on its own for its funding, with no support from central banks or public authorities, throughout the latest financial crisis, as well as the crisis of the early 1990s.

Market risks at Handelsbanken have also further decreased in the past few years, from already low levels to very low at present. This work has been under way for a long time. It started before the financial crisis broke out and before the regulations started to assign the importance to market risks that they do today.

RISK TOLERANCE

Handelsbanken's decentralised business model is based on taking credit risks in the branch operations, but these risks must be kept low. The Bank is a relationship bank which focuses on customers with a good repayment capacity and strong financial position. The quality requirement must never be neglected in favour of higher credit volumes, higher prices or market share. There is low tolerance of market risks and they only occur as part of customer business, in connection with the Bank's funding and liquidity management, in its role as a market maker and in the pension system. The Bank's low tolerance of market risks has resulted in a comparatively low proportion of the Bank's earnings coming from net gains/losses on financial transactions. Tolerance is also low for operational risk and compliance risks. As far as possible, the Bank endeavours to prevent these risks and to reduce the losses in this area. Losses must be small, both in comparison with previous losses incurred, and in comparison with other banks.

RISK STRATEGY

Handelsbanken is a full-service bank, offering a wide range of different banking and insurance products. These entail a variety of risks that are systematically identified, measured and managed in all parts of the Group. Handelsbanken's restrictive approach to risk means that the Bank deliberately avoids high-risk transactions, even if the expected remuneration may be high at that time.

This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. The risk culture is an integral part of the Bank's work and is deeply rooted among the Bank's employees. The Bank is characterised by a clear allocation of responsibilities, where each part of the business operations bears full responsibility for its business and for risk management. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations. However, the decentralised business model is combined with strong centralised controls. The low risk tolerance is also reflected in the view of remuneration. The main principle is that remuneration must be fixed since this contributes to the long-term perspective which is a central feature of Handelsbanken's business model. Employees with the authority to make business decisions which imply a risk for the Bank can only receive fixed remuneration with no variable components. The employees are one of the largest owners of the Bank via the Oktogonen Foundation, which also contributes to a high level of risk awareness.

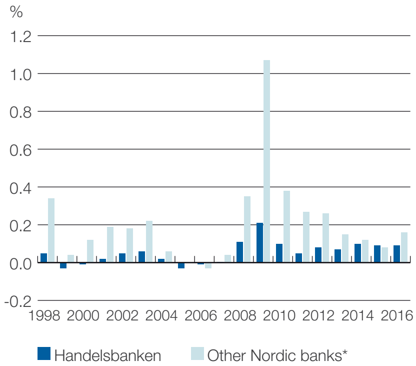
Lending has a strong local involvement, where the close customer relationship and local knowledge promote low credit risks. In addition, the Group must be well-capitalised at all times in relation to the risks in the operations and hold liquid assets so that it can always meet its payment commitments when they fall due, including in stressed situations where funding is not possible in the financial markets. In this way, Handelsbanken aims for a business model which is not affected by fluctuations in the business cycle.

This restrictive approach to risk means that the Bank is a stable and long-term business partner for its customers, regardless of the business cycle or market situation. It contributes to good risk management and sustaining a high service level even when operations and the markets where the Bank operates are subject to strain. The same principles for the Bank's approach to risks apply in all countries where the Bank operates and they are guiding principles in the Bank's continued international expansion.

RESILIENT RISK MANAGEMENT

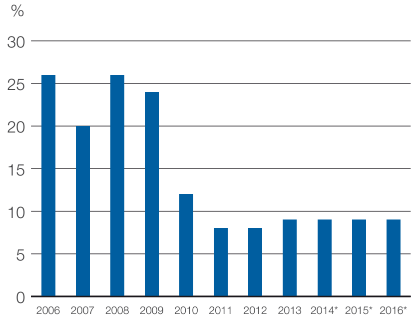
Ever since the turbulence in the financial markets started in 2007, Handelsbanken has had good access to liquidity in all currencies of importance to the Bank. Following the years of crisis, the Bank has broadened its investor base and increased the number of funding programmes for both covered and senior

Loan losses as a percentage of lending 1998–2016



* For the period until 2000 inclusive, only Swedish banks are included.

Net gains/losses on financial transactions as proportion of profit



Source: Annual reports
* Excluding non-recurring items.

Risks at Handelsbanken

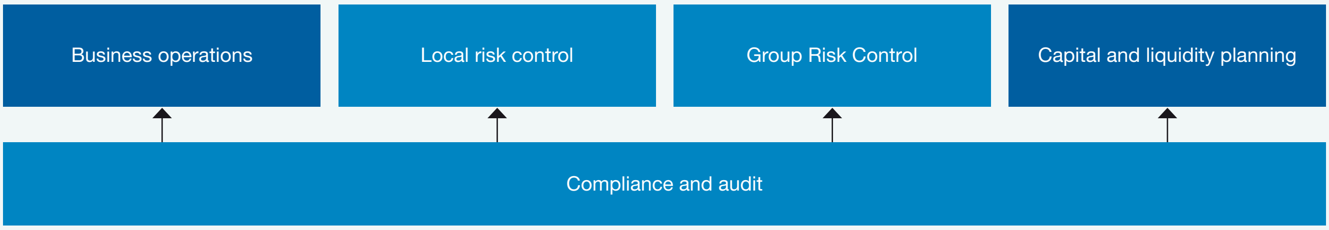
	Description
Credit risk	Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.
Market risk	Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risks, equity price risks, exchange rate risks and commodity price risks.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.
Insurance risk	Insurance risk is the risk in the outcome of an insurance that depends on the insured party's longevity or health.
Compliance risk	Compliance risk is the risk that the Bank does not comply with laws, regulations and internal rules, or accepted business practices or standards.
Remuneration risk	Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

funding. The fact that this has taken place in the prevailing market conditions is a clear sign of the market's confidence in the Bank's business model and its conservative view of risk. The Bank has had and continues to have access to the financial markets via its short-term and long-term funding programmes. Group Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of government bonds and covered bonds. The Bank has a large liquidity reserve of high quality, which provides a high degree of resistance to possible disruptions in the financial markets. Of the reserve, balances with central banks and banks, as well as securities holdings that are eligible as collateral with central banks, totalled SEK 382 billion (352). In addition, there is an extensive unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements for more than three years in a stressed scenario with an outflow of deposits and entirely without access to new market funding. Operations can also be maintained for a considerable period of time even in an extreme situation when the foreign exchange markets are closed.

The Bank's capital situation continued to grow stronger during the year, and its earnings have been stable. Coupled with low loan losses, this has contributed to the strong position. The strong capital situation provides good protection insurance in the current macroeconomic situation.

Handelsbanken's low tolerance of risk, sound capitalisation and strong liquidity situation mean that the Bank is well equipped to operate under the new, stricter regulations and also under substantially more difficult market conditions than those experienced in recent years. The Bank's liquidity situation is described in more detail in the Funding and liquidity risk section.

Handelsbanken's risk management and risk control



Business operations

The Bank is characterised by a clear allocation of responsibilities, where each part of the business operations bears full responsibility for its business and for all risk management. Those who know the customer and market conditions best are in the best position to assess the risk and can also act at an early stage if problems arise. Each branch and each profit centre is responsible for dealing with any problems that arise. This creates strong incentives for high risk awareness and for prudence in the business operations.

However, the decentralised credit decisions are conditional on a joint credit process, for which Group Credits is responsible. Group Credits prepares the credit decisions made by the Board or by the Board's credit committee. Group Credits also ensures that credit assessments throughout the Group are consistent and that loans are granted in accordance with the credit policy decided by the Board.

Financial risks in the Bank's business operations mainly arise at Central Treasury, Handelsbanken Capital Markets and Handelsbanken Liv, and are managed there. Handelsbanken has a highly decentralised business model, but all funding and liquidity management in the Group is centralised to Central Treasury. The market risks that arise to meet customers' demand for financial instruments with exposure to the fixed income, currency, equity or commodities markets are managed in Handelsbanken Capital Markets. Operational risk occurs in all of the Bank's operations, and the responsibility for managing operational risk is an integral part of managerial responsibility at all levels in Handelsbanken. The management of market risks, and the management of the Bank's operational risk, as well as funding and liquidity management, are all governed by policies established by the Board.

Local risk control

There is a local risk control function in each country where the Bank has operations, at each regional bank, at central main departments and in subsidiaries. Local risk control works with identifying, measuring, analysing and reporting risks in the operations, particularly market risks, liquidity risks, counterparty risks, operational risks, reputation risk and, where applicable, insurance risks, risks associated with the design of the remuneration system and risks in the asset management operations. Local risk control also checks the limits for market, liquidity, counterparty and operational risks and evaluates breaches of these limits and credit limits. In addition, local risk control is responsible for a risk analysis being performed for new products, IT systems and essential processes, and for evaluating the business operations' work with operational risk. At country level, local risk control is tasked with monitoring the credit process. A special local risk control function within Group IT monitors risks in IT and information security. Local risk control reports to Group Risk Control and also to the management of the operations.

Group Risk Control

As business decisions become more decentralised, the need for central monitoring of the risk and capital situation increases. Group Risk Control is therefore a natural and vital component of the Bank's business model.

Group Risk Control has the task of identifying, measuring, analysing and reporting all the Group's material risks at an aggregate level. It monitors that the risks and risk management comply with the Bank's low tolerance of risks and that management has reliable information to use as a basis for managing risks in critical situations. Group Risk Control also has functional responsibility for ensuring that local risk control measures risks in a fit-for-purpose and consistent manner in the Group, and that the Bank's management and Board receive regular reports and analyses of the current risk situation.

Capital and liquidity planning

If – despite the work in the three components described above – Handelsbanken were to suffer serious losses, the Bank holds capital and a liquidity reserve to ensure its survival both during and after extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital requirement, combined with a calculation of economic capital and stress tests. Liquidity planning ensures that the Group can always meet its payment commitments when they fall due, including in stressed situations where funding is not possible in the financial markets. Stress tests and scenario analyses identify the measures that need to be prepared or implemented to ensure a satisfactory liquidity situation and capitalisation at any given time and which measures are needed to restore the Group's capital and liquidity in a recovery situation following a serious crisis.

Compliance and audit

In addition to the parts described above, operations are examined by compliance, at central, business area and subsidiary level, and also by the internal and external auditors.

CREDIT RISK

Credit risk is the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.

CREDIT RISK STRATEGY

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with local presence ensures high quality in credit decisions. The Bank is a relationship bank where the branches maintain regular contact with the customer, which gives the branch an in-depth knowledge of each individual customer and a continually updated picture of the customer's financial situation.

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers, which means it seeks customers with high worthiness. The quality requirement is never neglected in favour of higher credit volumes or to achieve higher returns. The Bank also avoids participating in financing where there are complex customer constellations or complex transactions which are difficult to understand.

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations. Credits must therefore normally be adequately secured.

The local branch's close contact with its customers also enables the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly than would have been possible with a more centralised management of problem loans. The branch also has full financial responsibility for granting credits, and therefore addresses problems that arise when a customer has payment difficulties and also bears any loan losses. If necessary, the local branch obtains support from the regional head office and central departments. The Bank's working method means that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to this type of risk. This approach forms an important part of the Bank's culture. The work method and approach described are important reasons for the Bank reporting very low loan losses over a long period.

CREDIT RISK ORGANISATION

In Handelsbanken's decentralised organisation, each branch responsible for customers has total credit responsibility. Customer and credit responsibility lies with the branch manager or with the employees at the local branch appointed by the manager.

Branch managers and most branch staff have personal decision limits allowing them to decide on credits to the customers they are responsible for.

For decisions on larger credits, there are regional and central decision levels. Each additional level of decision adds credit expertise. Each decision level has the right to reject credits both within their own decision level and also credits which would otherwise have been decided at a higher level. All participants throughout the decision process, regardless of level, must be in agreement in order for a positive credit decision to be made. If there is the slightest doubt among any of the participants, the credit application is rejected. The largest credits are decided by the Board's credit committee, or by the entire Board, where cases have been reviewed by Group Credits. However, no credit application may be processed in the Bank without the recommendation of the branch manager who is responsible for the credit.

The Credit process and decision levels at Handelsbanken diagram illustrates the decision procedure for credits. It also shows the percentage of decisions and amounts at the various decision levels.

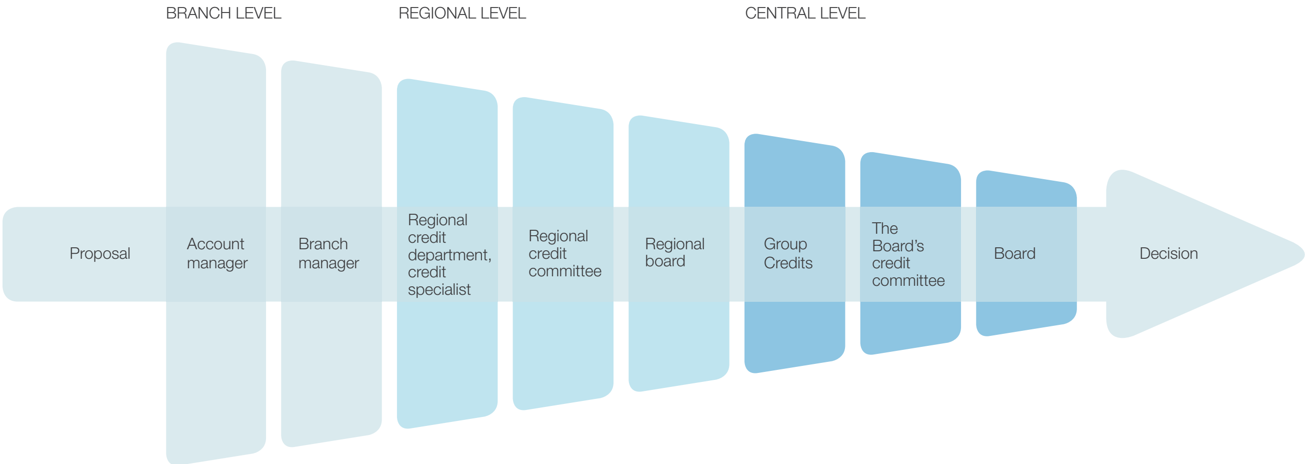
In Handelsbanken's decentralised organisation, the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, at regional level, in the Board's credit committee or by the Board. Credit decision documentation includes general and financial information regarding the borrower, and an assessment of their repayment capacity, loans and credit terms, as well as a valuation of collateral.

For borrowers whose total loans exceed SEK 3 million, the credit decision is made in the form of a credit limit. In the case of loans to private individuals against collateral in the residential property, a limit requirement comes into play for amounts exceeding SEK 6 million. For loans to housing co-operative associations against collateral in the residential property, a limit is required for amounts exceeding SEK 12 million.

Credit limits granted are valid for a maximum of one year. When extending limits, the decision procedure requirement is the same as for a new credit.

In Handelsbanken's decentralised organisation, where a high proportion of the credit and limit decisions are made by individual branches, it is important that there is a well-functioning re-examination process to ensure that the credit decision is of high quality. The branch manager

Credit process and decision levels at Handelsbanken



Breakdown of credit limit decisions*

	Branch level	Regional level	Central level
Proportion of number of limits	70%	28%	2%
Proportion of limit amount	10%	32%	58%

* Excluding sovereign and bank limits decided at central level.

examines the quality of the staff's decisions and the regional credit departments examine the quality of decisions made by branch managers.

The purpose of the quality review is to ensure that the Bank's credit policy and internal instructions are complied with, that credit quality is maintained, and that credit decisions show that there is good credit judgement and a sound business approach. A corresponding examination of the quality is also performed for credit decisions made at higher levels in the Bank. Credits granted by regional credit committees and regional bank boards are examined by Group Credits, which also prepares and examines credits decided by the Bank's Board or its credit committee.

CREDIT PORTFOLIO

The Bank's credit portfolio is presented in this section based on the balance sheet item categories.

Breakdown of the portfolio

Based on the balance sheet, credits are categorised as loans to the general public and loans to credit institutions, and off-balance-sheet items broken down by type of product. Exposure means the sum of items on and off the balance sheet.

Credit risk exposures SEK m	**2016**	**2015**
Loans to the public[1]	1 963 622	1 866 467
of which reverse repos	*7 493*	*7 742*
Loans to other credit institutions	31 347	49 656
of which reverse repos	*4 088*	*23 394*
Interest-bearing securities eligible as collateral with central banks	97 205	74 777
Bonds and other interest-bearing securities	63 909	44 513
Derivative instruments[2]	82 633	85 347
Contingent liabilities	78 530	77 457
of which guarantees, credits	*9 643*	*9 750*
of which guarantees, other	*63 108*	*61 274*
of which letters of credit	*5 779*	*6 433*
Other commitments	425 267	420 857
of which unutilised part of granted overdraft facilities	*128 967*	*129 216*
of which loan commitments	*272 729*	*267 200*
of which other	*23 571*	*24 441*
Total	**2 742 513**	**2 619 074**
Cash and balances with central banks	199 362	202 630
Other loans to central banks	25 527	34 118
Total	**2 967 402**	**2 855 822**

[1] SEK 926m (1,619) of this amount is loans which upon initial recognition were classified at fair value in the income statement.
[2] Refers to the total positive market values. Including legally viable netting agreements, the exposure is SEK 65,555m (59,687).

Geographical breakdown 2016	Loans						Off-balance-sheet commitments					
SEK m	Public	Credit institutions excl. central banks	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Investments	Guarantees	Loan commitments	Unutilised part of granted overdraft facilities	Letters of credit	Other	Total
Sweden	1 245 654	23 161	145	4 821	81 275	127 946	23 989	136 579	85 583	2 874	15 038	1 747 065
UK	193 450	150	61 772	394	92	-	6 066	35 426	6 741	50	2 699	306 840
Norway	244 445	300	6 203	-	-	-	8 267	40 139	19 261	87	4 307	323 009
Denmark	95 540	27	120	20 269	31	11	4 930	13 780	7 662	613	3	142 986
Finland	122 534	25	98 710	-	149	-	4 506	18 977	7 179	216	190	252 486
USA	5 283	5 495	30 386	-	958	32 421	15 795	13 208	476	1 392	-	105 414
The Netherlands	32 285	75	395	-	-	-	153	6 814	393	-	-	40 115
Germany	4 567	61	159	-	-	-	3 497	1 558	644	146	1 326	11 958
Poland	3 016	6	25	43	-	-	1 482	1	139	-	8	4 720
Other countries	16 848	2 047	1 447	-	128	736	4 066	6 247	889	401	-	32 809
Total	**1 963 622**	**31 347**	**199 362**	**25 527**	**82 633**	**161 114**	**72 751**	**272 729**	**128 967**	**5 779**	**23 571**	**2 967 402**

Geographical breakdown 2015	Loans						Off-balance-sheet commitments					
SEK m	Public	Credit institutions excl. central banks	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Investments	Guarantees	Loan commitments	Unutilised part of granted overdraft facilities	Letters of credit	Other	Total
Sweden	1 214 093	17 513	174	15 998	84 435	87 522	24 897	137 606	89 522	3 650	16 816	1 692 226
UK	194 069	610	55 538	364	77	-	6 636	36 565	6 235	40	2 768	302 902
Norway	209 327	189	6 101	2 103	-	-	6 890	30 262	16 228	114	4 687	275 901
Denmark	82 854	61	113	15 653	42	7	4 099	12 088	8 155	166	-	123 238
Finland	115 090	42	44 823	-	118	0	3 974	18 028	7 059	175	170	189 479
USA	4 233	24 776	94 626	-	471	30 744	14 758	15 310	375	1 395	-	186 688
The Netherlands	22 344	-	377	-	-	-	1 040	6 241	212	-	-	30 214
Germany	5 336	264	111	-	-	-	3 303	5 432	342	21	-	14 809
Poland	2 396	4	41	-	-	-	1 038	1	139	-	-	3 619
Other countries	16 725	6 197	726	-	204	1 017	4 389	5 667	949	872	-	36 746
Total	**1 866 467**	**49 656**	**202 630**	**34 118**	**85 347**	**119 290**	**71 024**	**267 200**	**129 216**	**6 433**	**24 441**	**2 855 822**

Loans to the public, breakdown by sector and counterparty type	2016			2015		
SEK m	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	982 640	-745	981 895	912 517	-755	911 762
of which mortgage loans	*800 092*	*-33*	*800 059*	*736 768*	*-31*	*736 737*
of which other loans with property mortgages	*120 121*	*-146*	*119 975*	*107 591*	*-146*	*107 445*
of which other loans, private individuals	*62 427*	*-566*	*61 861*	*68 158*	*-578*	*67 580*
Housing co-operative associations	187 016	-20	186 996	169 595	-20	169 575
of which mortgage loans	*156 835*	*-12*	*156 823*	*148 064*	*-7*	*148 057*
Property management	540 194	-691	539 503	511 308	-697	510 611
Manufacturing	27 633	-522	27 111	33 540	-1 542	31 998
Retail	21 947	-270	21 677	24 236	-267	23 969
Hotel and restaurant	8 516	-32	8 484	8 981	-30	8 951
Passenger and goods transport by sea	9 375	-1 244	8 131	10 354	-543	9 811
Other transport and communication	14 614	-36	14 578	11 195	-60	11 135
Construction	18 103	-161	17 942	15 500	-92	15 408
Electricity, gas and water	25 224	-39	25 185	26 560	-52	26 508
Agriculture, hunting and forestry	11 727	-31	11 696	11 318	-15	11 303
Other services	19 608	-113	19 495	19 789	-66	19 723
Holding, investment, insurance companies, mutual funds etc.	66 730	-316	66 414	71 179	-282	70 897
Sovereigns and municipalities	15 891	0	15 891	22 452	0	22 452
Other corporate lending	19 047	-75	18 972	22 759	-117	22 642
Total loans to the public, before collective provision	**1 968 265**	**-4 295**	**1 963 970**	**1 871 283**	**-4 538**	**1 866 745**
Collective provisions for individually assessed loans			-348			-278
Total loans to the public	**1 968 265**		**1 963 622**	**1 871 283**		**1 866 467**

Loans to the public after deduction of provisions, geographical breakdown by sector 2016 SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	727 562	59 468	91 969	53 964	35 452	8 165	5 315	981 895
of which mortgage loans	*682 857*	*0*	*60 017*	*36 371*	*20 814*	*0*	*0*	*800 059*
of which other loans with property mortgages	*11 309*	*54 741*	*18 167*	*13 478*	*10 260*	*7 805*	*4 215*	*119 975*
of which other loans, private individuals	*33 396*	*4 727*	*13 785*	*4 115*	*4 378*	*360*	*1 100*	*61 861*
Housing co-operative associations	149 245	0	16 911	908	19 932	0	0	186 996
Property management	240 020	111 510	103 659	19 637	33 888	23 194	7 595	539 503
Manufacturing	11 966	2 764	2 680	1 481	3 086	2	5 132	27 111
Retail	10 604	3 686	3 728	1 362	1 215	0	1 082	21 677
Hotel and restaurant	2 217	3 137	141	1 846	97	0	1 046	8 484
Passenger and goods transport by sea	3 370	2	2 086	452	2 095	0	126	8 131
Other transport and communication	9 364	1 194	2 135	360	1 201	304	20	14 578
Construction	7 129	2 824	6 468	497	989	0	35	17 942
Electricity, gas and water	8 841	243	6 227	66	8 988	192	628	25 185
Agriculture, hunting and forestry	10 723	673	57	97	132	0	14	11 696
Other services	10 165	4 042	2 659	1 283	1 332	0	14	19 495
Holding, investment, insurance companies, mutual funds etc.	45 508	2 212	1 200	9 325	3 287	29	4 853	66 414
Sovereigns and municipalities	4 149	0	254	629	10 464	395	0	15 891
Other corporate lending	4 932	1 733	4 373	3 656	409	4	3 865	18 972
Total loans to the public, before collective provision	**1 245 795**	**193 488**	**244 547**	**95 563**	**122 567**	**32 285**	**29 725**	**1 963 970**
Collective provisions for individually assessed loans	-139	-39	-100	-25	-33	-1	-11	-348
Total loans to the public	**1 245 656**	**193 449**	**244 447**	**95 538**	**122 534**	**32 284**	**29 714**	**1 963 622**

Loans to the public after deduction of provisions, geographical breakdown by sector 2015

SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	682 992	57 273	80 150	46 352	34 317	5 867	4 811	911 762
of which mortgage loans	*635 871*	*0*	*50 782*	*29 001*	*21 083*	*0*	*0*	*736 737*
of which other loans with property mortgages	*14 023*	*45 685*	*16 222*	*13 276*	*8 806*	*5 532*	*3 901*	*107 445*
of which other loans, private individuals	*33 098*	*11 588*	*13 146*	*4 075*	*4 428*	*335*	*910*	*67 580*
Housing co-operative associations	137 604	0	14 472	552	16 947	0	0	169 575
Property management	244 996	115 262	85 729	13 726	28 682	14 538	7 678	510 611
Manufacturing	15 401	2 692	2 565	1 443	3 386	1 059	5 452	31 998
Retail	12 304	4 596	2 969	1 367	1 688	0	1 045	23 969
Hotel and restaurant	2 507	3 218	153	1 734	268	0	1 071	8 951
Passenger and goods transport by sea	3 612	6	2 520	1 002	2 626	0	45	9 811
Other transport and communication	5 734	625	2 282	1 184	947	362	1	11 135
Construction	6 606	2 006	5 064	550	865	0	317	15 408
Electricity, gas and water	9 908	406	6 729	76	8 540	184	665	26 508
Agriculture, hunting and forestry	9 481	1 512	18	120	123	0	49	11 303
Other services	11 939	3 986	1 114	1 433	1 241	0	10	19 723
Holding, investment, insurance companies, mutual funds etc.	49 996	982	1 446	9 700	3 449	110	5 214	70 897
Sovereigns and municipalities	10 918	0	198	1	11 335	0	0	22 452
Other corporate lending	10 231	1 547	3 962	3 637	704	225	2 336	22 642
Total loans to the public, before collective provision	**1 214 229**	**194 111**	**209 371**	**82 877**	**115 118**	**22 345**	**28 694**	**1 886 745**
Collective provisions for individually assessed loans	-137	-42	-44	-23	-28	-1	-3	-278
Total loans to the public	**1 214 092**	**194 069**	**209 327**	**82 854**	**115 090**	**22 344**	**28 691**	**1 866 467**

Collateral

Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value in the case of a sale in unfavourable circumstances in connection with insolvency. The value of certain assets may change considerably in an insolvency situation leading to a forced sale.

For unsecured long-term credit commitments to companies, the Bank often enters into an agreement with the customer on special credit terms which allow the Bank to renegotiate or terminate the loan in the case of unfavourable performance.

A large part of lending to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities with a special agreement that the security will be resold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

In special circumstances, the Bank may buy credit derivatives or financial guarantees to hedge the credit risk in claims, but this is not part of the Bank's normal lending process.

Credit risk exposure on balance sheet, broken down by collateral

SEK m	2016	2015
Residential property[1]	1 308 242	1 207 242
of which private individuals	*920 344*	*845 481*
Other property	307 334	293 936
Sovereigns, municipalities and county councils[2]	296 676	313 475
Guarantees as for own debt[3]	10 844	8 627
Financial collateral	22 858	40 632
Collateral in assets	24 343	23 789
Other collateral	19 093	21 854
Unsecured	232 032	242 361
Total credit risk exposure on balance sheet	**2 221 422**	**2 151 916**

Loans to the public, broken down by collateral

SEK m	2016	2015
Residential property[1]	1 308 242	1 207 242
of which private individuals	*920 344*	*845 481*
Other property	307 334	293 936
Sovereigns, municipalities and county councils[2]	68 477	76 609
Guarantees as for own debt[3]	10 330	8 134
Financial collateral	16 973	16 797
Collateral in assets	24 343	23 789
Other collateral	19 093	21 854
Unsecured	208 830	218 106
Total loans to the public	**1 963 622**	**1 866 467**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Credit risk concentrations

Handelsbanken's branches focus strongly on establishing long-term relationships with customers of sound creditworthiness. If a branch identifies a good customer, it should be able to do business with this customer, irrespective of whether the Bank as a whole has major exposure to the business sector that the customer represents. In granting credit, the Bank thus has no built-in restrictions to having relatively extensive exposures in individual sectors. The Bank monitors and calculates concentration risks continually for various business sectors, geographic areas and individual major exposures. The Bank also applies special limits to restrict the maximum credit exposure to individual counterparties, to complement the credit risk assessment. If a concentration in the credit portfolio can be assumed to constitute an increased risk, this concentration is monitored. Concentration risks are identified in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the internal capital adequacy assessment. The Swedish Financial Supervisory Authority also calculates a separate capital adequacy supplement under Pillar 2 for concentration risks in the credit portfolio. This ensures that Handelsbanken has sufficient capital, also taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to reduce them using various risk mitigation measures.

In addition to mortgage loans and lending to housing co-operative associations, Handelsbanken has considerable lending operations for property management amounting to SEK 540 billion (511). Property management refers here to all companies assessed for credit purposes as "property companies". It is common for groups of companies operating in other industries to have subsidiaries managing the properties in which the group conducts business, and such property companies are also considered here to belong to property management. However, the underlying credit risk in such cases is not only property-related. Also, private individuals with larger property holdings are assessed as property companies for credit purposes.

A very large part of property lending consists of property mortgages with low LTVs. A large proportion of property lending is to government-owned property companies, municipal housing companies and other housing-related operations where the borrowers consistently have strong, stable cash flows and thus very high creditworthiness. Thus a large part of lending to the property sector is to companies with a very low probability of default. The Bank's exposure to the property sector is specified in the tables below.

The proportion of exposures to property counterparties with a poorer rating than the Bank's risk class 5 (normal risk) is very low. 99 per cent (99) of total property lending in Sweden is in risk class 5 or better. The corresponding figures for property lending in the UK are 97 per cent (96), Denmark 96 per cent (94), Finland 98 per cent (98), Norway 97 per cent (97) and the Netherlands 99 per cent (98). For counterparties in poorer risk classes than normal, the majority are in risk classes 6 or 7 with only small volumes in the higher risk classes 8 and 9. For information about Handelsbanken's risk classifications, see the section titled Calculation of capital requirements for credit risk.

In the past few years, Handelsbanken has seen major credit growth in the UK as a result of an expansion of the branch network. A large part of the growth has been in property-related credits. In its expansion, Handelsbanken has had the same strict requirements on repayment capacity and collateral quality as in its other home markets. The result of this is a high concentration of customers in good risk classes and a loan loss ratio in line with other home markets.

Specification Loans to the public – Property management	2016			2015		
SEK m	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Loans in Sweden						
State-owned property companies	3 228	0	3 228	5 042	-	5 042
Municipal-owned property companies	9 771	0	9 771	12 242	-	12 242
Residential property companies	99 598	-26	99 572	91 484	-35	91 449
of which mortgage loans	*85 134*	*-1*	*85 133*	*77 367*	*-4*	*77 363*
Other property management	127 578	-130	127 448	136 333	-71	136 262
of which mortgage loans	*52 925*	*-2*	*52 923*	*61 993*	*-7*	*61 986*
Total loans in Sweden	**240 175**	**-156**	**240 019**	**245 101**	**-106**	**244 995**
Loans outside Sweden						
UK	111 800	-289	111 511	115 669	-408	115 261
Norway	103 767	-108	103 659	85 787	-58	85 729
Denmark	19 755	-118	19 637	13 816	-89	13 727
Finland	33 891	-4	33 887	28 704	-22	28 682
The Netherlands	23 194	0	23 194	14 539	-	14 539
Other countries	7 612	-16	7 596	7 692	-14	7 678
Total loans outside Sweden	**300 019**	**-535**	**299 484**	**266 207**	**-591**	**265 616**
Total loans – Property management	**540 194**	**-691**	**539 503**	**511 308**	**-697**	**510 611**

Specification Loans to the public – Property management, type of collateral and country	2016					2015				
SEK m	Total	Companies owned by government and municipality/ property lending guaranteed by government and municipality	Multi-family dwellings/ residential property	Commercial property and other collateral	Unsecured	Total	Companies owned by government and municipality/ property lending guaranteed by government and municipality	Multi-family dwellings/ residential property	Commercial property and other collateral	Unsecured
Sweden	240 175	14 129	103 681	109 681	12 684	245 101	18 746	99 658	111 881	14 816
UK	111 800	0	54 193	54 853	2 754	115 669	0	52 582	59 053	4 034
Norway	103 767	0	16 304	79 339	8 124	85 787	0	12 209	64 187	9 391
Denmark	19 755	0	10 166	8 388	1 201	13 816	0	7 717	4 870	1 229
Finland	33 891	14 561	5 401	12 585	1 344	28 704	11 117	4 577	12 247	763
The Netherlands	23 194	0	11 072	12 073	49	14 539	0	7 286	6 904	349
Other countries	7 612	267	643	2 867	3 835	7 692	531	580	5 819	762
Total	**540 194**	**28 957**	**201 460**	**279 786**	**29 991**	**511 308**	**30 394**	**184 609**	**264 961**	**31 344**

Specification Loans to the public – Property management, risk class and country 2016
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%	Accum. % of total
1	21 647	744	1 858	82	5 474	39	1 104	30 948	5.73	6
2	60 262	21 710	26 369	2 618	10 812	8 197	3 886	133 854	24.78	31
3	97 610	54 935	50 727	8 167	11 431	12 399	1 329	236 598	43.80	74
4	44 490	25 662	14 909	5 998	5 000	1 999	914	98 972	18.32	93
5	13 444	5 326	7 081	2 113	546	302	314	29 126	5.39	98
6	1 327	1 695	1 095	220	108	214	26	4 685	0.87	99
7	805	625	1 063	112	411	44	0	3 060	0.57	99
8	185	85	336	59	26	0	0	691	0.13	100
9	93	21	99	12	10	0	0	235	0.04	100
Defaults	312	997	230	374	73	0	39	2 025	0.37	100
Total	**240 175**	**111 800**	**103 767**	**19 755**	**33 891**	**23 194**	**7 612**	**540 194**	**100**	

Specification Loans to the public – Property management, risk class and country 2015
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%	Accum. % of total
1	20 034	943	1 127	53	2 903	115	1 044	26 219	5.13	5
2	73 556	22 677	18 026	829	11 365	1 942	3 249	131 644	25.75	31
3	92 801	56 376	45 263	6 197	11 006	10 247	2 869	224 759	43.96	75
4	43 115	24 298	15 418	4 338	1 619	1 873	172	90 833	17.76	93
5	12 592	6 249	3 430	1 548	1 125	75	289	25 308	4.95	98
6	1 606	1 939	1 444	289	401	221	30	5 930	1.16	99
7	889	1 331	793	190	118	66	0	3 387	0.66	99
8	161	363	91	26	17	0	0	658	0.13	99
9	107	87	15	8	9	0	2	228	0.04	100
Defaults	240	1 406	180	338	141	0	37	2 342	0.46	100
Total	**245 101**	**115 669**	**85 787**	**13 816**	**28 704**	**14 539**	**7 692**	**511 308**	**100**	

Specification Loans to the public – Property management, risk class, type of collateral and unsecured 2016
SEK m

	Loans	Collateral				
Risk class		Multi-family dwellings/ residential property	Commercial properties	Guarantees from government and municipality	Other collateral	Unsecured
1	30 948	15 336	5 722	6 755	973	2 162
2	133 854	48 936	62 140	6 483	2 609	13 686
3	236 598	92 978	125 902	4 967	4 008	8 743
4	98 972	36 085	54 224	3 228	1 722	3 713
5	29 126	9 679	17 721	236	575	915
6	4 685	1 247	3 168	1	177	92
7	3 060	655	2 173	14	124	94
8	691	170	438	0	58	25
9	235	63	97	3	45	27
Defaults	2 025	363	946	0	152	564
Total	**540 194**	**205 512**	**272 531**	**21 687**	**10 443**	**30 021**

Specification Loans to the public – Property management, risk class, type of collateral and unsecured 2015
SEK m

	Loans	Collateral				
Risk class		Multi-family dwellings/ residential property	Commercial properties	Guarantees from government and municipality	Other collateral	Unsecured
1	26 219	14 662	6 208	3 355	188	1 806
2	131 644	49 028	57 171	10 543	2 527	12 375
3	224 759	81 039	124 876	5 296	4 115	9 433
4	90 833	32 732	52 902	682	755	3 762
5	25 308	9 133	13 189	420	340	2 226
6	5 930	1 279	4 034	14	52	551
7	3 387	899	2 222	0	50	216
8	658	236	270	0	16	136
9	228	40	92	3	2	91
Defaults	2 342	579	890	0	49	824
Total	**511 308**	**189 627**	**261 854**	**20 313**	**8 094**	**31 420**

CALCULATION OF CAPITAL REQUIREMENTS FOR CREDIT RISK

Risk rating system

Handelsbanken's risk rating system comprises a number of different systems, methods, processes and procedures to support the Bank's classification and quantification of credit risk.

Handelsbanken's internal rating system is used to measure the credit risk in all operations reliably and consistently. The risk rating builds on the Bank's internal rating, which is based on an assessment of each counterparty's repayment capacity. The rating is determined by the risk of financial strain and by the assessed resistance to this strain. The method and classification are based on the rating model that the Bank has applied for several decades.

The internal rating is the most important component of the Bank's model for calculating the capital requirement in accordance with the IRB Approach. The rating is dynamic; it is reassessed if there are signs that the counterparty's repayment capacity has changed. The rating is also reviewed periodically as stipulated in the regulations. The rating is made by the person responsible for granting the credit and is subsequently checked by independent bodies.

Risk classification methods

To quantify its credit risks, the Bank calculates the probability of default (PD), the exposure the Bank is expected to have if a default occurs (exposure amount), and the proportion of the loan that the Bank would be expected to lose in the case of default (loss given default, LGD). Default is defined as the counterparty either being more than 90 days late in making payment or being assessed as unable to pay as contractually agreed, for example if declared bankrupt.

The PD value is expressed as a percentage where, for example, a PD value of 0.5 per cent means that one borrower of 200 with the same PD value is expected to default within one year. A credit in default does not necessarily mean that the Bank will incur a loss since in most cases there is collateral for the exposure. Nor does a default mean that it is out of the question that the counterparty will pay at some time in the future, since the payment problems may be temporary.

For corporate and institutional exposures, the internal rating set for each counterparty is directly converted into a risk class on a scale from 1 to 10 (where risk class 10 refers to defaulted counterparties). Corporate exposures are divided into four counterparty types based on the business evaluation template used for the counterparty. PD is calculated individually for each risk class and counterparty type. For institutional exposures and the corporate exposures that are subject to a capital requirement according to the IRB Approach without own estimates of LGD and CCF, prescribed values are applied for the loss rates given default (LGD). The prescribed value that may be used is determined by the collateral provided for each exposure.

For retail exposures, the risk class is also based on the internal rating assigned to all credit customers. The rating is not translated directly into a risk class as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counterparty's debt-servicing record and whether there are one or more borrowers. An average default rate is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the 10 risk classes. Different models are used for exposures to private individuals and to small companies (that are also classified as retail exposures), but the principle is the same.

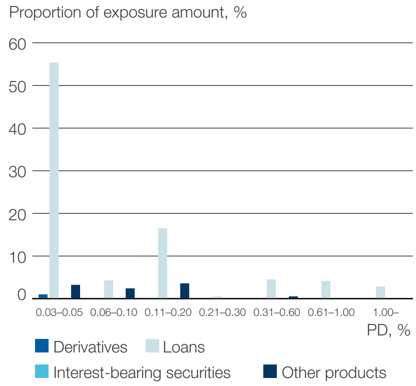
For retail exposures and exposures to medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Bank's own loss history. For exposures to large corporates that are subject to a capital requirement using the IRB Approach with own estimates of LGD and CCF, the LGD is determined on the basis of internal losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations, different LGD values are applied depending on the loan-to-value ratio of the collateral. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the type of product and similar factors.

For each exposure class, the PD is calculated for each of the risk classes that refer to non-defaulted counterparties or agreements. PD is based on calculations of the historical percentage of defaults for different types of exposure. The average default rate is then adjusted using different margins, such as margins of conservatism.

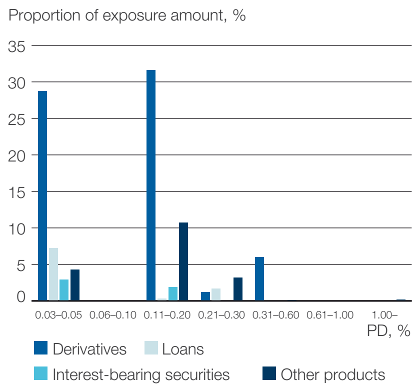
The Bank expects to receive approval from the Swedish Financial Supervisory Authority soon to use new models for the PD for corporates. These models estimate the long-term PD, including a margin of conservatism and a business cycle adjustment, at the portfolio level. This portfolio PD is then allocated to the various risk classes. Normally the portfolio PD will not vary year to year, although the PD per risk class may do so, as the distribution of counterparties among the risk classes varies over time. When the new models are introduced, the risk weights are expected to be higher, but more stable over the business cycle.

When establishing LGD, the risk measure must reflect the loss rates during economically unfavourable circumstances, known as downturn LGD. For collateral in property, the downturn LGD is based on observed loss rates from the property crisis in the early 1990s. For other collateral relating to retail exposures, observed LGD is adjusted for downturns by a factor which depends on the PD and type of product. For corporate exposures in the IRB Approach with own estimates of LGD and CCF, the LGD is adjusted for downturns so that

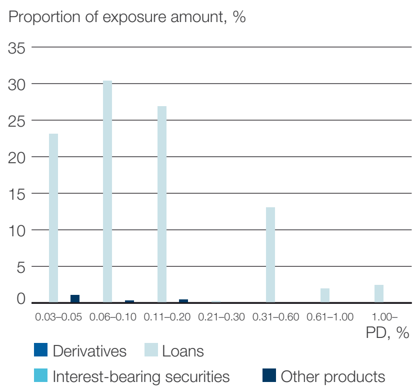
Proportion of exposure amount per product type by PD interval excluding defaulted credits – Corporate exposures



Proportion of exposure amount per product type by PD interval excluding defaulted credits – Institutional exposures



Proportion of exposure amount per product type by PD interval excluding defaulted credits – Retail exposures



the Bank's observed losses in the crisis years of 1991–1996 can be explained by the risk weights with a good margin. For exposures with property collateral, in many cases LGD is estimated on the basis of the property's LTV. Since the value of the property, and consequently also the LTV, usually varies with the business cycle, this means that the capital requirement will also have a cyclical dependency to some extent.

When the exposure amount is to be calculated, certain adjustments are made to the carried exposure. Examples of this are committed loan offers or revolving credits, where the Bank agrees with the customer that the customer may borrow up to a certain amount in the future. This type of commitment constitutes a credit risk that must also be covered by adequate capital. Normally this means that the credit granted is adjusted using a certain credit conversion factor (CCF) for the part of the credit that is unutilised at the time of reporting. For certain product categories for corporate exposures and institutional exposures, the conversion factors are determined by the regulatory code, while for retail exposures and certain product categories for large corporates, medium-sized companies, property companies and housing co-operative associations, the Bank uses its own calculated conversion factors. Here, it is the product referred to that mainly governs the conversion factor, but the utilisation level may also be of relevance.

In addition to the capital adequacy calculation, measures of risk (PD, exposure amounts, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC). This means that conservatism adjustments in the risk measurements are also included in the cost of capital in individual transactions and in calculations of economic capital, which means that the loss levels that the risk measurements imply are conservative. The method used means that the Bank's historical losses have a direct impact on risk calculations and capital requirements.

For corporate, institutional and retail exposures, the graphs, Proportion of exposure amount per product type by PD interval excluding defaulted credits, show how the exposure is distributed between bonds and other interest-bearing securities, loans, derivatives and other products. Other products are, for example, guarantees and committed loan offers. The graphs show how the exposure amounts, excluding credits in default, are distributed between different PD ranges in each exposure class. The PD values used are those applied when calculating the capital requirement.

COUNTERPARTY RISKS

Counterparty risk arises when the Bank has entered into derivative contracts with a counterparty for instruments such as futures, swaps or options, or contracts regarding loans of securities. In addition to derivatives, the capital adequacy regulations treat both repurchase transactions and equity loans as counterparty risks.

In calculating the capital requirement and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. Handelsbanken applies the mark-to-market method to calculate exposure amounts for counterparty risks for capital adequacy purposes. To determine the current replacement cost for all contracts with a positive value, the contracts are assigned their prevailing market values. To then estimate the possible future credit exposure, the prevailing market value is multiplied by the percentage rate stipulated in the regulations, which depends on the maturity of the exposure.

Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. If the contract has a positive value, the default of the counterparty means a potential loss for the Bank. Counterparty risk can be divided into two parts: value change risk and payment risk.

Reducing value change risk

Value change risk occurs from the trade date up until delivery and means that the Bank can suffer costs for winding down the position if the counterparty cannot fulfil its obligations. Value change risk exists in all derivative transactions and in securities transactions in which the Bank has not hedged the payment in advance.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The size of the exposures may vary substantially due to fluctuations in the price of the underlying asset. In order to take account of the risk that the exposure may increase, supplements are added to the value of the exposure when setting credit limits. These add-ons are calculated using standard amounts that depend on the type of contract and the time to maturity. The exposures are calculated and followed up daily.

The counterparty risk in derivatives is reduced through "close-out netting agreements", which involve setting off positive values against negative values in all derivative transactions with the same counterparty. Netting agreements are supplemented with agreements – credit support annex (CSA) agreements – for issuing collateral for the net exposure, which further reduces the credit risk. The collateral for these transactions is mainly cash, but government instruments are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited.

A small number of the collateral agreements entered into by the Bank include terms and conditions concerning rating-based threshold amounts for Handelsbanken. These conditions mean that the Bank must provide further collateral for the counterparty in question, in the event of the Bank's rating from external parties being lowered. At year-end, a downgrading from AA/Aa2 to AA-/Aa3 would have meant the Bank having to provide further collateral of SEK 75 million (42).

The majority of Handelsbanken's contracts contain close-out netting and CSA agreements.

Derivatives which are cleared via central counterparties also give rise to capital requirements. Central counterparties are clearing houses which act as the counterparty for both the buyer and seller in various transactions, and thus take over the responsibility for fulfilling the parties' obligations. All parties which use a central counterparty must provide collateral for all transactions. In most cases, the risk weight for centrally cleared derivatives is considerably lower than for other types of derivatives. The risk-weighted exposure amount for derivative transactions with central counterparties was SEK 498 million (342) at year-end.

OTC-derivative transactions also result in capital requirements for credit valuation adjustment risk. The risk is related to the counterparty's credit quality, credit valuation adjustment (CVA). The capital requirement for CVA was SEK 594 million (713) at year-end.

Reducing payment risk

Payment risks arise in transactions where the Bank has fulfilled its commitments in the form of foreign exchange conversion, payments or delivery of securities, but cannot at the same time ensure that the counterparty has fulfilled its commitments to the Bank. The risk amount equals the amount of the payment transaction. The payment risks are not included in the credit limit of each customer; instead, they are covered by a separate limit. At Handelsbanken, the risk of value changes in spot transactions is categorised as payment risk, while the risk of value changes in derivative transactions is categorised as credit risk.

Setting a limit for the payment risk is a vital part of Handelsbanken's constant aim to limit risks. This includes developing technical solutions which reduce the period of time during which there is a payment risk. In these efforts, Handelsbanken co-operates with various banking sector clearing institutions. The Bank has also established collaborations with the banks considered to be the strongest and the most creditworthy.

Handelsbanken participates in clearing collaborations such as CLS (Continuous Linked Settlement) for currency trading. Handelsbanken is part-owner of CLS together with around 60 of the largest international FX banks. Handelsbanken is also a partner and direct member of EBA (Euro Banking Association) and its euro payment system.

Counterparty risk broken down into exposure classes, exposure amounts and risk-weighted exposure amounts	2016		2015	
SEK m	Exposure amount	Risk-weighted exposure amount	Exposure amount	Risk-weighted exposure amount
Exposure classes IRB Approach				
Institutional exposures	85 119	11 222	98 060	13 704
Corporate exposures	22 670	3 941	25 597	4 711
Total IRB Approach	**107 789**	**15 163**	**123 657**	**18 415**

Counterparty risk broken down into exposure classes, exposure amounts and risk-weighted exposure amounts	2016		2015	
SEK m	Exposure amount	Risk-weighted exposure amount	Exposure amount	Risk-weighted exposure amount
Exposure classes standardised approach				
Sovereign and central bank exposures	3 132	67	4 074	63
Other	5 200	468	4 676	258
of which cleared via central counterparties	*3 577*	*72*	*3 315*	*66*
Total standardised approach	**8 332**	**535**	**8 750**	**321**
Total IRB and standardised approach	**116 121**	**15 698**	**132 407**	**18 736**

The exposure amount comprises derivatives, repos and equity loans.

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure SEK m	2016	2015
Positive gross market value for derivative contracts	109 686	109 287
Netting gains[1]	47 697	49 600
Current set-off exposure	61 989	59 687
Collateral[1]	42 238	35 678
Net credit exposure for derivatives	19 751	24 009

[1] Collateral set off against derivative liabilities in the balance sheet is reported under netting gains.

Counterparty risks in derivative contracts including potential future exposure 2016 SEK m	Current set-off exposure	Potential future exposure	Exposure amount	Risk-weighted exposure amount	Capital requirement
Sovereign exposures	2 389	1 167	3 556	67	5
Institutional exposures	51 673	25 434	77 107	10 652	852
Corporate exposures	11 256	3 972	15 228	3 890	311
Others	238	186	424	373	30
Total	**65 556**	**30 759**	**96 315**	**14 982**	**1 198**
of which operations in the trading book	*17 349*	*12 275*	*29 624*	*5 688*	*455*

Counterparty risks in derivative contracts including potential future exposure 2015 SEK m	Current set-off exposure	Potential future exposure	Exposure amount	Risk-weighted exposure amount	Capital requirement
Sovereign exposures	1 783	1 035	2 818	63	5
Institutional exposures	45 087	25 296	70 383	13 336	1 067
Corporate exposures	12 671	4 181	16 852	4 473	358
Others	145	86	231	181	14
Total	**59 686**	**30 598**	**90 284**	**18 053**	**1 444**
of which operations in the trading book	*18 522*	*13 524*	*32 046*	*6 628*	*530*

MARKET RISK

Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risks, equity price risks, exchange rate risks and commodity price risks.

At a full-service bank like Handelsbanken, market risks arise when the Bank's customers demand services where the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. The funding can have a different maturity than the assets which are to be funded. Market risks can also arise in the Central Treasury's liquidity portfolio, which can be converted into liquidity at short notice in conjunction with possible disruptions in the markets where the Bank conducts its operations. The portfolio secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

Market risks also arise to meet customers' demand for financial instruments with exposure to the fixed income, currency, equity or commodities markets. As a consequence, it may be necessary for the Bank to hold certain positions. This situation arises for example when the Bank has undertaken to quote prices in its function as a market maker.

Market risks in the Bank's business operations arise – and thus are managed – mainly at Group Treasury and Handelsbanken Capital Markets, although they also exist at Handelsbanken Liv. The market risks at the insurance company, Handelsbanken Liv, are described in a separate section. Consequently, the information on market risks given in this section refers to risks excluding Handelsbanken Liv.

MARKET RISK STRATEGY

Handelsbanken has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. Market risks must be limited by matching cash flows and interest-fixing periods, hedging open positions and taking other actions to limit risk.

Market risks at Handelsbanken have decreased further in recent years, from already low levels to very low at present. This work has been under way for a long time. It started before the financial crisis broke out and before the regulations started to assign the importance to market risks that they do today. One result of this is that a much smaller part of the earnings come from net gains/losses on financial transactions.

ORGANISATIONAL STRUCTURE

The Head of Group Treasury has operational responsibility under the CFO for managing interest rate, currency and liquidity risks. The Bank's limit system restricts the size of the exposure to market risks. Measurement methods and limits are established by the Board. The limits for interest rate, currency and liquidity risk are allocated by the CEO and CFO to the Head of Group Treasury, who in turn allocates these to the business-operating units. Limits for equity price risk and commodity price risk are allocated directly to the Head of Business Support Capital Markets by the CFO.

The CEO and CFO also decide on supplementary risk metrics, limits and detailed guidelines. The supplementary limit measures aim to reduce the Bank's sensitivity to volatility changes in the financial markets, and to limit the risks of specific holdings and the liquidity risk per currency. These measures also limit the risks from a maturity perspective. The CFO, CEO and Board continually receive reports on the market risks and utilisation of the limits.

MARKET RISK AT HANDELSBANKEN

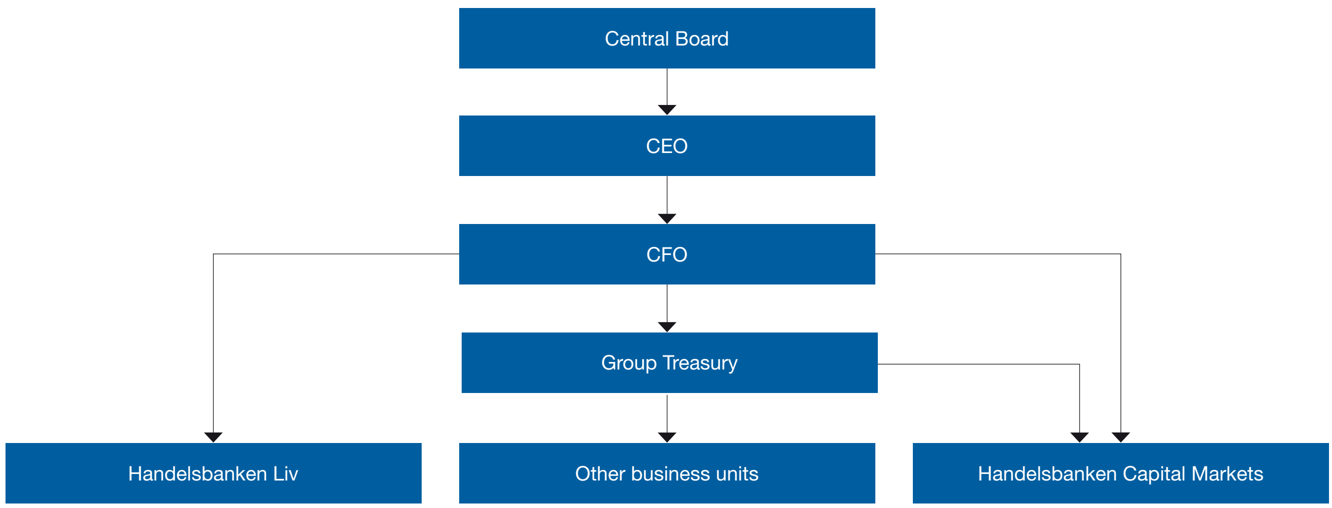
Market risk is measured using several different methods. Various sensitivity measures are used, showing the changes in value arising from pre-defined changes in prices and volatilities. Position-related risk measures and probability-based Value at Risk models (VaR) are also used.

VaR

VaR is calculated for the portfolios at Handelsbanken Capital Markets and Group Treasury which are classified as trading book. VaR is a probability-based measure and expresses the losses in Swedish kronor that may arise in risk positions due to movements in the underlying markets over a specified holding period and for a given confidence level. VaR is calculated for individual classes of risk and at portfolio level with a 99-per cent confidence level and a one-day holding period. The method means that different risk classes can be handled in a uniform way so that they can be compared and aggregated into a total market risk. The overall risk in the portfolios which are classified as trading book was SEK 7 million (13) at the year-end. VaR is reported to the CFO, CEO and Board on a regular basis.

The VaR model does not identify risks associated with extreme market fluctuations. The calculations are therefore supplemented with regular stress tests where the portfolios are tested against scenarios based on all events in the financial markets since 1994. The results of these stress tests are also reported to the CFO, CEO and the Board's risk committee on a regular basis.

Decision levels for market and liquidity risks



VaR for trading book – Handelsbanken Capital Markets and Group Treasury

	Total		Equities		Fixed income		Currency		Commodities	
SEK m	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Average	12	12	1	1	12	12	4	5	1	1
Maximum	20	19	4	4	20	17	10	9	6	5
Minimum	6	8	0	0	6	7	1	2	0	0
Year-end	7	13	1	2	6	15	2	3	2	2

Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury[1]

SEK m	2016	2015
Average	98	114
Maximum	253	234
Minimum	29	37
Year-end	61	102

[1] In 2016, the method was changed so that it reflects current interest rate levels to a lesser extent than previously. As a result of this the comparative figures for 2015 have been recalculated to conform with the new method.

General interest rate risk in other operations
(change in fair value as the worst outcome in the case of a one percentage point parallel shift of all interest rates)

SEK m	2016	2015
SEK	756	920
DKK	166	234
EUR	132	68
NOK	88	12
USD	66	112
GBP	135	24
Other currencies	14	14
Total	**1 357**	**1 384**

Interest rate adjustment periods for assets and liabilities 2016

SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Assets						
Loans	1 302 302	157 537	102 728	369 968	31 087	1 963 622
Banks and other financial institutions	33 159	107	56	16	9	33 347
Bonds etc.	77 861	5 321	6 502	61 447	9 758	160 889
Total assets	**1 413 322**	**162 965**	**109 286**	**431 431**	**40 854**	**2 157 858**
Liabilities						
Deposits	821 371	4 681	2 889	393	2	829 336
Banks and other financial institutions	140 961	31 243	2 148	580	3 848	178 780
Issued securities	418 039	95 677	91 718	601 304	88 427	1 295 165
Other liabilities	-	-	-	-	-	-
Total liabilities	**1 380 371**	**131 601**	**96 755**	**602 277**	**92 277**	**2 303 281**
Off-balance-sheet items	-306 545	-8 166	-18 289	202 900	63 614	-66 486
Difference between assets and liabilities including off-balance-sheet items	-273 594	23 198	-5 758	32 054	12 191	-211 909

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2016. Non-interest-bearing assets and liabilities have been excluded.

Interest rate adjustment periods for assets and liabilities 2015

SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Assets						
Loans	1 237 710	149 780	97 672	351 750	29 555	1 866 467
Banks and other financial institutions	284 882	862	453	131	76	286 404
Bonds etc.	40 709	502	2 754	59 920	12 071	115 956
Total assets	**1 563 301**	**151 144**	**100 879**	**411 801**	**41 702**	**2 268 827**
Liabilities						
Deposits	737 001	5 117	2 508	349	2	744 977
Banks and other financial institutions	125 322	32 221	2 679	547	3 630	164 399
Issued securities	440 990	90 976	87 107	575 551	84 959	1 279 583
Other liabilities	-	-	-	-	-	-
Total liabilities	**1 303 313**	**128 314**	**92 294**	**576 447**	**88 591**	**2 188 959**
Off-balance-sheet items	-233 048	27 449	15 152	162 738	60 726	33 017
Difference between assets and liabilities including off-balance-sheet items	26 934	50 279	23 737	-1 908	13 837	112 879

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2015. Non-interest-bearing assets and liabilities have been excluded.

Interest rate risk

Interest rate risk mainly arises at Handelsbanken Capital Markets, Group Treasury and in the lending operations. Interest rate risk is measured in several ways at the Bank. General interest rate risk is measured and limits set as the absolute sum of the least favourable changes in fair value per currency in the case of substantial instantaneous upward or downward parallel shifts of one percentage point for all interest rates. At the year-end, the Bank's total general interest rate risk was SEK 1,401 million (1,423). Interest-fixing periods for deposits that lack a contractual maturity are established using an internal method. The basic assumption for such deposits is the shortest possible interest-fixing period, and adjustments are made only for that part that can be regarded as stable and insensitive to interest-rate movements based on historical observations. The risk measure includes interest-bearing items measured at fair value as well as items not measured at fair value and is therefore not appropriate to assess the impact from profit/loss on the balance sheet and income statement.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads, that is, the difference between the interest on the current holding and the yield on a government bond with the same maturity. This risk mainly arises at Handelsbanken Capital Markets and in Group Treasury's liquidity portfolio. The risk is measured and limits set on the basis of different rating classes and is calculated as the least favourable change in market value in the case of an upward or downward shift of one basis point in all credit spreads. This is performed for each individual counterparty and the outcomes are summed as an absolute total. The total specific interest rate risk at year-end was SEK 9 million (7).

Interest rate risk in the trading book

The trading book at Handelsbanken comprises Capital Markets' and Group Treasury's portfolios that are classified as trading book. The general interest rate risk in the trading book was SEK 81 million (51) and the specific interest rate risk was SEK 7 million (5). Yield curve twist risks, which show changes in the risks in the case of hypothetical changes in various yield curves, are measured and followed up on a regular basis. The non-linear interest rate risk – part of the risk in interest rate options, for example – is measured and a limit set with pre-defined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities. VaR and other risk measures are used for the trading book, supplemented by various stress scenarios.

Interest rate risk in other operations

In the lending operations, interest rate risk arises as a result of the lending partly having different interest-rate fixing periods than the funding. Interest rate risk is mainly managed by means of interest rate swaps. In general, interest rate risk exposure is in markets which are characterised by good liquidity. The general interest rate risk in other operations measured as above was SEK 1,357 million (1,384) and the specific interest rate risk was SEK 2 million (2).

To estimate the effect of interest rate changes on the income statement, the net interest income effect is also measured. The net interest income effect when interest rates change is measured as the change in net interest income over a twelve-month period in the case of a general increase of market rates by one percentage point. This effect reflects the differences in interest-rate fixing periods and volume composition between assets, liabilities and derivatives outside the trading book, assuming that the size of the balance sheet is constant. In this calculation, the interest-fixing periods for deposits that lack a contractual maturity are established using an internal method based on historical observations and only adjusting the part that is stable as well as insensitive to interest-rate movements. The net interest income effect at the year-end was SEK 1,116 million (929).

Equity price risk

The Bank's equity price risk mainly arises at Handelsbanken Capital Markets through customer trading and in the Bank's own equity holdings.

The Equity price risk table shows the market value change in the Bank's total equity positions in the case of an instantaneous change in equity prices and volatilities by +/-10 and +/-25 per cent respectively. At the year-end, the Bank's worst case outcome of this risk was SEK 152 million (651).

Equity price risk in the trading book

The equity price risk at Handelsbanken Capital Markets arises in customer-driven equity-related transactions. Handelsbanken Capital Markets is a market maker for structured products, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options mainly included in the structured products.

The extent of own position-taking, which arises to meet customers' needs, is restricted by the limits decided by the Bank's Board, CEO and CFO. The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR as well as other risk measures and stress scenarios are used as a complement when measuring the equity price risk. At the year-end, the Bank's VaR for equity price risk in the trading book was SEK 1 million (2).

Equity price risk SEK m	Change in volatility					
	2016			2015		
Change in equity price	-25%	0%	25%	-25%	0%	25%
10%	161	162	162	647	651	654
-10%	-152	-149	-145	-651	-648	-645

Equity price risk outside the trading book

The Group's holdings of equities outside the trading book are unlisted securities mainly consisting of various types of jointly owned operations related to the Bank's core business. The holdings are classified as available for sale and are measured at fair value in the balance sheet in accordance with accounting regulations. 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. The equity price risk is very small.

Exchange rate risk

Handelsbanken has home markets outside Sweden and also operations in a number of other countries. Indirect currency exposure of a structural nature therefore arises, because the Group's accounts are expressed in Swedish kronor. The structural risk is minimised by matching assets and liabilities in the same currency as far as possible. The exchange rate movements that affect the Bank's equity are shown in the table on page 68 of the Annual Report: Statement of changes in equity Group.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven intra-day trading in the international foreign exchange markets. This trading is conducted at Handelsbanken Capital Markets. The Board, CEO and CFO have set VaR limits for this exchange rate risk.

Some currency exposure also arises in the normal banking operations as part of managing customer payment flows and in funding operations at Group Treasury. The Board, CEO and CFO have set position limits for these risks. At year-end, the aggregate net position amounted to SEK 689 million (391). The exchange rate risk in the Bank does not depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total exchange rate risk in the trading book and other operations was SEK 114 million (36), measured as the impact on the Bank's earnings of an instantaneous 5 per cent change of the Swedish krona.

Commodity price risk

Exposure in commodity-related instruments only occurs as a result of customer-based trading in the international commodity markets and is restricted by limits decided by the Board, CEO and CFO. Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Commodity price risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At the year-end, the commodity price risk was SEK 6 million (5), measured as the maximum loss on price changes up to 20 per cent in underlying commodities and changes in volatility up to 35 per cent. At the year-end, the Bank's VaR for commodity price risk was SEK 2 million (2).

Other market risks

Market risk also arises in the Bank's pension system (pension risk). This risk consists mainly of the risk of a decrease in the value of assets held for securing the Bank's pension obligations.

Fair value measurement

The Risk Control Function checks that the Group's financial instruments are valued correctly. The valuation of financial instruments measured at fair value is performed in accordance with IFRS 13. See note G40 for more information about the assets and liabilities measured at fair value as well as for information about the Bank's valuation techniques.

Equity exposures outside the trading book SEK m	2016	2015
Classified as available for sale	1 618	6 581
of which listed	*-*	*4 667*
of which unlisted	*1 618*	*1 914*
Classified as available for sale	1 618	6 581
of which business-related	*1 605*	*5 198*
of which other holdings	*13*	*1 383*
Fair value reserve at beginning of year	2 138	1 460
Unrealised market value change during the year for remaining and new holdings	773	789
Realised due to sale and settlements during the period	-1 876	-111
Fair value reserve at end of year	1 035	2 138
Included in tier 2 capital	0	0

Exchange rate sensitivity (worst outcome +/-5% change SEK against the respective currency) SEK m	2016	2015
EUR	57	3
NOK	25	20
DKK	6	3
USD	26	4
GBP	2	6
Other currencies	7	8

FUNDING AND LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.

In the wake of the financial crisis, a number of new regulations have been introduced. The Bank has already previously implemented a number of measures at its own initiative. It has therefore fulfilled these regulations for a long period of time. The measures include a centralised treasury function with overall responsibility for all funding and liquidity risk management, an increased proportion of long-term funding, internal prices that reflect the market price, liquidity risk and maturity. In addition, the transparency related to funding, liquidity risk and the proportion of pledged assets has been considerably increased.

Handelsbanken is the only major Swedish bank which has managed completely on its own for its funding throughout the latest financial crisis, with no support from central banks or public authorities.

FUNDING STRATEGY

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

Furthermore, the Bank aims for breadth in its funding programmes and their use, so that no type of investor is treated at a disadvantage compared to others. This ensures that the Bank can keep its core business intact for a long period of time, even if there is extensive disruption in the financial markets.

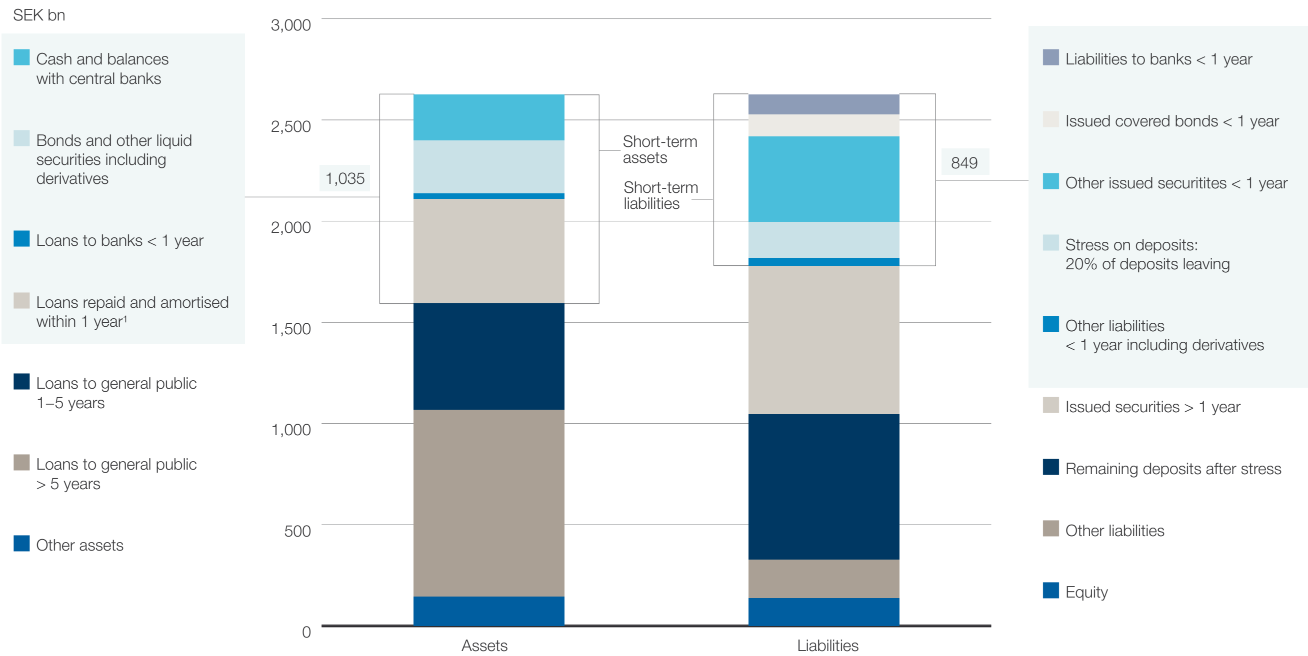
The starting point of this work is a well-matched balance sheet, where illiquid assets are financed using stable funding. The illiquid assets comprise credits to households and companies; these credits constitute the Bank's core business. The long-term stable funding of these assets consists of covered bonds issued by Stadshypotek, senior bonds issued by Handelsbanken, deposits from households and a certain amount of deposits from companies, subordinated liabilities and equity. Part of the core operations are short-term lending to households and companies and on the liabilities side, some of the deposits for these customers are shorter term.

A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations towards customers and investors are fulfilled, it is important to adopt a future-oriented perspective in funding and liquidity risk management. The balance sheet is therefore structured in such a way that the participants of the real economy in the form of companies and households and their needs for credit can be supported even during lengthy periods of stress in the financial markets. Current assets cover current liabilities by a good margin. The diagram, Composition of the balance sheet from a maturity perspective, describes the balance sheet in a stressed scenario where 20 per cent of deposits are assumed to disappear within one year and all access to new market funding disappears. Despite the stress, short-term assets are estimated to exceed short-term liabilities by a considerable amount at year-end. A long-term crisis could result in a reduced balance sheet with retained core business, whereby the volume of short-term assets is gradually used to pay back maturing short-term liabilities. In the event of an even longer crisis, measures have been prepared to create liquidity which will provide more support to the business operations.

The market has great confidence in Handelsbanken and its assessment is that Handelsbanken has a low credit risk. One illustration of this is that the cost of insuring a credit risk on the Bank, which is known as the CDS spread, is one of the lowest among European banks, and Handelsbanken has the lowest funding cost of all peer banks.

Good diversification between different types of sources of funding in various markets, currencies and forms of funding instruments is a key component of the funding strategy. This reduces the significance of individual markets

Composition of the balance sheet from a maturity perspective 2016



[1] Scheduled amortisations, contractual maturities and estimated additional loan repayments.

or sources of funding. In recent years, the Bank has considerably broadened its long-term international funding and has issued significant volumes of bonds in, for example, the eurozone, the UK, the US, Asia and Australia. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues of certificates and CDs. Group Treasury has a number of different funding programmes for market funding at its disposal, which, in addition to the programmes shown in the Funding programmes/limits in Group table, include covered bonds in Swedish kronor. Bonds and certificates are issued under these programmes in the Bank's and Stadshypotek's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors and geographic breakdown.

Handelsbanken's 5-year CDS spread compared with ITRAXX Financials 2007-2016

Source: Ecowin, Bloomberg.

ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

Funding programmes/limits in Group 2016

Programme	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP[1]	EUR	15 000	3 093	29 640
ECP (Stadshypotek)[1]	EUR	4 000	0	0
French commercial paper	EUR	7 500	1 913	18 332
Swedish commercial paper	SEK	25 000	0	0
Swedish commercial paper (Stadshypotek)	SEK	90 000	0	0
USCP	USD	15 000	4 401	39 940
AMTN	AUD	5 000	1 275	8 362
AMTCN (Stadshypotek)	AUD	5 000	750	4 919
EMTN1	USD	50 000	21 759	197 465
EMTCN (Stadshypotek)[1]	EUR	20 000	11 002	105 432
US 144A/3(a)(2)	USD	20 000	11 900	107 994
Stadshypotek US 144A	USD	15 000	3 750	34 032
Samurai	JPY	400 000	160 700	12 482
MTN[1]	SEK	100 000	13 334	13 334
General funding >1 yr[1]	USD	15 000	1 231	11 171
Extendible notes	USD	15 000	7	64
Total				**583 167**
Total programme or limited amounts, SEK m	1 937 028			
Unutilised amount, SEK m	1 353 861			
Remaining to utilise, %	**70**			

[1] It is possible to issue in other currencies than the original programme currency under these programmes, where currency conversion takes place at the time of issue.

ORGANISATIONAL STRUCTURE

Handelsbanken has a highly decentralised business model, but all funding and liquidity risk management in the Group is centralised to Central Treasury. Funding and liquidity risk management is governed by policies established by the Board which also decides on limits. Guidelines from the CEO and instructions from the CFO make these policies concrete. The guidelines establish limits, the composition of the funding and guides in the case of disruptions in the funding markets. Furthermore, all liquidity risk limits are channelled to the operations via Group Treasury.

Group Treasury is also responsible for the Bank's clearing operation and monitors liquidity flows during the day to ensure that the Bank has sufficient collateral in its payment systems at any given time to meet the Bank's payment obligations. The Bank's liquidity monitoring takes place locally, near the transactions, and is supplemented by central management of collateral and the liquidity reserve for the whole Group.

The size of collateral in the clearing systems is determined on the basis of what the Bank deems is required to fulfil its obligations, both in normal circumstances and in case of larger flows. If the flow changes, the size of collateral and liquidity is adjusted, and in times of crisis, collateral can also be redistributed and the liquidity reserve can be activated. The Bank secures liquidity in its nostro accounts for expected payment and settlement undertakings through active liquidity planning and monitoring in all currencies.

MARKET FUNDING – COMPOSITION

During the year, Handelsbanken issued long-term market funding totalling SEK 210 billion (214), spread over all the currencies that are important to the Bank. Short-term funding is mainly done by issuing certificates of deposit under the various loan programmes in Sweden, Europe and the US. These loan programmes are supplemented by funding in the international interbank market. During the year, the Bank thus continued to meet investors to the same extent as previously, updated its funding programmes and also in other respects maintained the conditions for bond funding on all relevant funding markets worldwide. This enables funding operations to be maintained in circumstances that are much more difficult than those which have existed in the past few years.

LIQUIDITY RISK

The Bank handles a large number of incoming and outgoing cash flows every day. The gap between incoming and outgoing cash flows is restricted by means of limits. Group Risk Control reports risk utilisation daily to the CFO, weekly to the CEO, and on a regular basis to the Board.

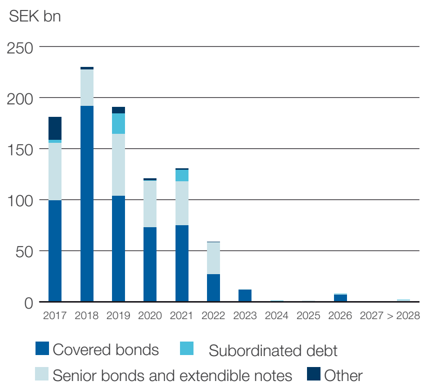
Liquidity planning is based on an analysis of cash flows for the respective currency. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where the liquidity is low. The strategy is that expected outgoing cash flows from the Bank must always be matched with incoming cash flows into the Bank that are at least of the same amount, and that a positive cash flow and cash position must be maintained – even in stressed conditions. This kind of gap analysis is supplemented by scenario tests, in which the effect on liquidity is stressed and analysed using various assumptions.

The governance of the Bank's liquidity situation is based on these stress tests, which are performed at an aggregate level and also individually for the currencies that are essential to the Bank. Resistance to more long-term disruptions in the market is therefore measured on a daily basis through stress testing of cash flows based on certain assumptions. For example, it is assumed that the Bank cannot obtain funding in the financial markets at the same time as 10 per cent of non-fixed-term deposits from households and companies disappear gradually in the first month. It is further assumed that the Bank will continue to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies will be renewed at maturity and that issued commitments and credit facilities will be partly utilised by customers. The Bank also takes into account that balances with central banks and banks will be utilised and that Group Treasury's securities can immediately supply liquidity if provided as collateral, primarily on the market, and as a last resort in central banks.

Measures to create liquidity are also used to gradually provide the Bank with liquidity. With these conditions, the Bank will be liquid for more than three years. Thus, the Bank also has major powers of resistance to serious, long-term disruptions in the funding markets.

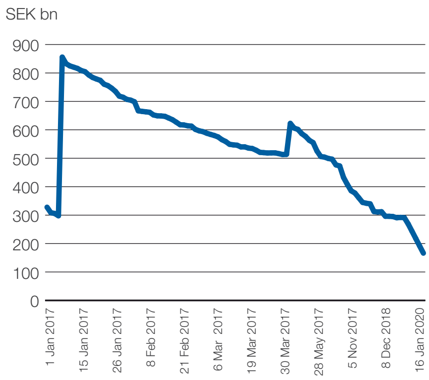
A condition for the Bank to be able to maintain such substantial resistance to disruptions in the financial markets as stated above is that the balance sheet is well balanced. The Composition of the balance sheet from a maturity perspective diagram shows that the volume of current assets significantly exceeds the volume of current liabilities in a stressed scenario where

Maturity profile long-term market funding

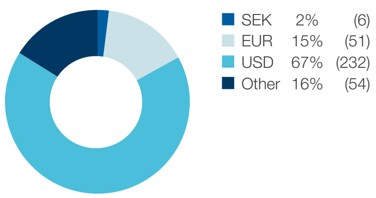


Refers to issued securities as at 31 December 2016 with an original maturity exceeding one year.

Stress test of liquidity, including liquidity-creating measures – accumulated liquidity position

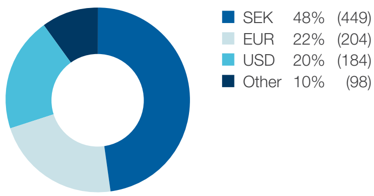


Short-term market funding by currency 2016



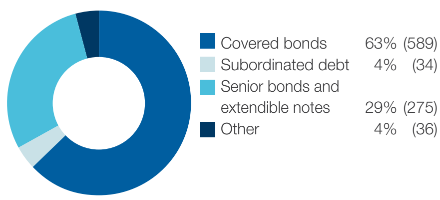
Refers to the currency breakdown as at 31 December 2016 for issued securities with original time to maturity of less than one year. Amounts in brackets SEK billions.

Long-term market funding by currency 2016



Refers to the currency breakdown as at 31 December 2016 for issued securities with original time to maturity of more than one year. Amounts in brackets SEK billions.

Long-term market funding by instrument 2016



Refers to breakdown by instrument as at 31 December 2016 for issued securities with original time to maturity of more than one year. Amounts in brackets SEK billions.

20 per cent of the deposits are assumed to disappear within one year. Furthermore, the volume and quality of unutilised collateral must be able to give the Bank the liquidity it needs in times of crisis. Consistently steering the Bank towards positive future net cash flows, instead of point-in-time ratios, also secures this over time.

The Maturity analysis for financial assets and liabilities table shows cash flows for the contracted payment commitments, including interest flows, due for payment at the latest within the stated time intervals. 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. Assets, liabilities and interest flows are also shown that mature in the time intervals corresponding to the contractual maturity dates. Interest flows for lending in the mortgage operations are matched in time with the liabilities that funded the lending. Financial guarantees, committed loan offers and unutilised overdraft facilities are reported in their entirety in a 0–1-month time interval. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

Since 2013, liquidity coverage ratio (LCR) has been a binding requirement for Swedish banks, and Handelsbanken reports it according to the Swedish Financial Supervisory Authority's definition. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The ratio must be more than 100 per cent. The requirement applies to LCR at aggregate level and separately for US dollars and euros. As of 1 October 2015, the European Commission's delegated act contains a minimum European requirement for LCR. The minimum requirement was 70 per cent during 2016, to be gradually raised to 100 per cent by 2018, when the delegated act will be fully implemented. The LCR introduced by the Swedish Financial Supervisory Authority is based on considerably more stressed assumptions, particularly in terms of outflow assumptions regarding deposits and the composition of the liquidity portfolio.

The LCR may display a degree of volatility over time, for example when funding that was originally long term and that finances mortgage loans is replaced by new long-term funding, or when the composition of counterparty categories varies in the short-term funding. At the year-end, the Group's aggregated LCR according to the Swedish Financial Supervisory Authority's definition was 126 per cent (137), which shows that the Bank has large resistance to short-term disruptions in the funding markets. This also applies in US dollars and euros. The Bank's LCR, calculated according to the European Commission's delegated act, was 142 per cent (140). The structural liquidity measure, net stable funding ratio (NSFR) – the ratio between available stable funding and the requirement for stable funding – was 102 per cent (100) for the Group at the end of 2016.

PRICING OF LIQUIDITY RISK

An important part of liquidity risk management is that deposits and lending are priced internally, taking into account the liquidity risks that they give rise to. For example, when the Bank grants a loan with a long maturity this creates the need to obtain additional long-term funding – which is more expensive than shorter-term funding. This is because investors who purchase the Bank's long-term bonds normally demand higher compensation for the maturity. This must be taken into account in the Bank's internal pricing by ensuring that the price which internal units in the Bank have to pay for the loans they obtain from Group Treasury varies according to factors such as the maturity period. No liquidity risks can be taken locally. The internal pricing is important in order to create the right incentive and to avoid unsound risk-taking. The Bank has worked with maturity-based internal prices for a long time. They ensure that the price at contract level takes into account the liquidity risk that the agreement has given rise to. This system was already fully implemented at the Bank in 2010.

Liquidity coverage ratio (LCR)

%	2016	2015
EUR	136	161
USD	322	429
Total	**126**	**137**

Calculated according to the Swedish Financial Supervisory Authority's directive 2012:6 which came into force on 1 January 2013.

Liquidity coverage ratio (LCR) – decomposition

SEK m	2016	2015
Liquid assets	**290 058**	**283 573**
Liquid assets level 1	251 189	242 606
Liquid assets level 2	38 869	40 967
Cash outflows	**359 659**	**318 364**
Deposits from customers	173 496	141 589
Market funding	151 735	142 770
Other cash outflows	34 428	34 005
Cash inflows	**129 176**	**111 599**
Inflows from maturing lending to non-financial customers	21 146	22 612
Other cash inflows	108 030	88 987

The components are defined in line with the Swedish Financial Supervisory Authority's directives 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. Lending to non-financial customers corresponds to Chapter 5, Section 4. Other cash inflows corresponds to Chapter 5, Sections 6–12.

Maturity analysis for financial assets and liabilities 2016 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	222 401	-	-	-	-	-	-	222 401
Interest-bearing securities eligible as collateral with central banks[1]	97 464	-	-	-	-	-	-	97 464
Bonds and other interest-bearing securities[2]	64 344	-	-	-	-	-	-	64 344
Loans to credit institutions	24 274	2 465	432	151	1 109	3 637	-	32 068
of which reverse repos	*4 091*	-	-	-	-	-	-	*4 091*
Loans to the public	57 373	255 724	175 411	194 707	365 045	1 008 017	-	2 056 277
of which reverse repos	*7 493*	-	-	-	-	-	-	*7 493*
Other	22 769	-	-	-	-	-	223 839	246 608
of which shares and participating interests	*20 412*	-	-	-	-	-	-	*20 412*
of which claims on investment banking settlements	*2 357*	-	-	-	-	-	-	*2 357*
Total assets	**488 625**	**258 189**	**175 843**	**194 858**	**366 154**	**1 011 654**	**223 839**	**2 719 162**
Due to credit institutions	98 640	48 077	4 275	4 729	589	6 744	18 944	181 998
of which repos	-	-	-	-	-	-	-	*0*
of which deposits from central banks	*30 792*	*34 439*	*1 561*	-	-	-	*1 868*	*68 660*
Deposits and borrowing from the public	17 664	21 061	5 553	867	2 619	2 614	775 803	826 181
of which repos	*2*	-	-	-	-	-	-	*2*
Issued securities[3]	102 983	361 714	87 129	249 491	438 391	84 163	-	1 323 871
of which covered bonds	*87*	*105 475*	*17 241*	*205 687*	*267 098*	*48 094*	-	*643 682*
of which certificates and other securities with original maturity of less than one year	*101 753*	*222 236*	*25 435*	-	-	-	-	*349 424*
of which senior bonds and other securities with original maturity of more than one year	*1 143*	*34 003*	*44 453*	*43 804*	*171 293*	*36 069*	-	*330 765*
Subordinated liabilities	389	840	3 059	1 228	32 808	-	-	38 324
Other	4 105	-	-	-	-	-	320 193	324 298
of which short positions	*1 572*	-	-	-	-	-	-	*1 572*
of which liabilities on investment banking settlements	*2 533*	-	-	-	-	-	-	*2 533*
Total liabilities	**223 781**	**431 692**	**100 016**	**256 315**	**474 407**	**93 521**	**1 114 940**	**2 694 672**
Off-balance-sheet items								
Financial guarantees and unutilised committed loan offers	425 267							

Derivatives 2016 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	272 926	433 368	75 052	103 839	292 940	95 384	1 273 509
Total derivatives outflow	271 566	423 873	71 189	90 801	264 335	92 441	1 214 205
Net	**1 360**	**9 495**	**3 863**	**13 038**	**28 605**	**2 943**	**59 304**

Maturity analysis for financial assets and liabilities 2015 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	236 752	-	-	-	-	-	-	236 752
Interest-bearing securities eligible as collateral with central banks[1]	75 192	-	-	-	-	-	-	75 192
Bonds and other interest-bearing securities[2]	44 951	-	-	-	-	-	-	44 951
Loans to credit institutions	31 161	13 968	212	230	787	3 920	-	50 278
of which reverse repos	*14 586*	*8 833*	-	-	-	-	-	*23 419*
Loans to the public	58 113	233 279	171 597	191 513	364 138	940 827	-	1 959 467
of which reverse repos	*7 742*	-	-	-	-	-	-	*7 742*
Other	34 952	-	-	-	-	-	215 020	249 972
of which shares and participating interests	*30 387*	-	-	-	-	-	-	*30 387*
of which claims on investment banking settlements	*4 565*	-	-	-	-	-	-	*4 565*
Total assets	**481 121**	**247 247**	**171 809**	**191 743**	**364 925**	**944 747**	**215 020**	**2 616 612**
Due to credit institutions	69 819	67 894	1 620	5 868	903	7 736	14 113	167 953
of which repos	*290*	-	-	-	-	-	-	*290*
of which deposits from central banks	*13 066*	*55 291*	-	*5*	-	-	*1 333*	*69 695*
Deposits and borrowing from the public	3 119	43 653	7 729	1 084	2 396	6 650	689 373	754 004
of which repos	-	-	-	-	-	-	-	*0*
Issued securities[3]	98 204	356 399	120 523	182 911	478 689	79 415	-	1 316 141
of which covered bonds	*23*	*44 708*	*68 531*	*120 017*	*337 249*	*33 424*	-	*603 952*
of which certificates and other securities with original maturity of less than one year	*96 773*	*270 064*	*7 722*	-	-	-	-	*374 559*
of which senior bonds and other securities with original maturity of more than one year	*1 408*	*41 627*	*44 270*	*62 894*	*141 440*	*45 991*	-	*337 630*
Subordinated liabilities	374	825	2 566	4 226	21 791	10 416	-	40 198
Other	8 940	-	-	-	-	-	315 985	324 925
of which short positions	*2 416*	-	-	-	-	-	-	*2 416*
of which liabilities on investment banking settlements	*6 524*	-	-	-	-	-	-	*6 524*
Total liabilities	**180 456**	**468 771**	**132 438**	**194 089**	**503 779**	**104 217**	**1 019 471**	**2 603 221**
Off-balance-sheet items								
Financial guarantees and unutilised committed loan offers	420 857							

Derivatives 2015 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	270 580	390 214	75 129	115 406	274 686	110 695	1 236 710
Total derivatives outflow	269 984	384 083	72 032	108 327	254 483	108 497	1 197 406
Net	**596**	**6 131**	**3 097**	**7 079**	**20 203**	**2 198**	**39 304**

[1] SEK 68,022m (25,294) of the amount (excl. interest) has a residual maturity of less than one year.
[2] SEK 10,136m (6,021) of the amount (excl. interest) has a residual maturity of less than one year.
[3] SEK 528,907m (550,827) of the amount (excl. interest) has a residual maturity of less than one year.
For deposit volumes the column "Unspecified maturity" refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the Group's balance sheet. Maturity tables without interest flows, including maturity tables in foreign currencies, can be found in the Fact book at handelsbanken.se/ireng.

LIQUIDITY RESERVE

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves. Liquidity reserves are kept in all currencies that are relevant to the Bank and are accessible for Group Treasury. The liquidity reserve is independent of funding and foreign exchange markets and can provide liquidity to the Bank at any time – some parts immediately and other parts gradually over a period of time.

The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises government bonds, covered bonds and other high-quality securities which are liquid and eligible as collateral with central banks. These can also provide the Bank with immediate liquidity. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-creating measures.

ENCUMBERED ASSETS AND COVER POOLS

Another important part of Handelsbanken's liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. One prerequisite for being able to pledge additional collateral is for the Bank to have collateral at its disposal from the outset. The Bank therefore retains substantial volumes of non-encumbered assets that could be used as collateral in the issue of covered bonds and liquid securities with very high credit ratings.

The Bank is restrictive about entering into agreements with other parties than credit institutions, such as CSA agreements that stipulate that the Bank, according to certain criteria, may be forced to provide collateral to a counterparty. Cash collateral pledged under CSA agreements for outstanding derivatives totalled SEK 7,279 million (9,635). For more information, see Handelsbanken's Fact book, Assets pledged table. In addition to securing the Bank's liquidity, this restrictive approach contributes to limiting the extent to which the Bank's senior lenders have lower priority than lenders who invest in covered bonds, known as subordination.

To assess the degree of subordination between investors of non-encumbered funding and encumbered funding, the volume and credit quality of the non-encumbered assets are the relevant factors. Handelsbanken's restrictive approach to risk-taking means that the non-encumbered assets are of high quality. Since Handelsbanken wishes to have a balanced utilisation of covered and senior bonds, there is a large volume of mortgage loans which are not encumbered. Other non-encumbered loans also have a low risk measured, for example, in terms of the Bank's internal rating.

The table Non-encumbered/non-pledged assets shows that the volume of non-encumbered assets for Handelsbanken is 210 per cent (203) of the outstanding volume of non-encumbered funding. At the end of the

Holdings with central banks and banks, and securities holdings in the liquidity reserve, market value 2016

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	4 821	99 487	30 460	89 765	224 533
Balances with other banks and National Debt Office, overnight	7 567	22	23	100	7 712
Government-issued securities	70 483	6 430	12 519	-	89 432
Securities issued by municipalities and other public entities	2 051	287	4 447	-	6 785
Covered bonds	36 631	2 108	-	10 306	49 045
Own covered bonds	4 602	-	-	-	4 602
Securities issued by non-financial companies	1	26	-	-	27
Securities issued by financial companies (excl. covered bonds)	85	20	-	19	124
Other securities	-	-	-	-	-
Total	**126 241**	**108 380**	**47 449**	**100 190**	**382 260**

Holdings with central banks and banks, and securities holdings in the liquidity reserve, market value 2015

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	15 998	45 560	94 626	80 175	236 359
Balances with other banks and National Debt Office, overnight	0	43	75	1 062	1 180
Government-issued securities	33 915	6 900	16 933	-	57 748
Securities issued by municipalities and other public entities	2 045	275	3 068	-	5 388
Covered bonds	35 707	2 554	-	10 521	48 782
Own covered bonds	1 314	-	-	-	1 314
Securities issued by non-financial companies	502	135	-	-	637
Securities issued by financial companies (excl. covered bonds)	214	4	-	15	233
Other securities	-	-	-	-	-
Total	**89 695**	**55 471**	**114 702**	**91 773**	**351 641**

year, the Bank decided to reduce the volume of short-term deposits. This explains the decrease in holdings with central banks and the ratio between non-encumbered assets in relation to the outstanding volume of non-covered funding compared with previous quarters.

The majority of the encumbered assets consist of Stadshypotek's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. The Bank also has voluntary OC (over-collateralisation – i.e. extra assets in addition to those which are needed to cover the issued bonds) of 8 per cent which is included in the pool. This exceeds the statutory requirement of 2 per cent. These extra assets are in the pool in case the value of the mortgage loans were to fall to a level such that further assets are needed to match the volume of outstanding bonds.

When assessing the risk that it will be necessary to add further assets, the loan to value (LTV) of the mortgage loans in the cover pool is of fundamental importance. The lower the LTV, the lower the risk that more mortgage loans are required in the pool if prices fall in the property market. Handelsbanken's average LTV – LTV Max – was 50.0 per cent (53.6) in the Swedish pool and 53.6 per cent (56.7) in the Norwegian pool. A Finnish cover pool was added during the year with an average LTV of 48.7 per cent. This shows that the Bank can withstand substantial drops in prices of underlying property assets before further mortgage loans have to be added to the pools.

The assets which the Bank has chosen to keep outside the pool are shown in the Non-encumbered/non-pledged assets table and can be used for issues of covered bonds if necessary.

Encumbered assets and other pledged collateral	Recognised amounts	
SEK bn	2016	2015
Loans to the public[1]	663	618
Government instruments and bonds	34	26
Equities	1	1
Cash	17	22
Other	125	113
Total[2]	**840**	**780**
Other pledged assets[3]	33	33

Loans to the public are reported at amortised cost. Other pledged assets are reported at fair value. The reported value of the liabilities related to the collateral was SEK 854bn.
[1] Of which over-collateralisation in the cover pool (OC) SEK 61bn (57).
[2] Of which SEK 20bn (18) is collateral which can be freely reclaimed by the Bank.
[3] Of which SEK 27bn (22) is collateral which can be freely reclaimed by the Bank.

Non-encumbered/non-pledged assets	2016		2015	
SEK bn	(NEA)[1]	Accumulated share of non-secured funding, %[2]	(NEA)[1]	Accumulated share of non-secured funding, %[2]
Cash and balances with central banks	**232**	**28**	**238**	**28**
Liquid bonds in liquidity portfolio	**150**	**46**	**114**	**42**
Loans to households including derivatives	**466**		**486**	
of which mortgage loans	*284*	*80*	*283*	*75*
of which loans secured by property mortgage	*11*	*81*	*14*	*77*
of which other household lending	*171*	*101*	*189*	*100*
Loans to companies including derivatives	**831**		**786**	
of which mortgage loans	*186*	*124*	*170*	*120*
of which loans to housing co-operative associations excl. mortgage loans	*48*	*129*	*40*	*125*
of which loans to property companies incl./excl. mortgage loans				
- risk category 1–3	*260*	*160*	*238*	*153*
- risk category 4–5	*98*	*172*	*88*	*163*
- of which risk category > 5	*10*	*173*	*11*	*165*
of which other corporate lending				
- risk category 1–3	*144*	*191*	*150*	*182*
- risk category 4–5	*70*	*199*	*71*	*191*
- risk category > 5	*15*	*201*	*18*	*193*
Loans to credit institutions including derivatives	**32**		**46**	
- risk category 1–3	*32*	*205*	*46*	*198*
- risk category > 3	*0*	*205*	*0*	*198*
Other lending	**0**	**205**	**0**	
Other assets	**44**	**210**	**39**	**203**
Total	1 755	210	1 709	203

[1] NEA: Non-encumbered assets.
[2] Issued short and long non-secured funding and due to credit institutions.

Collateral received available for encumbrance	Fair value of collateral received available for encumbrance		Fair value of encumbered collateral received	
SEK bn	2016	2015	2016	2015
Government instruments and bonds	12	11	1	5
Shares	3	4	4	4
Total	**15**	**15**	**5**	**9**

The carrying amount of the liabilities and other commitments for which the collateral has been pledged amounts to SEK 4bn (8).

Cover pool data	Sweden		Norway		Finland[1]
SEK m	2016	2015	2016	2015	2016
Stadshypotek total lending, public	983 160	936 504	79 564	66 986	50 724
Available assets for cover pool	902 862	859 398	75 226	62 264	47 473
Utilised assets in cover pool	626 458	600 025	31 269	17 701	5 193
Maximum LTV, weighted average ASCB definition[2]	49.97	53.6	53.63	56.7	48.72
Volume-weighted LTV (LTV Mid)	25.2	27.1	27.5	29.1	24.54
LTV, breakdown					
0–10%	25.5	23.5	23.4	19.6	26.8
10–20%	21.3	20.1	20.3	20.3	23.3
20–30%	17.4	16.8	16.9	17.3	20.5
30–40%	13.7	13.7	14.1	14.9	15.7
40–50%	10.2	10.8	11.2	12.1	11.2
50–60%	6.9	8	8.2	9.2	2.5
60–70%	3.9	5.4	4.8	5.5	0
70–75%	1.1	1.7	1.1	1.1	0
Loan amount, weighted average, SEK	647 500	625 700	3 673 983	3 115 226	825 096
Loan term, weighted average, no. of months[3]	93	42	22	22	68
Interest fixing periods, breakdown					
Floating rate, %	47,2	45	100	100	100
Fixed rate, %	52,8	55	0	0	0

[1] New cover pool created during 2016.
[2] Association of Swedish Covered Bond issuers.
[3] As of Q2 2016, calculated from the approval date of the loan instead of the latest date for amendment of specific terms.

OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.

RISK STRATEGY AND RISK LIMITATION

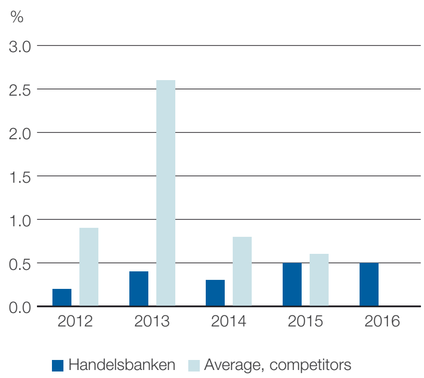
Handelsbanken has a low tolerance of operational risk, while operational risk is an inevitable component of all operations at the Bank. The responsibility for identifying, assessing and managing operational risk is an integral part of managerial responsibility at all levels in Handelsbanken. The Bank's decentralised working method promotes good management of operational risk by means of the cost-consciousness which leads to vigilance against potential loss risks in daily procedures and events. Operational errors and deficiencies are reduced as far as possible. This applies to minor but frequent events and major events which could cause major unexpected losses. The strong focus on good administrative order in the Group also contributes to all parts of the operations keeping their risks at a level which is in line with the Bank's strict view of risk.

Operational risk must be managed so that the Group's operational losses remain small, both in comparison with previous own losses incurred, and with other banks' operational losses. The CEO has established limits for operational risks. In 2016 Handelsbanken's operational losses, which comprise possible and actual operational losses and any recoveries, amounted to SEK 107 million (103). It is not unusual that the level of operational losses is adjusted over time due to recoveries or other compensation received, or that other losses are added which are related to a previously reported incident. This may affect the comparison figures for previously reported losses.

ORGANISATIONAL STRUCTURE

Management of operational risk is carried out in the business operations and its work is checked by local risk control and Group Risk Control.

Volume-weighted operational losses as a proportion of operating profit*



* Competing banks which have published information about operational losses: SEB, Swedbank, DNB. The banks have different threshold levels for operational losses.

Specially appointed local co-ordinators (local OpRisk co-ordinators) for operational risk are in place at regional banks, main departments, subsidiaries and units outside the Bank's home markets to assist managers in their managing of operational risk. They are responsible for ensuring that existing methods and procedures for managing operational risk are used in the business operations. They are also responsible for monitoring that the business operations take and implement appropriate proactive measures. Local risk control at regional banks, main departments, subsidiaries and units outside the Bank's home markets check that management of operational risk is correctly performed. This is done by means of regular quality assurance and evaluation of the operations' work with operational risk.

Group Risk Control has the overall responsibility for the methods and procedures used to identify, steer, control and report operational risks, and for follow-up at Group level. To achieve and maintain good quality in this management, Group Risk Control has close, regular co-operation with local OpRisk co-ordinators and local risk control. Group Risk Control is also responsible for analysing and reporting the Group's operational risk to the management and Board.

METHODS FOR IDENTIFYING, ASSESSING AND MANAGING OPERATIONAL RISK

As an aid to continual identification, assessment and management of operational risks, the Bank has a reporting and case management system for incidents, a self-assessment procedure and Key Risk Indicators.

Incident reporting

All employees throughout the Group must collect facts about incidents which have affected their unit and which result in a loss in excess of SEK 25,000. To further promote the unit's proactive work with risks, all employees are encouraged to also collect facts about incidents which lead to smaller losses or no loss at all.

Incidents reported are reviewed and categorised on a regular basis by the local OpRisk co-ordinator. The Bank categorises operational risk according to seven types of events:

- execution, delivery and process management
- business disruptions and system failures
- clients, products and business practices
- external crime
- damage to physical assets
- employment practices and workplace safety
- internal fraud.

Self-assessment procedure OPRA Risk Analysis

OPRA Risk Analysis is a self-assessment procedure to document and assess operational risks which may have an impact on the Bank. It is carried out at least once a year at all units. The respective head of all regional banks, main units, subsidiaries and international units outside the Bank's home markets is responsible for this being performed. The local OpRisk co-ordinator provides support for the planning and implementation. Normally, between five and eight experienced employees who have a good overview of the unit's operations and risks participate in the self-assessment procedure. The aim is to assess the consequence and likelihood of an event. The assessment of the impact includes both financial losses and lost reputation. Information that is important as the basis of OPRA Risk Analysis includes facts and statistics from incidents reported over the past year, audit reports, compliance reports, external public events in the business environment, and OPRA Risk Analyses from other units and essential processes that are relevant. The self-assessment procedure results in an action plan stating the risks to be reduced, how this will be done, who is responsible and time limits for when measures are to be taken. The action plan is a working document that is regularly followed up during the year by the business operations with the support of the local OpRisk co-ordinator. Local risk control is informed about the completed OPRA Risk Analysis, including the action plan, and it evaluates the procedure. Group Risk Control provides regular support to the local OpRisk co-ordinator's planning, implementation and follow-up and also performs an annual aggregate assessment of the evaluations from all local risk control units.

Key Risk Indicators

Key Risk Indicators are applied in order to identify and warn of heightened operational risk. The local OpRisk co-ordinators regularly collect data and present it to the local management. Some Key Risk Indicators are collected by Group Risk Control and presented to management and the Board. If a threshold value for a risk indicator is exceeded, a consequence and probability assessment is carried out and documented by the responsible unit.

OPERATIONAL RISKS WITHIN IT AND INFORMATION SECURITY

The Bank's operations are conditional on availability and security in its IT services. Operational risks in this area are managed according to the same procedures as in other parts of the Bank, with the addition of special procedures for managing specific types of risk within the area in question, for example:

- monitoring IT production
- management of IT incidents
- business intelligence with regard to cyber threats
- on-call preparedness for dealing with IT security incidents
- preparedness for managing attempted fraud
- transaction monitoring.

NEW PRODUCTS AND SERVICES

The Bank pays great care when processing new products and services and major changes to existing products and services. Each business area, subsidiary and regional bank with product responsibility processes new products in accordance with central guidelines. There is an established decision procedure for how new products can be introduced, and a risk analysis is always performed under the leadership of the local risk control before a product is launched. The analysis takes account of the risks for the Bank and for the customer, including operational risk. Group Risk Control is involved in complex cases or when this is justified for other reasons.

ESSENTIAL PROCESSES

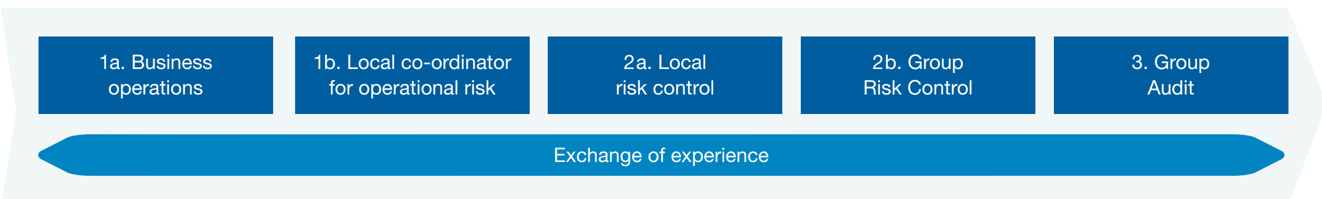
The Bank has identified and documented the processes which are essential to the Bank's operations. The Bank's list of essential processes is reviewed and revised on a regular basis. Risk analyses are performed annually, and when there is a change in an essential process.

CONTINGENCY AND CONTINUITY PLANNING

There are contingency and continuity plans in place in all parts of the Group for dealing with serious disruptions. Continuity plans are made for organisational units, IT systems and essential processes. Contingency planning helps the crisis team to quickly and systematically start to deal with a crisis situation and its effects. There is a central crisis team for the whole Group, and a local crisis team within each regional bank, subsidiary and international unit outside the Bank's home markets and also at Group Risk Control, Group IT, Group Finance, the national organisations in Sweden and in the UK, and Handelsbanken Capital Markets.

The Group Crisis Team has permanent staff consisting of key members of management or those close to them. The Group Crisis Team functions as a liaison crisis team in the event of a major crisis in the Group, supports the local

Operational risk management and control at Handelsbanken



crisis teams working with an acute crisis and functions as a crisis team for the main central departments. Continuity planning focuses on taking preventive measures to minimise the consequences of a serious disruption of business operations. Local risk control performs an annual evaluation of the procedure. Group Risk Control then performs an aggregated evaluation at Group level.

ORGANISATIONAL CHANGES

The Bank has instructions for business operation and/or organisational changes. These instructions state that there must be a decision procedure for decisions about major business operation and/or organisational changes, and the responsibility of the different functions in the process must be clearly stated. Before a decision is made about a business operation/organisational change, a risk analysis must be performed. Decisions and decision documentation must be documented.

ORX

The Bank is a member of ORX (Operational Riskdata eXchange Association). The main purpose of ORX is for participating banks to exchange anonymised data concerning incidents leading to operational losses. ORX also has an important function in standardising and ensuring the quality of data on operational risks. Extensive research is being done on methods regarding operational risk and it is an important forum for exchange of information.

RISK IN THE INSURANCE OPERATIONS

The risk in the insurance business mainly comprises market risks and insurance risks.

MARKET RISK

Handelsbanken Liv conducts life insurance operations with traditional management, unit-linked insurance and portfolio bond insurance. For unit-linked and portfolio bond insurance, the customer chooses the investment option and bears the market risk. In traditional insurance with guaranteed interest, Handelsbanken Liv bears the risk of fulfilling the financial guarantees entailed by the insurance terms.

The financial guarantee means that the company makes a capital contribution at the value of the insurance contract at specific points in time if the value is less than the guaranteed value of the insurance. Any capital contributions are realised at the year-end or when there is an insurance event.

Handelsbanken Liv's Board establishes the annual investment policy for the company, which is ultimately the controlling document for allocation of the company's investment assets relating to traditionally managed insurance. The purpose of the investment policy is to provide instructions on how the assets are to be invested given the undertakings to the policyholders and the statutory requirements of the Swedish Insurance Business Act and the applicable regulations of the Swedish Financial Supervisory Authority.

Handelsbanken Liv has a low risk tolerance. The goal of the asset management is to secure the company's obligations to the policyholders.

Market risk at Handelsbanken Liv arises in the management of investment assets for the traditional insurance and from the fact that the value of the company's guaranteed obligations is sensitive to interest rate changes.

The total market risk at Handelsbanken Liv is calculated using Value at Risk (VaR) with a 99.5 per cent confidence level and a holding period of three months. In addition, the company's solvency ratio, the so-called traffic-light model and liability coverage are checked according to statutory requirements. The market risk management model used by Handelsbanken Liv weights the risk of a capital contribution at insurance contract level together with the risk of a capital contribution at company level due to the increased present value of future guaranteed amounts. Market risk is measured in terms of the overall sensitivity of the capital contributions to market disruptions. The risk exposure is checked daily against a limit stipulated by the Board of Handelsbanken. The larger of the value of contributions to policyholders or contributions due to solvency constitutes the risk utilisation. Sub-categories of financial risk are interest rate risk, equity risk, credit risk, property risk and exchange rate risk. The main risk at Handelsbanken Liv is interest rate risk. At year-end, VaR was SEK 785 million (819).

Liquidity risk in the insurance operations is the risk that the company will not be able to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. This risk is limited by most of the investment assets being invested in listed securities with good liquidity.

INSURANCE RISK

Insurance companies set their premiums based on assumptions regarding the size of costs for future insurance events. Insurance risk is the risk that the actual and assumed insurance costs differ. The ultimate governing document is Handelsbanken Liv's risk policy, established by the Board of the insurance company. Insurance risk at Handelsbanken Liv is related to the following events:

- mortality – payment to beneficiaries in the event of the death of the insured person
- longevity – payment that is dependent on the insured person living, e.g. pension disbursements
- morbidity – payment in the event of illness or work incapacity
- accident – payment in the event of accident.

An insurance policy may contain combinations of protection for these four events.

Most of Handelsbanken Liv's policies are taken out by small companies and private individuals. There is no risk concentration in terms of insurance risk, other than that most of the policies are taken out in Sweden.

Increased life expectancy in Sweden affects the insurance company's future obligations. The effect is positive for mortality insurance but negative for life insurance since life expectancy is rising and pension disbursements must then be made over a longer period. In 2015, Handelsbanken Liv started to use the life expectancy assumptions based on the industry standard, DUS14, and observed mortality in its own portfolio. If mortality continues to decline and in general were to be ten per cent lower than the company's assumptions, the present value of the expected increased cost would be SEK 77 million (67) for the part of the portfolio with longevity risk. Most of Handelsbanken Liv's insurance policies with mortality risk are, however, priced annually. This means that the company can unilaterally change the premium from year to year. Thus, an incorrect mortality assumption can be changed with rapid effect.

Changes in morbidity occur much more rapidly than changes in mortality, which may contribute to variations in the risk result. The result therefore depends both on how many insured persons fall ill and how many recover in relation to the assumptions applied. Sickness/disability insurance products are generally designed in such a way that the premium can be changed annually, thus allowing the company to compensate for changes in morbidity. The morbidity result in 2016 was SEK 133 million (53). Of this amount, SEK 83 million relates to settlement assumptions and updated methodology regarding how sickness and IBNR (incurred but not reported) reserves are calculated. SEK 15 million of the result is attributable to cases of sickness that occurred during the year, SEK 27 million to settling existing cases and the remaining SEK 8 million to incurred but not reported cases, and also to payment of sickness cases.

The insurance operations report their market and insurance risks as well as operational risk to the insurance company's Board and Chief Executive, to Group Risk Control and to the Bank's risk committee, which acts in an advisory capacity to the Bank's CFO and CEO. The risk situation is also reported regularly to the Board of the Bank.

COMPLIANCE RISK

Compliance risk is the risk that the Bank does not comply with laws, regulations and internal rules, or accepted business practices or standards.

The Handelsbanken Group has high ambitions regarding good administrative order, ethical standards and compliance with laws and regulations. In its Compliance Policy, Handelsbanken's Central Board has established that: "The Bank has a low tolerance with regard to compliance risks and, as far as possible, it must endeavour to prevent these risks." The objective is that no breaches of regulations should occur within the Group's operations, and that compliance risks are identified and managed.

Poor management of compliance risks may lead to increased operational and legal risks, reputation risk and the risk of intervention by the supervisory authorities. The work of compliance aims to identify compliance risks and to ensure that the requisite action is taken to manage them.

The Swedish Financial Supervisory Authority's regulations and general guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1), the European Banking Authority's Guidelines on Internal Governance (GL44), and the European Securities and Markets Authority's Guidelines on certain aspects of the MiFID compliance function requirements establish the guidelines for how supervisory authorities consider the compliance function should be set up, and how credit institutions should work with compliance matters. The Basel Committee's "Compliance and the compliance function in banks" also provides guidelines for how a bank's compliance function should be structured. Handelsbanken has implemented this work method through its policies, guidelines and instructions.

ORGANISATIONAL STRUCTURE

Handelsbanken's compliance function is organised as a central compliance department (Group Compliance), and also local compliance officers or departments (local compliance) in every business area, regional bank and central department, and in all countries where Handelsbanken has local operations.

RESPONSIBILITIES

Compliance is an essential part of Handelsbanken's operations and is thus the responsibility of all managers and employees in the Group. The compliance function is responsible for identifying and assessing material compliance risks, performing regular controls and assessments as to how the Bank fulfils its obligations with regard to legislation, regulations and other rules applying to the licensed operations, providing support and advice to the Bank's units regarding compliance questions and reporting to management and the Board regarding compliance and compliance risks. Group Compliance has the function responsibility for all compliance work at Handelsbanken. Local compliance has the operational responsibility at each unit.

Local compliance functions are evaluated by Group Compliance, in order to assess whether they have satisfactory independence and sufficient quantitative and qualitative resources.

RISK-BASED COMPLIANCE WORK

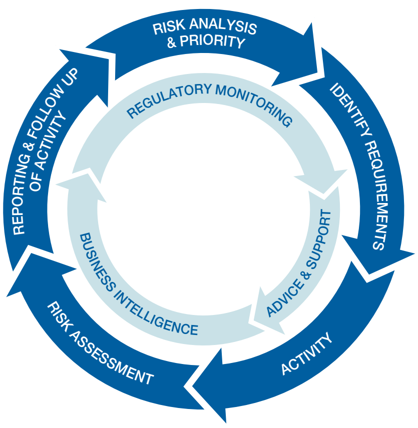
Compliance's risk-based work follows a structure based on identifying regulations, risk analysis for prioritisation, activities in the form of support and advice as well as controls, identifying compliance risks and reporting compliance risks. To evaluate Handelsbanken's compliance risks, a three-level assessment scale is used: "Low", "Medium" and "High". The assessments are based on the risk of sanctions, losses or damage to the brand. The Chief Compliance Officer reports identified compliance risks and action taken every quarter to the CEO, every six months to the Board's risk committee and annually to the Board.

COMPLIANCE RISKS

In 2016, a few compliance risks were reported as high and were subject to urgent action to reduce them to an acceptable level. In 2016, the risk that the Bank would be used for money laundering or for financing of terrorism was the highest risk. An extensive project is in progress to ensure good management of the risks and compliance in the Group in this area.

The increasingly comprehensive and detailed regulations concerning investment advice and insurance mediation constitute a compliance risk for Handelsbanken and for the banking system as a whole. The Bank has undertaken extensive measures in order to manage this risk. New system support for advisory services has been implemented, comprehensive internal training has been carried out, and internal control of the advice given has been enhanced. In this area of operations, projects are in progress to further improve support for advisors and to secure the process ahead of the forthcoming regulations.

Compliance work process



Within the framework of the Asset Quality Review and internal risk classification (IRB), Swedish and international supervisory authorities have raised questions primarily concerning the possibility of an external party being able to reproduce the risk classification that is carried out as part of Handelsbanken's decentralised expert model. As a result of this, the compliance risk in this area was also deemed to be higher. During the year, several measures were taken, in the form of training efforts and the compilation of new support instructions to ensure that the Bank can retain its expert-based working method, while continuing to comply with additional requirements.

Another area which comprises a potential risk for the Bank and the banking sector as a whole is data quality. The Bank is deemed to have complete information for its risk management, but future, new requirements are very strict in terms of automatic aggregation of data in various dimensions. A large internal project is in progress to ensure compliance in this area when the new regulations come into force.

RISK IN THE REMUNERATION SYSTEM

Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

The aim of Handelsbanken's policy on salaries is to increase the Bank's competitiveness and profitability, to enable the Bank to attract, retain and develop skilled staff, and to ensure good skills development and management succession planning. Good long-term profitability and productivity performance at the Bank create the conditions for stable and positive salary development for the Bank's employees.

Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and a pension provision. At Handelsbanken, salaries are set at local level. Salaries are set in salary reviews between the employee and their line manager. These principles have been applied for many years. They mean that managers at all levels participate regularly in salary processes, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs. Salaries are based on salary-setting factors defined in advance: the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), supply and demand in the market, and the task of ambassador for the Bank's corporate culture. To ensure that Handelsbanken has a well-designed remuneration system, risk in the remuneration system is managed as a separate risk class, with the same allocation of responsibilities as other types of risk. Handelsbanken has low tolerance of remuneration risks and actively strives to keep them at a low level. One of the ways this is achieved is by only using variable remuneration to a very limited extent. Where variable remuneration exists, it is subject to deferred payment.

ORGANISATION AND RESPONSIBILITY

In 2016, 229 (239) employees who have been able to earn variable remuneration, earned SEK 79 million (91) in variable remuneration. This amount corresponds to a small part of total salaries and the number of employees who receive variable remuneration is also a small proportion of the total number of employees. The Bank's principles for remuneration to employees are long established. The principles for the Bank's remuneration system are stipulated in the remuneration policy which is decided upon by the Board. More detailed guidelines and implementation directives are decided by the CEO. The responsibility for identifying and managing remuneration risks rests with every responsible manager in the operations. Local risk control regularly monitors that the remuneration system is applied as intended. Group Risk Control is responsible for analysing the risks associated with the remuneration policy and the remuneration system before the remuneration policy is processed and established by the Board. This is done at least once a year. The report analyses elements such as the incentive structure, the balance between fixed and variable remuneration, deferral rules, and effects on own funds. In addition, Group Risk Control evaluates the application of the remuneration system. Based on this risk analysis and evaluation, an assessment is made as to whether the remuneration system is designed in a way that could threaten the Bank's financial position. The data for the calculation of variable remuneration must be risk-adjusted, based on an assessment of present and future risks.

RISKS IN THE REMUNERATION SYSTEM

Handelsbanken's remuneration policy and remuneration system are deemed to generate low risks and promote sound and effective risk management, counteract excessive risk-taking, fit in with the Bank's low tolerance of risks, and support the Bank's long-term interests. The remuneration system is designed in such a way that there is no risk that the Bank's own funds are undermined as a result of mandatory payment of variable remuneration. It is possible to completely or partly reduce the variable remuneration.

For more detailed information and statistics about the Bank's remuneration system, see the Corporate Governance Report and note G8 in the Annual Report.

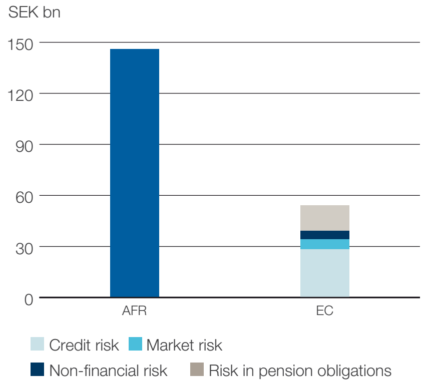
ECONOMIC CAPITAL

Handelsbanken's model for calculating economic capital identifies in one measurement the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

Group Risk Control is responsible for comprehensive monitoring of the Group's various risks. The Bank's model for economic capital (EC) is an instrument in this monitoring. It is also part of the Bank's assessment of the internal capital requirement which is reported quarterly to the Board. This assessment is intended to ensure that the Group has sufficient capital at all times in relation to all risks in the Group. The Group perspective means that economic capital also includes risks in the insurance operations and risks in the Bank's pension obligations.

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of EC must be made with a 99.97 per cent confidence level, which captures an event which is extremely unfavourable for the Bank. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome at a 99.97 per cent confidence level.

Total of AFR and EC including diversification 2016



Diversification effects between the different risk classes are taken into account when calculating EC. Since the risks are partly independent of each other, the capital requirement for all risks is lower than the sum of the economic capital for each individual risk.

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity with the addition of other financial values on and off the balance sheet, available to cover losses with a one-year time horizon.

In risk and capital management, the Group applies a shareholder perspective. The economic capital model provides an overall view of the Group which makes it possible to optimise the risk and capital situation from the shareholder's perspective. The outcome of the calculations plays an important role when new transactions or structural changes are considered.

Credit risk is calculated using simulated outcomes of default for all the Group's counterparties and exposures.

Market risks comprise the risk in the assets classified as the trading book, the interest rate risk in the banking operations, market risks in the insurance operations, and the risk in the investment portfolio of other operations.

The risk in the pension obligations mainly consists of the risk of a decrease in the assets held for securing the Bank's pension obligations. Most of the pension obligations are in Sweden and are secured there in a pension foundation and insured in an occupational pension fund

The non-financial risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected changes in financial performance in each business area. For example, these may arise due to demand or competition changing unexpectedly, thus resulting in lower volumes and squeezed margins. Property risk captures the risk of a fall in the value of the properties which the Bank owns.

At year-end, EC was SEK 54.2 billion (56.7), of which credit risks accounted for the main part of the total risk. The Board stipulates that the AFR/EC ratio should be at least 120 per cent.

Variable remuneration	2016	2015
Earned variable remuneration[1], SEK m	79	91
Salaries and fees, SEK m	8 103	7 986
No. of persons who are able to earn variable remuneration[2]	229	239
Average number of employees	11 759	11 819
Earned variable remuneration, as a proportion of salaries and fees, %	1.0	1.1
No. of persons who are able to earn variable remuneration as a proportion of average number of employees, %	1.9	2.0

[1] All variable remuneration is paid in cash. The amounts are excluding social security costs. The amounts are determined after the Annual Report is published.

[2] The number of persons who are allocated variable remuneration is determined after the Annual Report is published. Of the 239 persons who were able to earn variable remuneration in 2015, 182 received an allocation.

The ratio was 269 per cent (228) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

The risk and capital situation reported is a snapshot picture, even though the risk calculations include margins of conservatism for business cycle fluctuations. To perform a final assessment of the Group's capital adequacy requirements, account must also be taken of the stress and scenario analysis carried out as part of the Bank's capital planning.

CAPITAL PLANNING

Handelsbanken's capital planning aims to ensure that the Group has the right amount of financial resources available at all times and that the capital is of optimal composition.

The capital requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital and also of stress tests. The Bank's capital requirement is reported weekly to the CFO and the CEO, and at least quarterly to the Board.

As part of proactive capital planning, there is a contingency and action plan with specific measures that can be taken if the Bank needs to improve its capital position. The purpose of the contingency and action planning is to ensure that there is a warning system that identifies potential threats at an early stage and that the Group is prepared to take rapid action, if necessary.

At least annually, a long-term capital plan is drawn up, which is designed to give a comprehensive overview of the Group's current capital situation, a forecast of expected capital performance, and the outcome in various scenarios. These scenarios are designed to substantially differ from expected events and thus harmonise with the Group's low risk tolerance. The capital plan also contains proposals for how to maintain the capital situation at a satisfactory level in a strongly negative business environment, from both a regulatory and shareholder perspective.

The capital planning is divided into short-term and mid- to long-term forecasting. The part of capital planning that comprises short-term forecasts up to two years ahead principally focuses on assessing existing performance and the development of the capital requirement. This forecasting is necessary to enable continual adaptation of the size and composition of own funds.

Capital planning is performed through an ongoing analysis of changes in volume, risk and performance, and by monitoring events that may affect the capital requirements and capital level. Short-term forecasting includes all sub-components that make up the Group's own funds and, in addition to the regulatory minimum requirements and buffers, the capital requirement includes Pillar 2 of the regulations. This work also includes conducting various sensitivity analyses, with a short-term perspective, of the expected change in the capital adequacy requirement and own funds. The Bank can thus be prepared to alter the size and composition of its own funds if required – for example through market operations.

The result of the short-term analysis forms the basis of any capital operations performed and is reported weekly to the CFO and CEO and, if necessary, to the Board. The analysis is based on a cautious basic scenario, with decision points in the near future for how existing earnings capacity can cope with various changes in volume, as well as the effects which arise from potential capital operations.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's available financial resources (AFR) at all times cover by a good margin all risks calculated according to the economic capital model.

The long-term forecast also includes an assessment of the trend for the Bank's overall capital over the period: the minimum requirements, the combined buffer requirements and the Pillar 2 requirement. The objective is to forecast the expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning horizon is at least five years and takes account of the Group's overall business performance trend.

A basic scenario forms the foundation of the long-term capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth, financial assumptions such as loan losses, and performance of the equity, property and fixed income markets. The basic scenario is then compared to the outcomes in a number of business cycle and crisis scenarios. The stress scenarios have been established following analysis of the historical links between the impacts of different macroeconomic variables on the financial markets and have been selected by using the scenarios expected to have the most severe impact on Handelsbanken.

At the end of 2016, the common equity tier 1 ratio was 25.1 per cent (21.2). The ratio between AFR and EC was 269 per cent (228) at the same date. Thus, AFR exceeds the assessed internal capital requirement (EC) by a very good margin.

The Bank's strong position is further emphasised by the result of the various forward-looking stress scenarios which are carried out, showing that Handelsbanken's long-term capital situation is very stable from both a financial and regulatory perspective.

The capital planning also monitors regulatory developments and assesses impact and needs as a result of additional new requirements. For example, within the framework of this, a needs estimate is made, based upon the expected application of the resolution regulations' minimum requirement for own funds and eligible liabilities (MREL).

THE GROUP'S TARGETS FOR REGULATORY CAPITAL

The Board continuously sets the targets for the Bank's capitalisation. A cornerstone of the internal capital requirement assessment of the regulatory capital situation is stress and scenario analysis of the Bank's situation, both long-term and short-term. The scenarios used are principally based on the Bank's internal risk tolerance and the direct requirements resulting from the regulations and other requirements from public authorities. In addition to the internal assessment of the capital requirement, the Swedish Financial Supervisory Authority has communicated that the target figures of Swedish banks must not be lower than the total capital requirement calculated by the Authority, regardless of the banks' internal calculations. The Bank has taken this into account when setting the target figures for the regulatory capitalisation.

The Board has decided that the common equity tier 1 ratio, which is the most relevant measure for the governance of the Bank under the current regulatory framework, under normal circumstances must be between 1 and 3 percentage points above the total common equity tier 1 capital assessment communicated to the Bank by the Swedish Financial Supervisory Authority. The other capital tiers (the tier 1 ratio and the total capital ratio) must be at least 1 percentage point above the total capital assessment communicated to the Bank by the Swedish Financial Supervisory Authority for the respective capital tiers.

In November 2016, the Swedish Financial Supervisory Authority informed Handelsbanken that the Authority assesses that Handelsbanken's total requirement for common equity tier 1 capital at the end of Q3 2016 was SEK 98.8 billion, corresponding to a common equity tier 1 ratio of 21.3 per cent.

G3 Net interest income

SEK m	2016	2015
Interest income		
Loans to credit institutions and central banks	1 422	1 356
Loans to the public	39 333	41 963
Interest-bearing securities eligible as collateral with central banks	229	651
Bonds and other interest-bearing securities	783	915
Derivative instruments	-2 629	-2 386
Other interest income	1 317	1 377
Total interest income	**40 455**	**43 876**
Of which interest income reported in net gains/losses on financial transactions	505	824
Interest income according to income statement	**39 950**	**43 052**
Interest expense		
Due to credit institutions and central banks	-1 086	-908
Deposits and borrowing from the public	-1 423	-1 881
Issued securities	-17 740	-18 166
Derivative instruments	10 771	8 364
Subordinated liabilities	-1 534	-1 695
Other interest expense	-1 579	-1 574
Total interest expense	**-12 591**	**-15 860**
Of which interest expense reported in net gains/losses on financial transactions	-584	-548
	-12 007	**-15 312**
Net interest income	**27 943**	**27 740**

Includes interest income on impaired loans SEK 80m (107). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 42,172m (44,808). Total interest expense on liabilities recognised at amortised cost was SEK 22,778m (23,676).

G4 Net fee and commission income

SEK m	2016	2015
Brokerage and other securities commissions	916	1 071
Mutual funds	3 023	2 987
Custody and other asset management fees	623	600
Advisory services	317	326
Insurance	634	639
Payments	3 185	3 364
Loans and deposits	1 172	1 096
Guarantees	422	421
Other	488	471
Total fee and commission income	**10 780**	**10 975**
Securities	-260	-244
Payments	-1 289	-1 337
Other	-75	-74
Total fee and commission expense	**-1 624**	**-1 655**
Net fee and commission income	**9 156**	**9 320**

G5 Net gains/losses on financial transactions

SEK m	2016	2015
Trading, derivatives, FX effect etc.	832	1 965
Other financial instruments at fair value through profit/loss	466	-497
of which interest-bearing securities	*502*	*-401*
of which loans	*-36*	*-96*
Financial instruments at amortised cost	182	53
of which loans	*446*	*482*
of which liabilities	*-264*	*-429*
Financial instruments available for sale	1 689	1 203
Hedge accounting		
Fair value hedges	-8	-53
of which hedging instruments	*-47*	*38*
of which hedged items	*39*	*-91*
Ineffective portion of cash flow hedges	5	32
Hedge ineffectiveness on net investment in foreign operations	-	-
Gains/losses on unbundled insurance contracts	-100	-95
Total	**3 066**	**2 608**

Trading, derivatives, FX effect, etc.
The item mainly contains unrealised and realised changes in market value and interest and dividends referring to financial assets and liabilities held for trading.

Other financial instruments at fair value through profit/loss
The item contains unrealised and realised value changes on instruments which upon initial recognition were classified at fair value through profit/loss.* Unrealised value changes on these instruments comprise interest rate and currency effects and the effects of changed credit risk. The accumulated value change due to changes in credit risk from lending which upon initial recognition was classified at fair value through profit/loss is SEK 1 million (2).

Financial instruments at amortised cost
The item contains capital gains/losses that arise when loans are redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities.

Financial instruments available for sale
The item contains realised gains/losses on financial assets classified as available for sale. Interest income from these assets is recognised under net interest income and dividends on the line Other dividend income.

Hedge accounting
Fair value hedges includes the net profit/loss of unrealised and realised fair value changes on hedging instruments and the hedged risk component in financial assets and liabilities which are part of fair value hedges. Interest income and interest expense deriving from hedging instruments are recognised in net interest income. Value changes of hedging instruments in cash flow hedges which exceed the value changes of hedged future cash flows are reported under Ineffective portion of cash flow hedges. The impact on earnings of ineffective portions of net investment hedges in foreign operations is recognised in Hedge ineffectiveness on net investments in foreign operations.

Gains/losses on unbundled insurance contracts
Gains/losses on unbundled insurance contracts corresponds to the result generated when calculating the guaranteed yield on the financial component in unbundled insurance contracts.

* Value changes deriving from financial instruments which are plan assets in the Group's insurance operations are not included in this item. They are instead reported in Net fee and commission income.

G6 Risk result – insurance

SEK m	2016	2015
Premiums written	475	499
Insurance claims paid	-385	-376
Change in provisions for unsettled claims	100	11
Other	-48	23
Total	**142**	**157**

G7 Other income

SEK m	2016	2015
Rental income	34	33
Other operating income	169	180
Total	**203**	**213**

G8 Staff costs

SEK m	2016	2015
Salaries and fees	-8 103	-7 986
Social security costs	-1 922	-1 874
Pension costs[1]	-1 579	-1 360
Provision to profit-sharing foundation	-	-858
Other staff costs	-938	-503
Total	**-12 542**	**-12 581**

[1] The components in the reported pension costs are shown in the Pension costs table.

Salaries and fees SEK m	2016	2015
Executive officers[2]	-140	-150
Others	-7 963	-7 836
Total	**-8 103**	**-7 986**

[2] Executive Directors and Board in the parent company and Chief Executives, Deputy Chief Excutives and boards in subsidiaries (on average 55 people).

Gender distribution	2016		2015	
%	Men	Women	Men	Women
Executive officers excluding boards	62	38	67	33
of which in parent company	*69*	*31*	*79*	*21*
of which in subsidiaries	*58*	*42*	*54*	*46*
Boards	66	34	73	27
of which in parent company	*50*	*50*	*67*	*33*
of which in subsidiaries	*67*	*33*	*74*	*26*

Average number of employees	2016	Men	Women	2015	Men	Women
Sweden	7 046	3 305	3 741	7 263	3 410	3 853
UK	2 069	1 212	857	1 904	1 129	775
Norway	753	410	343	766	420	346
Denmark	673	340	333	690	361	329
Finland	613	252	361	614	258	356
USA	67	43	24	71	46	25
The Netherlands	218	150	68	170	109	61
Luxembourg	57	35	22	62	36	26
Germany	45	23	22	53	30	23
China	73	26	47	72	29	43
Poland	41	15	26	42	16	26
Singapore	39	11	28	39	12	27
Other countries	65	23	42	73	27	46
Total	**11 759**	**5 845**	**5 914**	**11 819**	**5 883**	**5 936**

Remuneration[3] exceeding EUR 1 million No. of persons	2016	2015
Range EUR 1.0–1.5m	5	4
Range EUR 1.5–2.0m	1	1
Range EUR 2.0–2.5m	-	-
Range EUR exceeding 2.5m	-	-
Total	**6**	**5**

[3] Including pension and other salary benefits.

EMPLOYEE BENEFITS

Information about remuneration principles to all employees in the Handelsbanken Group is provided in more detail in the Corporate Governance Report on pages 57–58.

In 2016, Handelsbanken adopted a new remuneration policy as a result of the European Banking Authority's new guidelines effective as of 1 January 2017. The new remuneration policy has also led to a change in the Bank's analysis criteria when identifying employees whose activities could affect the Bank's risk profile to a material extent (designated as "risk-takers" in the Bank). The 2016 analysis identified 1,240 risk-takers at the Bank as of 31 December 2016, compared with 8,101 such risk-takers as of 31 December 2015. The Handelsbanken Group's remuneration to its risk-takers is presented in the tables pursuant to disclosure requirements in the Swedish Financial Supervisory Authority's directive FFFS 2011:1. The figures for comparison specify risk-takers as if the new reimbursement policy had been applied in 2015.

Handelsbanken has not made any allocations to the Oktogonen profit-sharing scheme for the financial year 2016. For 2015, SEK 858 million was allocated. The amount reserved for 2015 was established by the Board in 2016 and corresponded to SEK 59,863 for a full-time employee in Sweden, after deductions for social security costs.

REMUNERATION TO EXECUTIVE OFFICERS

The executive officers of the parent company are the Group Chief Executive (CEO), other Executive Directors and Board members, who are presented on pages 60–63. The remuneration to executive officers of the parent company is in accordance with the guidelines for remuneration established by the 2016 annual general meeting (AGM). See also pages 57–58.

Information regarding remuneration, pension obligations, and credits to and deposits from executive officers of Handelsbanken is also provided on these pages for the subsidiaries' Chief Executives, Deputy Chief Executives and board members.

Remuneration to executive officers of the Handelsbanken Group is paid only in the form of fixed salary and pension provisions, as well as customary benefits such as a company car. The Bank may provide housing as part of the remuneration if approved by a special decision of the Board. No variable remuneration is paid. Executive officers who are employees of the Bank are included in Handelsbanken's Oktogonen profit-sharing scheme and are entitled to convert salary to pension on the same conditions as all employees.

Board members in the Handelsbanken Group who are not employees of the Bank have only received a fee according to the decision of the AGM.

Board members who are employees of the Bank or its subsidiaries receive remuneration and pension benefits by virtue of their employment. No further remuneration or pension benefits are paid for serving on the Board. Fees to Board members in the parent company are shown on pages 60–61 of the Corporate Governance Report.

The pension cost stated by the Bank in the remuneration information for executive officers below consists of the service cost relating to defined benefit pensions according to IAS 19, the agreed premiums for defined contribution pensions, and any pension premiums that have been sacrificed from salary.

CEO's remuneration and pension terms

For the period from 15 August until 31 December 2016, CEO Anders Bouvin, who was appointed during the year, received a fixed salary of SEK 4.4 million. Other salary benefits were SEK 0.1 million, and the pension cost was SEK 1.8 million corresponding to 40.1 per cent of the salary. The CEO was employed by the Bank before taking up this position and retains the pension conditions he has been covered by since 2002 when he was appointed Executive Vice President and became a member of the Bank's management. His defined benefit pension is earned successively until he reaches the age of 60, when it is equivalent to 65 per cent of his fixed salary. His defined contribution pension is 2 per cent of his salary until the age of 60. After the age of 60, his pension is only defined contribution, at which time it equals 35 per cent of his fixed salary. The defined benefit pension is deferred for disbursement after the completion of employment and is co-ordinated with statutory pension insurance.

The preceding CEO of the parent company, Frank Vang-Jensen, received a fixed salary for 2016 of SEK 9.5 million (7.3). Other salary benefits were SEK 0.5 million (0.9), and the Bank's pension cost was SEK 3.8 million (2.9). It is a

Remuneration[1] to risk-takers[2], business segments	2016		2015	
SEK m	Remuneration	No. of persons	Remuneration	No. of persons
Handelsbanken Sweden	550	533	581	544
Handelsbanken UK	421	282	452	268
Handelsbanken Denmark	100	75	95	70
Handelsbanken Finland	71	63	60	55
Handelsbanken Norway	97	67	89	65
Handelsbanken The Netherlands	49	43	40	32
Handelsbanken Capital Markets	210	60	266	82
Other	274	117	201	91
Total	**1 772**	**1 240**	**1 784**	**1 207**

Remuneration[1] to risk-takers[2]	2016		2015	
	Executive Management[3]	Other risk-takers	Executive Management[3]	Other risk-takers
Earned fixed remuneration, SEK m	137	1 629	158	1 618
Earned variable remuneration, SEK m	-	6	-	8
Total	**137**	**1 635**	**158**	**1 626**
No. of persons with fixed remuneration only	16	1 221	19	1 184
No. of persons who may receive both fixed and variable remuneration	0	3	0	4
Total number of persons	**16**	**1 224**	**19**	**1 188**
Guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-
Contracted guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-

[1] Earned remuneration has been recognised as an expense in its entirety. Variable remuneration is allocated at individual level during the financial year after it has been earned. Allocated variable remuneration for the year was earned in its entirety during 2015 and amounted to SEK 8m (6) for 3 persons (4), of which SEK 5m (3) has been disbursed and SEK 3m (3) has been deferred. Allocated variable remuneration is disbursed or deferred in accordance with the Bank's policy for variable remuneration. Deferred variable remuneration at the beginning of year was SEK 13m (9). SEK 3m (0) of this amount was disbursed during the year and deferred remuneration at the end of the year was SEK 13m (13). The right of disposal of the deferred remuneration transfers to the employee at the time of disbursement. All variable remuneration is paid in cash. The amounts are excluding social security costs. During the year, termination benefits of SEK 24m for 21 risk-takers have been recognised as an expense and SEK 31m has been contracted for 26 risk-takers. The largest individual contracted termination benefit is SEK 3.9m. No guaranteed variable remuneration is paid.
[2] Employees whose duties can significantly affect the Bank's risk profile according to the Commission Delegated Regulation (EU) 604/2014. There may be risk-takers or other specially regulated employees with variable remuneration in subsidiaries whose remuneration policy is subject to other EU regulations or other regulations published by the Swedish Financial Supervisory Authority.
[3] The Swedish Financial Supervisory Authority uses the concept of senior management in its regulations FFFS 2014:22. At Handelsbanken, this corresponds to the Executive Directors.

defined contribution pension. During his period of notice up to and including 30 June 2017, the Bank pays the fixed salary and maintains other salary benefits including a pension pursuant to the terminated employment contract.

Remuneration and pension terms for other executive officers in the parent company

Pension terms

Five (8) of the Bank's other Executive Directors receive a defined benefit retirement pension of a maximum of 65 per cent of their salary at the time of retirement, and also a pension premium of a maximum of two per cent of their salary. Their minimum retirement age is 60*, and the defined benefit retirement pension is earned successively during the period of employment; it is fully earned for these persons at the age of retirement.

A defined contribution pension with 65 as the age of retirement is received by 9 Executive Directors (9). The premium is individual and is a maximum of 50 per cent of the salary. In addition to this premium, 6 (5) of these people have a collectively agreed occupational BTP and BTPK pension.

An accrued defined benefit pension is vested and secured in the Bank's pension foundation or assured in the Bank's pension fund. If service ceases before retirement age, the person receives a paid-up policy for the defined benefit and/or defined contribution pension earned.

Remuneration

In 2016, Deputy CEO Carina Åkerström received a fixed salary of SEK 4.7 million (4.4). Other salary benefits were SEK 0.1 million (0.1), and the pension cost was SEK 3.0 million (2.4), corresponding to 64.9 per cent (53.8) of the salary.

Other Executive Directors, an average of 17 individuals (19) during the year, have received fixed salaries, after conversion to pension, totalling SEK 83.9 million (86.2). Other salary benefits were SEK 6.6 million (11.0), and the Bank's pension cost was SEK 38.5 million (37.2). Before conversion to pension, the pension cost was SEK 37.9 million (36.5), corresponding to 44.7 per cent (42.1) of the salary.

Fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank.

Remuneration to executive officers in subsidiaries

Fees paid to the 14 board members (16) of subsidiaries who are not employees of the Bank or its subsidiaries were SEK 2.8 million (2.1).

In 2016, the Chief Executives and Deputy Chief Executives of the subsidiaries, 17 individuals (24), received fixed salaries after conversion to pension equalling SEK 36.0 million (36.1). Other salary benefits were SEK 2.4 million (1.5), and the Bank's pension cost was SEK 6.8 million (5.4). Before conversion to pension, the pension cost was SEK 6.6 million (5.3), corresponding to 18.1 per cent (14.6) of the salary.

Remuneration is not paid to Chief Executives and Deputy Chief Executives of subsidiaries whose main duties are other work at Handelsbanken.

* In new pension terms entered into after 1 January 2012, the age of retirement is 65.

G8 Cont.

PENSION OBLIGATIONS TO EXECUTIVE OFFICERS

As of 31 December 2016, the pension obligation** for the CEO Anders Bouvin was SEK 205.3 million. As of 31 December 2016, the pension obligation for the Deputy CEO Carina Åkerström was SEK 77.2 million (72.2), and for the other Executive Directors in the parent company – 14 individuals (17) at 31 December 2016 – pension obligations were SEK 308.8 million (773.6).

Pension obligations in the Handelsbanken Group for all current and former executive officers were SEK 2,772 million (2,878) as of 31 December 2016. Pension obligations for all current and former executive officers in the parent company were SEK 2,697 million (2,733) as of 31 December 2016. The number of people covered by these obligations in the Group is 85 (83), of whom 60 (53) are pensioners. The corresponding number for the parent company is 69 (67), of whom 53 (48) are pensioners.

CREDITS TO AND DEPOSITS FROM EXECUTIVE OFFICERS

As of 31 December 2016, credits to executive officers in the parent company were SEK 76.5 million (146.2), and in the subsidiaries SEK 74.8 million (67.4). Deposits in the parent company from these individuals totalled SEK 568.6 million (662.5). In 2016, the Bank's interest income from these individuals for credits in the parent company totalled SEK 0.3 million (1.0), and in the subsidiaries SEK 0.8 million (0.8). Interest paid to these individuals for deposits in the parent company was SEK 2.0 million (3.9).

As of 31 December 2016, credits to executive officers in the subsidiaries in the Handelsbanken Group were SEK 106.6 million (131.9).

Credit and deposit terms for executive officers are in accordance with the same principles as for all other employees of the Handelsbanken Group. All credits are subject to a credit assessment.

** Pension obligations are amounts which, in accordance with IAS 19, the Bank reserves for payment of future defined benefit pensions. The amounts depend on financial and demographic assumptions which may change from year to year

Net pension obligations SEK m	2016	2015
Defined benefit obligation	29 670	29 150
Fair value of plan assets	27 509	23 836
Net pensions	**-2 161**	**-5 314**

In addition to the defined benefit obligation and plan assets in the above table, provisions have been made in the years 1989–2004 to Svenska Handelsbankens Pensionsstiftelse (pension foundation) to a special supplementary pension (SKP). This includes plan assets whose market value amounts to SEK 11,342m (12,310). SKP entails a commitment to the Bank amounting to the same amount as the plan assets.

A part of the commitment, SEK 8,652m (9,768), is conditional.

Due to changes in legislation, the Norwegian pension obligation no longer contains disability pensions. Otherwise no significant plan amendments, curtailments or settlements have been made during the year.

Pension costs SEK m	2016	2015
Service cost	-878	-764
Past service cost	23	0
Interest on defined benefit obligation	-692	-758
Interest on plan assets	562	711
Gains and losses from settlements and curtailments	-20	-3
Social security costs, defined benefit plans	-9	-15
Pension costs, defined benefit plans	**-1 014**	**-829**
Pension costs, defined contribution plans	-531	-518
Social security costs, defined contribution plans	-34	-13
Total pension costs	**-1 579**	**-1 360**

Defined benefit obligation SEK m	2016	2015
Opening balance	29 150	24 938
Service cost	878	764
Past service cost	-83	0
Interest on defined benefit obligation	692	758
Paid benefits	-809	-763
Gains and losses from settlements and curtailments	19	3
Actuarial gains (-)/losses (+)	-10	3 486
Foreign exchange effect	-167	-36
Closing balance	**29 670**	**29 150**

Plan assets SEK m	2016	2015
Opening balance	23 836	23 458
Past service cost	-60	-
Interest on plan assets	562	711
Funds contributed by the employer	169	182
Compensation to employer	-510	-505
Gains and losses from settlements and curtailments	-1	-
Funds paid directly to employees	-364	-319
Actuarial gains (+)/losses (-)	3 983	334
Foreign exchange effect	-106	-25
Closing balance	**27 509**	**23 836**

Return on plan assets SEK m	2016	2015
Interest on plan assets	562	711
Actuarial gains (+)/losses (-)	3 983	334
Actual return	**4 545**	**1 045**

Allocation of plan assets SEK m	2016	2015
Shares listed on an active market	24 788	21 540
Shares not listed on an active market	847	332
Interest-bearing securities listed on an active market	1 826	1 745
Interest-bearing securities not listed on an active market	263	293
Other plan assets	-215	-74
Total	**27 509**	**23 836**

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 144m (132) on the balance sheet date 31 December 2016. Bonds issued by Svenska Handelsbanken AB (publ) are included with a market value of SEK 515m (531). Other plan assets include a liability for compensation from the pension foundation that has not yet been paid out.

Actuarial gains (-)/losses (+), defined benefit obligation SEK m	2016	2015
Changes in demographic assumptions	-	-3
Changes in financial assumptions	41	3 210
Experience-based adjustments	-51	279
Total	**-10**	**3 486**

Future cash flows SEK m	Outcome 2016	Forecast 2017
Paid benefits	-809	-732
Funds contributed by the employer	169	164

Defined benefit pensions are mainly paid to employees in Sweden, Norway and the UK. Of the total net obligation, the Swedish plan is SEK 25,570m (25,665), the Norwegian plan is SEK 1,110m (1,076) and the UK plan is SEK 2,949m (2,374). In addition, there is a small defined benefit plan in Germany which, given its size, is not considered material and therefore is not presented in more detail.

Of the total plan assets, the Swedish plan assets are SEK 24,927m (21,395), the Norwegian plan assets are SEK 812m (733) and the UK plan assets are SEK 1,763m (1,701). In addition, there is a small amount of plan assets in Germany which, given its size, is not considered material and therefore is not presented in more detail.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. The retirement pension including the statutory pension is expected to be approximately 70% of the final salary up to 12 base amounts.

In the UK, defined benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67% of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 150,600 (2016/2017).

The pension plans are funded externally, meaning plan assets are held by trusts or similar legal entities. The trusts' (or equivalent) activities are regulated by national laws and practices, as is the relationship between the Group and the trust (or equivalent) managing the plan assets, and the framework for how the plan assets shall be composed of different types of assets. In Sweden, the Pension Obligations Vesting Act and the Mutual Benefit Societies Act are mainly applied, in Norway the Norwegian National Insurance Act is applied and in the UK, the standard UK pensions and tax law is applied.

Significant assumptions	Sweden		Norway		UK	
	2016	2015	2016	2015	2016	2015
Discount rate, %	2.40	2.25	2.90	2.90	2.70	3.80
Expected salary increase, %	3.5	3.5	2.3	2.5	5.0	4.8
Pension indexing, %	2.0	2.0	2.0	2.3	3.4	3.3
Income base amount, %	3.0	3.0	N/A	N/A	N/A	N/A
Inflation, %	2.0	2.0	1.5	1.5	3.7	3.5
Staff turnover, %	3.0	3.0	0–8[1]	0–8[1]	N/A	N/A
Remaining life expectancy at retirement age, years	23.1	23.0	23.6	23.4	25.0	25.0
Average duration (Macaulay), years	18.4	17.8	22.3	21.7	22.0	24.0

[1] Age-related interval: 8% for the youngest annually, gradually decreasing to 0% for the oldest.

Sensitivity analysis	Effects on the defined benefit obligation				
		Increased defined benefit obligation, SEK m		Decreased defined benefit obligation, SEK m	
	Changes in assumptions	2016	2015	2016	2015
Discount rate, %	0.5	3 102	3 077	-2 693	-2 167
Expected salary increase, %	1.0	1 649	1 693	-2 176	-1 955
Pension indexing, %	0.5	1 194	1 149	-1 973	-1 642
Remaining life expectancy at retirement age, years	1.0	976	959	-974	-811

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The method is described in the accounting principles (see note G1, section 20). Compared with the 2015 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

Through its defined benefit pension plans, the Bank is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. The pension plans hold a significant proportion of equities which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term. The Bank believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Bank's long-term strategy to manage the plans efficiently.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk: The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plans' assets are not directly affected by inflation in a material way, meaning that an increase in inflation will probably increase the deficit.

Life expectancy: The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Asset-Liability matching (ALM): The composition of the plan assets is matched to the pension liabilities composition and expected development. The overall goal is to generate a return, over the medium and long-term, that at least corresponds to the development of the pension liability. The majority of the plan assets are invested in equities, but investments are also made in fixed income instruments and cash. A high proportion of shares is deemed appropriate in order to manage the plans effectively.

Funding arrangements: Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured according to local requirements shall be covered in full. Funding levels are monitored regularly. The Bank considers that the current contribution rate is appropriate.

G9 Other expenses

SEK m	2016	2015
Property and premises	-1 234	-1 243
External IT costs	-1 698	-1 623
Communication	-317	-342
Travel and marketing	-306	-335
Purchased services	-1 159	-1 027
Supplies	-173	-182
Other administrative expenses	-514	-451
Total	**-5 401**	**-5 203**
Of which expenses for operating leases		
Minimum lease fee	*-698*	*-689*
Variable fee	*-80*	*-74*
Total	**-778**	**-763**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2016, the cost of the largest individual lease contract was approx. SEK 180m (172). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies	KPMG		Ernst & Young AB	
SEK m	2016	2015	2016	2015
Audit assignment	-13	-13	-4	-4
Audit operations outside the audit assignment	-3	-3	-	-
Tax advice	-	-	-	-
Other services	-	-	-	-

Internal audit costs were SEK 149m (149) during the year.

G10 Loan losses

SEK m	2016	2015
Specific provision for individually assessed loans		
The year's provision	-1 899	-1 832
Reversal of previous provisions	377	372
Total	**-1 522**	**-1 460**
Collective provision		
The year's net provision for individually assessed loans	-62	0
The year's net provision for homogeneous loans	-10	-3
Total	**-72**	**-3**
Off-balance-sheet items		
Losses on off-balance-sheet items	-16	0
Reversal of previous losses on off-balance-sheet items	2	0
Change in collective provision for off-balance-sheet items	-26	-33
Total	**-40**	**-33**
Write-offs		
Actual loan losses for the year	-2 183	-964
Utilised share of previous provisions	1 863	659
Recoveries	230	204
Total	**-90**	**-101**
Net loan losses	**-1 724**	**-1 597**

Impaired loans etc. SEK m	2016	2015
Impaired loans	7 746	8 844
Specific provisions for individually assessed loans	-4 188	-4 444
Provisions for collectively assessed homogeneous groups of loans with limited value	-107	-94
Collective provisions for individually assessed loans	-348	-278
Net impaired loans	**3 103**	**4 028**
Total impaired loans reserve ratio, %	59,9	54,5
Proportion of impaired loans, %	0,16	0,21
Impaired loans reserve ratio excl. collective provisions, %	55,4	51,3
Loans past due > 60 days, which are not impaired	1 061	1 218
Impaired loans reclassified as normal loans during the year	4	167

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. For other definitions, see page 218.

Change in provision for probable loan losses 2016 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 444	-278	-94	-4 816
The year's provision	-1 899	-62	-67	-2 028
Reversal of previous provisions	377	-	10	387
Utilised for actual loan losses	1 863		47	1 910
Foreign exchange effect, etc.	-85	-8	-3	-96
Provision at end of year	**-4 188**	**-348**	**-107**	**-4 643**

Change in provision for probable loan losses 2015 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 734	-284	-93	-4 111
The year's provision	-1 832	-	-49	-1 881
Reversal of previous provisions	372	0	4	376
Utilised for actual loan losses	659		42	701
Foreign exchange effect, etc.	91	6	2	99
Provision at end of year	**-4 444**	**-278**	**-94**	**-4 816**

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2016	Impaired loans				
SEK m	Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
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, insurance companies, mutual funds etc.	601	-316	285	30	6
Other corporate lending	129	-75	54	14	23
Credit institutions	-	-	-	-	-
Total	**7 746**	**-4 295**	**3 451**	**1 044**	**1 061**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

G10 Cont.

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2015

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

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2016

SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	2 091	-1 218	873	396	346
Norway	510	-315	195	35	225
Finland	880	-599	281	144	238
Denmark	2 872	-1 706	1 166	173	16
UK	1 108	-326	782	146	206
The Netherlands	3	-1	2	-	-
Rest of Europe	169	-92	77	74	30
North America	-	-	-	-	-
Asia	113	-38	75	76	-
Total	**7 746**	**-4 295**	**3 451**	**1 044**	**1 061**

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2015

SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	3 229	-2 156	1 073	445	396
Norway	208	-130	78	46	181
Finland	973	-679	294	199	400
Denmark	2 803	-1 040	1 763	216	18
UK	1 437	-447	990	307	168
The Netherlands	2	-1	1	-	-
Rest of Europe	192	-85	107	104	53
North America	-	-	-	-	-
Asia	-	-	-	-	2
Total	**8 844**	**-4 538**	**4 306**	**1 317**	**1 218**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Maturity structure for past due loans which are not impaired 2016		Loans to the public			
SEK m	Loans to credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	1 486	694	1	2 181
Past due > 1 month ≤ 2 months	-	253	79	-	332
Past due > 2 months ≤ 3 months	-	136	80	-	216
Past due > 3 months ≤ 12 months	-	413	56	-	469
Past due > 12 months	-	329	47	-	376
Total	**-**	**2 617**	**956**	**1**	**3 574**

Maturity structure for past due loans which are not impaired 2015		Loans to the public			
SEK m	Loans to credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	1 868	692	1	2 561
Past due > 1 month ≤ 2 months	-	213	68	-	281
Past due > 2 months ≤ 3 months	-	141	29	-	170
Past due > 3 months ≤ 12 months	-	340	107	-	447
Past due > 12 months	-	360	241	-	601
Total	**-**	**2 922**	**1 137**	**1**	**4 060**

Assets repossessed for protection of claims SEK m	2016	2015
Property	350	429
Movable property	4	19
Shares	10	12
Carrying amount	**364**	**460**

Movable property mainly consists of repossessed leased assets. In addition to repossessed property shown in the table above, repossessed property is also included in discontinued operations, see note G12. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.

G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2016	2015
Equipment	24	16
Property	8	-9
Total	**32**	**7**

G12 Profit for the year pertaining to discontinued operations

SEK m	2016	2015
Income	971	2 721
Expenses	-888	-2 469
Operating profit from discontinued operations	**83**	**252**
Tax pertaining to the above	-29	-36
Total	**54**	**216**
Impairment	-41	-71
Profit for the year pertaining to discontinued operations	**13**	**145**

Operating profit from discontinued operations comprises the return on the Bank's holdings in the Plastal Group. The Plastal Group's operations consist of manufacturing of exterior plastic components for the auto industry.

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

As the fair value of Plastal, less costs to sell, is lower than the carrying amount, an impairment was made in 2015. The impairment essentially corresponds to the year's depreciation and does not affect the current year's tax. The fair value of Plastal has been calculated on the basis of valuation models where different valuation methods, such as peer valuation and discounted cash flow, have been used to obtain a reliable measurement. As far as possible, the material for the assumptions has been taken from external market observations. The valuation is to a material extent based on own assumptions. In the valuation hierarchy described in note G40 it would therefore be classified as level 3.

A description of the Bank's valuation policy for discontinued operations is provided in note G1.

G13 Earnings per share

	2016	2015
Profit for the year, continuing operations, SEK m	16 232	16 198
of which interest expense on convertible subordinated loan after tax	*-139*	*-199*
Profit for the year, discontinued operations, SEK m	13	145
of which interest expense on convertible subordinated loan after tax	-	-
Profit for the year, total operations, SEK m	16 245	16 343
of which interest expense on convertible subordinated loan after tax	*-139*	*-199*
Average number of shares converted during the year, millions	20.0	0.0
Average holdings of own shares in trading book, millions	-	-
Average number of outstanding shares, millions	1 927.1	1 907.0
Average dilution effect, number of shares, millions	45.6	64.9
Average number of outstanding shares after dilution, millions	1 972.7	1 971.9
Earnings per share, continuing operations, SEK	**8.42**	**8.49**
after dilution	8.30	8.32
Earnings per share, discontinued operations, SEK	**0.01**	**0.08**
after dilution	0.01	0.07
Earnings per share, total operations, SEK	**8.43**	**8.57**
after dilution	8.31	8.39

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares is added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

G14 Other loans to central banks

SEK m	2016	2015
Other loans to central banks in Swedish kronor	4 821	15 998
Other loans to central banks in foreign currency	20 706	18 120
Total	**25 527**	**34 118**
Of which reverse repos	-	-

Average volumes SEK m	2016	2015
Other loans to central banks in Swedish kronor	37 654	26 353
Other loans to central banks in foreign currency	30 662	40 286
Total	**68 316**	**66 639**
Of which reverse repos	*88*	*1 154*

G15 Loans to other credit institutions

SEK m	2016	2015
Loans in Swedish kronor		
Banks	7 432	2 009
Other credit institutions	199	552
Total	**7 631**	**2 561**
Loans in foreign currency		
Banks	15 502	20 706
Other credit institutions	8 214	26 389
Total	**23 716**	**47 095**
Probable loan losses	-	-
Total loans to other credit institutions	**31 347**	**49 656**
Of which reverse repos	*4 088*	*23 394*

Average volumes SEK m	2016	2015
Loans to other credit institutions in Swedish kronor	4 800	8 155
Loans to other credit institutions in foreign currency	59 945	80 078
Total	**64 745**	**88 233**
Of which reverse repos	*19 898*	*43 240*

G16 Loans to the public

SEK m	2016	2015
Loans in Swedish kronor		
Households	760 339	715 563
Companies	460 468	473 845
National Debt Office	982	3 338
Total	**1 221 789**	**1 192 746**
Loans in foreign currency		
Households	273 618	244 439
Companies	472 858	434 098
National Debt Office	-	-
Total	**746 476**	**678 537**
Probable loan losses	-4 643	-4 816
Total loans to the public	**1 963 622**	**1 866 467**
Of which reverse repos	*7 493*	*7 742*
Of which subordinated	*71*	*345*

Average volumes, excl. National Debt Office SEK m	2016	2015
Loans to the public in Swedish kronor	1 218 650	1 170 301
Loans to the public in foreign currency	718 700	677 029
Total	**1 937 350**	**1 847 330**
Of which reverse repos	*14 171*	*18 458*

G17 Interest-bearing securities

	2016			2015		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Interest-bearing securities eligible as collateral with central banks	95 571	97 205	97 205	72 263	74 777	74 777
Bonds and other interest-bearing securities	62 020	63 909	63 909	42 602	44 513	44 513
Total	**157 591**	**161 114**	**161 114**	**114 865**	**119 290**	**119 290**
Of which unlisted securities		*255*	*255*		*364*	*364*

Interest-bearing securities broken down by issuer	2016			2015		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	95 571	97 205	97 205	59 932	62 471	62 471
Credit institutions	25 683	25 990	25 990	7 186	9 015	9 015
Mortgage institutions	33 503	35 024	35 024	29 266	31 560	31 560
Other	2 834	2 895	2 895	18 481	16 244	16 244
Total	**157 591**	**161 114**	**161 114**	**114 865**	**119 290**	**119 290**

Average volumes SEK m	2016	2015
Interest-bearing securities	158 663	140 313
Interest-bearing securities, insurance operations	6 758	7 391
Total	**165 421**	**147 704**

G18 Shares

SEK m	2016	2015
Holdings at fair value through profit/loss		
Listed	12 937	19 632
Unlisted	5 857	4 174
Total	**18 794**	**23 806**
Holdings classified as available for sale		
Listed	-	4 667
Unlisted	1 618	1 914
Total	**1 618**	**6 581**
Total shares	**20 412**	**30 387**

G19 Investments in associates

There are no individually significant investments in associates held by Handelsbanken. There are certain entities that are considered strategic to the banking operation of the Group supporting, among others, payment services. All investments are non-listed.

Investments in associates SEK m	2016	2015
Carrying amount at beginning of year	245	286
Share of profit for the year	25	17
Tax	-7	-9
Shareholders' contribution	19	10
Dividend	-10	-7
Acquisitions	2	-
Divestments	-16	-
Impairment	-	-53
Translation difference	-3	1
Carrying amount at end of year	**255**	**245**

Income from associates SEK m	2016	2015
Profit for the year	18	8
Other comprehensive income	-1	1
Total comprehensive income for the year	**17**	**9**

Associates	Corporate identity number	Domicile	Number of shares	Voting power, %	Carrying amount, SEK m 2016	Carrying amount, SEK m 2015
Add Value Fund Management BV	19196768	Amsterdam	1 125	45.00	4	
Bankomat AB	556817-9716	Stockholm	150	20.00	70	52
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.89	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm				13
BGC Holding AB	556607-0933	Stockholm	25 382	25.38	83	80
Dyson Group plc	163096	Sheffield	122 387 481	29.99	23	29
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	21	23
Flisekompaniet Holding AS	992 999 136	Oslo	2 400	47.00		0
Getswish AB	556913-7382	Stockholm	10 000	20.00	9	8
Upplysningscentralen UC AB[1]	556137-5113	Stockholm	2 448	24.48	45	40
Total					**255**	**245**

[1] Information concerning the Group.

G20 Assets where the customer bears the value change risk

SEK m	2016	2015
Unit-linked and portfolio bond insurance assets	114 721	101 724
Other fund assets	3 597	3 422
Share of consolidated funds not owned	328	-
Total	**118 646**	**105 146**

G21 Interests in unconsolidated structured entities

SEK m	Fund holdings 2016	Fund holdings 2015
Assets		
Shares	1 577	398
Assets where the customer bears the value change risk	101 359	89 725
Total interests in unconsolidated structured entities	**102 936**	**90 123**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Handelsbanken's interests in unconsolidated structured entities are limited and consist of fund holdings. Funds are owned primarily through unit-linked contracts at Handelsbanken Liv and similar contracts in other countries. Investments in funds through unit-linked contracts are never consolidated, see note G1, so these are unconsolidated structured entities. Handelsbanken also owns some fund holdings in its role as market maker. Where these holdings are not consolidated, they are interests in unconsolidated entities. The maximum exposure to loss on all interests in unconsolidated structured entities is the current carrying amount of the interest. The total assets for these entities are not considered meaningful for the purpose of understanding the related risks and so have not been presented.

G22 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2016	2015	2016	2015	2016	2015
Derivatives held for trading									
Interest rate-related contracts									
Options	21 176	33 053	5 299	59 528	116 610	494	1 341	560	1 403
FRA/futures	378 227	237 924	-	616 151	659 941	141	475	123	511
Swaps	388 071	1 073 793	313 501	1 775 365	1 750 861	32 213	34 613	32 838	35 430
Currency-related contracts									
Options	53 191	1 702	31	54 924	75 879	620	471	764	700
Futures	95 304	5 316	352	100 972	126 201	1 730	1 669	1 390	1 703
Swaps	426 516	50 877	4 536	481 929	592 755	6 614	7 178	8 176	8 232
Equity-related contracts									
Options	10 193	17 826	156	28 175	30 611	1 486	2 032	2 007	2 656
Futures	1 129	-	-	1 129	2 779	13	1	15	32
Swaps	18 311	1 790	29	20 130	56 888	420	1 245	961	1 641
Commodity-related contracts									
Options	105	329	85	519	2 354	10	250	276	537
Futures	15 590	3 692	-	19 282	16 696	576	940	601	899
Credit-related contracts									
Swaps	2 360	6 725	546	9 631	9 909	386	458	113	247
Total	**1 410 173**	**1 433 027**	**324 535**	**3 167 735**	**3 441 484**	**44 703**	**50 673**	**47 824**	**53 991**
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	530	5 115	-	5 645	6 785	28	38	-	-
Swaps	-	35 309	1 274	36 583	1 512	51	-	82	1
Total	**530**	**40 424**	**1 274**	**42 228**	**8 297**	**79**	**38**	**82**	**1**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	88 576	401 635	71 346	561 557	495 135	17 597	20 674	3 699	3 243
Currency-related contracts									
Swaps	199 050	256 476	40 988	496 514	338 601	47 308	37 902	5 990	6 998
Total	**287 626**	**658 111**	**112 334**	**1 058 071**	**833 736**	**64 905**	**58 576**	**9 689**	**10 241**
Total derivative instruments	**1 698 329**	**2 131 562**	**438 143**	**4 268 034**	**4 283 517**	**109 687**	**109 287**	**57 595**	**64 233**
Of which exchange-traded derivatives				*347 636*	*233 328*	*488*	*490*	*1 426*	*1 613*
Of which OTC derivatives settled by CCP				*1 374 610*	*1 030 386*	*12 669*	*2 106*	*13 997*	*1 463*
Of which OTC derivatives not settled by CCP				*2 545 788*	*3 019 803*	*96 530*	*106 691*	*42 172*	*61 157*
Amounts set off				-1 747 179	-1 414 478	-27 054	-23 940	-25 857	-23 641
Net amount				**2 520 855**	**2 869 039**	**82 633**	**85 347**	**31 738**	**40 592**
Currency breakdown of market values									
SEK						-122 101	-37 576	129 900	221 736
USD						319 374	225 036	-33 705	-73 477
EUR						109 364	99 729	-23 918	-53 710
Other						-196 950	-177 902	-14 682	-30 316
Total						**109 687**	**109 287**	**57 595**	**64 233**

Derivative contracts are presented gross in the note. Amounts set off consist of the offset market value and the associated nominal amounts 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.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 profit) over the life of the derivative. Such not yet recognised day 1 profit amounted to SEK 585m (539) at year-end.

G23 Offsetting of financial instruments

2016 SEK m	Derivatives	Repurchase agreements, securities lending	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	109 687	13 427	123 114
Amounts set off	-27 054	-1 030	-28 084
Carrying amount on the balance sheet	**82 633**	**12 397**	**95 030**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-20 643	-	-20 643
Financial assets received as collateral	-42 238	-12 397	-54 635
Total amounts not set off on the balance sheet	**-62 881**	**-12 397**	**-75 278**
Net amount	**19 752**	**-**	**19 752**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similiar agreements			
Gross amount	57 595	1 032	58 627
Amounts set off	-25 857	-1 030	-26 887
Carrying amount on the balance sheet	**31 738**	**2**	**31 740**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-20 643	-	-20 643
Financial assets pledged as collateral	-3 807	-2	-3 809
Total amounts not set off on the balance sheet	**-24 450**	**-2**	**-24 452**
Net amount	**7 288**	**-**	**7 288**

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

Derivative instruments are set off on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more derivatives. 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 an intention to settle the agreed cash flows with a net amount. The remaining counterparty risk in derivatives is reduced through netting agreements, 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 3,565 million (964) derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 2,367 million (664) derived from the balance sheet item Loans to the public.

G24 Intangible assets

2016 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2016
Cost of acquisition at beginning of year	6 460	65	410	1 943	8 878
Cost of acquisition of additional intangible assets	147	124	388	558	1 217
Disposals and retirements	-	-	-	-89	-89
Foreign exchange effect	154	-7	-21	-9	117
Cost of acquisition at end of year	**6 761**	**182**	**777**	**2 403**	**10 123**
Accumulated amortisation and impairment at beginning of year	-	-32	-89	-503	-624
Disposals and retirements	-	-	-	89	89
Amortisation for the year	-	-20	-26	-152	-198
Impairment for the year	-	-	-	-1	-1
Foreign exchange effect	-	4	1	-1	4
Accumulated amortisation and impairment at end of year	**-**	**-48**	**-114**	**-568**	**-730**
Carrying amount	**6 761**	**134**	**663**	**1 835**	**9 393**

2015 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2015
Cost of acquisition at beginning of year	6 597	64	408	1 581	8 650
Cost of acquisition of additional intangible assets	-	-	-	455	455
Disposals and retirements	-	-	-	-89	-89
Foreign exchange effect	-137	1	2	-4	-138
Cost of acquisition at end of year	**6 460**	**65**	**410**	**1 943**	**8 878**
Accumulated amortisation and impairment at beginning of year	-	-19	-70	-429	-518
Disposals and retirements	-	-	-	89	89
Amortisation for the year		-13	-21	-147	-181
Impairment for the year	-	-	-	-17	-17
Foreign exchange effect	-	0	2	1	3
Accumulated amortisation and impairment at end of year	**-**	**-32**	**-89**	**-503**	**-624**
Carrying amount	**6 460**	**33**	**321**	**1 440**	**8 254**

	Goodwill		Intangible assets with an indefinite useful life	
SEK m	2016	2015	2016	2015
Handelsbanken Sweden	3 331	3 331	-	-
Handelsbanken UK	160	178	-	-
Handelsbanken Finland	16	16	-	-
Handelsbanken Denmark	2 401	2 290	-	-
Handelsbanken Norway	697	635	-	-
Handelsbanken The Netherlands	146		-	
Handelsbanken Capital Markets	10	10	3	3
Total	**6 761**	**6 460**	**3**	**3**

Impairment testing of goodwill and intangible assets with an indefinite useful life
Recognised goodwill mainly derives from traditional banking operations on Handelsbanken's home markets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually in connection with the closing of the annual accounts. When performing impairment testing, the value in use of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. In the table, goodwill has been allocated among the business segments. Goodwill which is followed up internally at a lower level than the business segment level is tested at the lower level.

For the first five years, estimated future cash flows are based on forecasts of risk-weighted volumes, income, expenses and loan losses. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates and the expected impact of future regulations. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The estimated cash flows are based on historical real GDP growth as well as the Riksbank's long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of 2 per cent (2). The total forecast period is 20 years. The terminal value used is the forecast value of the net assets of the tested unit. Estimated cash flows have been discounted at a rate based on a risk-free interest rate and a risk adjustment corresponding to the market's average return requirement. In the annual impairment test, the discount rate was 5.9 per cent (6.3) after tax. The corresponding rate before tax was 8.8 per cent (9.2).

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are the assumptions for interest rates, the business cycle, future margins and cost-effectiveness. No reasonably possible change in important assumptions would affect the reported value of goodwill.

G25 Property and equipment

Property and equipment SEK m	2016	2015
Equipment	712	631
Property	1 321	1 269
Property repossessed for protection of claims	354	448
Total	**2 387**	**2 348**

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 350m (429). Unrealised value changes on these properties had an impact of SEK 1m (5) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent, authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations (SEK 330m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 10m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 5m (4). The year's sale of properties which are regularly measured at fair value amounts to SEK 82m (167) of which SEK 2m (8) was classified as level 3 before the sale. The value of new properties added during the year is SEK 40m (149), with SEK 0m (9) of this classified as level 3.

Equipment SEK m	2016	2015
Cost of acquisition at beginning of year	1 654	1 399
Cost of additional acquisition for the year	360	318
Changes due to business combinations during the year	16	-
Reclassification from other balance sheet item	-	195
Disposals and retirements	-26	-221
Foreign exchange effect	-1	-37
Cost of acquisition at end of year	**2 003**	**1 654**
Accumulated depreciation and impairment at beginning of year	-1 023	-931
Accumulated depreciation due to business combinations during the year	-14	-
Reclassification from other balance sheet item	-	-83
Depreciation for the year according to plan	-269	-253
Disposals and retirements	23	217
Foreign exchange effect	-8	27
Accumulated depreciation and impairment at end of year	**-1 291**	**-1 023**
Carrying amount	**712**	**631**

Property SEK m	2016	2015
Cost of acquisition at beginning of year	2 160	2 155
Cost of additional acquisition for the year	-	-
Changes due to business combinations during the year	54	-
New construction and rebuilding	60	41
Disposals and retirements	-22	-29
Foreign exchange effect	9	-7
Cost of acquisition at end of year	**2 261**	**2 160**
Accumulated depreciation and impairment at beginning of year	-891	-856
Accumulated depreciation due to business combinations during the year	-17	-
Depreciation for the year according to plan	-35	-38
Impairment for the year	0	-
Disposals and retirements	4	4
Foreign exchange effect	-1	-1
Accumulated depreciation and impairment at end of year	**-940**	**-891**
Carrying amount	**1 321**	**1 269**

G26 Other assets

SEK m	2016	2015
Claims on investment banking settlements	2 357	4 565
Other	3 258	4 322
Total	**5 615**	**8 887**

G27 Prepaid expenses and accrued income

SEK m	2016	2015
Accrued interest income	3 684	3 785
Other accrued income	1 992	2 319
Prepaid expenses	546	143
Total	**6 222**	**6 247**

G28 Due to credit institutions

SEK m	2016	2015
Due in Swedish kronor		
Banks	29 082	16 722
Other credit institutions	7 527	8 271
Total	**36 609**	**24 993**
Due in foreign currency		
Banks	141 529	138 194
Other credit institutions	643	583
Total	**142 172**	**138 777**
Total due to credit institutions	**178 781**	**163 770**
Of which repos	*-*	*290*

Average volumes SEK m	2016	2015
Due to credit institutions in Swedish kronor	40 440	44 483
Due to credit institutions in foreign currency	221 398	236 991
Total	**261 838**	**281 474**
Of which repos	*562*	*2 915*

G29 Deposits and borrowing from the public

Deposits from the public SEK m	2016	2015
Deposits in Swedish kronor		
Households	294 119	260 849
Companies	183 451	174 979
National Debt Office	-	-
Total	**477 570**	**435 828**
Deposits in foreign currency		
Households	92 716	74 640
Companies	205 517	178 904
National Debt Office	-	-
Total	**298 233**	**253 544**
Total deposits from the public	**775 803**	**689 372**

Borrowing from the public SEK m	2016	2015
Borrowing in Swedish kronor	26 320	29 846
Borrowing in foreign currency	27 213	34 637
Total	**53 533**	**64 483**
Of which repos	*-*	*-*
Of which insurance operations	*8 360*	*8 879*
Total deposits and borrowing from the public	**829 336**	**753 855**

Average volumes SEK m	2016	2015
Deposits from the public		
Deposits from the public in Swedish kronor	460 276	417 509
Deposits from the public in foreign currency	293 497	293 480
Total	**753 773**	**710 989**
Borrowing from the public		
Borrowing in Swedish kronor	32 535	36 511
Borrowing in Swedish kronor, insurance operations	8 587	9 425
Borrowing in foreign currency	189 857	250 208
Total	**230 979**	**296 144**
Of which repos	*7 706*	*8 552*

G30 Liabilities where the customer bears the value change risk

SEK m	2016	2015
Unit-linked and portfolio bond insurance liabilities	114 720	101 724
Other fund liabilities	3 697	3 501
Share of consolidated funds not owned	328	-
Total	**118 745**	**105 225**

G31 Issued securities

SEK m	2016 Nominal amount	2016 Carrying amount	2015 Nominal amount	2015 Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	3 409	3 701	6 371	6 594
Of which				
at amortised cost	*-*	*-*	*400*	*400*
for trading	*3 409*	*3 701*	*5 971*	*6 194*
Commercial paper in foreign currency	356 665	361 868	356 682	365 002
Of which				
at amortised cost	*354 994*	*359 807*	*355 240*	*363 306*
for trading	*1 671*	*2 061*	*1 442*	*1 696*
Total	**360 074**	**365 569**	**363 053**	**371 596**
Bonds				
Bonds in Swedish kronor	442 500	460 004	418 572	439 281
Of which				
at amortised cost	*442 500*	*460 004*	*418 572*	*439 281*
for fair value hedges	*-*	*-*	*-*	*-*
Bonds in foreign currency	436 519	436 192	434 221	434 490
Of which				
at amortised cost	*436 519*	*436 192*	*434 221*	*434 490*
for fair value hedges	*-*	*-*	*-*	*-*
Total	**879 019**	**896 196**	**852 793**	**873 771**
Total issued securities	**1 239 093**	**1 261 765**	**1 215 846**	**1 245 367**

SEK m	2016	2015
Issued securities at beginning of year	1 245 367	1 212 613
Issued	1 250 093	1 142 907
Repurchased	-52 372	-72 680
Matured	-1 205 320	-1 043 828
Foreign exchange effect etc.	23 997	6 355
Issued securities at end of year	**1 261 765**	**1 245 367**

Average volumes SEK m	2016	2015
Swedish kronor	464 861	456 539
Foreign currency	833 146	775 075
Total	**1 298 007**	**1 231 614**

G32 Short positions

SEK m	2016	2015
Short positions at fair value		
Equities	1 346	1 499
Interest-bearing securities	226	917
Total	**1 572**	**2 416**

Average volumes SEK m	2016	2015
Swedish kronor	13 701	17 879
Foreign currency	312	263
Total	**14 013**	**18 142**

G33 Insurance liabilities

SEK m	2016	2015
Liability for sickness annuities	176	235
Liability for life annuities	213	162
Liability for other unsettled claims	171	196
Liability for prepaid premiums	14	14
Total	**574**	**607**

G34 Taxes

Deferred tax assets SEK m	**2016**	**2015**
Hedging instruments	238	206
Intangible assets	4	7
Property and equipment	13	20
Pensions	646	1 252
Other	61	4
Total	**962**	**1 489**

Deferred tax liabilities SEK m	**2016**	**2015**
Loans to the public[1]	5 685	6 116
Hedging instruments	1 717	2 408
Intangible assets	258	72
Property and equipment	98	91
Pensions	-	-
Other	117	157
Total	**7 875**	**8 844**
Net deferred tax liabilities	**6 913**	**7 355**

Change in deferred taxes 2016 SEK m	**Opening balance**	**Recognised in income statement**	**Recognised in other comprehensive income**	**Foreign exchange effect**	**Closing balance**
Loans to the public[1]	6 116	-431	-	-	5 685
Hedging instruments	2 202	-1	-723	1	1 479
Intangible assets	65	59	127	3	254
Property and equipment	71	7	7	-	85
Pensions	-1 252	-290	876	20	-646
Other	153	-94	-9	6	56
Total	**7 355**	**-750**	**278**	**30**	**6 913**

Change in deferred taxes 2015 SEK m	**Opening balance**	**Recognised in income statement**	**Recognised in other comprehensive income**	**Foreign exchange effect**	**Closing balance**
Loans to the public[1]	6 471	-355	-	-	6 116
Hedging instruments	2 393	6	-197	-	2 202
Intangible assets	68	-6	0	3	65
Property and equipment	58	12	1	-	71
Pensions	-370	-189	-688	-5	-1 252
Other	200	-48	0	1	153
Total	**8 820**	**-580**	**-884**	**-1**	**7 355**

Tax expenses recognised in the income statement SEK m	**2016**	**2015**
Current tax		
Tax expense for the year	-4 922	-4 820
Adjustment of tax relating to prior years	-229	-37
Deferred tax		
Changes in temporary differences	750	580
Total	**-4 401**	**-4 277**
Nominal tax rate in Sweden, %	**22.0**	**22.0**
Deviations		
Different tax rate in insurance operations	-0.6	-0.6
Non-taxable income/non-deductible expenses	-1.2	-0.7
Tax relating to prior years	1.1	0.2
Effective tax rate, %	**21.3**	**20.9**

[1] Of which lease assets SEK 5,686m (6,116).

G35 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2016	Total 2015
Provisions at beginning of year	-	40	73	113	68
Provisions during the year	700	37	83	820	45
Utilised	-197	-	-2	-199	-
Written back	-	-	-3	-3	-
Provisions at end of year	**503**	**77**	**151**	**731**	**113**

The provision for restructuring primerly relates to additional costs for early retirement of staff. Most of the provision is expected to be settled during 2017. Provision for guarantee commitments consists of provisions for a number of off-balance-sheet items.

The amounts allocated for future settlement of the claims towards companies within the Group are presented under Other provisions.

G36 Other liabilities

SEK m	2016	2015
Liabilities on investment banking settlements	2 533	6 524
Other	6 894	7 682
Total	**9 427**	**14 206**

G37 Accrued expenses and deferred income

SEK m	2016	2015
Accrued interest expenses	11 525	12 148
Other accrued expenses	1 801	4 302
Deferred income	1 254	1 135
Total	**14 580**	**17 585**

G38 Subordinated liabilities

SEK m	2016	2015
Subordinated loans in Swedish kronor	8 230	10 519
Subordinated loans in foreign currency	25 170	23 697
Total	**33 400**	**34 216**

Average volumes SEK m	2016	2015
Subordinated loans in Swedish kronor	9 284	10 510
Subordinated loans in foreign currency	24 323	28 144
Total	**33 607**	**38 654**

Specification, subordinated loans

Issuance/Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
IN SWEDISH KRONOR				
Swedish subordinated liabilities[1]		10 825		8 230
Total				**8 230**
IN FOREIGN CURRENCY				
2014/fixed-term[2]	EUR	1 500	2.656	14 355
2015/perpetual[3]	USD	1 200	5.250	10 815
Total				**25 170**
Total subordinated liabilities				**33 400**

[1] Swedish subordinated loans are individually less than 10% of the total subordinated liabilities. The total includes one perpetual subordinated loan at a floating rate. The loan is a subordinated convertible loan of nominally SEK 3.2bn issued to the Group's employees on market terms. The loan does not have the status of regulatory capital but can be converted into Handelsbanken shares. The Bank has the right to demand conversion at any time and the holder has the right to demand conversion between 1 May and 30 November 2019, at the adjusted conversion price of SEK 114.40. The initial conversion price has been adjusted for dividends and a split during the term of the loan. If the common equity tier 1 ratio for the Bank or calculated according to the consolidated situation falls below 7%, there will be automatic conversion. For information regarding other Swedish subordinated loans, see note G51.
[2] For further information about subordinated loans in EUR, see note G51.
[3] For further information about subordinated loans in USD, see note G51.

G39 Classification of financial assets and liabilities

2016 SEK m	At fair value in income statement divided into Trading	 Other[1]	Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Assets									
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
Total financial assets	**72 999**	**240 676**	**62 891**		**2 230 137**	**7 833**		**2 614 536**	**2 629 514**
Investments in associates								255	
Other non-financial assets								12 789	
Total assets								**2 627 580**	
Liabilities									
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
Total financial liabilities	**30 630**	**118 687**	**8 466**				**2 321 562**	**2 479 345**	**2 501 867**
Other non-financial liabilities								11 854	
Total liabilities								**2 491 199**	

[1] Classified to be measured at fair value.

2015 SEK m	At fair value in income statement divided into Trading	 Other[1]	Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Assets									
Cash and balances with central banks					202 630			202 630	202 630
Other loans to central banks					34 118			34 118	34 118
Interest-bearing securities eligible as collateral with central banks	33 286	39 717		752	0	1 022		74 777	74 777
Loans to other credit institutions					49 656			49 656	49 445
Loans to the public		1 619			1 864 848			1 866 467	1 878 810
Value change of interest-hedged item in portfolio hedge					27			27	
Bonds and other interest-bearing securities	7 788	32 996		250		3 479		44 513	44 513
Shares	22 757	1 049				6 581		30 387	30 387
Assets where the customer bears the value change risk		105 077			69			105 146	105 146
Derivative instruments	30 997		54 350					85 347	85 347
Other assets	10				8 877			8 887	8 887
Prepaid expenses and accrued income	211	642			5 392	2		6 247	6 247
Total financial assets	**95 049**	**181 100**	**54 350**	**1 002**	**2 165 617**	**11 084**		**2 508 202**	**2 520 307**
Investments in associates								245	
Other non-financial assets								13 686	
Total assets								**2 522 133**	
Liabilities									
Due to credit institutions							163 770	163 770	165 587
Deposits and borrowing from the public							753 855	753 855	753 825
Liabilities where the customer bears the value change risk		105 156					69	105 225	105 225
Issued securities	7 890						1 237 477	1 245 367	1 267 460
Derivative instruments	31 693		8 899					40 592	40 592
Short positions	2 416							2 416	2 416
Other liabilities	16						14 190	14 206	14 206
Accrued expenses and deferred income	6						17 579	17 585	17 585
Subordinated liabilities							34 216	34 216	37 191
Total financial liabilities	**42 021**	**105 156**	**8 899**				**2 221 156**	**2 377 232**	**2 404 087**
Other non-financial liabilities								16 633	
Total liabilities								**2 393 865**	

[1] Classified to be measured at fair value.

Reclassified financial assets SEK m	2016 Reclassified from held for trading	 Reclassified from available for sale	2015 Reclassified from held for trading	 Reclassified from available for sale
Carrying amount	10	1 290	11	4 092
Fair value	10	1 209	11	4 078
Value change recognised in the income statement	-	0	-	11
Value change recognised in other comprehensive income	1	94	1	109
Value change that would have been recognised in income statement if the assets had not been reclassified	0	0	-1	11
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	5	-	12
Interest recognised as income	0	41	0	49

All holdings presented above were reclassified to loans and receivables on 1 July 2008.

G40 Fair value measurement of financial instruments

Financial instruments at fair value 2016

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	12 927	73	-	13 000
Denominated at fair value	81 837	1 621	-	83 458
Available for sale	747	-	-	747
Loans to the public	-	909	17	926
Bonds and other interest-bearing securities				
Held for trading	21 610	718	-	22 328
Denominated at fair value	34 996	1 121	-	36 117
Available for sale	4 908	556	-	5 464
Shares				
Held for trading	10 723	7 004	-	17 727
Denominated at fair value	805	-	262	1 067
Available for sale	-	43	1 575	1 618
Assets where the customer bears the value change risk	117 826	-	762	118 588
Derivative instruments	408	82 225	-	82 633
Total	**286 787**	**94 270**	**2 616**	**383 673**
Liabilities				
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
Total	**119 465**	**37 533**	**762**	**157 760**

Financial instruments at fair value 2015

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	33 284	2	-	33 286
Denominated at fair value	37 875	1 842	-	39 717
Available for sale	1 022	-	-	1 022
Loans to the public	-	1 609	10	1 619
Bonds and other interest-bearing securities				
Held for trading	6 027	1 761	-	7 788
Denominated at fair value	31 988	1 008	-	32 996
Available for sale	3 479	-	-	3 479
Shares				
Held for trading	18 964	3 793	-	22 757
Denominated at fair value	667	-	382	1 049
Available for sale	4 666	1 014	901	6 581
Assets where the customer bears the value change risk	104 345	-	732	105 077
Derivative instruments	275	85 072	-	85 347
Total	**242 592**	**96 101**	**2 025**	**340 718**
Liabilities				
Liabilities where the customer bears the value change risk	104 424	-	732	105 156
Issued securities	-	7 890	-	7 890
Derivative instruments	786	39 806	-	40 592
Short positions	2 098	318	-	2 416
Total	**107 308**	**48 014**	**732**	**156 054**

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 equities, and short 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 are affected by input data that cannot be verified using external market information are categorised as level 3.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2015), the instrument has been moved between the levels in the table. During the financial year, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 835 million were transferred from level 2 to level 1. On the liabilities side, derivatives worth SEK 130 million were transferred from level 1 to level 2, and derivatives worth SEK 265 million were moved from level 2 to level 1. Changes in level 3 holdings during the year are shown in a separate table.

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, such as P/E ratios. Most of these holdings represent investment assets in the Group's insurance operations. Value changes in the investment assets are included in the basis for calculating the yield split in the insurance operations and are therefore not reported directly in the income statement.

The Group's holdings of unlisted securities mainly consist of the Bank's participating interests in various types of joint operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration on 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.

The year's realised value changes on financial instruments in level 3 totalled SEK 65 million (-179), of which SEK 70 million (-186) are included in the calculation of the yield split in the insurance operations. The remaining amount has been recognised in Net gains/losses on financial transactions.

Differences between the transaction price and the value measured by a valuation model
As stated in the accounting policies in note G1, when applying a model to value derivatives, material positive differences between the valuation at initial recognition and the transaction price (so-called day 1 gains) are amortised over the life of the derivative. As a consequence of the application of this principle, SEK 143 million (126) has been recognised in Net gains/losses on financial transactions during the year. At the end of the year, non-recognised day 1 gains amounted to SEK 585 million (539).

Change in financial instruments in level 3 2016

SEK m	Shares	Derivatives net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1 283	-	10	732	-732	-
Acquisitions	14	-	-	-	-	-
Repurchases/sales	-90	-	-	-	-	-
Matured	-	-	-2	-	-	-
Unrealised value change in income statement	-55	-	-	30	-30	-
Unrealised value change in other comprehensive income	685	-	1	-	-	-
Transfer from level 1 or 2	-	-	8	-	-	-
Transfer to level 1 or 2	-	-	-	-	-	-
Carrying amount at end of year	**1 837**	**-**	**17**	**762**	**-762**	**-**

Change in financial instruments in level 3 2015

SEK m	Shares	Derivatives net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1 405	-	13	698	-698	-94
Acquisitions	57	-	-	-	-	94
Repurchases/sales	-142	-	-	-	-	-
Matured	-	-	-5	-	-	-
Unrealised value change in income statement	-116	-	-	34	-34	-
Unrealised value change in other comprehensive income	82	-	-	-	-	-
Transfer from level 1 or 2	-	-	2	-	-	-
Transfer to level 1 or 2	-3	-	-	-	-	-
Carrying amount at end of year	**1 283**	**-**	**10**	**732**	**-732**	**-**

G40 Cont.

Principles for information about the fair values of financial instruments which are carried at cost or amortised cost
Information about the fair values of financial instruments which are carried at cost or amortised cost is given in note G39 and in the table below. These instruments essentially comprise lending, deposits and funding. For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

The valuation of fixed-rate lending is based on the current market rate with an adjustment for assumed credit and liquidity risk premiums on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement. Interest-bearing securities have been valued at the current market price where this has been available. Funding and interest-bearing securities for which market price information has not been available have been valued using a valuation model based on market data in the form of prices or interest for similar instruments.

In the table, the valuation used for the information about the fair value of financial instruments carried at cost or amortised cost is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premiums has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

Fair value of financial instruments at cost or amortised cost 2016

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	199 362	-	-	199 362
Other loans to central banks	20 269	5 258	-	25 527
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to other credit institutions	11 927	18 228	993	31 148
Loans to the public	1 310	12 230	1 964 368	1 977 908
Bonds and other interest-bearing securities	-	-	-	-
Assets where the customer bears the value change risk	-	58	-	58
Total	**232 868**	**35 774**	**1 965 361**	**2 234 003**
Liabilities				
Due to credit institutions	110 885	69 763	-	180 648
Deposits and borrowing from the public	771 416	57 887	-	829 303
Liabilities where the customer bears the value change risk	-	58	-	58
Issued securities	765 371	509 390	-	1 274 761
Subordinated liabilities	-	35 330	-	35 330
Total	**1 647 672**	**672 428**	**-**	**2 320 100**

Fair value of financial instruments at cost or amortised cost 2015

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	202 630	-	-	202 630
Other loans to central banks	15 653	18 465	-	34 118
Interest-bearing securities eligible as collateral with central banks	752	-	-	752
Loans to other credit institutions	14 852	33 452	1 141	49 445
Loans to the public	6 981	1 828	1 868 382	1 877 191
Bonds and other interest-bearing securities	250	-	-	250
Assets where the customer bears the value change risk	-	69	-	69
Total	**241 118**	**53 814**	**1 869 523**	**2 164 455**
Liabilities				
Due to credit institutions	57 422	108 165	-	165 587
Deposits and borrowing from the public	688 286	65 539	-	753 825
Liabilities where the customer bears the value change risk	-	69	-	69
Issued securities	706 337	553 233	-	1 259 570
Subordinated liabilities	-	37 191	-	37 191
Total	**1 452 045**	**764 197**	**-**	**2 216 242**

G41 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2016	2015
Cash	17 411	22 017
Government instruments and bonds	33 561	25 920
Loans to the public	662 920	617 726
Shares	1 003	933
Assets where the customer bears the value change risk	114 771	102 382
Other	10 316	10 856
Total	**839 982**	**779 834**
Of which pledged assets that may be freely withdrawn by the Bank	*20 145*	*17 672*

Other pledged assets SEK m	2016	2015
Cash	457	863
Government instruments and bonds	23 486	18 609
Loans to the public	3 788	3 820
Shares	5 644	10 196
Other	0	-
Total	**33 375**	**33 488**
Of which pledged assets that may be freely withdrawn by the Bank	*27 136*	*22 345*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Pledged assets

Assets pledged in the form of interest-bearing securities mainly comprise securities pledged as collateral to central banks and other credit institutions, for payment systems, securities trading and clearing and also securities sold under binding repurchase agreements (repos). Assets pledged in the form of equities mainly comprise lent equities and equities in the insurance operations.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral mainly comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operative apartments with a loan-to-value ratio within 75 per cent of the market value. In the event of the company's insolvency, pursuant to the Covered Bonds Act and the Right of Priority Act, the holders of the covered bonds have prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then continue to receive contractual payments under the terms of the bond until maturity.

Assets where the customer bears the value change risk mainly comprise units in unit-linked insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

Collateral received

For reverse repurchase agreements and equity loans, securities are received that can be sold or repledged to a third party. Such securities are not reported in the balance sheet. The fair value of received securities under reverse repurchase agreements and agreements on equity loans was SEK 19,976 million (24,327) at the end of the financial year, where collateral worth SEK 5,519 million (8,933) had been sold or repledged to a third party. Information about received pledges for lending and other received collateral is shown in note G2.

Transferred financial assets reported on the balance sheet

Transferred financial assets are assets where the rights to future cash flows are directly or indirectly transferred to an external counterparty. Most of the transferred financial assets carried in the balance sheet comprise interest-bearing securities which have been sold under binding repurchase agreements and lent equities. Normally the terms for the binding repurchases and equity loans are stipulated in framework agreements between the Bank and the respective counterparty.

Binding repurchase agreements imply selling securities with an undertaking to repurchase them at a fixed price at a pre-determined time in the future. The seller of the securities thus continues to be exposed to the risk of value changes during the life of the agreement. Securities sold under repurchase agreements remain at market value in the balance sheet throughout the life of the agreement. The purchase price received is reported as a liability to the counterparty. According to the standard terms of a repurchase agreement, the right of ownership of the sold securities is transferred in its entirety from the seller to the buyer. This means that the buyer has the right to sell on, repledge or otherwise dispose of the purchased securities.

According to the standard agreements for equity loans, the exposure to the value change in the lent equity remains with the lender. Lent equities thus remain on the balance sheet throughout the life of the loan. Collateral for lent securities is normally in the form of cash or other securities. Cash collateral received is carried as a liability in the balance sheet. In the same way as for repurchase agreements, the standard agreement used for equity loans means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the borrowed securities.

Government instruments, bonds and equities provided as collateral for securities trading, clearing, etc. where the title to the instrument has been transferred to the counterparty are reported as other transferred financial assets. Transferred financial assets also include certain assets where the customer bears the value change risk. This item comprises portfolios of financial instruments where the Bank has the formal right of ownership but where the risks related to the assets and also the right to future cash flows have been transferred to a third party. The valuation of these assets reflects the valuation of the corresponding liability item.

G41 Cont.

Transferred financial assets reported on the balance sheet	2016		2015	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	6 002	340[1]	220	83[1]
Shares, other	-	-	10 196	-
Government instruments and bonds, repurchase agreements	928	2	290	290
Government instruments and bonds, other	710	-	-	-
Assets where the customer bears the value change risk	824	824	1 162	1 162
Total	**8 464**	**1 166**	**11 868**	**1 535**

[1] Received cash collateral.

G42 Contingent liabilities

SEK m	2016	2015
Guarantees, credits	9 643	9 750
Guarantees, other	63 108	61 274
Irrevocable letters of credit	4 237	4 287
Other	1 542	2 146
Total	**78 530**	**77 457**

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Companies within the Group are subjects of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in our favour. The assessment is that the amounts in dispute would not have a material effect on the Group's financial position or profit/loss.

G43 Other commitments

SEK m	2016	2015
Loan commitments	272 729	267 200
Unutilised part of granted overdraft facilities	128 967	129 216
Other	23 571	24 441
Total	**425 267**	**420 857**

Contracted irrevocable future operating lease charges broken down by maturity

SEK m	2016	2015
Within 1 year	781	774
Between 1 and 5 years	2 031	2 172
Over 5 years	1 128	1 250
Total	**3 940**	**4 196**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

G44 Leases

Disclosures on gross investment and present value of future minimum lease payments SEK m	2016	2015
Gross investment	35 411	37 180
The present value of future minimum lease payments at balance sheet date	35 008	35 985

Distribution of gross investment and minimum lease payments by maturity SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
2016				
Distribution of gross investment	3 823	16 322	15 266	**35 411**
Distribution of the present value of future minimum lease payments	3 810	16 113	15 085	**35 008**
2015				
Distribution of gross investment	4 379	16 442	16 359	**37 180**
Distribution of the present value of future minimum lease payments	4 360	16 198	15 427	**35 985**

Unearned finance income SEK m	2016	2015
Unearned finance income	403	1 195

Companies within the Group are lessors in all finance leases. All leases have guaranteed residual values. The book value of the provision for impaired loans with respect to minimum lease payments is SEK 0m (0.2). The variable part of the lease fee included in this year's profit is SEK 89m (151). The decrease is due to lower interest rates and lower volumes.

At the end of the year in the Group there were five lease exposures each with an individual carrying amount exceeding SEK 1bn.
These exposures are in the transport and energy sectors.

G45 Segment reporting

Segment reporting 2016	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Continuing operations
Net interest income	15 519	4 414	1 686	1 218	3 355	438	557	756		27 943
Net fee and commission income	4 233	519	379	419	381	75	3 081	69		9 156
Net gains/losses on financial transactions	725	219	75	87	114	5	984	857		3 066
Risk result – insurance							142			142
Share of profit of associates						2		23		25
Other income	47	3	15	10	81	1	8	266		431
Total income	**20 524**	**5 155**	**2 155**	**1 734**	**3 931**	**521**	**4 772**	**1 971**		**40 763**
Staff costs	-3 671	-1 849	-655	-380	-676	-210	-2 368	-2 335	-398	-12 542
Other expenses	-1 153	-463	-194	-210	-206	-60	-871	-2 244		-5 401
Internal purchased and sold services	-2 645	-545	-287	-239	-379	-77	-56	4 228		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-67	-46	-14	-14	-8	-7	-76	-248	-15	-495
Total expenses	**-7 536**	**-2 903**	**-1 150**	**-843**	**-1 269**	**-354**	**-3 371**	**-599**	**-413**	**-18 438**
Profit before loan losses	**12 988**	**2 252**	**1 005**	**891**	**2 662**	**167**	**1 401**	**1 372**	**-413**	**22 325**
Net loan losses	-416	-160	-716	-36	-347	0	-49			-1 724
Gains/losses on disposal of property, equipment and intangible assets	0	2	7	0	0	-	0	23		32
Operating profit	**12 572**	**2 094**	**296**	**855**	**2 315**	**167**	**1 352**	**1 395**	**-413**	**20 633**
Profit allocation	997	35	85	131	91	3	-1 342	-		
Operating profit after profit allocation	**13 569**	**2 129**	**381**	**986**	**2 406**	**170**	**10**	**1 395**	**-413**	**20 633**
Internal income[1]	116	-1 195	-334	-262	-2 463	-210	-2 851	7 199		
C/I ratio, %	35.0	55.9	51.3	45.2	31.6	67.6	98.3			45.2
Loan loss ratio, %	0.03	0.08	0.85	0.03	0.17	0.00	0.10			0.09
Assets	1 572 446	316 732	108 299	178 132	246 940	35 293	279 905	1 810 638	-1 920 805	2 627 580
Liabilities	1 494 646	305 306	102 078	171 880	231 057	34 042	274 872	1 810 638	-1 933 320	2 491 199
Allocated capital	77 800	11 426	6 221	6 252	15 883	1 251	5 033		12 515	136 381
Return on allocated capital, %	14.7	15.4	4.8	13.0	13.3	12.5	0.2			13.1
The year's investments in non-financial non-current assets	66	155	4	20	17	13	295	403		973
The year's investments in associated companies								19		19
Average number of employees	4 293	1 959	624	491	668	206	1 678	1 840		11 759

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

The business segments are recognised in compliance with IFRS 8, Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Sweden, the UK, Denmark, Finland, Norway, the Netherlands and Capital Markets. Handelsbanken's branch operations, which provide universal banking services, were divided into 14 regional banks in 2016. Five of these are Swedish, and nine are located outside Sweden. Each regional bank is led by a head of regional bank, and is monitored as an independent profit centre. The Capital Markets segment is Handelsbanken's investment bank, including securities trading and investment advisory services. Its operations also include asset management, insurance operations and the Bank's international operations outside its home markets.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net in the line item Internal purchased and sold services. Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. Other includes Treasury and central departments and also the cost of the allocation to Oktogonen, which is SEK 0 million (858). The Adjustments and eliminations column includes adjustments for staff costs. Adjustments for staff costs contain the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and locally calculated pension costs.

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the form of payment for internal services rendered. Internal debiting is primarily according to the cost price principle. In branch operations,

Segment reporting 2015

SEK m	Home markets						Capital Markets	Other	Adjustments and eliminations	Continuing operations
	Sweden	UK	Denmark	Finland	Norway	The Netherlands				
Net interest income	15 278	4 570	1 678	1 361	3 248	328	641	636		27 740
Net fee and commission income	4 619	452	436	387	395	23	2 972	36		9 320
Net gains/losses on financial transactions	383	194	77	60	94	5	1 226	569		2 608
Risk result – insurance							157			157
Share of profit of associates								17		17
Other income	61	7	17	23	31	-	10	345		494
Total income	**20 341**	**5 223**	**2 208**	**1 831**	**3 768**	**356**	**5 006**	**1 603**		**40 336**
Staff costs	-3 620	-1 870	-629	-369	-713	-158	-2 447	-2 651	-124	-12 581
Other expenses	-1 163	-429	-178	-161	-207	-37	-857	-2 171		-5 203
Internal purchased and sold services	-2 595	-455	-279	-247	-370	-84	-86	4 116		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-88	-30	-15	-11	-13	-3	-79	-248		-487
Total expenses	**-7 466**	**-2 784**	**-1 101**	**-788**	**-1 303**	**-282**	**-3 469**	**-954**	**-124**	**-18 271**
Profit before loan losses	**12 875**	**2 439**	**1 107**	**1 043**	**2 465**	**74**	**1 537**	**649**	**-124**	**22 065**
Net loan losses	-763	-224	-299	-83	-222	-2	-4			-1 597
Gains/losses on disposal of property, equipment and intangible assets	-2	-12	8	0	6	-	0	7		7
Operating profit	**12 110**	**2 203**	**816**	**960**	**2 249**	**72**	**1 533**	**656**	**-124**	**20 475**
Profit allocation	935	34	72	110	57	0	-1 209	1		
Operating profit after profit allocation	**13 045**	**2 237**	**888**	**1 070**	**2 306**	**72**	**324**	**657**	**-124**	**20 475**
Internal income[1]	46	-1 481	-295	-367	-2 805	-175	-2 347	7 424		
C/I ratio, %	35.1	53.0	48.3	40.6	34.1	79.2	91.4			45.3
Loan loss ratio, %	0.07	0.13	0.37	0.07	0.11	0.01	0.01			0.09
Assets	1 488 781	302 077	94 037	168 403	211 360	24 514	284 166	1 777 015	-1 828 220	2 522 133
Liabilities	1 416 887	291 625	87 818	162 217	198 394	23 663	278 495	1 777 015	-1 842 249	2 393 865
Allocated capital	71 894	10 452	6 219	6 186	12 966	851	5 671		14 029	128 268
Return on allocated capital, %	14.7	16.8	11.2	13.8	13.6	6.4	4.5			13.4
The year's investments in non-financial non-current assets	59	364	3	27	20	17	273	246		1 009
The year's investments in associated companies								10		10
Average number of employees	4 468	1 794	631	496	676	159	1 766	1 829		11 819

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

assets consist mainly of loans to the public and liabilities of deposits from the public and also internal borrowing. In the Capital Markets segment, assets mainly consist of securities that are managed within the asset management and insurance operations. The assets in the Other column are mainly internal lending to the various segments, while the liabilities are mainly external borrowings. The allocated capital for the segments is the same as the capital allocation according to the internal financial control model.

Income per product area SEK m	2016	2015
Investment bank	4 811	4 722
Bank deposits and corporate loans	10 228	10 430
Finance company services	1 705	2 026
Bank deposits and loans to private individuals	3 050	3 807
Mortgages	12 825	12 069
Pensions and insurance	1 104	1 115
Capital market	3 114	3 090
Trade finance	460	462
Other operations	3 466	2 615
Total	**40 763**	**40 336**

G46 Geographical information

Geographical information 2016

SEK m	Income	Operating profit	Tax	Assets
Sweden	26 212	15 288	-3 458	2 211 192
UK	5 027	1 851	-474	296 449
Norway	3 624	1 917	-393	261 574
Denmark	2 219	180	-72	124 624
Finland	1 981	973	-199	230 654
USA	670	422	-130	289 126
The Netherlands	544	179	-43	35 667
Luxembourg	169	25	-22	19 597
Germany	109	-3	-	14 935
China	59	-47	1	8 438
France	55	8	-2	10 194
Poland	42	-49	0	3 400
Singapore	27	-76	-2	13 366
Estonia	14	-13	-	1 533
Austria	6	-3	-	330
Latvia	4	-8	-	303
Lithuania	1	-9	-	90
Brazil	0	-2	-	0
Eliminations	0	0	394	-893 892
Group	**40 763**	**20 633**	**-4 400**	**2 627 580**

Income, expenses and assets presented in the geographical information are composed of internal and external income, expenses and assets in the respective country. The geographical distribution of income and expenses is based on the country where the business transaction has been carried out and is not comparable with the segment reporting. Tax includes current and deferred taxes. Additional geographical information is provided in note P16 concerning the domicile of subsidiaries and associates and in note G8 concerning average number of employees.

Geographical information 2015

SEK m	Income	Operating profit	Tax	Assets
Sweden	25 461	14 305	-3 120	2 113 877
UK	5 290	2 089	-479	308 207
Norway	3 708	2 005	-563	234 455
Denmark	2 209	600	-169	107 358
Finland	2 111	1 106	-232	165 847
USA	647	358	-37	319 268
The Netherlands	341	57	-13	25 094
Luxembourg	190	58	-19	33 266
Germany	114	-11	0	10 768
China	74	-31	-17	8 813
Singapore	69	9	-3	12 313
France	54	5	0	5 136
Poland	42	-33	0	2 653
Estonia	14	-12	-	1 405
Austria	7	-5	-	342
Latvia	4	-10	-	272
Lithuania	1	-15	-	220
Brazil	0	0	-	0
Eliminations			375	-827 161
Group	**40 336**	**20 475**	**-4 277**	**2 522 133**

G47 Assets and liabilities in currencies

2016 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
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
of which corporate	*460 084*	*128 416*	*139 985*	*36 741*	*128 371*	*28 413*	*8 287*	*930 297*
of which households	*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
Total assets	**1 595 520**	**302 791**	**240 592**	**112 686**	**257 798**	**105 804**	**12 389**	**2 627 580**
Liabilities								
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
of which corporate	*192 720*	*61 542*	*38 662*	*19 051*	*86 076*	*21 003*	*6 170*	*425 224*
of which households	*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
Total liabilities and equity	**1 336 752**	**406 522**	**95 041**	**52 757**	**211 487**	**467 050**	**57 971**	**2 627 580**
Other assets and liabilities broken down by currency, net		103 917	-145 364	-59 815	-46 342	361 349	45 650	
Net foreign currency position		186	187	114	-31	103	68	627

Note G2 on page 80 describes the Bank's view of exchange rate risks.

2015 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	153	45 633	6 094	99	55 540	94 654	457	202 630
Other loans to central banks	15 998	-	2 103	15 653	364	-	0	34 118
Loans to other credit institutions	2 561	8 692	207	115	1 285	33 337	3 459	49 656
Loans to the public	1 190 747	174 047	190 881	78 738	195 097	27 213	9 744	1 866 467
of which corporate	*475 424*	*122 999*	*110 217*	*31 446*	*131 228*	*27 024*	*8 758*	*907 096*
of which households	*715 323*	*51 048*	*80 664*	*47 292*	*63 869*	*189*	*986*	*959 371*
Interest-bearing securities eligible as collateral with central banks	36 606	6 402	-	7	-	30 744	1 018	74 777
Bonds and other interest-bearing securities	39 770	2 726	716	2	1 282	17	-	44 513
Other items not broken down by currency	249 972							249 972
Total assets	**1 535 807**	**237 500**	**200 001**	**94 614**	**253 568**	**185 965**	**14 678**	**2 522 133**
Liabilities								
Due to credit institutions	25 008	53 015	19 818	14 977	13 142	29 439	8 371	163 770
Deposits and borrowing from the public	465 675	64 535	46 741	29 709	109 464	30 587	7 144	753 855
of which corporate	*184 145*	*49 610*	*28 813*	*15 870*	*84 067*	*28 209*	*6 709*	*397 423*
of which households	*281 530*	*14 925*	*17 928*	*13 839*	*25 397*	*2 378*	*435*	*356 432*
Issued securities	445 875	232 006	18 512	367	91 366	420 752	36 489	1 245 367
Subordinated liabilities	10 519	13 717	-	-	-	9 980	-	34 216
Other items not broken down by currency, incl. equity	324 925							324 925
Total liabilities and equity	**1 272 002**	**363 273**	**85 071**	**45 053**	**213 972**	**490 758**	**52 004**	**2 522 133**
Other assets and liabilities broken down by currency, net		125 716	-114 803	-49 492	-39 555	304 831	37 406	
Net foreign currency position		-57	127	69	41	38	80	298

G48 Related-party disclosures

Claims on and liabilities to related parties	Associated companies		Other related parties	
SEK m	2016	2015	2016	2015
Loans to the public	849	815	-	-
Other assets	59	64	515	544
Total	**908**	**879**	**515**	**544**
Deposits and borrowing from the public	223	222	604	526
Subordinated liabilities	-	-	681	687
Other liabilities	0	0	58	56
Total	**223**	**222**	**1 343**	**1 269**

Related parties – income and expense	Associated companies		Other related parties	
SEK m	2016	2015	2016	2015
Interest income	13	10	1	0
Interest expense	0	0	-71	-93
Fee and commission income	1	4	-	-
Fee and commission expense	-237	-216	-18	-36
Net gains/losses on financial items at fair value	0	0	-	1 207
Other income	1	1	15	19
Other expenses	-39	-33	-53	-51
Total	**-261**	**-234**	**-126**	**1 046**

A list of associated companies and information about shareholder contributions to associated companies is presented in note G19. The associated companies' operations comprise various types of services related to the financial markets. The following companies comprise the group of related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for customary banking and accounting.

The parent company's Swedish subsidiaries has paid pension premiums for defined benefit pensions to the pension fund amounting to SEK 52m (51). The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 6,099m (5,585). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 510m (505) regarding pension costs, SEK 465m (480) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 25m (20) for measures to benefit the employees.

Information regarding loans to executive officers, and conditions and other remuneration to executive officers, is given in note G8.

G49 Events after the balance sheet date

No significant events have occured after the balance sheet date.

G50 Business combinations

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

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

Since the acquisition, Optimix has contributed SEK 54 million to the year's income. The contribution to the year's profit is only marginal. If Optimix had been included in the consolidated accounts from 1 January 2016, the company would have contributed SEK 128 million to the Group's income. The impact on the year's profit would have been only marginal.

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

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

SEK m	Carried in the Group on acquisiton date
Loans to the public	50
Intangible assets	512
Property and equipment	39
Deferred tax assets	3
Other assets	261
Total assets	**865**
Deferred tax liabilities	135
Other liabilities	261
Total liabilites	**396**
Subsidiary's net assets	469
Acquisition cost, cash	408
Acquisition cost, preliminary liabilities for contingent consideration	208
Goodwill	147
Cash flow	
Acquired cash and cash equivalents in subsidiary	0
Cash paid	408
Net	**408**

G51 Capital adequacy

CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

CAPITAL REQUIREMENTS REGULATION

According to the capital adequacy regulations, Regulation (EU) No 575/2013 EU (CRR), which came into force in the EU on 1 January 2014, and directive 2013/36/EU (CRD IV), which was implemented in Sweden on 2 August 2014, the Bank must have common equity tier 1 capital, tier 1 capital and total own funds which at least correspond to the individual requirements relative to the total risk exposure amount for credit risk, market risk and operational risk. In addition to holding capital in accordance with the minimum requirement, the Bank must also hold common equity tier 1 capital to comply with the combined buffer requirement which in Sweden comprises the sum of a capital conservation buffer, a countercyclical buffer and a systemic risk buffer. The Bank must also perform an internal capital assessment. Handelsbanken's capital policy – most recently adopted in 2016 – states the guidelines for the internal capital assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). See also Capital adequacy for the financial conglomerate below. Since 1 February 2016, the resolution authority, which in Sweden is the National Debt Office, must set a minimum requirement for own funds and eligible liabilities (MREL) for the Bank. In 2016, the Bank met all the statutory minimum and buffer levels by a comfortable margin. More detailed information about the Bank's own funds and capital requirement is available in note G2, Risk and capital management, and in the document entitled Handelsbanken's Risk and Capital Management – Information according to Pillar 3 (see handelsbanken.se/ireng).

DESCRIPTION OF CONSOLIDATED SITUATION

The regulatory consolidation (consolidated situation) consists of the parent company, subsidiaries and associated companies that are also included in the consolidated Group accounts, as shown in the table on page 145. The companies that are included in the consolidated accounts but are excluded from the consolidated situation are shown in the table on page 145. Just as in the consolidated accounts, associated companies are consolidated using the equity method in the regulatory consolidated situation. Subsidiaries are further consolidated according to the acquisition method. All subsidiaries which are subject to the regulations are included in the consolidated situation. Handelsbanken has no subsidiaries where the actual own funds are less than the prescribed own funds.

G51 Cont.

DESCRIPTION OF OWN FUNDS FOR CONSOLIDATED SITUATION

Own funds consist of tier 1 capital and tier 2 capital. The tier 1 capital is divided into common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists mainly of share capital, retained earnings and other reserves in the companies that are included in the consolidation. Remaining tier 1 capital consists of additional tier 1 instruments. The tier 2 capital mainly consists of subordinated loans. Certain deductions are subsequently made from own funds. The deductions are made mainly from the common equity tier 1 capital. For the Bank's risk management, it is important that in risk terms, both the Group and the regulatory consolidation can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example, capital adequacy requirements and restrictions in corporate law. The Bank sees no other material or legal obstacles to a rapid transfer of funds from own funds, or repayment of liabilities between the parent company and its subsidiaries.

Tier 1 capital

Tier 1 capital consists of common equity tier 1 capital and additional tier 1 capital.

Common equity tier 1 capital

Common equity tier 1 capital consists chiefly of share capital, retained earnings and other reserves in the companies that are included in the regulatory consolidation. Since the Group's insurance companies are not part of the consolidation, retained earnings in these companies are not included in the common equity tier 1 capital. The items to be excluded from the common equity tier 1 capital are mainly goodwill and other intangible assets, and also capital contributions to the insurance companies in the Group or certain deferred tax assets which exceed 10 per cent of the common equity tier 1 capital. The total of capital contributions and deferred tax assets must not exceed 15 per cent of the common equity tier 1 capital. Since neither the capital contributions to the insurance companies in the Group nor the deferred tax assets exceed the threshold value, these do not reduce the common equity tier 1 capital. Neutrality adjustments are made for the effect of cash flow hedges on equity. An additional value adjustment must also be calculated and, when necessary, be made for prudent valuation of instruments at fair value. Institutions with permission to use internal ratings-based models must make a deduction for the difference between expected loan losses according to the IRB Approach and the provisions made for probable loan losses if the expected loan losses exceed the provisions made. A deduction must also be made for the net value of recognised surplus values in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. Finally, a deduction must also be made for permission to hold own shares in its capacity as market maker. The deduction must correspond to the highest market value covered by the permission.

Additional tier 1 capital

Additional tier 1 capital consists of instruments which fulfil the requirements for additional tier 1 capital. This capital must be perpetual and must be redeemable after five years at the earliest, but only with the permission of the supervisory authority. It must be possible to write down the nominal value or convert it to shares to create common equity tier 1 capital at a pre-defined level for the common equity tier 1 capital and it must be possible to unconditionally suspend interest payments.

The Bank's total additional tier 1 capital amounts to SEK 13.2 billion. Of these, additional tier 1 capital for SEK 10.8 billion was issued in 2015, which fulfils the requirements of CRR. However, the Bank's other outstanding additional tier 1 capital has been issued with permission in accordance with the previous regulations and is therefore included in the transitional rules in CRR. These amount to SEK 2.4 billion and comprise enhanced capital contributions. For enhanced capital contributions, the Bank has the right to convert the instruments into equity at an earlier stage to avoid breaching regulatory requirements. In the case of liquidation, the instruments will be classified as liabilities, including the part that was previously converted into equity, and which will then have the same residual claim to the assets of the company. This claim is subordinate to the claims of all other creditors. Only shareholders have a more subordinated claim to the assets of the company. For enhanced capital contributions, the Bank has an unconditional right to suspend coupon payments, in other words, payment of interest can be suspended at any time. If there are no distributable funds, coupon payments must be suspended for the instrument.

Tier 2 capital

The tier 2 capital consists of subordinated loans with a maturity of at least five years. Deductions are made for subordinated loan contributions to the insurance companies within the Group.

CAPITAL REQUIREMENTS

Credit risk

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

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

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

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

At the year-end, the IRB Approach was applied to 79 per cent (80) of the total risk exposure amount for credit risk. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach. Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the Basel III capital adequacy regulations, CRR and CRD IV. In the tables, "CRR" means that the figures are based on the minimum capital requirements after the transitional rules have ceased to apply. The transitional rules apply until further notice.

Repos and securities loans are reported separately in the table Credit risk exposures approved for IRB Approach, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirements are 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 year to 14.3 per cent (15.5). The decrease is mainly due to a changed distribution between companies, housing co-operative associations and households in the credit portfolio, and also that the average risk weight for corporate exposures is lower. This in turn is mainly due to higher credit volumes during the year to counterparties with relatively low risk weights, while the volume to counterparties with relatively high risk weights has fallen.

Credit quality is good. Of Handelsbanken's corporate exposures, 97 per cent (97) were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's

10-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 in the different exposure classes. The capital requirements for equity exposures in the IRB Approach are calculated according to a simplified risk weight method.

For further information about changes during the year, see the Bank's interim reports for 2016 and the Bank's publication Risk and Capital Management – Information according to Pillar 3.

Market risks

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

Operational risk

Handelsbanken uses the standardised approach to calculate the capital requirements for operational risk. According to the standardised approach, the capital requirements are 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.

CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of the financial conglomerate must have own funds which are adequate in relation to the capital requirements for the financial conglomerate. Own funds for the financial conglomerate have been calculated by means of a combination of the aggregation and settlement method and the consolidation method. This means that the own funds for the consolidated situation have been combined with the capital base for the Handelsbanken Liv AB insurance group. Correspondingly, in order to calculate the requirement for the conglomerate, the solvency requirement for the insurance group has been added to the capital requirement for the consolidated situation.

Companies included in consolidated situation	Ownership share, %	Corporate identity number	Domicile
Handelsbanken AB (publ)[1]		502007-7862	Stockholm
SUBSIDIARIES			
Handelsbanken Finans AB[1]	100	556053-0841	Stockholm
Kredit-Inkasso AB	100	556069-3185	Stockholm
Handelsbanken Rahoitus Oy	100	0112308-8	Helsinki
Kreditt-Inkasso AS	100	955074203	Fredrikstad
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	100	310101717882194	Shanghai
Stadshypotek AB[1]	100	556459-6715	Stockholm
Svenska Intecknings Garanti AB Sigab (inactive)	100	556432-7285	Stockholm
Handelsbanken Fondbolagsförvaltning AB	100	556070-0683	Stockholm
Handelsbanken Fonder AB	100	556418-8851	Stockholm
Handelsinvest Investeringsforvaltning A/S	100	12930879	Copenhagen
Handelsbanken Fondbolag Ab	100	1105019-3	Helsinki
Handelsbanken Kapitalförvaltning AS	100	973194860	Oslo
Xact Kapitalförvaltning AB	100	556997-8140	Stockholm
AB Handel och Industri	100	556013-5336	Stockholm
Heartwood Wealth Management Limited	100	04132340	London
Heartwood Nominees Limited (inactive)	100	2299877	London
Heartwood Second Nominees Limited (inactive)	100	3193458	London
Private Office Limited (inactive)	100	4332528	London
Optimix Vermogensbeheer N.V.	100	33194359	Amsterdam
Optimix Beheer en Belegging B.V. (inactive)	100	33186584	Amsterdam
Other			
Ejendomsselskabet af 1. maj 2009 A/S[1]	100	59173812	Hillerød
Forva AS	100	945812141	Oslo
Handelsbanken Markets Securities, Inc[1]	100	11-3257438	New York
Lokalbolig A/S	62.79	78488018	Hillerød
Rådstuplass 4 AS	100	910508423	Bergen
SIL (Nominees) Limited (inactive)	100	1932320	London
Svenska Property Nominees Limited (inactive)	100	2308524	London
Lila stugan i Stockholm AB (inactive)	100	556993-9084	Stockholm
Ecster AB (inactive)	100	556993-2311	Stockholm
Blå stugan i Stockholm (inactive)	100	556993-9357	Stockholm
Subsidary of Handelsbanken Liv Försäkrings AB			
Handelsbanken Fastigheter AB	100	556873-0021	Stockholm
ASSOCIATES			
Bankomatcentralen AB	20	556197-2265	Stockholm
BGC Holding AB	25.38	556607-0933	Stockholm
Bankgirocentralen BGC AB[2]	100	556047-3521	Stockholm
Bankgirot Business Transactions Sweden AB[2]	100	556564-5404	Stockholm
Finansiell ID-teknik BID AB	28.3	556630-4928	Stockholm
UC AB	24.48	556137-5113	Stockholm
UC Affärsfakta AB[2]	100	556613-0042	Stockholm
UC Marknadsinformation AB[2]	100	556948-5518	Stockholm
UC Aktieadministration AB[2]	100	556961-2079	Stockholm
UC Bostadsvärdering AB[2]	100	556576-7133	Stockholm
UC allabolag AB[2]	100	556730-7367	Stockholm
Bankomat AB	20	556817-9716	Stockholm
BDB Bankernas Depå AB[2]	100	556695-3567	Stockholm
Getswish AB	20	556913-7382	Stockholm
Add Value Fund Management B.V.	45	19196768	Amsterdam

[1] Credit institution.
[2] Ownership in subsidiaries and associates.

Companies not included in consolidated situation	Ownership share, %	Corporate identity number	Domicile
Handelsbanken Liv Försäkrings AB (group excl. Handelsbanken Fastigheter AB)	100	516401-8284	Stockholm
Svenska Re S.A.	100	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	100	516401-6767	Stockholm
Dyson Group plc	44.5	163096	Sheffield
EFN Ekonomikanalen AB	100	556930-1608	Stockholm
SHB Liv Försäkringsaktiebolag	100	2478149-7	Helsinki
Svenska RKA International Insurance Services AB (inactive)	100	556324-2964	Stockholm

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Balance sheet	2016		2015	
SEK m	Consolidated situation	Banking group	Consolidated situation	Banking group
ASSETS				
Cash and balances with central banks	199 362	199 362	202 630	202 630
Other loans to central banks	25 527	25 527	34 118	34 118
Interest-bearing securities available as collateral with central banks	94 247	97 205	71 441	74 777
Loans to other credit institutions	31 347	31 347	49 597	49 656
Loans to the public	1 964 751	1 963 622	1 867 846	1 866 467
Value change of interest-hedged item in portfolio hedge	35	35	27	27
Bonds and other interest-bearing securities	60 311	63 909	40 977	44 513
of which interest-bearing instruments classified as available for sale (carrying amount)	*5 464*	*5 464*	*3 479*	*3 479*
of which interest-bearing instruments classified as available for sale, accumulated value change	*-62*	*-107*	*-100*	*-194*
Shares and participating interests	19 345	20 412	29 338	30 387
of which shares classified as available for sale (carrying amount)	*1 618*	*1 618*	*6 581*	*6 581*
of which shares classified as available for sale, accumulated value change	*1 041*	*1 041*	*2 268*	*2 268*
Investments in associates	6 510	255	6 626	245
Assets where the customer bears the value change risk	4 500	118 646	3 422	105 146
Derivative instruments	82 632	82 633	85 347	85 347
of which cash flow hedges	*2 487*	*2 487*	*4 940*	*4 940*
Reinsurance assets	-	9	-	10
Intangible assets	9 288	9 393	8 179	8 254
Property and equipment	2 387	2 387	2 348	2 348
Current tax assets	26	38	143	143
Deferred tax assets	962	962	1 489	1 489
of which related to cash flow hedges	-	-	-	-
of which related to interest-bearing instruments classified as available for sale	*22*	*22*	*37*	*37*
Pension assets	-	-	-	-
Assets held for sale	1	1	-	1 442
Other assets	5 338	5 615	8 786	8 887
Prepaid expenses and accrued income	6 153	6 222	6 164	6 247
Total assets	**2 512 722**	**2 627 580**	**2 418 478**	**2 522 133**
LIABILITIES AND EQUITY				
Liabilities to credit institutions	178 734	178 781	163 770	163 770
Deposits and borrowing from the public	826 274	829 336	754 164	753 855
Liabilities where the customer bears the value change risk	4 599	118 745	3 501	105 225
Issued securities	1 261 765	1 261 765	1 245 367	1 245 367
Derivative instruments	31 745	31 738	40 596	40 592
of which cash flow hedges	-	-	-	-
Short positions	1 572	1 572	2 416	2 416
Insurance liabilities	-	574	-	607
Current tax liabilities	488	514	970	996
Deferred tax liabilities	7 832	7 875	8 799	8 844
of which related to cash flow hedges	*702*	*702*	*1 393*	*1 393*
of which related to interest-bearing instruments classified as available for sale	*6*	*6*	*130*	*130*
Provisions	719	731	101	113
Pension obligations	2 121	2 161	5 263	5 314
Liabilities related to assets held for sale	-	-	-	759
Other liabilities	9 210	9 427	13 854	14 206
Accrued expenses and deferred income	14 412	14 580	17 440	17 585
Subordinated liabilities	33 400	33 400	34 216	34 216
of which tier 1 capital loans	*13 167*	*13 167*	*12 332*	*12 332*
of which loans with remaining time to maturity > 5 yrs	*17 354*	*17 354*	*16 706*	*16 706*
of which loans with remaining time to maturity < 5 yrs	-	-	*2 420*	*2 420*
of which other loans	*2 879*	*2 879*	*2 758*	*2 758*
Total liabilities	**2 372 871**	**2 491 199**	**2 290 457**	**2 393 865**
Minority interest	6	6	4	4
Share capital	3 013	3 013	2 956	2 956
Holdings of own shares	-	-	-	-
Share premium reserve	5 628	5 628	3 204	3 204
of which equity from combined financial instruments	*1 045*	*1 045*	*1 045*	*1 045*
Other reserves	9 273	9 268	8 557	8 440
Retained earnings	101 857	102 222	97 705	97 322
Profit for the year (belonging to shareholders of Svenska Handelsbanken AB)	20 074	16 244	15 595	16 342
Total equity	**139 851**	**136 381**	**128 021**	**128 268**
Total liabilities and equity	**2 512 722**	**2 627 580**	**2 418 478**	**2 522 133**

Transitional own funds

SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and the related share premium accounts	7 597		5 832	
of which share capital	*7 597*		*5 760*	
of which convertible securities			*72*	*72*
Retained earnings	101 857		97 705	
Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	10 084		8 556	
Funds for general banking risk				
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1				
Public sector capital injections grandfathered until 1 January 2018				
Minority interests (amount allowed in consolidated CET1)	-		-	
Independently reviewed interim profits net of any foreseeable charge or dividend	10 352		4 153	
Common equity tier 1 (CET1) capital before regulatory adjustment	**129 890**		**116 246**	
Common equity tier 1 (CET1) capital: regulatory adjustment				
Additional value adjustments (negative amount)	-645		-553	
Intangible assets (net of related tax liability) (negative amount)	-9 355		-8 246	
[non-relevant in EU regulation]				
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		-	
Fair value reserves related to gains or losses on cash flow hedges	-2 487		-4 940	
Negative amounts resulting from the calculation of expected loss amounts	-1 527		-1 395	
Any increase in equity that results from securitised assets (negative amount)	-		-	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-		-	
Defined benefit pension fund assets (negative amount)	-		-	
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-636		-577	
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
[non-relevant in EU regulation]	-		-	
Exposure amounts of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-		-	
of which qualifying holdings outside the financial sector (negative amount)	-		-	
of which securitisation positions (negative amount)	-		-	
of which free deliveries (negative amount)	-		-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		-	
Amount exceeding the 15% threshold (negative amount)	-		-	
of which direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities	-		-	
[non-relevant in EU regulation]				
of which deferred tax assets arising from temporary difference	-		-	
Losses for the current financial year (negative amount)	-		-	
Foreseeable tax charges relating to CET1 items (negative amount)	-		-	
Regulatory adjustments applied to common equity tier 1 capital in respect of amounts subject to pre-CRR treatment				
Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468				
of which filter for unrealised loss, shares classified as available for sale				
Amount to be deducted from or added to common equity tier 1 capital with regard to additional filters and deductions required pre-CRR				
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		-	
Total regulatory adjustments to common equity tier 1 (CET1) capital	**-14 650**		**-15 711**	
Common equity tier 1 (CET1) capital	**115 240**		**100 535**	

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

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Transitional own funds

SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Additional tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	10 815		9 981	
of which classified as equity under applicable accounting standards				
of which classified as liabilities under applicable accounting standards	*10 815*		*9 981*	
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	2 353	2 353	2 351	2 351
Public sector capital injections grandfathered until 1 January 2018				
Qualifying tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-		-	
of which instruments issued by subsidiaries subject to phase-out				
Additional tier 1 (AT1) capital before regulatory adjustments	**13 168**		**12 332**	
Additional tier 1 (AT1) capital: regulatory adjustments				
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-400	-400	-399	-399
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
Regulatory adjustments applied to additional tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)				
Residual amounts deducted from additional tier 1 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.				
Residual amounts deducted from additional tier 1 capital with regard to deduction from tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. reciprocal cross holdings in tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.				
Amounts to be deducted from or added to additional tier 1 capital with regard to additional filters and deductions required pre-CRR				
Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)				
Total regulatory adjustments to additional tier 1 (AT1) capital	**-400**		**-399**	
Additional tier 1 (AT1) capital	**12 768**		**11 933**	
Tier 1 capital (T1 = CET1 + AT1)	**128 008**		**112 468**	
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	17 354		17 150	444
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2				
Public sector capital injections grandfathered until 1 January 2018				
Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-		-	
of which instruments issued by subsidiaries subject to phase-out				
Credit risk adjustments	-		-	
Tier 2 (T2) capital before regulatory adjustment	**17 354**		**17 150**	

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Transitional own funds

SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Tier 2 (T2) capital: regulatory adjustments				
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		-	
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-		-	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
of which new holdings not subject to transitional arrangements	-		-	
of which holdings existing before 1 January 2013 and subject to transitional arrangements				
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1 129		-1 129	
Regulatory adjustments applied to tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				
Residual amounts deducted from tier 2 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.				
Residual amounts deducted from tier 2 capital with regard to deduction from additional tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. reciprocal cross holdings in tier 2 instrument, direct holdings of non-significant investments in the capital of other financial sector entities etc.				
Amounts to be deducted from or added to tier 2 capital with regard to additional filters and deductions required pre-CRR				
Total regulatory adjustments to tier 2 (T2) capital	**-1 129**		**-1 129**	
Tier 2 (T2) capital	**16 225**		**16 021**	
Total capital (TC = T1 + T2)	**144 233**		**128 489**	
Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	458 787		473 132	
of which additional capital to insurance companies in the Group not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)	*15 633*		*15 633*	
of which deferred tax claims not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)	*1 856*		*3 220*	
Items not deducted from T2 instruments (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	-		-	
Total risk-weighted assets	**458 787**		**473 132**	
Capital ratios and buffers				
Common equity tier 1 capital (as a percentage of total risk exposure amount)	25.1		21.2	
Tier 1 capital (as a percentage of total risk exposure amount)	27.9		23.8	
Total capital (as a percentage of total risk exposure amount)	31.4		27.2	
Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	6.4		6.1	
of which capital conservation buffer requirement	*2.5*		*2.5*	
of which countercyclical buffer requirement	*0.9*		*0.6*	
of which systemic risk buffer requirement	*3.0*		*3.0*	
of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	*0*		*0*	
Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	20.6		16.7	
[non-relevant in EU regulation]				
[non-relevant in EU regulation]				
[non-relevant in EU regulation]				

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

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Transitional own funds

SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Capital ratios and buffers				
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0		3	
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		–	
[non-relevant in EU regulation]				
Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-743		-1 288	
Applicable caps on the inclusion of provisions tier 2				
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)				
Cap on inclusion of credit risk adjustments in T2 under standardised approach				
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)				
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach				
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
Current cap on CET1 instruments subject to phase-out arrangements	174		203	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)				
Current cap on AT1 instruments subject to phase-out arrangements	7 335		8 558	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)				
Current cap on T2 instruments subject to phase-out arrangements	4 444		5 185	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)				

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments main features, CET

Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000193120	SE0000152084
Governing law(s) of the instrument	Swedish law	Swedish law
Regulatory treatment		
Transitional CRR rules	Common equity tier 1 capital	Common equity tier 1 capital
Post-transitional rules	Common equity tier 1 capital	Common equity tier 1 capital
Eligible at solo/(sub)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Share capital, class A	Share capital, class B
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 7,445m	SEK 152m
Nominal amount of instrument	SEK 2,958m	SEK 55m
Issue price	SEK 7,445m	SEK 152m
Redemption price	N/A	N/A
Accounting classification	Equity	Equity
Original date of issuance	1871	1990
Perpetual or dated	Perpetual	Perpetual
Original maturity date	N/A	N/A
Issuer call subject to prior supervisory approval	N/A	N/A
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends		
Fixed or floating dividend/coupons	N/A	N/A
Coupon rate and any related index	N/A	N/A
Existence of dividend stopper	N/A	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
Existence of step-up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A
Write-down features	No	No
If write-down, write-down trigger(s)	N/A	N/A
If write-down, full or partial	N/A	N/A
If write-down, permanent or temporary	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Lowest, next senior is additional tier 1 capital	Lowest, next senior is additional tier 1 capital
Non-compliant transitioned features	No	No
If yes, specify non-compliant features	N/A	N/A

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

G51 Cont.

Capital instruments main features, AT1			
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SE0002450601	XS0406264092	XS1194054166
Governing law(s) of the instrument	Swedish law	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law
Regulatory treatment			
Transitional CRR rules	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Post-transitional rules	Non-eligible	Tier 2 capital	Tier 1 capital
Eligible at solo/(sub)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 3m	SEK 2,350m	SEK 10,815m
Nominal amount of instrument	SEK 3m	SEK 2,350m	USD 1,200m
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	12 Jun 2008	19 Dec 2008	25 Feb 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual
Original maturity date	No maturity date	No maturity date	No maturity date
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	21 May 2013	19 Mar 2019	1 Mar 2021
Subsequent call dates, if applicable	Callable at any time with 40-day qualification period	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date
Coupons/dividends			
Fixed or floating dividend/coupons	Floating	Fixed	Fixed
Coupon rate and any related index	0.18%	11.00%	5.25%
Existence of dividend stopper	Yes	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	Partially discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Fully discretionary
Existence of step-up or other incentive to redeem	Yes	Yes	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	Fully discretionary	N/A	N/A
If convertible, fully or partially	Fully or partially	N/A	N/A
If convertible, conversion rate	SEK 62.52 per share	N/A	N/A
If convertible, mandatory or optional conversion	Optional	N/A	N/A
If convertible, specify instrument type convertible into	Share capital, class A	N/A	N/A
If convertible, specify issuer of instrument it converts into	Svenska Handelsbanken AB	N/A	N/A
Write-down features	Yes	Yes	Yes
If write-down, write-down trigger(s)	Expected breach of capital requirement	Expected breach of capital requirement	Common equity tier 1 ratio 8% consolidated, 5.125% parent company
If write-down, full or partial	Full or partially	Full or partially	Full or partially
If write-down, permanent or temporary	Temporary	Temporary	Temporary
If temporary write-down, description of write-up mechanism	Fully discretionary	Fully discretionary	Fully discretionary
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all instruments except shares, next in priority are subordinated loans	Subordinate to all instruments except shares, next in priority are subordinated loans	Subordinate to all instruments except shares, next in priority are subordinated loans
Non-compliant transitioned features	Yes	Yes	N/A
If yes, specify non-compliant features	Step-up and dividend stopper	Step-up and dividend stopper	N/A

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments main features, T2			
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1014674227	XS0842167719	XS0842167552
Governing law(s) of the instrument	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law
Regulatory treatment			
Transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital
Post-transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital
Eligible at solo/(sub)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated loan	Subordinated loan
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 14,355m	SEK 1,749m	SEK 1,250m
Nominal amount of instrument	EUR 1,500m	SEK 1,750m	SEK 1,250m
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	15 Jan 2014	12 Oct 2012	12 Oct 2012
Perpetual or dated	Dated	Dated	Dated
Original maturity date	15 Jan 2024	12 Oct 2022	12 Oct 2022
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	15 Jan 2019	12 Oct 2017	12 Oct 2017
Subsequent call dates, if applicable	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date
Coupons/dividends			
Fixed or floating dividend/coupons	Fixed	Fixed	Floating
Coupon rate and any related index	2.66%	4.47%	2.38%
Existence of dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory(in terms of timing)	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
Existence of step-up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A
If convertible, full or partial	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	No	No	No
If write-down, write-down trigger(s)	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all senior lending	Subordinate to all senior lending	Subordinate to all senior lending
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

G51 Cont.

Capital requirements and total risk exposure amounts	2016		2015	
SEK m	Total risk exposure amount	Capital requirement	Total risk exposure amount	Capital requirement
Credit risk excluding counterparty risk	364 568	29 166	376 980	30 159
of which standardised approach	*80 361*	*6 429*	*80 085*	*6 408*
of which IRB Approach	*284 207*	*22 737*	*296 895*	*23 751*
of which equity exposures	*4 959*	*397*	*15 815*	*1 265*
of which securitisation positions in other operations	*24*	*2*	*2*	*0*
of which external credit valuation approach	*24*	*2*	*2*	*0*
Counterparty risk	15 698	1 256	18 736	1 499
of which calculated using the mark-to-market method	*15 698*	*1 256*	*18 736*	*1 499*
Settlement risk	0	0	0	0
Credit valuation adjustment risk (CVA)	7 429	594	8 911	713
Market risk	10 910	873	10 318	825
of which standardised approach	*10 910*	*873*	*10 318*	*825*
Operational risk	60 182	4 815	58 187	4 655
of which standardised approach	*60 182*	*4 815*	*58 187*	*4 655*
Total	**458 787**	**36 704**	**473 132**	**37 851**
Adjustment according to Basel I floor		61 531		56 982
Capital requirement, Basel I floor		**98 235**		**94 833**
Total own funds, Basel I floor		**145 760**		**129 884**

Capital requirements market risk SEK m	2016	2015
Position risk in the trading book	864	819
Interest rate risk	855	804
of which general risk	*598*	*512*
of which specific risk	*256*	*290*
of which positions in securitisation instruments	*-*	*-*
of which non-delta risk	*1*	*2*
Equity price risk	9	15
of which general risk	*1*	*1*
of which specific risk	*3*	*4*
of which mutual funds	*0*	*2*
of which non-delta risk	*5*	*8*
Exchange rate risk	-	-
of which non-delta risk	*-*	*-*
Commodity risk	9	6
of which non-delta risk	*0*	*0*
Settlement risk	0	0
Total capital requirements for market risk	**873**	**825**

Capital adequacy financial conglomerate SEK m	2016	2015
Own funds after reduction and adjustments	145 971	129 660
Capital requirement	102 557	95 729
Surplus	**43 414**	**33 931**

Capital adequacy analysis %	2016	2015
Common equity tier 1 ratio, CRR	25.1	21.2
Tier 1 ratio, CRR	27.9	23.8
Total capital ratio, CRR	31.4	27.2
Total risk exposure amount, CRR, SEK m	458 787	473 132
Own funds in relation to capital requirement according to Basel I floor	148.0	137.0
Institution-specific buffer requirement	6.4	6.1
of which capital conservation buffer requirement	*2.5*	*2.5*
of which countercyclical capital buffer requirement	*0.9*	*0.6*
of which systemic risk buffer requirement	*3.0*	*3.0*
Common equity tier 1 capital available for use as a buffer	20.6	16.7

Change in own funds SEK m	2016	2015
Common equity tier 1 capital – opening amount	**100 535**	**98 084**
Profit for the period	20 074	15 595
Dividend	-9 721	-11 442
Conversions	2 518	91
Minority interests	0	0
Deferred tax	-545	1 155
Capital contributions outside consolidated situation	0	0
Securitisation positions	0	0
Goodwill and other intangible assets	-1 109	-124
Value adjustments for positions measured at fair value	-91	-552
Own shares	-193	-110
Special deduction for IRB institutions	-132	708
Items affected via other comprehensive income		
AFS shares	40	2 138
AFS interest	53	21
Pensions (IAS 19)	3 797	-3 573
Exchange rate effects	1 247	-1 303
Net investment hedging	-111	-307
Other, incl. changes in investment portfolio	-1 122	154
Common equity tier 1 capital – closing amount	**115 240**	**100 535**
Additional tier 1 capital – opening amount	**11 933**	**8 043**
Additional tier 1 instruments		
Issues	0	9 981
Calls	0	-5 521
Exchange rate effects	837	-169
Conversions	-1	-2
Regulatory adjustments capital	-1	-399
Additional tier 1 capital – closing amount	**12 768**	**11 933**
Total tier 1 capital	**128 008**	**112 468**
Tier 2 capital – opening amount	**16 021**	**16 731**
Tier 2 capital instruments		
Issues	0	0
Exchange rate effects	648	-457
Adjustment for time to maturity	-444	-253
Tier 2 capital – closing amount	**16 225**	**16 021**
Total own funds	**144 233**	**128 489**

Credit risk exposures approved for IRB Approach	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2016	2015	2016	2015	2016	2015	2016	2015
Corporate exposures	**821 000**	**821 795**	**194 650**	**204 181**	**15 572**	**16 334**	**23.7**	**24.8**
Corporate lending	798 330	796 198	190 709	199 470	15 257	15 957	23.9	25.1
of which other lending, IRB Approach without own estimates of LGD and CCF	*116 048*	*124 939*	*35 946*	*37 805*	*2 876*	*3 024*	*31*	*30.3*
of which other lending, IRB Approach with own estimates of LGD and CCF	*682 282*	*671 259*	*154 763*	*161 665*	*12 381*	*12 933*	*22.7*	*24.1*
of which large corporates	*126 774*	*137 749*	*57 176*	*61 130*	*4 574*	*4 890*	*45.1*	*44.4*
of which medium-sized companies	*81 640*	*76 639*	*32 486*	*32 888*	*2 599*	*2 631*	*39.8*	*42.9*
of which property companies	*473 868*	*456 871*	*65 101*	*67 647*	*5 208*	*5 412*	*13.7*	*14.8*
Counterparty risk	22 670	25 597	3 941	4 711	315	377	17.4	18.4
Housing co-operative associations	**187 897**	**170 587**	**7 555**	**6 248**	**604**	**500**	**4**	**3.7**
Retail exposures	**982 270**	**918 324**	**72 398**	**66 245**	**5 792**	**5 300**	**7.4**	**7.2**
Private individuals	955 346	891 487	65 258	58 841	5 221	4 707	6.8	6.6
of which property loans	*874 253*	*810 312*	*48 178*	*43 517*	*3 854*	*3 481*	*5.5*	*5.4*
of which other	*81 093*	*81 175*	*17 080*	*15 324*	*1 367*	*1 226*	*21.1*	*18.9*
Small companies	26 924	26 837	7 140	7 404	571	593	26.5	27.6
of which property loans	*7 650*	*7 541*	*1 706*	*2 016*	*137*	*161*	*22.3*	*26.7*
of which other	*19 274*	*19 296*	*5 434*	*5 388*	*434*	*432*	*28.2*	*27.9*
Institutional exposures	**105 185**	**117 263**	**17 397**	**20 471**	**1 392**	**1 638**	**16.5**	**17.5**
Lending to institutions	20 066	19 203	6 175	6 767	494	541	30.8	35.2
Counterparty risk	85 119	98 060	11 222	13 704	898	1 096	13.2	14
of which repos and securities loans	*14 070*	*31 143*	*631*	*424*	*50*	*34*	*4.5*	*1.4*
of which derivatives	*71 049*	*66 917*	*10 591*	*13 280*	*848*	*1 062*	*14.9*	*19.8*
Equity exposures	**1 340**	**5 229**	**4 959**	**15 815**	**397**	**1 265**	**370**	**302.4**
of which listed equities	*-*	*4 418*	*-*	*12 811*	*-*	*1 025*	*-*	*290*
of which other equities	*1 340*	*811*	*4 959*	*3 004*	*397*	*240*	*370*	*370*
Non credit-obligation asset exposures	**2 387**	**2 348**	**2 387**	**2 348**	**191**	**188**	**100**	**100**
Securitisation positions	**22**	**28**	**24**	**2**	**2**	**0**	**105.9**	**7.4**
of which traditional securitisation	*22*	*28*	*24*	*2*	*2*	*0*	*105.9*	*7.4*
of which synthetic securitisation	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total IRB	**2 100 101**	**2 035 574**	**299 370**	**315 310**	**23 950**	**25 225**	**14.3**	**15.5**

Credit risk exposures according to standardised approach[1]	Exposure value		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2016	2015	2016	2015	2016	2015	2016	2015
Sovereign and central banks	255 748	270 402	77	72	6	6	0	0
Municipalities	54 908	58 231	22	18	2	1	0	0
Multilateral development banks	636	649	0	0	0	0	0	0
International organisations	49	1	0	0	0	0	0	0
Institutions	4 215	4 162	343	603	27	48	8.1	14.5
Corporate	10 640	12 232	10 017	11 570	801	926	94.1	94.6
Retail	17 042	22 417	12 737	16 774	1 019	1 342	74.7	74.8
Property mortgages	92 087	70 925	33 316	25 367	2 665	2 029	36.2	35.8
Past due items	199	229	258	319	21	25	129.6	139.2
Equities	6 796	7 978	16 126	17 308	1 290	1 385	237.3	216.9
of which listed equities	*0*	*249*	*0*	*249*	*0*	*20*	*0.0*	*100.0*
of which other equities	*6 796*	*7 729*	*16 126*	*17 059*	*1 290*	*1 365*	*237.3*	*220.7*
Other items	8 571	9 034	8 000	8 375	641	671	93.4	92.7
Total standardised approach	**450 891**	**456 260**	**80 896**	**80 406**	**6 472**	**6 433**	**17.9**	**17.6**

[1] Details of capital requirements for exposure classes where there are exposures.

G51 Cont.

Leverage ratio common disclosure SEK m	2016	2015
On-balance-sheet exposures (excluding derivatives and securities financing transactions)		
On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets)	2 417 175	2 299 796
Asset amounts deducted in determining Tier 1 capital	-14 650	-15 710
Total on-balance-sheet exposures (excluding derivatives, securities financing transactions and fiduciary assets)	**2 402 525**	**2 284 086**
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	30 213	17 624
Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	30 758	30 597
Exposure determined under original exposure method	-	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
Deductions of receivables assets for cash variation margin provided in derivatives transactions	-6 917	0
Exempted central counterparty leg of client-cleared trade exposures	-	-
Adjusted effective notional amount of written credit derivatives	8 917	0
Adjusted effective notional offsets and add-on deductions for written credit derivatives	-679	0
Total derivative exposures	**62 292**	**48 221**
Securities financing transaction exposures		
Gross securities financing transaction assets (with no recognition of netting), after adjusting for sales accounting transactions	12 914	32 172
Netted amounts of cash payables and cash receivables of gross securities financing transaction assets	-	-
Counterparty credit risk exposure for securities financing transaction assets	4 436	4 786
Derogation for securities financing transactions: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
Agent transaction exposures	-	-
Exempted central counterparty leg of client-cleared securities financing transaction exposures	-	-
Total securities financing transaction exposures	**17 350**	**36 958**
Other off-balance-sheet exposures		
Off-balance-sheet exposures at gross notional amount	492 788	483 859
Adjustments for conversion to credit equivalent amounts	-314 413	-303 538
Other off-balance-sheet exposures	**178 375**	**180 321**
Exempted exposures		
Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)	-	-
Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)	-	-
Capital and total exposures		
Tier 1 capital	128 008	112 468
Total leverage ratio exposures	2 660 542	2 549 587
Leverage ratio		
Leverage ratio	4.8%	4.4%
Choice on transitional arrangements and amount of derecognised fiduciary items		
Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	-1 162

Summary reconciliation of accounting assets and leverage ratio exposures SEK m	2016	2015
Total assets as per published financial statements	2 627 580	2 522 133
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-114 858	-103 655
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	-1 162
Adjustments for derivative financial instruments	-20 341	-37 126
Adjustments for securities financing transactions	4 436	4 786
Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	178 375	180 321
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	-	-
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	-	-
Other adjustments	-14 650	-15 710
Total leverage ratio exposure	**2 660 542**	**2 549 587**

Split-up of on-balance-sheet exposures (excluding derivatives, securities financing transactions and exempted exposures) SEK m	2016	2015
Total on-balance-sheet exposures (excluding derivatives, securities financing transactions and exempted exposures), of which:	2 402 525	2 284 086
Trading book exposures	175 292	147 300
Banking book exposures	2 227 233	2 136 786
of which covered bonds	*5 019*	*2 981*
of which exposures treated as sovereigns	*297 369*	*312 267*
of which exposures to regional governments, multilateral development banks, international organisations and public service entities not treated as sovereigns	*107*	*63*
of which institutions	*11 695*	*12 462*
of which secured by mortgages of immovable properties	*1 606 790*	*1 487 863*
of which retail exposures	*81 816*	*84 262*
of which corporate	*199 532*	*209 144*
of which exposures in default	*4 833*	*5 898*
of which other exposures (e.g. equity, securitisations and other non-credit obligation assets)	*20 072*	*21 846*

Parent company

Administration report Parent company

Performance in the parent company

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

The parent company's operating profit grew by 27 per cent to SEK 25,296 million (19,919), chiefly because of increased dividends and higher net gains/losses on financial transactions. Operating profit for the year increased by 30 per cent to SEK 20,600 million (15,843). Net interest income decreased by 2 per cent to SEK 15,011 million (15,250) and net fee and commission income decreased by 4 per cent to SEK 6,509 million (6,778). Dividends have been received amounting to SEK 17,045 million (11,978). Since the start of the year, the parent company's equity has increased to SEK 116,642 million (107,112). For the parent company's five-year overview, see pages 165–166.

During the year, the operations of Handelsbanken Finans in Denmark and Norway were transferred to Svenska Handelsbanken AB.

Risk management

Handelsbanken has a low risk tolerance that is maintained through a strong risk culture which is sustainable in the long term and applies to all areas of the Group. For a detailed description of the Bank's exposure to risks, and the management of these, see note G2.

Principles for remuneration to executive officers

Handelsbanken's principles for remuneration to executive officers are set out in note G8 and in the Principles for remuneration to executive officers section of the Corporate Governance Report (see page 58).

Recommended appropriation of profits

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 109,181 million are at the disposal of the Annual General Meeting.

The Board recommends that the profit be distributed as follows:

Dividend per share paid to the shareholders SEK 5.00 (SEK 6.00 for 2015, of which SEK 4.50 in ordinary dividend)	9 721
Balance carried forward	99 460
Total allocated	**109,181**

The Board's assessment is that the amount of the proposed dividend, totalling SEK 9,721 million, is justifiable in view of the nature of operations, their scope, consolidation requirement, risk-taking, liquidity, and the general situation in both the Bank and the rest of the Group.

Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK 5,322 million.

The total capitalisation of the parent company and the consolidated situation at year-end, minus the proposed dividend based on completed conversions and other material changes since the year-end, exceeded the statutory minimum requirement pursuant to regulation (EU) 575/2013 and directive 2013/36/EU and other relevant requirements which the authorities have established for the Bank.

The Handelsbanken share

Shares divided into share classes
31 December 2016

Share class	Number	% of capital	% of votes
Class A	1,908,900,071	98.19	99.82
Class B	35,251,329	1.81	0.18
Total	**1,944,151,400**	**100.00**	**100.00**

Two shareholders own more than 10 per cent of the shares: AB Industrivärden and the Oktogonen Foundation. Detailed information on the Bank's largest Swedish shareholders can be found on page 43.

Handelsbanken's Articles of Association state that at the AGM, no shareholder is allowed to exercise voting rights representing more than 10 per cent of the total number of votes in the Bank. For more information regarding shareholders' rights, see page 50.

At the AGM in March 2016, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2017. This mandate was not used in 2016. More detailed information on this can be found on page 43.

Other

Handelsbanken works continually with measures to minimise the Bank's direct and indirect impact on the environment. For more information regarding the Bank's environmental activities, see page 45.

Handelsbanken strives for its decentralised work method and belief in the individual to be integral to its operations. For a more detailed description of the Bank's working method and staff development, see pages 44–45.

Financial report Parent company

CONTENTS

Income statement Parent company

SEK m		2016	2015
Interest income	*Note P3*	21 997	23 392
Lease income	*Note P3*	79	-
Interest expense	*Note P3*	-7 065	-8 142
Dividends received	*Note P4*	17 045	11 978
Fee and commission income	*Note P5*	8 297	8 631
Fee and commission expense	*Note P5*	-1 788	-1 853
Net gains/losses on financial transactions	*Note P6*	3 076	2 349
Other operating income	*Note P7*	1 647	1 644
Total operating income		**43 288**	**37 999**
General administrative expenses			
Staff costs	*Note P8*	-10 427	-10 904
Other administrative expenses	*Note P9*	-5 224	-5 040
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	*Note P19, P20*	-591	-507
Total expenses before loan losses		**-16 242**	**-16 451**
Profit before loan losses		**27 046**	**21 548**
Net loan losses	*Note P10*	-1 730	-1 614
Impairment loss on financial assets		-20	-15
Operating profit		**25 296**	**19 919**
Appropriations	*Note P11*	-193	100
Profit before taxes		**25 103**	**20 019**
Taxes	*Note P27*	-4 503	-4 176
Profit for the year		**20 600**	**15 843**

Statement of comprehensive income Parent company

SEK m	2016	2015
Profit for the year	20 600	15 843
Other comprehensive income		
Cash flow hedges	-1 882	195
Available-for-sale instruments	-1 152	694
Translation difference for the year	387	-1 155
of which hedges of net assets in foreign operations	*-65*	*-444*
Tax related to other comprehensive income	538	73
of which cash flow hedges	*414*	*-43*
of which available-for-sale instruments	*110*	*18*
of which hedges of net assets in foreign operations	*14*	*98*
Total other comprehensive income	**-2 109**	**-193**
Total comprehensive income for the year	**18 491**	**15 650**

The period's reclassifications to the income statement are presented in Statement of changes in equity.

Balance sheet Parent company

SEK m		2016	2015
ASSETS			
Cash and balances with central banks		199 362	202 630
Interest-bearing securities eligible as collateral with central banks	*Note P14*	94 236	71 436
Loans to credit institutions	*Note P12*	593 125	596 441
Loans to the public	*Note P13*	763 567	733 988
Bonds and other interest-bearing securities	*Note P14*	60 311	40 974
Shares	*Note P15*	19 339	29 309
Shares in subsidiaries and investments in associates	*Note P16*	46 363	45 815
Assets where the customer bears the value change risk		4 172	3 422
Derivative instruments	*Note P17*	87 061	89 491
Intangible assets	*Note P19*	2 268	1 962
Property and equipment	*Note P20*	2 970	1 150
Deferred tax assets	*Note P27*	425	328
Other assets	*Note P21*	16 713	18 299
Prepaid expenses and accrued income	*Note P22*	4 792	4 813
Total assets	*Note P33*	**1 894 704**	**1 840 058**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note P23*	189 176	173 533
Deposits and borrowing from the public	*Note P24*	827 753	755 066
Liabilities where the customer bears the value change risk		4 271	3 501
Issued securities, etc.	*Note P25*	648 977	676 950
Derivative instruments	*Note P17*	54 491	61 109
Short positions	*Note P26*	1 572	2 416
Current tax liabilities		184	847
Deferred tax liabilities	*Note P27*	1 066	1 521
Provisions	*Note P28*	429	96
Other liabilities	*Note P29*	8 786	13 751
Accrued expenses and deferred income	*Note P30*	7 164	9 370
Subordinated liabilities	*Note P31*	33 400	34 216
Total liabilities	*Note P33*	**1 777 269**	**1 732 376**
Untaxed reserves	*Note P32*	**793**	**570**
Share capital		3 013	2 956
Share premium		5 628	3 204
Other funds		9 242	9 585
Retained earnings		78 159	75 524
Profit for the year		20 600	15 843
Total equity		**116 642**	**107 112**
Total liabilities and equity		**1 894 704**	**1 840 058**

Statement of changes in equity Parent company

SEK m	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for internally developed software	Non-restricted equity: Share premium	Non-restricted equity: Hedge reserve[1]	Non-restricted equity: Fair value reserve[1]	Non-restricted equity: Translation reserve[1]	Non-restricted equity: Retained earnings	Total
Opening equity 2016	2 956	2 682		3 204	1 349	2 016	3 538	91 367	107 112
Profit for the year								20 600	20 600
Other comprehensive income					-1 468	-1 042	401		-2 109
Total comprehensive income for the year					**-1 468**	**-1 042**	**401**	**20 600**	**18 491**
Dividend								-11 442	-11 442
Effects of convertible subordinated loans	57			2 424					2 481
Fund for internally developed software			1 766					-1 766	
Closing equity 2016	**3 013**	**2 682**	**1 766**	**5 628**	**-119**	**974**	**3 939**	**98 759**	**116 642**

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

[1] Included in fair value fund.

During the period January to December 2016, convertibles for a nominal value of SEK 2,513m (1) relating to the 2008 and 2011 subordinated convertible bond had been converted into 37,105,318 class A shares (18,925). At the end of the financial year the number of Handelsbanken shares in the trading book was 0 (0).

Specification of changes in equity

Change in hedge reserve SEK m	2016	2015
Hedge reserve at beginning of year	1 349	1 197
Unrealised value changes during the year	-1 468	152
Reclassified in the income statement[1]	-	-
Hedge reserve at end of year	**-119**	**1 349**

Change in fair value reserve SEK m	2016	2015
Fair value reserve at beginning of year	2 016	1 304
Unrealised market value change during the year for remaining and new holdings	706	745
Reclassified in the income statement[2]	-1 748	-33
Fair value reserve at end of year	**974**	**2 016**

Change in translation reserve SEK m	2016	2015
Translation reserve at beginning of year	3 538	4 595
Change in translation difference pertaining to branches	403	-1 059
Reclassified in the income statement[3]	-2	2
Translation reserve at end of year	**3 939**	**3 538**

[1] Tax that has been reclassified to the income statement pertaining to this item - (-).
[2] Tax that has been reclassified to the income statement pertaining to this item SEK 121m (63).
[3] Tax that has been reclassified to the income statement pertaining to this item SEK 0m (0).

Cash flow statement Parent company

SEK m	2016	2015
OPERATING ACTIVITIES		
Operating profit	25 296	19 919
of which paid-in interest	*22 016*	*23 830*
of which paid-out interest	*-7 118*	*-8 688*
of which paid-in dividends	*17 045*	*11 978*
Adjustment for non-cash items in profit/loss		
Loan losses	1 841	1 708
Unrealised changes in value	-2 563	1 418
Depreciation, amortisation and impairment	591	507
Group contribution to be received	-12 220	-10 971
Paid income tax	-5 281	-4 221
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	3 367	-27 847
Loans to the public	-31 416	1 722
Interest-bearing securities and shares	-35 879	34 040
Due to credit institutions	12 393	-35 224
Deposits and borrowing from the public	75 936	-267 237
Issued securities	-27 973	43 823
Derivative instruments, net positions	-3 578	3 875
Short positions	-1 006	-18 187
Claims and liabilities on investment banking settlements	-1 781	2 094
Other	-1 924	-30 874
Cash flow from operating activities	**-4 197**	**-285 455**
INVESTING ACTIVITIES		
Acquisition of subsidary	-408	-
Acquisitions of and contributions to associates	-19	-52
Disposals of shares	5 456	3 670
Disposals of interest-bearing securities	1 000	-
Acquisitions of property and equipment	-2 344	-633
Disposals of property and equipment	87	218
Acquisitions of intangible assets	-598	-447
Disposals of intangible assets	0	-
Cash flow from investing activities	**3 174**	**2 756**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-2 512	-5 690
Issued subordinated loans	-	10 082
Dividend paid	-11 442	-11 124
Dividends received from Group companies	10 971	8 727
Cash flow from financing activities	**-2 983**	**1 995**
Cash flow for the year	**-4 006**	**-280 704**
Liquid funds at beginning of year	202 630	454 532
Cash flow from operating activities	-4 197	-285 455
Cash flow from investing activities	3 174	2 756
Cash flow from financing activities	-2 983	1 995
Exchange rate difference on liquid funds	738	28 802
Liquid funds at end of year	**199 362**	**202 630**

Five-year overview Parent company

Income statement SEK m	2016	2015	2014	2013	2012
Net interest income	15 011	15 250	16 082	15 962	16 431
Dividends received	17 045	11 978	9 664	8 995	9 152
Net fee and commission income	6 509	6 778	6 112	5 649	5 724
Net gains/losses on financial transactions	3 076	2 349	1 117	589	3 994
Other operating income	1 647	1 644	2 188	1 953	758
Total operating income	**43 288**	**37 999**	**35 163**	**33 148**	**36 059**
General administrative expenses					
Staff costs	-10 427	-10 904	-10 441	-9 977	-9 808
Other administrative expenses	-5 224	-5 040	-5 006	-5 075	-5 157
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	-591	-507	-478	-498	-518
Total expenses before loan losses	**-16 242**	**-16 451**	**-15 925**	**-15 550**	**-15 483**
Profit before loan losses	**27 046**	**21 548**	**19 238**	**17 598**	**20 576**
Net loan losses	-1 730	-1 614	-1 825	-1 189	-1 154
Impairment loss on financial assets	-20	-15	-	-29	-820
Operating profit	**25 296**	**19 919**	**17 413**	**16 380**	**18 602**
Appropriations	-193	100	111	4 267	-4 065
Profit before tax	**25 103**	**20 019**	**17 524**	**20 647**	**14 537**
Taxes	-4 503	-4 176	-3 823	-4 619	-2 985
Profit for the year	**20 600**	**15 843**	**13 701**	**16 028**	**11 552**
Dividend for the year	9 721[1]	11 442	11 124	10 488	6 804

[1] As proposed by the Board.

Statement of comprehensive income SEK m	2016	2015	2014	2013	2012
Profit for the year	20 600	15 843	13 701	16 028	11 552
Other comprehensive income					
Cash flow hedges	-1 882	195	3 249	-3 009	2 522
Available-for-sale instruments	-1 152	694	295	534	983
Translation difference for the year	387	-1 155	5 634	879	-10
of which hedges of net assets in foreign operations	*-65*	*-444*	*2 675*	*901*	*481*
Tax related to other comprehensive income	538	73	-1 311	397	-962
of which cash flow hedges	*414*	*-43*	*-709*	*656*	*-608*
of which available-for-sale instruments	*110*	*18*	*-14*	*-61*	*-248*
of which hedges of net assets in foreign operations	*14*	*98*	*-588*	*-198*	*-106*
Total other comprehensive income	**-2 109**	**-193**	**7 867**	**-1 199**	**2 533**
Total comprehensive income for the year	**18 491**	**15 650**	**21 568**	**14 829**	**14 085**

Five-year overview Parent company, cont.

Balance sheet SEK m	2016	2015	2014	2013	2012
Assets					
Loans to the public	763 567	733 988	737 483	685 372	731 967
Loans to credit institutions	593 125	596 441	568 589	475 440	422 897
Interest-bearing securities	154 547	112 410	134 014	112 728	108 198
Other assets	383 465	397 219	695 709	533 321	461 704
Total assets	**1 894 704**	**1 840 058**	**2 135 795**	**1 806 861**	**1 724 766**
Liabilities and equity					
Deposits and borrowing from the public	827 753	755 066	1 020 962	814 227	668 683
Due to credit institutions	189 176	173 533	210 099	226 631	243 332
Issued securities	648 977	676 950	633 128	532 607	531 284
Subordinated liabilities	33 400	34 216	30 289	15 965	21 167
Other liabilities	77 963	92 611	138 033	125 900	173 030
Untaxed reserves	793	570	699	773	5 038
Equity	116 642	107 112	102 585	90 758	82 232
Total liabilities and equity	**1 894 704**	**1 840 058**	**2 135 795**	**1 806 861**	**1 724 766**

Key figures	2016	2015	2014	2013	2012
Impaired loans reserve ratio, %	60.1	54.3	46.6	58.0	56.0
Proportion of impaired loans, %	0.23	0.30	0.36	0.24	0.28
Common equity tier 1 ratio, % according to CRR	23.4	19.9	18.5		
Tier 1 ratio, % according to Basel II				20.5	19.0
Tier 1 ratio, % according to CRR	26.3	22.6	20.2		
Capital ratio, % according to Basel II				21.4	20.6
Total capital ratio, % according to CRR	30.0	26.1	23.9		
Return on capital employed, %	0.99	0.74	0.70	0.91	0.64

For definitions of alternative key figures, please see page 218 and for calculation of these key figures, please see the Fact Book which is available at handelsbanken.se/ireng.

Notes Parent company

P1 Accounting policies

Statement of compliance
The parent company's annual report is prepared in accordance with 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. The parent company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements. In accordance with the Financial Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the link between accounting and taxation.

The relationship between the parent company's and the Group's accounting policies
The parent company's accounting policies correspond largely to those of the Group. The following reports only on the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

Changed accounting policies
On 1 January 2016, the regulations for changes, FFFS 2015:20, in the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25, Annual reports in credit institutions and securities companies, came into effect. The major difference is that amounts attributable to internally developed software during the period are to be transferred, in the balance sheet, from unrestricted equity to restricted equity, in the fund for internally developed software.

In other respects, the parent company's accounting policies are in all material respects the same as those applied for the 2015 financial year.

Presentation
The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation by the Group:

- claims on central banks that are immediately available upon demand and that are reported in the consolidated balance sheet under Other loans to central banks, are reported as Loans to credit institutions in the parent company's balance sheet
- broker and stock exchange costs are reported in the parent company as commission expense
- dividends received are reported on a separate line in the parent company's income statement
- the gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income/expense
- untaxed reserves that are split into equity share and tax liability in the Group are reported as a separate balance sheet item in the parent company.

Assets and liabilities in foreign currencies
Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

Held-for-sale assets and discontinued operations
Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Nor are held-for-sale assets presented separately in the balance sheet.

Shares in subsidiaries and associated companies
Shares in subsidiaries and associated companies are measured at cost. All holdings are tested for impairment at each balance sheet date. If a value has decreased, impairment is recognised to adjust the value to the consolidated value. Any impairment costs are classified as Impairment loss on financial assets in the income statement. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss under Dividends received.

Financial guarantees
Financial guarantees in the form of guarantees in favour of subsidiaries and associated companies are recognised in the parent company as a provision in the balance sheet where the parent company has an existing commitment and payment will probably be required to settle this commitment.

Intangible assets
In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

Lease assets
The parent company recognises finance leases as operating leases. Accordingly, the assets are reported as lease assets with depreciation within Depreciation, amortisation and impairments of property, equipment and intangible assets in the income statement. Rental income is recognised as a lease fee in Net interest income in the income statement.

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method.

Dividends
The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associated companies, and Group contributions received. Anticipated dividend is recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

Accounting for pensions
The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established and that the calculation of the future commitment does not take into account assumptions of future salary increases. The recognised net cost of pensions is calculated as disbursed pensions, pension premiums and an allocation to the pension foundation, with a deduction for any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the Bank is liable to take over and pay the commitment.

Taxes
In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise one component consisting of deferred tax liabilities and one component consisting of equity.

P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see page 218.

Credit risk

Credit risk exposures SEK m	2016	2015
Loans to the public[1]	763 567	733 988
of which repos	*7 493*	*7 742*
Loans to credit institutions	567 598	562 323
of which repos	*4 088*	*23 632*
Interest-bearing securities eligible as collateral with central banks	94 236	71 436
Bonds and other interest-bearing securities	60 311	40 974
Derivative instruments[2]	87 061	89 491
Contingent liabilities	*120 238*	*120 002*
of which guarantees, credits	*46 633*	*48 486*
of which guarantees, other	*69 207*	*66 860*
of which letters of credit	*4 398*	*4 656*
Other commitments	466 044	489 646
of which unutilised part of granted overdraft facilities	*131 289*	*128 969*
of which committed credit offers	*269 583*	*263 956*
of which other	*65 172*	*96 721*
Total	**2 159 055**	**2 107 860**
Cash and balances with central banks	199 362	202 630
Other loans to central banks	25 527	34 118
Total	**2 383 944**	**2 344 608**

[1] SEK 926m (1,619) of this amount is loans which upon initial recognition were classified at fair value in the income statement.
[2] Refers to the total of positive market values. Including legally viable agreements, the exposure is SEK 69,983m (33,759).

Loans to the public, breakdown by sector and counterparty type	2016			2015		
SEK m	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	170 717	-572	170 145	164 386	-605	163 781
Housing co-operative associations	30 181	-8	30 173	21 531	-13	21 518
Property management	378 240	-689	377 551	346 029	-690	345 339
Manufacturing	25 621	-522	25 099	30 766	-1 542	29 224
Retail	19 916	-270	19 646	22 127	-267	21 860
Hotel and restaurant	7 679	-32	7 647	8 061	-29	8 032
Passenger and goods transport by sea	8 513	-1 244	7 269	9 307	-543	8 764
Other transport and communication	7 048	-36	7 012	7 253	-60	7 193
Construction	15 321	-161	15 160	12 780	-92	12 688
Electricity, gas and water	15 514	-39	15 475	16 359	-52	16 307
Agriculture, hunting and forestry	4 233	-31	4 202	5 281	-15	5 266
Other services	16 310	-113	16 197	16 346	-66	16 280
Holding, investment, insurance companies, mutual funds etc.	51 954	-316	51 638	54 707	-282	54 425
Sovereigns and municipalities	1 864	0	1 864	3 012	0	3 012
Other corporate lending	14 891	-74	14 817	20 651	-93	20 558
Total loans to the public before collective provisions	**768 002**	**-4 107**	**763 895**	**738 596**	**-4 349**	**734 247**
Collective provisions for individually assessed loans			-328			-259
Total loans to the public			**763 567**	**738 596**		**733 988**

Loans to the public, broken down by collateral SEK m	2016	2015
Residential property[1]	242 297	216 487
of which private individuals	*120 252*	*107 846*
Other property	256 283	237 558
Sovereigns, municipalities and county councils[2]	16 817	12 627
Guarantees as for own debt[3]	9 910	8 025
Financial collateral	16 963	16 777
Collateral in assets	1 702	0
Other collateral	18 689	21 446
Unsecured	200 906	221 068
Total loans to the public	**763 567**	**733 988**

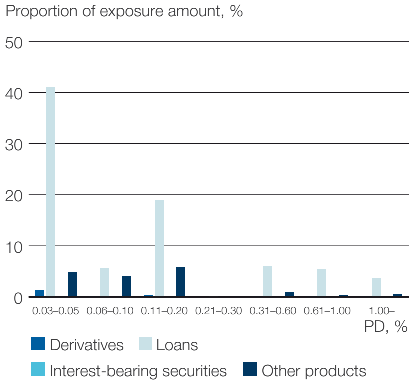
[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Credit risk exposure on balance sheet, broken down by collateral SEK m	2016	2015
Residential property[1]	242 297	216 487
of which private individuals	*120 252*	*107 846*
Other property	256 283	237 558
Sovereigns, municipalities and county councils[2]	244 967	256 477
Guarantees as for own debt[3]	10 424	8 518
Financial collateral	22 848	40 612
Collateral in assets	1 702	0
Other collateral	18 689	21 446
Unsecured	752 034	738 927
Total credit risk exposure	**1 549 244**	**1 520 025**

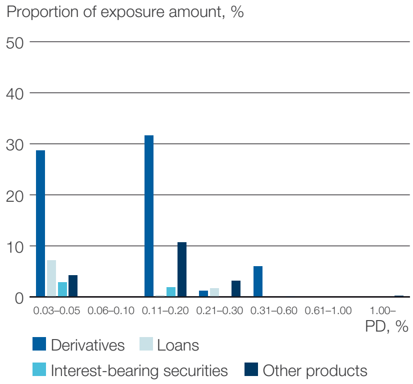
[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Credit quality

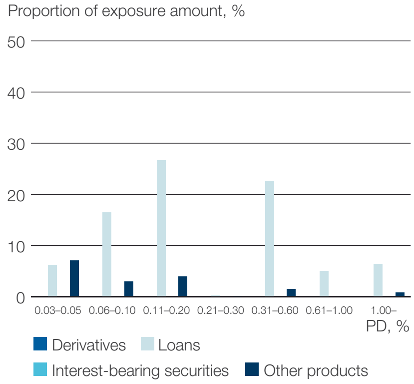
Proportion of exposure amount per product type by PD interval excluding defaulted credits – Corporate exposures



Proportion of exposure amount per product type by PD interval excluding defaulted credits – Institutional exposures



Proportion of exposure amount per product type by PD interval excluding defaulted credits – Retail exposures



Market risk

Market risks SEK m	**2016**	**2015**
Interest rate risk	1 292	1 192
Exchange rate risk[1]	115	36
Equity price risk	152	651
Commodity risk	6	5

[1] Worst outcome in the case of +/- 5% change in SEK.

Liquidity risk

Maturity analysis for financial assets and liabilities 2016 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	222 401	-	-	-	-	-	-	222 401
Interest-bearing securities eligible as collateral with central banks[1]	94 476	-	-	-	-	-	-	94 476
Bonds and other interest-bearing securities[2]	60 718	-	-	-	-	-	-	60 718
Loans to credit institutions	73 131	153 920	98 143	49 894	171 893	34 061	-	581 042
of which reverse repos	*4 091*	-	-	-	-	-	-	*4 091*
Loans to the public	47 505	141 884	101 594	106 522	210 639	188 853	-	796 997
of which reverse repos	*7 493*	-	-	-	-	-	-	*7 493*
Other	21 644	-	-	-	-	-	162 459	184 103
of which shares and participating interests	*19 339*	-	-	-	-	-	-	*19 339*
of which claims on investment banking settlements	*2 305*	-	-	-	-	-	-	*2 305*
Total	**519 875**	**295 804**	**199 737**	**156 416**	**382 532**	**222 914**	**162 459**	**1 939 737**
Due to credit institutions	97 843	47 403	4 183	311	880	7 044	35 054	192 718
of which repos	-	-	-	-	-	-	-	*0*
of which central banks	*30 792*	*34 439*	*1 488*	-	-	-	*1 868*	*68 587*
Deposits and borrowing from the public	22 495	20 784	5 296	2 817	555	104	775 788	827 839
of which repos	*2*	-	-	-	-	-	-	*2*
Issued securities[3]	101 494	252 762	68 977	43 271	169 063	35 589	-	671 156
of which covered bonds	-	-	-	-	-	-	-	*0*
of which certificates and other securities with original maturity of less than one year	*100 359*	*219 193*	*25 088*	-	-	-	-	*344 640*
of which senior bonds and other securities with original maturity of more than one year	*1 135*	*33 569*	*43 889*	*43 271*	*169 063*	*35 589*	-	*326 516*
Subordinated liabilities	389	840	3 059	1 228	32 808	-	-	38 324
Other	4 058	-	-	-	-	-	191 342	195 400
of which short positions	*1 574*	-	-	-	-	-	-	*1 574*
of which investment banking settlement debts	*2 484*	-	-	-	-	-	-	*2 484*
Total	**226 279**	**321 789**	**81 515**	**47 627**	**203 306**	**42 737**	**1 002 184**	**1 925 437**
Off-balance-sheet items								
Financial guarantees and unutilised commitments	466 044							

Derivatives 2016 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	273 083	447 009	87 868	126 283	361 061	118 061	1 413 365
Total derivatives outflow	271 713	441 476	85 406	119 385	339 897	114 972	1 372 849
Net	**1 370**	**5 533**	**2 462**	**6 898**	**21 164**	**3 089**	**40 516**

[1] SEK 67,214m of the amount (excl. interest) has a residual maturity of less than one year.
[2] SEK 10,136m of the amount (excl. interest) has a residual maturity of less than one year.
[3] SEK 446,340m of the amount (excl. interest) has a residual maturity of less than one year.
For deposit volumes the column Unspecified maturity refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the parent company's balance sheet.

P2 Cont.

Maturity analysis for financial assets and liabilities 2015 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	236 752	-	-	-	-	-	-	236 752
Interest-bearing securities eligible as collateral with central banks[1]	71 831	-	-	-	-	-	-	71 831
Bonds and other interest-bearing securities[2]	41 371	-	-	-	-	-	-	41 371
Loans to credit institutions	116 614	181 433	104 419	73 047	58 721	40 277	-	574 511
of which reverse repos	*14 586*	*8 833*	-	-	-	-	-	*23 419*
Loans to the public	47 153	117 959	96 341	115 802	212 769	186 158	-	776 182
of which reverse repos	*7 742*	-	-	-	-	-	-	*7 742*
Other	33 874	-	-	-	-	-	160 715	194 589
of which shares and participating interests	*29 309*	-	-	-	-	-	-	*29 309*
of which claims on investment banking settlements	*4 565*	-	-	-	-	-	-	*4 565*
Total	**547 595**	**299 392**	**200 760**	**188 849**	**271 490**	**226 435**	**160 715**	**1 895 236**
Due to credit institutions	70 184	67 827	1 467	744	903	7 765	28 836	177 726
of which repos	*290*	-	-	-	-	-	-	*290*
of which central banks	*13 066*	*55 291*	-	*5*	-	-	*1 333*	*69 695*
Deposits and borrowing from the public	11 412	44 749	7 666	1 118	716	133	689 421	755 215
of which repos	-	-	-	-	-	-	-	*0*
Issued securities[3]	96 520	305 495	51 161	61 908	139 179	45 241	-	699 504
of which covered bonds	-	-	-	-	-	-	-	*0*
of which certificates and other securities with original maturity of less than one year	*95 126*	*264 533*	*7 591*	-	-	-	-	*367 250*
of which senior bonds and other securities with original maturity of more than one year	*1 394*	*40 962*	*43 570*	*61 908*	*139 179*	*45 241*	-	*332 254*
Subordinated liabilities	374	825	2 566	4 226	21 791	10 416	-	40 198
Other	8 946	-	-	-	-	-	191 353	200 299
of which short positions	*2 422*	-	-	-	-	-	-	*2 422*
of which investment banking settlement debts	*6 524*	-	-	-	-	-	-	*6 524*
Total	**187 436**	**418 896**	**62 860**	**67 996**	**162 589**	**63 555**	**909 610**	**1 872 942**
Off-balance-sheet items								
Financial guarantees and unutilised commitments	489 646							

Derivatives 2015 SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	270 753	408 773	77 344	142 412	343 064	135 278	1 377 624
Total derivatives outflow	270 590	406 014	76 564	138 827	330 024	132 591	1 354 610
Net	**163**	**2 759**	**780**	**3 585**	**13 040**	**2 687**	**23 014**

[1] SEK 25,294m of the amount (excl. interest) has a residual maturity of less than one year.
[2] SEK 6,021m of the amount (excl. interest) has a residual maturity of less than one year.
[3] SEK 446,340m of the amount (excl. interest) has a residual maturity of less than one year.
For deposit volumes the column Unspecified maturity refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the parent company's balance sheet.

P3 Net interest income

SEK m	2016	2015
Interest income		
Loans to credit institutions and central banks	4 513	4 425
Loans to the public	18 424	19 376
Interest-bearing securities eligible as collateral with central banks	229	651
Bonds and other interest-bearing securities	783	914
Derivative instruments	-2 629	-2 387
Other interest income	1 183	1 237
Total interest income	**22 503**	**24 216**
Of which interest income reported in net gains/losses on financial transactions	506	824
Interest income according to income statement	**21 997**	**23 392**
Leasing income	**79**	**-**
Interest expense		
Due to credit institutions and central banks	-1 121	-941
Deposits and borrowing from the public	-1 452	-1 898
Issued securities	-9 261	-7 732
Derivative instruments	7 269	5 188
Subordinated liabilities	-1 534	-1 695
Other interest expense	-1 550	-1 612
Total interest expense	**-7 649**	**-8 690**
Of which interest expense reported in net gains/losses on financial transactions	-584	-548
Interest expense according to income statement	**-7 065**	**-8 142**
Net interest income before depreciation for financial leases	**15 011**	**15 250**
Depreciation according to plan for financial leases	-70	-
Net interest income after depreciation for financial leases	**14 941**	**15 250**

Includes interest income on impaired loans SEK 77m (106). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 24,219m (25,149). Total interest expense on liabilities recognised at amortised cost was SEK 14,334m (13,330).

P4 Dividends received

SEK m	2016	2015
Dividends on shares	315	705
Dividends from associates	10	8
Dividends from Group companies	4 500	294
Group contributions received	12 220	10 971
Total	**17 045**	**11 978**

P5 Net fee and commission income

SEK m	2016	2015
Brokerage and other securities commissions	901	1 065
Mutual funds	1 750	1 837
Custody and other asset management fees	375	386
Advisory services	287	276
Payments	3 143	3 313
Loans and deposits	911	849
Guarantees	422	421
Other	508	484
Total fee and commission income	**8 297**	**8 631**
Securities	-447	-465
Payments	-1 286	-1 331
Other	-55	-57
Total fee and commission expense	**-1 788**	**-1 853**
Net fee and commission income	**6 509**	**6 778**

P6 Net gains/losses on financial transactions

SEK m	2016	2015
Trading, derivatives, FX effect etc.	794	1 424
Other financial instruments at fair value through profit/loss	466	-497
of which interest-bearing securities	*502*	*-401*
of which loans	*-36*	*-96*
Financial instruments at amortised cost	134	111
of which loans	*174*	*178*
of which liabilities	*-40*	*-67*
Financial instruments available for sale	1 676	1 203
Hedge accounting		
Fair value hedges	3	78
of which hedging instruments	*-29*	*-59*
of which hedged items	*32*	*137*
Ineffective portion of cash flow hedges	3	30
Total	**3 076**	**2 349**

P7 Other operating income

SEK m	2016	2015
Rental income	21	21
Other operating income	1 626	1 623
Total	**1 647**	**1 644**

P8 Staff costs

SEK m	2016	2015
Salaries and fees	-7 481	-7 340
Social security costs	-1 775	-1 710
Pension costs[1]	-546	-573
Provision to profit-sharing foundation	14	-816
Other staff costs	-639	-465
Total	**-10 427**	**-10 904**

[1] Information about pension costs is presented in note P38.

Salaries and fees SEK m	2016	2015
Officers in an executive position[2], 26 persons (28)	-101	-112
Others	-7 380	-7 228
Total	**-7 481**	**-7 340**

[2] Executive Directors and Board members.

Gender distribution	2016		2015	
%	Men	Women	Men	Women
Board	50	50	67	33
Executive Directors	69	31	79	21

Average number of employees	2016	Men	Women	2015	Men	Women
Sweden	6 575	3 078	3 497	6 759	3 166	3 593
UK	1 940	1 145	795	1 779	1 060	719
Norway	729	403	326	744	415	329
Denmark	652	330	322	673	354	319
Finland	524	215	309	527	219	308
USA	60	38	22	71	46	25
The Netherlands	207	140	67	170	109	61
Luxembourg	55	33	22	62	36	26
Germany	43	22	21	53	30	23
China	71	26	45	70	29	41
Poland	40	14	26	41	15	26
Singapore	40	11	29	39	12	27
Other countries	56	20	36	73	27	46
Total	**10 992**	**5 475**	**5 517**	**11 061**	**5 518**	**5 543**

Note G8 provides information about the principles for remuneration to executive officers in the parent company.

P9 Other administrative expenses

SEK m	2016	2015
Property and premises	-1 372	-1 374
External IT costs	-1 625	-1 549
Communication	-293	-317
Travel and marketing	-264	-289
Purchased services	-1 032	-898
Supplies	-160	-168
Other administrative expenses	-478	-445
Total	**-5 224**	**-5 040**
Of which expenses for operating leases		
Minimum lease fee	*-684*	*-671*
Variable fee	*-78*	*-74*
Total	**-762**	**-745**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2016, the cost of the largest individual lease contract was approx. SEK 180m (172). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies	KPMG		Ernst & Young AB	
SEK m	2016	2015	2016	2015
Audit assignment	-9	-9	-4	-4
Audit operations outside the audit assignment	-3	-2	-	-
Tax advice	-	-	-	-
Other services	-	-	-	-

P10 Loan losses

SEK m	2016	2015
Specific provision for individually assessed loans		
The year's provision	-1 861	-1 798
Reversal of previous provisions	362	321
Total	**-1 499**	**-1 477**
Collective provision		
The year's net provision for individually assessed loans	-62	1
The year's net provision for homogeneous loans	-	-
Total	**-62**	**1**
Off-balance-sheet items		
Losses on off-balance-sheet items	-27	-24
Reversal of previous losses on off-balance-sheet items	7	40
Change in collective provision for off-balance-sheet items	-26	-33
Total	**-46**	**-17**
Write-offs		
Actual loan losses for the year	-2 061	-851
Utilised share of previous provisions	1 828	633
Recoveries	110	97
Total	**-123**	**-121**
Net loan losses	**-1 730**	**-1 614**

Impaired loans, etc. SEK m	2016	2015
Impaired loans	7 381	8 480
Specific provisions for individually assessed loans	-4 107	-4 349
Provisions for collectively assessed homogeneous groups of loans with limited value	-	-
Collective provisions for individually assessed loans	-328	-259
Net impaired loans	**2 946**	**3 872**
Total impaired loans reserve ratio, %	60. 1	54. 3
Proportion of impaired loans, %	0. 23	0. 30
Impaired loans reserve ratio excl. collective provisions, %	55. 6	51. 3
Loans past due > 60 days, which are not impaired	731	866
Impaired loans reclassified as normal loans during the year	4	167

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. For other definitions, see page 218.

Change in provision for probable loan losses 2016 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 349	-259	-	-4 608
The year's provision	-1 861	-62	-	-1 923
Reversal of previous provisions	362	-	-	362
Utilised for actual loan losses	1 828		-	1 828
Foreign exchange effect, etc.	-87	-7	-	-94
Provision at end of year	**-4 107**	**-328**	**-**	**-4 435**

Change in provision for probable loan losses 2015 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 594	-266	-	-3 860
The year's provision	-1 798	-	-	-1 798
Reversal of previous provisions	321	1	-	322
Utilised for actual loan losses	633		-	633
Foreign exchange effect, etc.	89	6	-	95
Provision at end of year	**-4 349**	**-259**	**-**	**-4 608**

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2016 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Private individuals	1 076	-572	504	292	413
Housing co-operative associations	13	-8	5	5	-
Property management	1 786	-689	1 097	259	220
Manufacturing	719	-522	197	26	18
Retail	457	-270	187	45	0
Hotel and restaurant	96	-32	64	63	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	47	13
Electricity, gas and water	68	-39	29	4	8
Agriculture, hunting and forestry	53	-31	22	11	2
Other services	214	-113	101	94	18
Holding, investment, insurance companies, mutual funds etc.	601	-316	285	30	6
Other corporate lending	128	-74	54	14	22
Credit institutions	-	-	-	-	-
Total	**7 381**	**-4 107**	**3 274**	**897**	**731**

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2015 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Private individuals	1 100	-605	495	330	427
Housing co-operative associations	14	-13	1	1	2
Property management	1 926	-690	1 236	400	127
Manufacturing	2 103	-1 542	561	49	21
Retail	394	-267	127	74	4
Hotel and restaurant	116	-29	87	85	168
Passenger and goods transport by sea	1 734	-543	1 191	0	-
Other transport and communication	78	-60	18	16	8
Construction	149	-92	57	40	77
Electricity, gas and water	73	-52	21	5	-
Agriculture, hunting and forestry	34	-15	19	3	0
Other services	101	-66	35	27	15
Holding, investment, insurance companies, mutual funds etc.	500	-282	218	74	17
Other corporate lending	158	-93	65	39	0
Credit institutions	-	-	-	-	-
Total	**8 480**	**-4 349**	**4 131**	**1 143**	**866**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2016 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	1 889	-1 092	797	347	87
Norway	510	-315	195	36	200
Finland	723	-539	184	46	199
Denmark	2 866	-1 704	1 162	173	9
UK	1 108	-326	782	146	206
The Netherlands	3	-1	2	-	-
Rest of Europe	169	-92	77	74	30
North America	-	-	-	-	-
Asia	113	-38	75	75	-
Total	**7 381**	**-4 107**	**3 274**	**897**	**731**

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2015 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	3 019	-2 014	1 005	376	124
Norway	208	-130	78	46	159
Finland	826	-637	189	96	343
Denmark	2 797	-1 035	1 762	214	17
UK	1 436	-447	989	307	168
The Netherlands	2	-1	1	-	-
Rest of Europe	192	-85	107	104	53
North America	-	-	-	-	-
Asia	-	-	-	-	2
Total	**8 480**	**-4 349**	**4 131**	**1 143**	**866**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

P10 Cont.

Maturity structure for past due loans which are not impaired 2016 SEK m	Loans to credit institutions	Loans to the public: Households	Loans to the public: Corporate	Loans to the public: Other	Total
Past due ≥ 5 days ≤ 1 month	-	454	458	-	912
Past due > 1 month ≤ 2 months	-	122	59	-	181
Past due > 2 months ≤ 3 months	-	48	79	-	127
Past due > 3 months ≤ 12 months	-	288	63	-	351
Past due > 12 months	-	330	58	-	388
Total	**-**	**1 242**	**717**	**-**	**1 959**

Maturity structure for past due loans which are not impaired 2015 SEK m	Loans to credit institutions	Loans to the public: Households	Loans to the public: Corporate	Loans to the public: Other	Total
Past due ≥ 5 days ≤ 1 month	-	554	447	-	1 001
Past due > 1 month ≤ 2 months	-	92	58	-	150
Past due > 2 months ≤ 3 months	-	56	18	-	74
Past due > 3 months ≤ 12 months	-	184	103	-	287
Past due > 12 months	-	269	236	-	505
Total	**-**	**1 155**	**862**	**-**	**2 017**

Assets repossessed for protection of claims SEK m	2016	2015
Property	343	429
Movable property	-	-
Shares	-	-
Carrying amount	**343**	**429**

P11 Appropriations

SEK m	2016	2015
Change in depreciation in excess of plan, machinery, equipment and lease assets	-306	-12
Change in depreciation in excess of plan, goodwill on the aquisition of net assets	113	112
Total	**-193**	**100**

P12 Loans to credit institutions

SEK m	2016	2015
Loans in Swedish kronor		
Banks	12 205	18 007
Other credit institutions	395 012	374 441
Total	**407 217**	**392 448**
Loans in foreign currency		
Banks	35 997	38 630
Other credit institutions	149 911	165 363
Total	**185 908**	**203 993**
Probable loan losses	-	-
Total loans to credit institutions	**593 125**	**596 441**
Of which reverse repos	*4 088*	*23 632*
Of which subordinated	*21 718*	*20 718*

Average volumes SEK m	2016	2015
Loans to credit institutions in Swedish kronor	456 108	402 776
Loans to credit institutions in foreign currency	188 329	223 201
Total	**644 437**	**625 977**
Of which reverse repos	*19 986*	*44 394*

P13 Loans to the public

SEK m	2016	2015
Loans in Swedish kronor		
Households	41 651	45 414
Companies	159 437	169 665
National Debt Office	982	3 338
Total	**202 070**	**218 417**
Loans in foreign currency		
Households	151 342	139 295
Companies	414 591	380 884
National Debt Office	-	-
Total	**565 933**	**520 179**
Probable loan losses	-4 436	-4 608
Total loans to the public	**763 567**	**733 988**
Of which reverse repos	*7 493*	*7 742*
Of which subordinated	*1 200*	*1 129*

Average volumes, excl. National Debt Office SEK m	2016	2015
Loans to the public in Swedish kronor	223 046	228 526
Loans to the public in foreign currency	547 871	519 176
Total	**770 917**	**747 702**
Of which reverse repos	*14 171*	*18 458*

P14 Interest-bearing securities

	2016			2015		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	92 735	94 236	94 236	56 715	59 135	59 135
Other securities eligible as collateral with central banks	-	-	-	12 326	12 301	12 301
Total interest-bearing securities eligible as collateral with central banks	**92 735**	**94 236**	**94 236**	**69 041**	**71 436**	**71 436**
Bonds and other interest-bearing securities	58 606	60 311	60 311	39 252	40 974	40 974
Total interest-bearing securities	**151 341**	**154 547**	**154 547**	**108 293**	**112 410**	**112 410**
Of which unlisted securities		*255*	*255*		*364*	*364*

Interest-bearing securities broken down by issuer	2016			2015		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	92 735	94 236	94 236	56 715	59 135	59 135
Credit institutions	24 351	24 602	24 602	5 994	7 756	7 756
Mortgage institutions	32 026	33 418	33 418	27 638	29 803	29 803
Other	2 229	2 291	2 291	17 946	15 716	15 716
Total	**151 341**	**154 547**	**154 547**	**108 293**	**112 410**	**112 410**

Average volumes SEK m	2016	2015
Interest-bearing securities	158 658	140 304

P15 Shares

SEK m	2016	2015
Holdings at fair value through profit/loss		
Listed	12 126	18 964
Unlisted	5 595	3 792
Total	**17 721**	**22 756**
Holdings classified as available for sale		
Listed	-	4 667
Unlisted	1 618	1 886
Total	**1 618**	**6 553**
Total shares	**19 339**	**29 309**

P16 Shares in subsidiaries and investments in associates

Shares in subsidiaries and investments in associates SEK m	2016	2015
Associates, unlisted	117	104
Subsidiaries, unlisted	46 246	45 711
Total	**46 363**	**45 815**

Associates	Corporate identity number	Domicile	Number of shares	Ownership share, %	Carrying amount SEK m 2016	Carrying amount SEK m 2015
Bankomat AB	556817-9716	Stockholm	150	20.00	67	55
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.89	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm				7
BGC Holding AB	556607-0933	Stockholm	25 382	25.38	4	4
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	24	24
Getswish AB	556913-7382	Stockholm	10 000	20.00	21	13
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48	1	1
Total					**117**	**104**

Subsidiaries	Corporate identity number	Domicile	Number of shares	Ownership share, %	Carrying amount SEK m 2016	Carrying amount SEK m 2015
Handelsbanken Finans AB[1]	556053-0841	Stockholm	1 550 000	100	11 672	11 672
Kredit-Inkasso AB	556069-3185	Stockholm		100		
Handelsbanken Rahoitus Oy	0112308-8	Helsinki		100		
Kreditt-Inkasso AS	955074203	Fredrikstad		100		
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	310101717882194	Shanghai		100		
Stadshypotek AB[1]	556459-6715	Stockholm	162 000	100	26 870	26 870
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10 000	100	1	1
Handelsbanken Fonder AB	556418-8851	Stockholm		100		
Handelsinvest Investeringsforvaltning A/S	12930879	Copenhagen		100		
Handelsbanken Fondbolag Ab	1105019-3	Helsinki		100		
Handelsbanken Kapitalforvaltning AS	973194860	Oslo		100		
Xact Kapitalförvaltning AB	556997-8140	Stockholm		100		
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100 000	100	6 189	6 189
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100		
Handelsbanken Fastigheter AB	556873-0021	Stockholm		100		
AB Handel och Industri	556013-5336	Stockholm	100 000	100	104	104
Heartwood Wealth Management Limited	4132340	London	1 319 206	100	492	548
Optimix Vermogensbeheer N.V	33194359	Amsterdam	10 209	100	613	
Other subsidiaries						
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100	0	0
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2 700 000	100	200	200
Forva AS	945812141	Oslo	4 000 000	100	1	1
Handelsbanken Markets Securities, Inc.[1]	11-3257438	New York	1 000	100	37	57
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540 000	62.79	1	1
Rådstuplass 4 AS	910508423	Bergen	40 000	100	0	0
SIL (Nominees) Limited	1932320	London	100	100	-	-
Svenska Handelsbanken Representações (Brasil) Ltda	15.367.073/001-93	São Paulo				2
Svenska Property Nominees Limited	2308524	London	100	100	-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	20 000	100	35	35
Lila stugan i Stockholm AB	556993-9084	Stockholm	50	100	0	0
Blå stugan i Stockholm AB	556993-9357	Stockholm	50	100	0	0
Ecster AB	556993-2311	Stockholm	50	100	0	0
Total					**46 246**	**45 711**

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.
[1] Credit institution.

P17 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	up to 1 yr	over 1 yr up to 5 yrs	Over 5 yrs	2016	2015	2016	2015	2016	2015
Derivatives held for trading									
Interest rate-related contracts									
Options	22 293	43 403	5 299	70 995	130 609	522	1 378	589	1 435
FRA/futures	386 466	237 927	-	624 393	708 902	141	476	123	510
Swaps	465 867	1 449 534	374 307	2 289 708	2 191 630	42 281	46 427	42 904	47 249
Currency-related contracts									
Options	53 191	1 702	31	54 924	75 879	620	471	764	700
Futures	95 304	5 316	352	100 972	126 202	1 730	1 669	1 390	1 703
Swaps	478 857	232 375	47 287	758 519	859 588	23 692	19 982	25 262	20 973
Equity-related contracts									
Options	10 193	17 826	156	28 175	30 611	1 486	2 032	2 006	2 656
Futures	1 129	-	-	1 129	2 779	13	1	15	32
Swaps	18 311	1 790	29	20 130	56 888	420	1 245	961	1 641
Commodity-related contracts									
Options	105	329	85	519	2 354	10	250	276	537
Futures	15 590	3 692	-	19 282	16 696	576	940	601	899
Credit-related contracts									
Swaps	2 360	6 725	546	9 631	9 909	386	458	113	247
Total	**1 549 666**	**2 000 619**	**428 092**	**3 978 377**	**4 212 047**	**71 877**	**75 329**	**75 004**	**78 582**
Derivatives for fair value hedges									
Interest rate-related contracts									
Swaps	-	35 309	1 274	36 583	1 512	50	-	82	1
Total	**-**	**35 309**	**1 274**	**36 583**	**1 512**	**50**	**-**	**82**	**1**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	49 678	213 770	40 942	304 390	274 755	8 919	10 114	2 313	1 990
Currency-related contracts									
Swaps	173 028	165 727	19 612	358 367	205 834	33 269	27 988	2 949	4 177
Total	**222 706**	**379 497**	**60 554**	**662 757**	**480 589**	**42 188**	**38 102**	**5 262**	**6 167**
Total derivative instruments	**1 772 372**	**2 415 425**	**489 920**	**4 677 717**	**4 694 148**	**114 115**	**113 431**	**80 348**	**84 750**
Of which exchange traded derivatives				*347 442*	*233 328*	*488*	*490*	*1 426*	*1 613*
Of which OTC derivatives settled by CCP				*1 374 610*	*1 030 386*	*12 669*	*2 106*	*13 997*	*1 463*
Of which OTC derivatives not settled by CCP				*2 955 665*	*3 430 434*	*100 958*	*110 835*	*64 925*	*81 674*
Amounts set off				-1 747 179	-1 414 478	-27 054	-23 940	-25 857	-23 641
Net amount				**2 930 538**	**3 279 670**	**87 061**	**89 491**	**54 491**	**61 109**
Currency breakdown of market values									
SEK						-104 444	1 216	26 934	143 198
USD						326 911	223 628	7 608	-43 334
EUR						97 387	76 434	60 462	8 840
Others						-205 739	-187 847	-14 656	-23 954
Total						**114 115**	**113 431**	**80 348**	**84 750**

Derivative contracts are presented gross in the note. Amounts set off consist of the offset market value and the associated nominal amounts 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.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 profit) over the life of the derivative. Such not yet recognised day 1 profit amounted to SEK 585m (539) at year-end.

P18 Offsetting of financial instruments

2016 SEK m	Derivatives	Repurchase agreements, securities lending	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	114 115	13 427	127 542
Amounts set off	-27 054	-1 030	-28 084
Carrying amount on the balance sheet	**87 061**	**12 397**	**99 458**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-20 643	-	-20 643
Financial assets received as collateral	-42 238	-12 397	-54 635
Total amounts not set off on the balance sheet	**-62 881**	**-12 397**	**-75 278**
Net amount	**24 180**	**-**	**24 180**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similiar agreements			
Gross amount	80 348	1 032	81 380
Amounts set off	-25 857	-1 030	-26 887
Carrying amount on the balance sheet	**54 491**	**2**	**54 493**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-20 643	-	-20 643
Financial assets pledged as collateral	-3 807	-2	-3 809
Total amounts not set off on the balance sheet	**-24 450**	**-2**	**-24 452**
Net amount	**30 041**	**-**	**30 041**

2015 SEK m	Derivatives	Repurchase agreements, securities lending	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	113 431	32 053	145 484
Amounts set off	-23 940	-	-23 940
Carrying amount on the balance sheet	**89 491**	**32 053**	**121 544**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-25 660	-	-25 660
Financial assets received as collateral	-35 678	-31 815	-67 493
Total amounts not set off on the balance sheet	**-61 338**	**-31 815**	**-93 153**
Net amount	**28 153**	**238**	**28 391**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similiar agreements			
Gross amount	84 750	290	85 040
Amounts set off	-23 641	-	-23 641
Carrying amount on the balance sheet	**61 109**	**290**	**61 399**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-25 660	-	-25 660
Financial assets pledged as collateral	-6 614	-290	-6 904
Total amounts not set off on the balance sheet	**-32 274**	**-290**	**-32 564**
Net amount	**28 835**	**-**	**28 835**

P19 Intangible assets

2016 SEK m	Acquisition assets	Internally developed software	Total 2016
Cost of acquisition at beginning of year	2 068	1 816	3 884
Cost of acquisition of additional intangible assets	85	513	598
Disposals and retirements	-	-88	-88
Foreign exchange effect	128	-10	118
Cost of acquisition at end of year	**2 281**	**2 231**	**4 512**
Accumulated amortisation and impairment at beginning of year	-1 510	-412	-1 922
Disposals and retirements	-	88	88
Amortisation for the year according to plan	-172	-140	-312
Impairment for the year	-	-1	-1
Foreign exchange effect	-97	0	-97
Accumulated amortisation and impairment at end of year	**-1 779**	**-465**	**-2 244**
Carrying amount	**502**	**1 766**	**2 268**

2015 SEK m	Acquisition assets	Internally developed software	Total 2015
Cost of acquisition at beginning of year	2 170	1 460	3 630
Cost of acquisition of additional intangible assets	-	447	447
Disposals and retirements	-	-88	-88
Foreign exchange effect	-102	-3	-105
Cost of acquisition at end of year	**2 068**	**1 816**	**3 884**
Accumulated amortisation and impairment at beginning of year	-1 471	-354	-1 825
Disposals and retirements	-	88	88
Amortisation for the year according to plan	-113	-130	-243
Impairment for the year	-	-17	-17
Foreign exchange effect	74	1	75
Accumulated amortisation and impairment at end of year	**-1 510**	**-412**	**-1 922**
Carrying amount	**558**	**1 404**	**1 962**

P20 Property, equipment and lease assets

Property, equipment and lease assets SEK m	2016	2015
Equipment	681	598
Property	125	123
Lease assets	1 821	-
Property repossessed for protection of claims	343	429
Total	**2 970**	**1 150**

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 343m (429). Unrealised value changes on these properties had an impact of SEK -7m (5) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations (SEK 330m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 3m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK -2m (4). The year's sale of properties which are regularly measured at fair value amounts to SEK 82m (167) of which SEK 2m (8) was classified as level 3 before the sale. The value of new properties added during the year is SEK 40m (149), with SEK 0m (9) of this classified as level 3.

Equipment SEK m	2016	2015
Cost of acquisition at beginning of year	1 562	1 332
Cost of additional acquisition for the year	352	290
Reclassification from other balance sheet item	-	195
Disposals and retirements	-22	-218
Foreign exchange effect	4	-37
Cost of acquisition at end of year	**1 896**	**1 562**
Accumulated depreciation and impairment at beginning of year	-964	-880
Depreciation for the year according to plan	-260	-246
Reclassification from other balance sheet item	-	-83
Disposals and retirements	20	217
Foreign exchange effect	-11	28
Accumulated depreciation and impairment at end of year	**-1 215**	**-964**
Carrying amount	**681**	**598**

Property SEK m	2016	2015
Cost of acquisition at beginning of year	203	190
Cost of additional acquisition for the year	-	-
New construction and rebuilding	8	14
Disposals and retirements	-1	-1
Cost of acquisition at end of year	**210**	**203**
Accumulated depreciation and impairment at beginning of year	-80	-75
Depreciation for the year according to plan	-6	-5
Impairment for the year	0	-
Disposals and retirements	1	0
Accumulated depreciation and impairment at end of year	**-85**	**-80**
Carrying amount	**125**	**123**

Lease assets SEK m	2016	2015
Accumulated changes due to business combinations during the year	3 352	-
Cost of additional acquisition for the year	100	-
Disposals and retirements	-64	-
Foreign exchange effect	-99	-
Cost of acquisition at end of year	**3 289**	**-**
Accumulated depreciation due to business combinations during the year	-1 482	-
Depreciation for the year according to plan	-72	-
Impairments for the year	-	-
Disposals and retirements	42	-
Foreign exchange effect	44	-
Accumulated depreciation and impairment at end of year	**-1 468**	**-**
Carrying amount	**1 821**	**-**

Distribution of future minimum lease payments by maturity SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
2016				
Distribution of future minimum lease payments	146	1 503	472	**2 121**

P21 Other assets

SEK m	2016	2015
Claims on investment banking settlements	2 305	4 565
Other	14 408	13 734
Total	**16 713**	**18 299**

P22 Prepaid expenses and accrued income

SEK m	2016	2015
Accrued interest income	2 789	2 784
Other accrued income	1 421	1 882
Prepaid expenses	582	147
Total	**4 792**	**4 813**
Of which subordinated	*27*	*31*

P23 Due to credit institutions

SEK m	2016	2015
Due in Swedish kronor		
Banks	29 082	16 705
Other credit institutions	13 623	14 498
Total	**42 705**	**31 203**
Due in foreign currency		
Banks	141 478	138 209
Other credit institutions	4 993	4 121
Total	**146 471**	**142 330**
Total due to credit institutions	**189 176**	**173 533**
Of which repos	*-*	*290*

Average volumes SEK m	2016	2015
Due to credit institutions in Swedish kronor	123 664	119 605
Due to credit institutions in foreign currency	145 425	156 387
Total	**269 089**	**275 992**
Of which repos	*562*	*2 915*

P24 Deposits and borrowing from the public

Deposits from the public SEK m	2016	2015
Deposits in Swedish kronor		
Households	294 104	260 839
Companies	189 434	184 483
National Debt Office	-	-
Total	**483 538**	**445 322**
Deposits in foreign currency		
Households	92 717	74 640
Companies	206 325	179 500
National Debt Office	-	-
Total	**299 042**	**254 140**
Total deposits from the public	**782 580**	**699 462**

Borrowing from the public SEK m	2016	2015
Swedish kronor	17 959	20 967
Foreign currency	27 213	34 637
Total	**45 172**	**55 604**
Of which repos	-	-
Total deposits and borrowing from the public	**827 752**	**755 066**

Average volumes SEK m	2016	2015
Deposits from the public		
Deposits from the public in Swedish kronor	467 410	426 374
Deposits from the public in foreign currency	294 284	294 120
Total	**761 694**	**720 494**
Borrowing from the public		
Borrowing from the public in Swedish kronor	32 535	36 511
Borrowing from the public in foreign currency	189 857	250 208
Total	**222 392**	**286 719**
Of which repos	*7 706*	*8 552*

P25 Issued securities

SEK m	2016 Nominal amount	2016 Carrying amount	2015 Nominal amount	2015 Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	3 409	3 701	6 371	6 594
Of which				
at amortised cost	*-*	*-*	*400*	*400*
for trading	*3 409*	*3 701*	*5 971*	*6 194*
Commercial paper in foreign currency	356 665	361 868	355 748	364 069
Of which				
at amortised cost	*354 994*	*359 807*	*354 306*	*362 373*
for trading	*1 671*	*2 061*	*1 442*	*1 696*
Total	**360 074**	**365 569**	**362 119**	**370 663**
Bonds				
Bonds in Swedish kronor	17 113	17 021	18 472	18 234
Of which				
at amortised cost	*17 113*	*17 021*	*18 472*	*18 234*
for fair value hedges	*-*	*-*	*-*	*-*
Bonds in foreign currency	266 537	266 387	288 201	288 053
Of which				
at amortised cost	*266 537*	*266 387*	*288 201*	*288 053*
for fair value hedges	*-*	*-*	*-*	*-*
Total	**283 650**	**283 408**	**306 673**	**306 287**
Total issued securities	**643 724**	**648 977**	**668 792**	**676 950**

SEK m	2016	2015
Issued securities at beginning of year	676 950	633 128
Issued	1 094 335	971 633
Repurchased	-10 440	-15 839
Matured	-1 137 150	-931 645
Foreign exchange effect etc.	25 282	19 673
Issued securities at end of year	**648 977**	**676 950**

Average volumes SEK m	2016	2015
Swedish kronor	22 981	26 993
Foreign currency	670 628	628 679
Total	**693 609**	**655 672**

P26 Short positions

SEK m	2016	2015
Short positions at fair value		
Equities	1 346	1 499
Interest-bearing securities	226	917
Total	**1 572**	**2 416**

Average volumes SEK m	2016	2015
Swedish kronor	13 701	17 879
Foreign currency	312	263
Total	**14 013**	**18 142**

P27 Taxes

Deferred tax assets SEK m	2016	2015
Property and equipment	11	18
Hedging instruments	221	202
Other	193	108
Total	**425**	**328**

Deferred tax liabilities SEK m	2016	2015
Property and equipment	16	16
Hedging instruments	983	1 392
Other	67	113
Total	**1 066**	**1 521**
Net deferred tax liabilities	**641**	**1 193**

Change in deferred taxes 2016 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	-2	7	0	5
Hedging instruments	1 190	0	-428	762
Other	5	-122	-9	-126
Total	**1 193**	**-115**	**-437**	**641**

Change in deferred taxes 2015 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	-15	11	2	-2
Hedging instruments	1 238	7	-55	1 190
Other	85	-80	-	5
Total	**1 308**	**-62**	**-53**	**1 193**

Tax expenses recognised in the income statemet SEK m	2016	2015
Current tax		
Tax expense for the year	-4 424	-4 219
Adjustment of tax relating to prior years	-194	-19
Deferred tax		
Changes in temporary differences	115	62
Total	**-4 503**	**-4 176**
Nominal tax rate in Sweden, %	**22.0**	**22.0**
Deviations		
Non-taxable income/non-deductible expenses	-4.7	-1.2
Tax relating to prior years	0.6	0.1
Effective tax rate, %	**17.9**	**20.9**

P28 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2016	Total 2015
Provisions at beginning of year	-	40	56	96	87
Provisions during the year	420	37	81	538	36
Utilised	-184	-	-17	-201	-
Written back	-	-	-4	-4	-27
Provisions at end of year	**236**	**77**	**116**	**429**	**96**

The provision for restructuring primerly relates to additional costs for early retirement of staff. Most of the provision is expected to be settled during 2017.
Provision for guarantee commitments consists of provisions for a number of off-balance-sheet items.

The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

P29 Other liabilities

SEK m	2016	2015
Liabilities on investment banking settlements	2 484	6 524
Other	6 302	7 227
Total	**8 786**	**13 751**

P30 Accrued expenses and deferred income

SEK m	2016	2015
Accrued interest expenses	4 795	4 884
Other accrued expenses	1 447	3 675
Deferred income	922	811
Total	**7 164**	**9 370**

P31 Subordinated liabilities

SEK m	2016	2015
Subordinated loans in Swedish kronor	8 230	10 519
Subordinated loans in foreign currency	25 170	23 697
Total	**33 400**	**34 216**

Average volumes SEK m	2016	2015
Subordinated loans in Swedish kronor	9 362	10 510
Subordinated loans in foreign currency	24 324	28 144
Total	**33 686**	**38 654**

Specification, subordinated loans Issuance/Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
IN SWEDISH KRONOR				
Swedish subordinated liabilities[1]		10 825		8 230
Total				**8 230**
IN FOREIGN CURRENCY				
2014/fixed-term[2]	EUR	1 500	2.656	14 355
2015/perpetual[3]	USD	1 200	5.250	10 815
Total				**25 170**
Total subordinated liabilities				**33 400**

[1] Swedish subordinated loans are individually less than 10% of the total subordinated liabilities. The total includes one perpetual subordinated loan at a floating rate. The loan is a subordinated convertible loan of nominally SEK 3.2bn issued to the Group's employees on market terms. The loan does not have the status of regulatory capital but can be converted into Handelsbanken shares. The Bank has the right to demand conversion at any time and the holder has the right to demand conversion between 1 May and 30 November 2019, at the adjusted conversion price of SEK 114.40. The initial conversion price has been adjusted for dividends and a split during the term of the loan. If the common equity tier 1 ratio for the Bank or calculated according to the consolidated situation falls below 7%, there will be automatic conversion. For information regarding other Swedish subordinated loans, see note G51.

[2] For further information about subordinated loans in EUR, see note G51.

[3] For further information about subordinated loans in USD, see note G51.

P32 Untaxed reserves

SEK m	2016	2015
Accumulated depreciation in excess of plan, machinery, equipment and lease assets	318	12
Accumulated depreciation in excess of plan, goodwill on the aquitision of net assets	475	558
Total	**793**	**570**

P33 Classification of financial assets and liabilities

2016	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
SEK m	Trading	Other[1]							
Assets									
Cash and balances with central banks					199 362			199 362	199 362
Interest-bearing securities eligible as collateral with central banks	13 000	80 500				736		94 236	94 236
Loans to credit institutions					593 125			593 125	602 852
Loans to the public		926			762 641			763 567	765 473
Bonds and other interest-bearing securities	22 328	32 519				5 464		60 311	60 311
Shares	17 721					1 618		19 339	19 339
Assets where the customer bears the value change risk		4 114			58			4 172	4 172
Derivative instruments	46 916		40 145					87 061	87 061
Other assets	32				16 681			16 713	16 713
Prepaid expenses and accrued income	170	474			4 144	4		4 792	4 792
Total financial assets	**100 167**	**118 533**	**40 145**		**1 576 011**	**7 822**		**1 842 678**	**1 854 311**
Shares in subsidiaries and investments in associates								46 363	
Other non-financial assets								5 663	
Total assets								**1 894 704**	
Liabilities									
Due to credit institutions							189 176	189 176	191 052
Deposits and borrowing from the public							827 753	827 753	827 720
Liabilities where the customer bears the value change risk		4 213					58	4 271	4 271
Issued securities	5 763						643 214	648 977	657 001
Derivative instruments	50 452		4 039					54 491	54 491
Short positions	1 572							1 572	1 572
Other liabilities	21						8 765	8 786	8 786
Accrued expenses and deferred income	2						7 162	7 164	7 164
Subordinated liabilities							33 400	33 400	35 330
Total financial liabilities	**57 810**	**4 213**	**4 039**				**1 709 528**	**1 775 590**	**1 787 387**
Other non-financial liabilities								1 679	
Total liabilities								**1 777 269**	

2015	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
SEK m	Trading	Other[1]							
Assets									
Cash and balances with central banks					202 630			202 630	202 630
Interest-bearing securities eligible as collateral with central banks	33 287	36 382		750		1 017		71 436	71 436
Loans to credit institutions					596 441			596 441	602 507
Loans to the public		1 619			732 369			733 988	733 443
Bonds and other interest-bearing securities	7 786	29 459		250		3 479		40 974	40 974
Shares	22 756					6 553		29 309	29 309
Assets where the customer bears the value change risk		3 353			69			3 422	3 422
Derivative instruments	55 653		33 838					89 491	89 491
Other assets	10				18 289			18 299	18 299
Prepaid expenses and accrued income	211	581			4 019	2		4 813	4 813
Total financial assets	**119 703**	**71 394**	**33 838**	**1 000**	**1 553 817**	**11 051**		**1 790 803**	**1 796 324**
Shares in subsidiaries and investments in associates								45 815	
Other non-financial assets								3 440	
Total assets								**1 840 058**	
Liabilities									
Due to credit institutions							173 533	173 533	175 349
Deposits and borrowing from the public							755 066	755 066	755 046
Liabilities where the customer bears the value change risk		3 432					69	3 501	3 501
Issued securities	7 890						669 060	676 950	689 165
Derivative instruments	56 284		4 825					61 109	61 109
Short positions	2 416							2 416	2 416
Other liabilities	16						13 735	13 751	13 751
Accrued expenses and deferred income	6						9 364	9 370	9 370
Subordinated liabilities							34 216	34 216	37 189
Total financial liabilities	**66 612**	**3 432**	**4 825**				**1 655 043**	**1 729 912**	**1 746 896**
Other non-financial liabilities								2 464	
Total liabilities								**1 732 376**	

[1] Classified to be measured at fair value.
The principles for measurement at fair value are presented in note G40.

P33 Cont.

Reclassified financial assets	2016		2015	
SEK m	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	10	1 290	11	4 092
Fair value	10	1 209	11	4 078
Value change recognised in the income statement	-	0	-	11
Value change recognised in other comprehensive income	1	94	1	109
Value change that would have been recognised in income statement if the assets had not been reclassified	0	0	-1	11
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	5	-	12
Interest recognised as income	0	41	0	49

All holdings presented above were reclassified to loans and receivables on 1 July 2008.

P34 Fair value measurement of financial instruments

Financial instruments at fair value 2016 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	12 927	73	-	13 000
Denominated at fair value	80 500	-	-	80 500
Available for sale	736	-	-	736
Loans to the public	-	909	17	926
Bonds and other interest-bearing securities				
Held for trading	21 610	718	-	22 328
Denominated at fair value	32 519	-	-	32 519
Available for sale	4 908	556	-	5 464
Shares				
Held for trading	10 717	7 004	-	17 721
Denominated at fair value	-	-	-	-
Available for sale	-	43	1 575	1 618
Assets where the customer bears the value change risk	3 352	-	762	4 114
Derivative instruments	407	86 654	-	87 061
Total	**167 676**	**95 957**	**2 354**	**265 987**
Liabilities				
Liabilities where the customer bears the value change risk	3 451	-	762	4 213
Issued securities	-	5 763	-	5 763
Derivative instruments	443	54 048	-	54 491
Short positions	1 097	475	-	1 572
Total	**4 991**	**60 286**	**762**	**66 039**

Financial instruments at fair value 2015 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	33 285	2	-	33 287
Denominated at fair value	36 382	-	-	36 382
Available for sale	1 017	-	-	1 017
Loans to the public	-	1 609	10	1 619
Bonds and other interest-bearing securities				
Held for trading	6 025	1 761	-	7 786
Denominated at fair value	29 459	-	-	29 459
Available for sale	3 479	-	-	3 479
Shares				
Held for trading	18 963	3 793	-	22 756
Denominated at fair value	-	-	-	-
Available for sale	4 666	1 006	881	6 553
Assets where the customer bears the value change risk	2 621	-	732	3 353
Derivative instruments	275	89 216	-	89 491
Total	**136 172**	**97 387**	**1 623**	**235 182**
Liabilities				
Liabilities where the customer bears the value change risk	2 700	-	732	3 432
Issued securities	-	7 890	-	7 890
Derivative instruments	785	60 324	-	61 109
Short positions	2 098	318	-	2 416
Total	**5 583**	**68 532**	**732**	**74 847**

The principles applied are described in note G40.

Change in financial instruments in level 3 2016 SEK m	Shares	Derivatives, net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	881	-	10	732	-732	-
Acquisitions	9	-	-	-	-	-
Repurchases/sales	-	-	-	-	-	-
Matured	-	-	-1	-	-	-
Unrealised value change in income statement	-	-	-	30	-30	-
Unrealised value change in other comprehensive income	685	-	-	-	-	-
Transfer from level 1 or 2	-	-	8	-	-	-
Transfer to level 1 or 2	-	-	-	-	-	-
Carrying amount at end of year	**1 575**	**-**	**17**	**762**	**-762**	**-**

Change in financial instruments in level 3 2015 SEK m	Shares	Derivatives, net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	851	-	13	698	-698	-94
Acquisitions	45	-	-	-	-	94
Repurchases/sales	-94	-	-	-	-	-
Matured	-	-	-5	-	-	-
Unrealised value change in income statement	-	-	-	34	-34	-
Unrealised value change in other comprehensive income	82	-	-	-	-	-
Transfer from level 1 or 2	-	-	2	-	-	-
Transfer to level 1 or 2	-3	-	-	-	-	-
Carrying amount at end of year	**881**	**-**	**10**	**732**	**-732**	**-**

Fair value of financial instruments at cost or amortised cost 2016 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	199 362	-	-	199 362
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to credit institutions	32 111	569 748	993	602 852
Loans to the public	1 310	13 620	749 616	764 546
Bonds and other interest-bearing securities	-	-	-	-
Assets where the customer bears the value change risk	-	58	-	58
Total	**232 783**	**583 426**	**750 609**	**1 566 818**
Liabilities				
Due to credit institutions	126 410	64 642	-	191 052
Deposits and borrowing from the public	773 856	53 864	-	827 720
Liabilities where the customer bears the value change risk	-	58	-	58
Issued securities	212 474	438 764	-	651 238
Subordinated liabilities	-	35 330	-	35 330
Total	**1 112 740**	**592 658**	**-**	**1 705 398**

Fair value of financial instruments at cost or amortised cost 2015 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	202 630	-	-	202 630
Interest-bearing securities eligible as collateral with central banks	750	-	-	750
Loans to credit institutions	30 414	570 952	1 141	602 507
Loans to the public	6 981	3 256	721 587	731 824
Bonds and other interest-bearing securities	250	-	-	250
Assets where the customer bears the value change risk	-	69	-	69
Total	**241 025**	**574 277**	**722 728**	**1 538 030**
Liabilities				
Due to credit institutions	68 795	106 554	-	175 349
Deposits and borrowing from the public	689 618	65 428	-	755 046
Liabilities where the customer bears the value change risk	-	69	-	69
Issued securities	192 257	489 018	-	681 275
Subordinated liabilities	-	37 189	-	37 189
Total	**950 670**	**698 258**	**-**	**1 648 928**

P35 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2016	2015
Cash	9 146	10 451
Government instruments and bonds	27 004	19 051
Loans to the public	-	-
Shares	358	220
Other	380	463
Total	**36 888**	**30 185**
Of which pledged assets that may be freely withdrawn by the Bank	*20 145*	*17 672*

Other pledged assets SEK m	2016	2015
Cash	456	863
Government instruments and bonds	23 486	18 610
Loans to the public	3 788	3 820
Shares	5 644	10 196
Other	83	31
Total	**33 457**	**33 520**
Of which pledged assets that may be freely withdrawn by the Bank	*27 136*	*22 345*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Assets received

As a component in reverse repurchase agreements and securities loans, the Group has received assets that can be sold or repledged to a third party. The fair value of received assets of this type was SEK 19,976m (24,565) at the end of the financial year, where assets worth SEK 5,519m (8,933) had been sold or repledged to a third party.

Transferred financial assets reported on the balance sheet	2016		2015	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	6 002	340[1]	220	83[1]
Shares, other	-	-	10 196	-
Government instruments and bonds, repurchase agreements	928	2	290	290
Government instruments and bonds, other	710	-	-	-
Assets where the customer bears the value change risk	824	824	1 162	1 162
Total	**8 464**	**1 166**	**11 868**	**1 535**

[1] Received cash collateral.

P36 Contingent liabilities

SEK m	2016	2015
Guarantees, credits	46 633	48 486
Guarantees, other	69 207	66 860
Irrevocable letters of credit	4 237	4 287
Other	161	369
Total	**120 238**	**120 002**

Contingent liabilities

Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims

Handelsbanken is the subject of claims in a number of civil actions which are being pursued in general courts of law. The Bank's assessment is that the actions will essentially be settled in its favour. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss.

P37 Other commitments

SEK m	2016	2015
Loan commitments	269 583	263 956
Unutilised part of granted overdraft facilities	131 289	128 969
Other	65 172	96 721
Total	**466 044**	**489 646**

"Other" includes internal liquidity guarantees to subsidiaries amounting to SEK 40,418m (71,393).

Contracted irrevocable future operating lease charges distributed by maturity SEK m	2016	2015
Within 1 year	755	751
Between 1 and 5 years	1 933	2 090
Over 5 years	945	1 181
Total	**3 633**	**4 022**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

P38 Pension obligations

SEK m	2016	2015
Fair value of plan assets	27 051	25 680
Pension obligations	30 689	28 159
Net pensions [1]	**-3 638**	**-2 479**

Pension obligations are calculated in accordance with the Swedish Financial Supervisory Authority's regulations, which for the Swedish obligation means in accordance with the Act on Safeguarding Pension Obligations and for foreign obligations in accordance with their corresponding local regulation. Plan assets are held by Svenska Handelsbankens Pensionsstiftelse, Pensionskasssan SHB, Försäkringsföreningen, and similar legal entities regarding commitments of the Bank's branches in the UK, Norway and Germany. As neither the assets of Pensionskassan nor the actuarial provisions can be allocated to employers with insurance with Pensionskassan, these are not included in the table above. The pension obligations are SEK 6,099m (5,586) in the Bank's pension fund (Pensionskassan SHB, Försäkringsförening) and the market value of the assets is SEK 11,581m (10,241). The surplus value in Pensionskassan SHB, Försäkringsförening is thus SEK 5,482m (4,655).

SEK 11,342m (12,310) of the fair value of the plan assets in Svenska Handelsbankens Pensionsstiftelse consists of the provisions made in the years 1989–2004 to a special supplementary pension (SKP). The obligations include a commitment regarding SKP of the same amount as the fair value of the plan assets.
A part of the commitment, SEK 8,652m (9,768), is conditional.

[1] Given that the surplus in Pensionskassan SHB, Försäkringsförening can be used to cover the parent company's pension obligations, and that part of the commitment is conditional, a deficit is not recorded as a liability in the balance sheet for 2016.

Pension costs SEK m	2016	2015
Pensions paid	-441	-439
Pension premiums	-572	-593
Social security costs	-15	-13
Compensation from own pension trust	510	505
Payments to own pension trusts	-28	-33
Pension cost recognised in the income statement	**-546**	**-573**

The expected pensions paid for next year for defined benefit pension plans is SEK 529m.
The costs for pension premiums include premiums to the BTPK plan (defined contribution pension) of SEK 85m (85).

Plan assets SEK m	2016	2015
Opening balance	25 680	25 108
Return	1 853	1 044
Provision to pension foundation	28	33
Compensation from pension foundation	-510	-505
Closing balance	**27 051**	**25 680**
Percentage return on plan assets	7%	4%

Pension obligations SEK m	2016	2015
Opening balance	28 159	25 615
Technical fee	624	646
Interest	308	267
Indexation	0	-
Early retirement	153	154
Pensions paid	-441	-439
Changed assumptions[2]	3 062	1 614
Value change conditional obligation	-1 115	249
Other change in capital value	-61	53
Closing balance	**30 689**	**28 159**

[2] Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

Allocation of plan assets SEK m	2016	2015
Shares	25 325	20 991
Interest-bearing securities	1 600	4 713
Other plan assets[3]	126	-24
Total	**27 051**	**25 680**

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. The value of the pension obligations is calculated annually on the balance sheet date, on actuarial grounds.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. The retirement pension including the statutory pension is expected to be approximately 70% of the final salary up to 12 base amounts.

In the UK, defined benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67% of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 150,600 (2016/2017).

In Sweden, the most important calculation assumptions are mortality and the discount rate. The mortality and discount rate assumptions follow the assumptions in the Act on Safeguarding Pension Obligations. The discount rate is 0.5% (1.4%) after tax and assumptions for costs. The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

[3] Other plan assets include a liability regarding compensation that has not yet been paid out.

P39 Assets and liabilities in currencies

2016 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	140	99 547	6 199	102	61 774	30 463	1 137	199 362
Loans to credit institutions	407 217	59 713	49 430	58 739	2 459	14 066	1 501	593 125
Loans to the public	200 577	126 909	151 774	54 795	191 846	28 629	9 037	763 567
of which corporate	*159 147*	*91 519*	*120 447*	*36 266*	*127 264*	*28 406*	*8 118*	*571 167*
of which households	*41 430*	*35 390*	*31 327*	*18 529*	*64 582*	*223*	*919*	*192 400*
Interest-bearing securities eligible as collateral with central banks	69 724	6 431	-	1	-	17 344	736	94 236
Bonds and other interest-bearing securities	39 866	2 181	1 329	-	1 701	15 234	-	60 311
Other items not broken down by currency	184 103							184 103
Total assets	**901 627**	**294 781**	**208 732**	**113 637**	**257 780**	**105 736**	**12 411**	**1 894 704**
Liabilities								
Due to credit institutions	42 694	73 622	5 843	20 238	4 781	27 770	14 228	189 176
Deposits and borrowing from the public	501 497	79 139	60 068	34 828	122 376	23 184	6 661	827 753
of which corporate	*193 564*	*61 945*	*38 969*	*19 146*	*86 078*	*21 006*	*6 170*	*426 878*
of which households	*307 933*	*17 194*	*21 099*	*15 682*	*36 298*	*2 178*	*491*	*400 875*
Issued securities	20 722	141 884	2 305	324	80 485	371 157	32 100	648 977
Subordinated liabilities	8 230	14 355	-	-	-	10 815	-	33 400
Other items not broken down by currency, incl. equity	195 398							195 398
Total liabilities and equity	**768 541**	**309 000**	**68 216**	**55 390**	**207 642**	**432 926**	**52 989**	**1 894 704**
Other assets and liabilities broken down by currency, net		14 407	-140 321	-58 133	-50 169	327 293	40 646	
Net foreign currency position		188	195	114	-31	103	68	637

2015 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	153	45 633	6 094	99	55 540	94 654	457	202 630
Loans to credit institutions	392 448	64 993	52 441	47 135	2 547	33 275	3 602	596 441
Loans to the public	216 540	114 955	122 702	48 630	194 258	27 201	9 702	733 988
of which corporate	*171 366*	*87 515*	*93 865*	*31 036*	*130 389*	*27 012*	*8 716*	*549 899*
of which households	*45 174*	*27 440*	*28 837*	*17 594*	*63 869*	*189*	*986*	*184 089*
Interest-bearing securities eligible as collateral with central banks	33 270	6 402	-	2	-	30 744	1 018	71 436
Bonds and other interest-bearing securities	36 234	2 726	716	-	1 281	17	-	40 974
Other items not broken down by currency	194 589							194 589
Total assets	**873 234**	**234 709**	**181 953**	**95 866**	**253 626**	**185 891**	**14 779**	**1 840 058**
Liabilities								
Due to credit institutions	31 217	53 339	20 647	17 153	13 287	29 436	8 454	173 533
Deposits and borrowing from the public	466 291	64 790	47 004	29 781	109 464	30 592	7 144	755 066
of which corporate	*188 268*	*49 865*	*29 076*	*15 942*	*84 067*	*28 214*	*6 710*	*402 142*
of which households	*278 023*	*14 925*	*17 928*	*13 839*	*25 397*	*2 378*	*434*	*352 924*
Issued securities	24 828	148 862	2 121	367	81 793	389 107	29 872	676 950
Subordinated liabilities	10 519	13 716	-	-	-	9 981	-	34 216
Other items not broken down by currency, incl. equity	200 293							200 293
Total liabilities and equity	**733 148**	**280 707**	**69 772**	**47 301**	**204 544**	**459 116**	**45 470**	**1 840 058**
Other assets and liabilities broken down by currency, net		45 941	-112 051	-48 496	-49 041	273 263	30 771	
Net foreign currency position		-57	130	69	41	38	80	301

Note G2 on page 80 describes the Bank's view of exchange rate risks.

P40 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associated companies		Other related parties	
SEK m	2016	2015	2016	2015	2016	2015
Loans to credit institutions	536 510	512 863	-	-	-	-
Loans to the public	1 151	1 202	849	815	-	-
Derivatives	4 429	4 145	-	-	-	-
Other assets	13 011	11 612	59	64	515	544
Total	**555 101**	**529 822**	**908**	**879**	**515**	**544**
Due to credit institutions	15 066	15 849	-	-	-	-
Deposits and borrowing from the public	7 301	9 413	223	222	604	526
Derivatives	22 753	20 512	-	-	-	-
Subordinated liabilities	-	-	-	-	681	687
Other liabilities	98	163	0	0	58	56
Total	**45 218**	**45 937**	**223**	**222**	**1 343**	**1 269**
Contingent liabilities	46 744	49 383	-	-	6 099	5 585
Derivatives, nominal amount	398 353	405 554	-	-	-	-

Related parties – income and expense	Subsidiaries		Associated companies		Other related parties	
SEK m	2016	2015	2016	2015	2016	2015
Interest income	3 110	3 091	13	10	1	0
Interest expense	-200	-232	0	0	-71	-93
Fee and commission income	21	22	1	4	-	-
Fee and commission expense	-	-	-229	-210	-	-
Net gains/losses on financial items at fair value	-	-	0	0	-	1 207
Other income	1 478	1 499	1	-	15	19
Other expenses	-299	-297	-39	-31	-	-
Total	**4 110**	**4 083**	**-253**	**-227**	**-55**	**1 133**

Note P16 contains a specification of subsidiaries and associated companies. The associated companies' operations comprise various types of services related to the financial markets. The following companies are included in the group of other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associated companies are provided in note P16.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 6,099m (5,585). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 510m (505) regarding pension costs, SEK 465m (480) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 25m (20) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

P41 Recommended appropriation of profits

The Board proposes a dividend of SEK 5.00 per share (SEK 6.00 of which SEK 4.50 as an ordinary dividend).
The Board's recommended appropriation of profits is shown on page 159.

P42 Share information

31 December 2016

Share class	Number	% of capital	% of votes	Share capital	Quotient value
Class A	1 908 900 071	98.19	99.82	2 958 795 110	1.55
Class B	35 251 329	1.81	0.18	54 639 560	1.55
	1 944 151 400	**100.00**	**100.00**	**3 013 434 670**	

P43 Events after the balance sheet date

No significant events have occured after the balance sheet date.

P44 Capital adequacy

The Handelsbanken Group's capital adequacy is described in note G51. Specific information about the parent company's capital adequacy is presented below. For definitions, see page 218.

Transitional own funds

SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Common equity tier 1 (CET1) capital: instruments and reserves				
Capital instruments and the related share premium accounts	7 597		5 832	
of which share capital	*7 597*		*5 760*	
of which convertible securities			*72*	*72*
Retained earnings	82 606		78 206	
Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	5 605		6 904	
Funds for general banking risk				
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1				
Public sector capital injections grandfathered until 1 January 2018				
Minority interests (amount allowed in consolidated CET1)	-		-	
Independently reviewed interim profits net of any foreseeable charge or dividend	10 879		4 400	
Common equity tier 1 (CET1) capital before regulatory adjustment	**106 687**		**95 342**	
Common equity tier 1 (CET1) capital: regulatory adjustment				
Additional value adjustments (negative amount)	-354		-364	
Intangible assets (net of related tax liability) (negative amount)	-1 793		-1 404	
[non-relevant in EU regulation]				
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		-	
Fair value reserves related to gains or losses on cash flow hedges	119		-1 349	
Negative amounts resulting from the calculation of expected loss amounts	-1 140		-1 024	
Any increase in equity that results from securitised assets (negative amount)	-		-	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-		-	
Defined benefit pension fund assets (negative amount)	-		-	
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-636		-577	
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
[non-relevant in EU regulation]				
Exposure amounts of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-		-	
of which qualifying holdings outside the financial sector (negative amount)	-		-	
of which securitisation positions (negative amount)	-		-	
of which free deliveries (negative amount)	-		-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		-	
Amount exceeding the 15% threshold (negative amount)	-		-	
of which direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities	-		-	
[non-relevant in EU regulation]				
of which deferred tax assets arising from temporary difference	-		-	
Losses for the current financial year (negative amount)	-		-	
Foreseeable tax charges relating to CET1 items (negative amount)	-		-	
Regulatory adjustments applied to common equity tier 1 capital in respect of amounts subject to pre-CRR treatment				
Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468				
of which filter for unrealised loss, shares classified as available for sale				
Amount to be deducted from or added to common equity tier 1 capital with regard to additional filters and deductions required pre-CRR				
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		-	
Total regulatory adjustments to common equity tier 1 (CET1) capital	**-3 804**		**-4 718**	
Common equity tier 1 (CET1) capital	**102 883**		**90 624**	

Presentation in accordance with the requirements of Commission Implementing regulation (EU) No 1423/2013.

Transitional own funds

SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Additional tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	10 815		9 981	
of which classified as equity under applicable accounting standards				
of which classified as liabilities under applicable accounting standards	*10 815*		*9 981*	
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	2 353	2 353	2 351	2 351
Public sector capital injections grandfathered until 1 January 2018				
Qualifying tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-		-	
of which instruments issued by subsidiaries subject to phase-out				
Additional tier 1 (AT1) capital before regulatory adjustments	**13 168**		**12 332**	
Additional tier 1 (AT1) capital: regulatory adjustments				
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-400	-400	-399	-399
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
Regulatory adjustments applied to additional tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)				
Residual amounts deducted from additional tier 1 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.				
Residual amounts deducted from additional tier 1 capital with regard to deduction from tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. reciprocal cross holdings in tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.				
Amounts to be deducted from or added to additional tier 1 capital with regard to additional filters and deductions required pre-CRR				
Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)				
Total regulatory adjustments to additional tier 1 (AT1) capital	**-400**		**-399**	
Additional tier 1 (AT1) capital	**12 768**		**11 933**	
Tier 1 capital (T1 = CET1 + AT1)	**115 651**		**102 557**	
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	17 354	0	17 150	444
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2				
Public sector capital injections grandfathered until 1 January 2018				
Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-		-	
of which instruments issued by subsidiaries subject to phase-out				
Credit risk adjustments	-		-	
Tier 2 (T2) capital before regulatory adjustment	**17 354**		**17 150**	

Presentation in accordance with the requirements of Commission Implementing regulation (EU) No 1423/2013.

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Transitional own funds

SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Tier 2 (T2) capital: regulatory adjustments				
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		-	
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-		-	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
of which new holdings not subject to transitional arrangements	-		-	
of which holdings existing before 1 January 2013 and subject to transitional arrangements				
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1 129		-1 129	
Regulatory adjustments applied to tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)				
Residual amounts deducted from tier 2 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.				
Residual amounts deducted from tier 2 capital with regard to deduction from additional tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013				
of which items to be detailed line by line, e.g. reciprocal cross holdings in tier 2 instrument, direct holdings of non-significant investments in the capital of other financial sector entities etc.				
Amounts to be deducted from or added to tier 2 capital with regard to additional filters and deductions required pre-CRR			-	-
Total regulatory adjustments to tier 2 (T2) capital	**-1 129**		**-1 129**	
Tier 2 (T2) capital	**16 225**		**16 021**	
Total capital (TC = T1 + T2)	**131 876**		**118 578**	
Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	439 657		454 661	
of which additional capital to insurance companies in the Group not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)	*15 633*		*15 633*	
of which deferred tax claims not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)	*512*		*315*	
Items not deducted from T2 instruments (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	-		-	
Total risk-weighted assets	**439 657**		**454 661**	
Capital ratios and buffers				
Common equity tier 1 capital (as a percentage of total risk exposure amount)				
Tier 1 capital (as a percentage of total risk exposure amount)	23.4		19.9	
Total capital (as a percentage of total risk exposure amount)	26.3		22.6	
Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	30.0		26.1	
of which capital conservation buffer requirement	3.4		*3.1*	
of which countercyclical buffer requirement	2.5		*2.5*	
of which systemic risk buffer requirement	*0.9*		*0.6*	
of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	*0.0*		*0.0*	
Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	*0.0*		*0.0*	
[non-relevant in EU regulation]	18.9		15.4	
[non-relevant in EU regulation]				
[non-relevant in EU regulation]				

Presentation in accordance with the requirements of Commission Implementing regulation (EU) No 1423/2013.

Transitional own funds SEK m	2016	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2015	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Capital ratios and buffers				
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0		3	
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		-	
[non-relevant in EU regulation]				
Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-205		-126	
Applicable caps on the inclusion of provisions tier 2				
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)				
Cap on inclusion of credit risk adjustments in T2 under standardised approach				
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)				
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach				
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
Current cap on CET1 instruments subject to phase-out arrangements	174		232	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)				
Current cap on AT1 instruments subject to phase-out arrangements	7 335		8 558	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)				
Current cap on T2 instruments subject to phase-out arrangements	4 444		5 185	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)				

For reporting of the main features of capital instruments, see note G51 and the publication Risk and Capital Management – Information according to Pillar 3. Presentation in accordance with the requirements of Commission Implementing regulation (EU) No 1423/2013.

Capital requirements and total risk exposure amounts	2016		2015	
SEK m	Total risk exposure amount	Capital requirement	Total risk exposure amount	Capital requirement
Credit risk excluding counterparty risk	363 055	29 044	374 971	29 998
of which standardised approach	*140 182*	*11 214*	*138 674*	*11 094*
of which IRB Approach	*222 873*	*17 830*	*236 297*	*18 904*
of which equity exposures	*9 753*	*780*	*17 953*	*1 436*
of which securisation positions in other operations	*24*	*2*	*2*	*-*
of which external credit valuation approach	*24*	*2*	*2*	*-*
Counterparty risk	15 698	1 257	18 736	1 499
of which calculated using the mark-to-market method	*15 698*	*1 257*	*18 736*	*1 499*
Settlement risk	0	0	0	0
Credit valuation adjustment risk (CVA)	7 429	594	8 911	713
Market risk	10 910	873	10 318	825
of which standardised approach	*10 910*	*873*	*10 318*	*825*
Operational risk	42 565	3 405	41 725	3 338
of which standardised approach	*42 565*	*3 405*	*41 725*	*3 338*
Total	**439 657**	**35 173**	**454 661**	**36 373**
Adjustment according to Basel I floor		16 010		14 150
Capital requirement, Basel I floor		**51 183**		**50 523**
Total own funds, Basel I floor		**133 016**		**119 602**

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Capital requirements market risk SEK m	**2016**	**2015**
Position risk in the trading book	864	819
Interest rate risk	855	804
of which general risk	*598*	*512*
of which specific risk	*256*	*290*
of which positions in securitisation instruments	-	-
of which non-delta risk	*1*	*2*
Equity price risk	9	15
of which general risk	*1*	*1*
of which specific risk	*3*	*4*
of which mutual funds	*0*	*2*
of which non-delta risk	*5*	*8*
Exchange rate risk	-	-
of which non-delta risk	-	-
Commodity risk	9	6
of which non-delta risk	*0*	*0*
Settlement risk	0	0
Total capital requirements for market risk	**873**	**825**

Capital adequacy analysis %	**2016**	**2015**
Common equity tier 1 ratio, CRR	23.4	19.9
Tier 1 ratio, CRR	26.3	22.6
Total capital ratio, CRR	30.0	26.1
Total risk exposure amount, CRR, SEK m	439 657	454 661
Own funds in relation to capital requirement according to Basel I floor	260	237
Institution-specific buffer requirement	3.4	3.1
of which capital conservation buffer requirement	*2.5*	*2.5*
of which countercyclical buffer requirement	*0.9*	*0.6*
of which systemic risk buffer requirement		
Common equity tier 1 capital available for use as a buffer	18.9	15.4

Credit risk exposures approved for IRB Approach	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2016	2015	2016	2015	2016	2015	2016	2015
Corporate exposures	**664 184**	**663 914**	**177 677**	**186 944**	**14 214**	**14 956**	**26.8**	**28.2**
Corporate lending	641 514	638 317	173 736	182 233	13 899	14 579	27.1	28.6
of which other lending, IRB Approach without own estimates of LGD and CCF	*115 418*	*124 220*	*35 658*	*37 474*	*2 853*	*2 998*	*30.9*	*30.2*
of which other lending, IRB Approach with own estimates of LGD and CCF	*526 096*	*514 097*	*138 078*	*144 759*	*11 046*	*11 581*	*26.2*	*28.2*
of which large corporates	*126 610*	*137 556*	*57 124*	*61 046*	*4 570*	*4 884*	*45.1*	*44.4*
of which medium-sized companies	*70 884*	*67 928*	*30 345*	*31 135*	*2 428*	*2 491*	*42.8*	*45.8*
of which property companies	*328 602*	*308 613*	*50 609*	*52 578*	*4 049*	*4 206*	*15.4*	*17.0*
Counterparty risk	22 670	25 597	3 941	4 711	315	377	17.4	18.4
Housing co-operative associations	**32 672**	**24 115**	**3 724**	**2 576**	**298**	**206**	**11.4**	**10.7**
Retail exposures	**160 251**	**158 145**	**28 313**	**25 618**	**2 265**	**2 049**	**17.7**	**16.2**
Private individuals	140 322	138 235	22 350	19 303	1 788	1 544	15.9	14.0
of which property loans	*76 311*	*75 658*	*10 155*	*9 044*	*812*	*723*	*13.3*	*12.0*
of which other	*64 011*	*62 577*	*12 195*	*10 260*	*976*	*821*	*19.1*	*16.4*
Small companies	19 929	19 910	5 963	6 315	477	505	29.9	31.7
Institutional exposures	**105 184**	**117 261**	**17 397**	**20 469**	**1 392**	**1 638**	**16.5**	**17.5**
Lending to institutions	20 065	19 201	6 175	6 766	494	542	30.8	35.2
Counterparty risk	85 119	98 060	11 222	13 703	898	1 096	13.2	14.0
of which repos and securities loans	*14 070*	*31 143*	*631*	*424*	*50*	*34*	*4.5*	*1.4*
of which derivatives	*71 049*	*66 917*	*10 591*	*13 279*	*848*	*1 062*	*14.9*	*19.8*
Equity exposures	**2 636**	**5 807**	**9 753**	**17 953**	**780**	**1 436**	**370**	**309.1**
of which listed equities	*-*	*4 418*	*-*	*12 811*	*-*	*1 025*	*-*	*290*
of which other equities	*2 636*	*1 389*	*9 753*	*5 141*	*780*	*411*	*370*	*370*
Non credit-obligation asset exposures	**1 149**	**1 150**	**1 149**	**1 150**	**92**	**92**	**100**	**100**
Securitisation positions	**22**	**28**	**24**	**2**	**2**	**0**	**105.9**	**7.4**
of which traditional securitisation	*22*	*28*	*24*	*2*	*2*	*0*	*105.9*	*7.4*
of which synthetic securitisation	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total IRB	**966 099**	**970 420**	**238 036**	**254 712**	**19 043**	**20 377**	**24.6**	**26.2**

Credit risk exposures according to standardised approach[1]	Exposure value		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2016	2015	2016	2015	2016	2015	2016	2015
Sovereign and central banks	252 304	265 818	77	72	6	6	0	0
Municipalities	27 630	28 595	22	18	2	1	0	0
Multilateral development banks	636	649	0	0	0	0	0	0
International organisations	49	1	0	0	0	0	0	0
Institutions	550 741	526 344	799	1 010	64	81	0.1	0.2
Corporate	10 413	11 557	9 789	10 896	783	872	94.0	94.3
Retail	16 902	22 032	12 633	16 487	1 011	1 319	74.7	74.8
Property mortgages	92 087	70 925	33 316	25 367	2 665	2 029	36.2	35.8
Past due items	199	226	258	316	21	25	129.6	139.4
Equities	67 063	67 279	76 392	76 609	6 111	6 129	113.9	113.9
of which listed equities	*0*	*249*	*0*	*249*	*0*	*20*	*0.0*	*100.0*
of which other equities	*67 063*	*67 030*	*76 392*	*76 360*	*6 111*	*6 109*	*113.9*	*113.9*
Other items	7 999	8 880	7 431	8 221	595	658	92.9	92.6
Total standardised approach	**1 026 023**	**1 002 308**	**140 717**	**138 996**	**11 258**	**11 120**	**13.7**	**13.9**

[1] Details of capital requirements for exposure classes where there are exposures.

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Leverage ratio common disclosure SEK m	2016	2015
On-balance-sheet exposures (excluding derivatives and securities financing transactions)		
On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets)	1 794 728	1 716 619
Asset amounts deducted in determining Tier 1 capital	-3 803	-4 718
Total on-balance-sheet exposures (excluding derivatives, securities financing transactions and fiduciary assets)	**1 790 925**	**1 711 901**
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	34 618	21 598
Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	38 297	38 337
Exposure determined under original exposure method	-	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
Deductions of receivables assets for cash variation margin provided in derivatives transactions	-6 917	0
Exempted central counterparty leg of client-cleared trade exposures	-	-
Adjusted effective notional amount of written credit derivatives	8 917	0
Adjusted effective notional offsets and add-on deductions for written credit derivatives	-679	0
Total derivative exposures	**74 236**	**59 935**
Securities financing transaction exposures		
Gross securities financing transaction assets (with no recognition of netting), after adjusting for sales accounting transactions	12 915	32 786
Netted amounts of cash payables and cash receivables of gross securities financing transaction assets	-	-
Counterparty credit risk exposure for securities financing transaction assets	4 440	4 792
Derogation for securities financing transactions: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
Agent transaction exposures	-	-
Exempted central counterparty leg of client-cleared securities financing transaction exposures	-	-
Total securities financing transaction exposures	**17 355**	**37 578**
Other off-balance-sheet exposures		
Off-balance-sheet exposures at gross notional amount	539 468	530 343
Adjustments for conversion to credit equivalent amounts	-348 431	-338 334
Other off-balance-sheet exposures	**191 037**	**192 009**
Exempted exposures		
Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)	-568 333	-
Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)	-	-
Capital and total exposures		
Tier 1 capital	115 651	102 557
Total leverage ratio exposures	1 505 220	2 001 423
Leverage ratio		
Leverage ratio	7.7%	5.1%
Choice on transitional arrangements and amount of derecognised fiduciary items		
Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	-1 162

Summary reconciliation of accounting assets and leverage ratio exposures SEK m	2016	2015
Total assets as per published financial statements	1 894 704	1 840 058
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	-1 162
Adjustments for derivative financial instruments	-12 825	-29 556
Adjustments for securities financing transactions (SFTs)	4 440	4 792
Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	191 037	192 009
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	-568 333	-
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	-	-
Other adjustments	-3 803	-4 718
Total leverage ratio exposure	**1 505 220**	**2 001 423**

Signatures of the Board and the Group Chief Executive

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance, and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 7 FEBRUARY 2017

Pär Boman
Chairman of the Board

Fredrik Lundberg

Karin Apelman

Jon Fredrik Baksaas

Tommy Bylund

Kerstin Hessius

Ole Johansson

Lise Kaae

Bente Rathe

Charlotte Skog

Anders Bouvin
President and Group Chief Executive

Auditor's report

To the general meeting of the shareholders of Svenska Handelsbanken AB (publ), corp. id 502007-7862

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 7–201 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Credit risk and loan impairment provisions

Detailed information and description of the key audit matter is provided in the annual accounts and consolidated accounts. Credit risk exposures and credit risk management are described in note G2 from page 82. Reported losses are specified in note G10. Information regarding the parent company is presented in note P2 and note P10. Relevant accounting principles for the group are described in note G1 section 9 on page 74. Note P1 shows that the parent company's accounting principles regarding loan impairment provisions are consistent with the group's accounting principles.

Description of key audit matter

Handelsbanken's business model focuses on taking credit risks in the retail business. The model implies that the group only takes credit risks that are in line with the group's restrictive approach to risk. All other risks, such as market risks and liquidity risks, the group strives to mitigate as far as possible limit.

The parent company's credit portfolio amounted to SEK 1,710,601 million as of 31 December 2016, representing 90 per cent of the company's total assets. The parent company's overall credit risk exposure, including off-balance sheet, amounts to SEK 2,383,944 million, equivalent to 126 per cent of the company's total assets. The parent company's allowance for loan losses amounted to SEK –1,730 million.

The group's credit portfolio amounted to SEK 2,380,972 million as of 31 December 2016, representing 91 per cent of total consolidated assets. The group's total credit risk exposure, including off-balance sheet, amounts to SEK 2,967,402 million and equivalent to 113 per cent of the group's total assets. The group's allowance for loan losses amounted to SEK –1,724 million.

Provisions for loan losses in the parent company and the group corresponds to management's best estimate of potential losses incurred in the loan portfolios at the balance sheet date. The provision is calculated either on an individual basis for overdue loans or on a collective basis for groups of similar loans. 95 per cent and 94 per cent of reported loan losses consists of specific provisions for individually assessed receivables in the parent company and the group.

As a result of the bulk of the operations consists of credit and credit risk exposure represents the parent company's and the group's dominant risk and due to the inherent uncertainty in the recognition of provisions for credit losses as they are based on assessments of the management of a large number internal and external observations, including estimates of future cash flows and the uncertainty linked to the assessment of these cash flows, this area has been considered to be the most important audit matter in the audit of Handelsbanken.

Response in the audit

We have tested the design and effectiveness of the parent company's and the group's key controls in the credit process, including credit approval, credit review, rating classification, identification and determination of credits that should be reserved for. Tested controls consist of manual controls as well as automatic controls in application systems. We also tested IT general controls, including access management of these systems.

We have challenged the assessment of the recoverable value of future cash flows for specific provisions made for individually assessed loans made by branch managers, regional banks management, central credit department and company management.

For loans that are valued by collective provision models, we have challenged the assumptions in the models. We also checked on a sample basis input data in the models and the accuracy of the calculations.

We have assessed the facts presented in the disclosures in the financial statements and the adequacy of the information as a description of management's assumptions.

We also reviewed the audit work performed by Handelsbanken's internal audit.

Valuation of financial instruments where market prices are not available

Detailed information and description of the key audit matter is provided in the annual accounts and consolidated accounts. Financial instruments measured at fair value are described in note G40 for the group and note P34 for the parent company. Relevant accounting principles for the group are described in note G1 section 9 on page 75. Note P1 shows that the parent company's accounting principles for financial instruments measured at fair value is consistent with the group's accounting principles.

Description of key audit matter

Handelsbanken has financial instruments measured at fair value through profit or loss, where the current market prices are not available why fair value is determined using valuation models based on market data. These financial instruments categorized in Level 2 under IFRS valuation hierarchy. Handelsbanken has limited financial instruments whose fair value is determined using valuation models for which the value is affected by the input data that cannot be verified by external market data. These financial instruments categorized in Level 3 of the IFRS fair value hierarchy.

The parent company has financial assets and financial liabilities in Level 2 amounting to 95,957 million and SEK 60,286 million respectively. Financial assets and liabilities in Level 3 amounts to SEK 2,354 million and SEK 762 million respectively. Financial assets and liabilities in Level 2 corresponds to a total of 8 per cent of the company's total assets, while financial assets and liabilities in Level 3 corresponds to 0.2 per cent of total assets.

In the group, financial assets and financial liabilities in Level 2 amounts to SEK 94,270 million and SEK 37,533 millions respectively and financial assets and financial liabilities in Level 3 amounts to SEK 2,616 million and SEK 762 million respectively. Thus, financial assets and financial liabilities in Level 2 corresponds to a total of 5 per cent of total assets, while financial assets and liabilities in Level 3 corresponds to 0.1 per cent of total assets.

The majority of the group's derivatives, including interest rate swaps and other types of linear currency derivatives and corporate bonds are financial instruments in Level 2. Corporate bonds and derivatives in Level 2 are valued using valuation models based on market interest rates and other market prices.

Financial instruments in Level 3, which amounts to relatively low amounts primarily consist of unlisted shares in joint venture activities related to Handelsbanken's operations and investments in the insurance business included in the calculating of yield split in the insurance operations and are therefore not directly reported in the income statement.

The valuation of financial instruments in Level 2 include estimates of management, since they are valued using models. Therefore, these financial instruments are deemed to be a key audit matter.

Response in the audit

We have tested the key controls in the valuation process, including management's assumptions and methods used in model-based calculations, verification of data quality and change management for internal valuation models. Tested controls consist of manual controls as well as automatic controls in application systems. We also tested IT general controls, including access management of these systems.

We have utilised our internal valuation specialists in order to challenge the methods and assumptions used in the valuation of financial instruments where market prices are not available.

We have assessed the methods in the valuation models against the valuation guidelines and industry practices.

We have compared management assumptions with appropriate benchmarks and price sources and investigated significant deviations. We also checked the accuracy of the calculations by conducted sample tests and performed our own independent valuations.

We have assessed the facts presented in the disclosures in the financial statements and the adequacy of the information as a description of management's assumptions.

We also reviewed the audit work performed by Handelsbanken's internal audit.

Other information than the annual accounts and consolidated accounts

The printed Annual Report also contains information other than the formal annual accounts and consolidated accounts and is found on pages 1–5 and 218–219. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Svenska Handelsbanken AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 16 February 2017

KPMG AB	Ernst & Young AB
Anders Bäckström Authorised Public Accountant	Jesper Nilsson Authorised Public Accountant


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Magnus Ericson Umeå
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Strängnäs **Katharina Schramm Hellmark**
Säter **Patrik Nylén**
Söderhamn **Joakim Frithiof**
Tierp **Anders Estman**
Torsåker **Pernilla Strömberg**
Uppsala
 City **Johanna Lundberg**
 Eriksberg **Kristina Carlsson**
 Industriområde **Micael Lindström**
 Luthagen **Birger Kristiansson**
Vansbro **Fredrik Hallqvist**
Västanfors **Andreas Byrén**
Västerås
 City **Therese Massaro**
 Emausgatan **Johan Gustavsson**
 Köpingsvägen **Mats Söderlund**
 Östermälarstrand **Johanna Landin**
Örebro
 Drottningparken **Anders Forsgren**
 Ekersgatan **Kristina Dahl**
 Stortorget **Kenneth Vallin**
Österbybruk **Ann Robertsson**
Östervåla **Thomas Forsgren**
Östhammar **Anna Lydell Bjälmén**

Meeting places
Knivsta
 Alsike **Agneta Sturesson**
Lindesberg
 Nora **Maria Ekdahl**
Lima
 Sälen **Lena Eggens**
Mora
 Älvdalen **Jürgen Smolle**
Strängnäs
 Mariefred **Katharina Schramm Hellmark**

REGIONAL BANK STOCKHOLM

Board

Ulf Lundahl Stockholm, Chairman
Ingalill Berglund Solna
Jörgen Centerman Stockholm
Siv Malmgren Stockholm
Carina Åkerström Stockholm
Anne Reis Stockholm, (E)*

Head

Carina Åkerström Stockholm

Branch/branch manager

Alviks Torg **Johan Lurén**
Arbetargatan **Ulrika Staffas Nordqvist**
Brommaplan **Charlotta Hallqvist Lindström**
Dalarö **Sofia Tärnfors**
Djursholm **Carl-Gustav Moberg**
Ekerö **Mathias Lindmark**
Farsta **Camilla Sandgren Esgård**
Frihamnen **Johanna Lagerbäck**
Fårösund **Britt Nordstöm**
Gamla Stan **Carl-Magnus Gustafsson**
Globen **Lena Stenmark**
Gnesta **Asta Beyerl**
Gustav Adolfs Torg **Anders Lindegren**
Götgatsbacken **Cecilia Hallqvist**
Hallunda **Ritva Martonen**
Hammarby **Marcus Axelson**
Haninge **Maria Sjöstedt**
Hemse **Lars Cramér**
Hornsberg **Kajsen Hansson**
Hornsgatan **Lars Holm**
Huddinge **Jenny Lööw Borsos**
Humlegården **AnneMarie Dahlstedt**
Hägersten **Eva Kallur**
Hässelby Gård **Anders Stenberg**
Högalid **Mårten Larsson**
Högdalen **Linda Unger**
Jakobsberg **Anna Andersson**
Järna **Asta Beyerl**
Karlaplan **Cecilia Carlberg**
Karlavägen **Nahir Oussi**
Kista **Hans Lundin**
Klintehamn **Lars Cramér**
Kungsholmstorg **Anders Friman**
Kungsträdgården **Peter Einarsson**
Kungsängen **Karin Åkerblom Lingois**
Kärrtorp **Jessica Nirvin**
Lidingö
  Centrum **Elisabeth Hiljebäck**
  Larsberg **Mikael Gustafson**
  Näset **Magnus Blomqvist**
Marieberg **Lotta Adestam**
Marievik **Anna Blomstergren**
Märsta **Carl-Fredrik Boija**
Mörby Centrum **Peder Wiberg**
Nacka Forum **Anki Lenksjö**
Norrmalmstorg **Ola Arvidsson**
Nyköping **Jens Fransson**
Nynäshamn **Anders Hagman**
Näsby Park **Cecilia Sonntag**
Odengatan **Catarina Thunstedt**
Odenplan **Susanne Signell**
Renstiernas Gata **Ana Maria Ruiz**
Rotebro **Katarina Fridén**
S:t Eriksplan **Marika Hedblom**
Salem **Niclas Landbergsson**
Saltsjö-Boo **Malin Meijer**
Skanstull **Johan Hilmersson**
Skärholmen **Rickard Svallfors**
Sköndal **Jessica Nirvin**
Slite **Per Karlsson**
Sollentuna **Fredrik Andersson**
Solna
  Arenastaden **Lisa Spangenberg**
  Frösunda **Ulf Eliasson**
  Solna **Mats Liebgott**
  Solna Strand **Martin Björgell**
Spånga **Vacant**
Stockholm Sergel **Maria Hellberg**
Strandvägen **Mats Ernborg**
Stureplan **Peter Sturesson**
Stuvsta **Kristin Elofsson**
Sundbyberg **Jan Larsson**
Sveavägen **Malin Bergström**
Södertälje **Bengt Bohman**
Tessinparken **Lars Eberson**
Torsgatan **Torsten Johansson**
Trosa **Henrik Hellvard**
Trångsund **Sanja Raspudic**
Tullinge **Kristina Jansenberger**
Tyresö **Kjell Andersson**
Täby Centrum **Johan Grahn**
Ulvsunda **Tina Nylén**
Upplands Väsby **Urban Wolters**
Vallentuna **Fredrik Enander**
Vanadisplan **Stina Marklund**
Vasagatan **Christer Örtegren**
Vaxholm **Maria Lindberg**
Visby
  Adelsgatan **Linda Ewald**
  Öster **Carl Oscar Sjöström**
Vällingby **Åsa Eriksson-Hedensiö**
Värmdö **Ulrika Kallur**
Värtavägen **Anna Gustafsson**
Västerhaninge **Mats Nordling**
Åkersberga **Christer Lövholm**
Årsta **Anna Karlsson**
Älvsjö **Jesper Hellström**
Ängby Blackeberg **Camilla Juhlin**
Ösmo **Anders Hagman**
Östermalmstorg **Jan Larsson**
Östra Station **Elisabeth Croon**

Meeting places

Alviks Torg
  Äppelviken **Johan Lurén**
Värtavägen
  Norra Djurgårdsstaden **Anna Gustafsson**

(E)*= employee representative

REGIONAL BANK WESTERN SWEDEN

Board

Lennart Mankert Gothenburg, Chairman
Stig-Arne Blom Ulricehamn
Peter Claesson Kullavik
Carin Kindbom Västra Frölunda
Claes Larsson Gothenburg
Håkan Larsson Gothenburg
Vilhelm Schottenius Varberg
M Johan Widerberg Gothenburg
Katarina Ljungqvist Västra Frölunda
Lena Lindén Stockholm, (E)*

Head

Katarina Ljungqvist Västra Frölunda

Branch/branch manager

Ale Torg **Anna-Lisa Jansson**
Alingsås **Staffan Svantesson**
Anderstorp **Per Risberg**
Arvika **Stefan Lindberg**
Bankeryd **Åsa A Olsson**
Bollebygd **Camilla Weihart**
Borås
  Borås City **Joakim Antonsson**
  Viared **Thomas Bogsjö**
Falkenberg **Kristian Gårdenfelt**
Falköping **Magnus Kvarnmarker**
Filipstad **Cecilia Blom**
Fristad **Anders Roos**
Gislaved **Per Risberg**
Gällstad **Janne Pehrsson**
Gothenburg
  Almedal **Anna-Lena Ranhög**
  Avenyn **Håkan Jarbeck**
  Backa **Deborah Moberg**
  City **Martin Henriksson**
  Eriksberg **Kent Larsson**
  Frölunda **Patrik Niklasson**
  Första Långgatan **Anders Olausson**
  Gårda **Marie Erlandson**
  Hisings Kärra **Peter Kornesjö**
  Hjällbo **Börje Ström**
  Högsbo **Sophia von Sydow Witte**
  Landala **Louise Martinsson**
  Lilla Bommen **Marie Kaptein**
  Lindholmen **Tobias Johansson**
  Majorna **Niklas Häggström**
  Sisjön **Christian Sjöberg**
  Torslanda **Fredrik Karlberg**
  Volvo **Björn Torsteinsrud**
  Örgryte **Linda Hellsten**
  Övre Husargatan **Anna Ekstrand**
Hagfors **Anna Bengtsson**
Halmstad **Magnus Landbring**
Herrljunga **Susanne Bender**
Hjo **Martin Drebin**
Huskvarna **Mats Andersson**
Jönköping **Cicki Törnell**
Karlskoga **Per Forsman**
Karlstad
  Stora Torget **Fredrik Ekenberg**
  Våxnäs **Sara Brask**
Kristinehamn **Cecilia Blom**
Kungsbacka **Mats Rollof**
Kungälv **Lena Gillholm**
Laholm **Fredrik Johnson**
Landvetter **Anja Börve**
Lerum **Anna Green**
Lidköping **Nina Ahlén**
Lilla Edet **Ellinor Fagerberg**
Ljungby **Thomas Eldh**
Markaryd **Maria Larsson**
Mariestad **Torbjörn Läth**
Mellerud **Claes Hernvall**
Mölndal **Johan Martinsson**
Mölnlycke **Anders Blomqvist**
Partille **Sara Larsson**
Skara **Anna-Lena Andersson**
Skövde **Martin Drebin**
Sollebrunn **Staffan Svantesson**
Stenungsund **Anette Pettersson**
Strömstad **Johan Rosengren**
Sunne **Pär Olsson**
Svenljunga **Martin Ekman**, Acting
Säffle **Magdalena Gunnarsson**
Tibro **Martin Drebin**
Tidaholm **Magnus Kvarnmarker**
Torsby **Pär Olsson**
Tranemo **Christina Ljung**
Trollhättan **Ingela Karlsson**
Uddevalla **Peter Johansson**
Ulricehamn **Janne Pehrsson**
Vaggeryd **Inger Ågren**
Vara **Maj Rudell**
Varberg **Jonas Lagerqvist**
Vårgårda **Lars-Göran Pettersson**
Vänersborg **Jan-Olof Strand**
Värnamo **Jonas Flink**
Åmål **Magdalena Gunnarsson**
Årjäng **Dennis Göransson**
Älvsborg **Allison Åsblom**
Älvängen **Marie Wall**

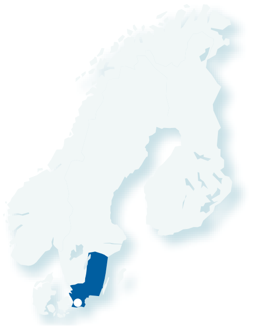
Meeting places

Gothenburg Volvo
  Arendal **Björn Torsteinsrud**
Kungsbacka
  Kungsporten **Mats Rollof**

REGIONAL BANK SOUTH EAST SWEDEN

Board
Charlotta Falvin Genarp, Chair
Bengt Kjell Helsingborg
Claes Lindqvist Viken
Johan Mattsson Tomelilla
Anders Ohlner Malmö
Mikael Roos Malmö
Göran Stille Falsterbo
Pia Håkansson Ystad, (E)*

Head
Göran Stille Falsterbo



Branch/branch manager
Alvesta **Maj-Lis Pettersson**
Arlöv **Magnus Björk**
Bara **Isabel Almqvist**
Borensberg **Malin Svanberg**
Borgholm **Christin Abrahamsson**
Broby **Rebecca Thörnqvist**
Båstad **Lars-Olof Ottosson**
Eksjö **Gunilla Johansson**
Emmaboda **Torbjörn Danielsson**
Eslöv **Mats Jonsson**
Finspång **Ingela Nyrén**
Färjestaden **Christin Abrahamsson**
Helsingborg
  Norr **Jonas Olsson**
  Stortorget **Göran Pelvén**
  Söderport **Jonas Olsson**
Hultsfred **Berit Lundqvist**
Hässleholm **Magnus Gardell**
Höganäs **Gunilla Voss**
Högsby **Jonas Petersson**
Höllviken **Cecilia Wahlberg**
Höör **Marie Lärka Stjernström**
Kalmar **Johan Lorentzon**
Karlshamn **Catharina Lydell**
Karlskrona **Hedvig Stache**
Kivik **Andreas Jeppsson**
Klippan **Alexandra Paulsson**
Kristianstad **Rebecca Thörnqvist**
Kävlinge **Dag Olsson**
Lammhult **Christina Blomstrand**
Landskrona **Per-Ove Kamlund**
Linköping
  City **Michael Sterne**
  Tornby **Anders Spång**
Ljungbyhed **Alexandra Paulsson**
Lomma **Erik Hultgren**
Lund
  City **Peter Andersson**
  Ideon **Cecilia Leijgård**
  Väster **Carina Jönsson**
Malmö
  City **Erik Bredberg**
  Fosie **Anders Persson**
  Fridhem **Marie Brunstam**
  Hyllie **Anna Harrison Barthold**
  Limhamn **Roger Håkansson**
  Triangeln **Jonas Darte**
  Västra Hamnen **Alexander Lindeskog**
  Öster **Magnus Björk**
Mjölby **Karl Gustafsson**
Motala **Anders Hättström**
Mönsterås **Helena Edström**
Mörbylånga **Christin Abrahamsson**
Mörlunda **Berit Lundqvist**
Norrköping
  Drottninggatan **Hans Widmark**
  Eneby **Marie Kellgren**
  Fjärilsgatan **Marie Kellgren**
Nybro **Thomas Svensson**
Nässjö **Cecilia Antonsson**
Olofström **Catharina Lydell**
Osby **Henrica Lorentsson**
Oskarshamn **Jonas Petersson**
Ronneby **Peter Andersson**
Simrishamn **Andreas Jeppsson**
Sjöbo **Thomas Hansson**
Skanör **Maria Hägerström**
Skurup **Mia Kristell**
Staffanstorp **Susanne Linné Nilsson**
Svedala **Isabel Almqvist**
Sävsjö **Cecilia Tahlin**
Söderköping **Marika Ronnerheim**
Sölvesborg **Anita Svensson Barba**
Sösdala **Magnus Gardell**
Tingsryd **Torbjörn Danielsson**
Tomelilla **Mia Kristell**
Torsås **Jeanette Karlström**
Tranås **Mattias König**
Trelleborg **Marianne Nilsson**
Tyringe **Magnus Gardell**
Vadstena **Christine Wallstén**
Veberöd **Hans-Åke Mårtensson**
Vellinge **Cecilia Wahlberg**
Vetlanda **Jörgen Asp**
Vimmerby **Hans Will**
Virserum **Berit Lundqvist**
Vislanda **Maj-Lis Pettersson**
Vollsjö **Thomas Hansson**
Västervik **Michael Skännestig**
Växjö **Jonas Ahlqvist**
Ystad **Mia Kristell**
Åhus **Daniel N Högstedt**
Åseda **Marie-Louise Mobelius**
Åtvidaberg **Lars Blomqvist**
Älmhult **Fredrik Roghner**
Ängelholm **Irene Andersson**

REGIONAL BANK NORTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board
Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman
Michael Green Stockholm
John Parker Manchester

Head
John Parker Manchester

Branch/branch manager
Aberdeen **Neil Clark**
Altrincham **Ian Noke**
Blackburn **Philip Skupski**
Bolton **Sean Greenhalgh**
Burnley **Simon Joyce**
Bury **David Bowen**
Carlisle **Jason Smith**
Chester **David Barker**
Chorley **Andrew Pearson**
Dundee **Vic Bicocchi**
Dunfermline **Jim Donnelly**
Edinburgh
  Charlotte Square **Colin McGill**
  West End **Iain Henderson**
Glasgow
  Finnieston **David Waddell**
  St Vincent Street **George Shanks**
Heswall **Richard Malley**
Inverness **Hamish Boag**
Kendal **Mike Fell**
Lancaster **Kevin Sanderson**
Liverpool
  Duke Street **Keith Lowe**
  Exchange Station **John Williams**
Lytham **Christopher Strahan**
Manchester
  Spinningfields **Joe McGrath**
  Trinity Way **John Burke**
Oldham **Scott Parkinson**
Penrith **Richard Lancaster**
Perth **Michael Mullins**
Preston **David Warbrick**
Southport **Keith Lowe**, Acting
Stirling **David Beggs**
Stockport **David Kovacs**
Warrington **Matthew Martin**
Wigan **Alan Bowers**
Wilmslow **Anthony Flynn**

(E)*= employee representative

REGIONAL BANK NORTH EAST GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Michael Green Stockholm

Simon Lodge Leeds

Head

Simon Lodge Leeds

Branch/branch manager

Barnsley **Peter Gray**
Beverley **Anna Adcock**
Bradford **Andrew Lowther**
Castleford **Ian Jackson**
Chesterfield **Phil Walker**
Darlington **Mike Airey**
Doncaster **David Mountain**
Durham **Rory Gibson**
Gateshead **Brian Foreman**
Grimsby **Di Jones**
Halifax **Ian Mason**
Harrogate **Richard Lally**
Hexham **David Wilson**
Huddersfield **Tony Jones**
Hull
  Hesslewood **Neil Harrison**
  Marina Court **Ian Gatenby**
Ilkley **Sue Toulson**
Leeds
  The Embankment **David Brady**
  Headingley **Peter Smith**
  Wellington Street **Andrew Shakeshaft**
Middlesbrough **John Martinson**
Morpeth **David Elliot**
Newcastle upon Tyne **Granville Kelly**
Tynemouth **Mike Brunskill**
Northallerton **David Thompson**
Rotherham **Sarah Hanson**
Scarborough **Nick Sharples**
Scunthorpe **Sarah Smith**
Sheffield
  Barker's Pool **Stephen Tweedle**
  Tudor Square **Clare Ibbotson**
Stockton-on-Tees **David Filby**
Sunderland **David Allenson**
Wakefield **Paul Drysdale**
Wetherby **Adam von Emloh**
York **Christopher Ibbotson**

REGIONAL BANK CENTRAL GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Michael Green Stockholm

Nick Lowe Birmingham

Head

Nick Lowe Birmingham

Branch/branch manager

Banbury **Paul Graham**
Bedford **Mick Valerio**
Birmingham
  Newhall St **David Hastings**
  Temple Row **Pat Hanlon**
Bromsgrove **Stephen Ellis**
Burton-on-Trent **Judith Brown**
Bury St Edmunds **Nigel Foyster**
Cambridge
  Milton Road **Richard Waters**
  Hills Road **David Rundle**
Colwyn Bay **Gareth Jones**
Coventry **Andy McCabe**
Crewe **Mike Smith**
Derby **Ian Morris**
Edgbaston **Tony Hall**
Hitchin **Paul Drummond**
Ipswich **Andrew Pike**
Leamington Spa **Paul Brooksbank**
Leicester
  New Walk **John Clay**
  Grey Friars **Simon Whitaker**
Lincoln **John Land**
Loughborough **Simon Grant**
Luton **Paul Drummond**, Acting
Mansfield **Darryn Evans**
Milton Keynes **Derek Bell**
Northampton **Mark Charteress**
Norwich **Ian Hall**
Nottingham
  City Gate **Larick Walker**
  West Bridgford **Ian Davys**
Peterborough **Julian Turner**
Rugby **Brett Salisbury**
Shrewsbury **Lindsay Pearson**
Solihull **Tom Queenan**
Stafford **Helen Yates**
Stourbridge **Richard Mander**
Stratford-upon-Avon **Andrew Smith**
Stoke-on-Trent **Martin Randall**
Tamworth **Andrew Mair**
Walsall **Stephen Breen**
Wolverhampton **Chris Hyde**
Worcester **Philip Dutton**
Wrexham **Vicky Davies**

REGIONAL BANK SOUTH WEST GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Michael Green Stockholm

Chris Teasdale Bristol

Head

Chris Teasdale Bristol

Branch/branch manager

Abingdon **David Cook**
Ascot **Richard Payton**
Aylesbury **Jack Miller**, Acting
Barnstaple **Peter Larcombe**
Basingstoke **Julie Hurst**
Bath **Chris Johnson**
Bodmin **Phil Kerkin**
Bournemouth **Jeremy Tollworthy**
Bridgend **Neil Humphreys**, Acting
Bristol
- Clifton **Martin Bidgood**
- Parkway **Roger Bell**
- Queen Square **Jo Norton**

Cardiff **Neil Humphreys**
Cheltenham **Stephanie Hughston**
Chichester **Chris Golding**
Chippenham **Shaun Bradshaw**
Cirencester **Di Pitts**
Dorchester **Andrew Denning**
Exeter **Darren Galliford**
Farnham **Glenn Gough**
Frimley **Mark Clinkskel**
Gloucester **Emma Gray**
Guildford **Richard James**
Henley-on-Thames **Sarah Dean**
Hereford **Andy Williams**
High Wycombe **Jack Miller**
Newbury **Geoff Dann**
Newport **Craig Wyer**
Oxford
- West Way **Graham Beith**
- Parkway **Bob Wood**

Petersfield **Sean Kanavan**
Plymouth **Phil Kerkin**, Acting
Poole **Dave Shering**
Portishead **Adrian Connock**
Portsmouth **Phil Dedman**
Reading **Mike Booth**
Salisbury **Graham Renshaw**
Slough **Mark Bradbury**
Southampton **Craig Ward**
Swansea **Steve Smith**
Swindon **Jon Hemming**
Taunton **Peter Kirby**
Truro **Denise Major**
Weston-super-Mare **Steve Carter**
Winchester **John Gornall**
Yeovil **Jim Durrant**

REGIONAL BANK SOUTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Michael Green Stockholm

John Hodson London

Head

John Hodson London

Branch/branch manager

Ashford **David Kiernan**
Bishop's Stortford **Stephen Hills**, Acting
Brighton **Simon Howe**
Bromley **Chris Pye**
Canterbury **Andy Davies**
Chatham **Gavin Coleman**
Chelmsford **Mark Earlam**
Colchester **Alan Barnard**
Crawley **Simon Briggs**
Croydon **Keith Yeoman**
Dartford **Trevor Adams**
Ealing **Chris Ttouli**
Eastbourne **Neil Hooper**
Enfield **Adrian Bennett**
Epsom **Phil Hunt**
Harrow **Paul Jarman**
Haywards Heath **David Barden**
Hertford **Debbie Chilton**
Hove **Simon Nicholson**
Islington **Paul Cooledge**
Kingston **Peter Wylde**
London
- Belgravia **Julian Reynolds**
- Chelsea **Kieran Costello**
- Chiswick **Dermot Jordan**
- Clapham **Jason May**
- Finchley **Steve Smith**
- Greenwich **Raff Gallo**
- Hampstead **Denis McCarthy**
- Holborn **Toni Virtanen**
- Kensington **Tom Fuller**
- London Bridge **David Boaden**
- Marylebone **Andrew Rowlands**
- Mayfair **Mark Plummer**
- Moorgate **Ross Simmons**
- Queen's Park **Steve MacDonald**
- Stratford **Alex De Val**, Acting
- West End **Roy Budgett**

Maidstone **Jeremy Brett**
Redhill **Clive Martin**
Richmond **Kim Bailey**
Romford **Andy Walker**
Sevenoaks **Nick Brooker**
Southend-on-Sea **John Brooks**
Staines-upon-Thames **Geoff Harrison**
St Albans **Bill Whittemore**
Tunbridge Wells **Nick Green**
Uxbridge **Carol Albert**, Acting
Watford **Andrew Samarasinghe**
Weybridge **Tim Tostevin**
Wimbledon **Barry Sexton**

Meeting places

London Greenwich
- Canary Wharf **Raff Gallo**

REGIONAL BANK DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

Board

Ulrik Kolding Hartvig Roskilde, Chairman
Stefan Nilsson Uppsala, Vice Chairman
John Vestergaard Ikast
Lise Westphal Copenhagen
Steen Winther-Petersen Copenhagen
Lars Moesgaard Hellerup
Helle Rank Aalborg, (E)*

Head

Lars Moesgaard Copenhagen

Branch/branch manager

Aalborg
  City **Ole Dahl Nielsen**
  Syd **Morten O. Hedemann**
Aarhus
  Aarhus City **Esben Kjeldsen**
  Aarhus Nord **Lars Graugaard**
  Aarhus Syd **Arne Vestergaard Knudsen**
Allerød **Mads Christian Heidemann**
Amager **Dorte Jellestad**
Aulum **Gerda Kviesgaard**
Ballerup **Steen Hansen**
Birkerød **Jesper Borglykke**
Brande **Henrik Overgaard**
Charlottenlund **Allan Kandrup**
Copenhagen
  City **Gorm Ejmefors-Bjørkmann**
  Østerbro **Jesper Christensen**
  Large Corporates **Knud Jacobsen**
  Vest **Jan Arup**
Esbjerg **Morten Andersen**
Farum **Jens Karlsson**
Fredensborg **Kjeld Aunstrup**
Fredericia **Brian Sørensen**
Frederiksberg
  Frederiksberg **Jan Rasmussen**
  Frederiksberg Vest **Charlotte Kondrup Jepsen**
Frederikssund **Michael Tøgersen**
Frederiksværk **Alan Nielsen**
Give **Martin Skovgaard Larsen**
Grindsted **Dorthe Vestergaard**
Hammerum **Vibeke Hestbek**
Helsinge **Steen Malmqvist**
Helsingør **Henrik Bengtsson**
Herlev **Lars Hoffmann**
Herning
  City **Niels Viggo Malle**
  Fredhøj **Bruno Hansen**
Hillerød
  Hillerød **Steen Hirschsprung**
  Vest **Jeanett Schultz Brix**
Holstebro **Henrik Kristiansen**
Horsens **John Jørgensen**
Ikast **Arnth Stougaard**
Karup **Arnth Stougaard**
Kgs. Lyngby **Preben Bjerrekær**
Kibæk **Preben Staal**
Kolding **Carsten Johansen**
Køge **Maj-Britt Nielsen**
Lemvig **Peter Tornbo**
Lynge **Hatice Bakke**
Odense **Klaus Rydal**
Roskilde **Jakob Nordahl Weber**
Sdr. Felding **Kristian Hansen**
Silkeborg **Stefan Brochmann**
Slagelse **Henrik Eg**
Slangerup **Jørgen Torm**
Stenløse **Dennis Grouleff**
Struer **Poul Bakkegaard**
Sunds **Allan Eg**
Vejle **Carsten Hjortflod**
Viborg **Henrik Toft Mathiasen**
Videbæk **Bjarne Ulriksen,** Acting
Vildbjerg **Frank Jensen**

REGIONAL BANK FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

Board

Matti Vuoria Helsinki, Chairman
Stefan Nilsson Uppsala, Vice Chairman
Bjarne Mitts Helsinki
Leena Niemistö Helsinki
Tapio Hakakari Hyvinkää
Esa Korvenmaa Helsinki
Nina Arkilahti Espoo
Pekka Vasankari Vantaa, (E)*

Head

Nina Arkilahti Helsinki

Branch/branch manager

Espoo
  Matinkylä **Arja Luoto**
  Tapiola **Aku Dunderfelt**
Helsinki
  Aleksi **Tuija Nuutinen**
  Hakaniemi **Mona von Weissenberg**
  Herttoniemi **Mona von Weissenberg**
  Kaarti **Johannes Lehtinen**
  Kamppi **Ari Turunen**
  Large Corporates **Riitta Hallila**
  Munkkiniemi **Nora Kari**
  Pasila **Jari Murtoperä**
  Ruoholahti **Outi Vesanto**
Hyvinkää **Risto Mäkeläinen**
Hämeenlinna **Jarkko Pöysti**
Imatra **Pekka Lankinen**
Joensuu **Mauri Kujanen**
Jyväskylä **Jesse Järvinen**
Järvenpää **Outi Parviainen**
Kauniainen **Nina Lukka**
Kerava **Ilkka Arenius**
Kirkkonummi **Päivi Toppari**
Kokkola **Esa Alkio**
Kotka **Mila Komppa**
Kouvola **Auli Lehtomäki**
Kuopio **Simo Sarkkinen**
Lahti
  Askonkatu **Henri Lilja**
  Vapaudenkatu **Matti Nieminen**
Lappeenranta **Arto Valjakka**
Mikkeli **Jouko Kervinen**
Oulu **Timo Väisänen**
Pietarsaari **Jörgen Blomqvist**
Pori **Tero Järvistö**
Porvoo **Annika Ekroos**
Rauma **Janne Saarinen**
Rovaniemi **Sami Hiltunen**
Salo **Teemu Alanko**
Seinäjoki **Jaana Holkkola**
Tammisaari **Anders Sandbacka**
Tampere
  Kuninkaankatu **Tarja Suvisalmi**
  Kyttälä **Ilari Tyrkkö**
Tornio **Jari Itkonen**
Turku
  Hämeenkatu **Risto Vihula**
  Electrocity **Josefiina Vornanen**
Vaasa **Frej Björses**
Vantaa
  Aviapolis **Hanna Kuvaja**
  Tikkurila **Pauli Ranta**

(E)*= employee representative

REGIONAL BANK NORWAY

The operations are part of Svenska Handelsbanken, Oslo branch.

Board

Bjørn Flatgård Kolbotn, Chairman
Stefan Nilsson Uppsala, Vice Chairman
Linda Bernander Silseth Nesøya
Ivar Rusdal Egersund
Dag Tangevald-Jensen Oslo
Dag Tjernsmo Oslo
Christer Enersen Slemmestad, (E)*

Head

Dag Tjernsmo Oslo

Branch/branch manager

Arendal **Trond Røisland**
Asker **Kirsti Jensås**
Bergen
- Fana **Kristian H. Knudsen**
- Fyllingsdalen **Gottlieb Gullaksen**
- Kokstad **Jarle Hundven**
- Minde **Margunn Kolle**
- Sentrum **Geir Flaa**
- Vest **Tore Svein Nese**
- Åsane **Mette Skauge**

Bodø **Tore Halvorsen**
Drammen **Hege Kristiansen**
Fredrikstad **Tove Anita R Torp**
Halden **Espen Lerkerød**
Hamar **Hans Skjelbreid**
Haugesund **Knut Børge Lunde**
Jæren **Rolf Inge Knutsen**
Jessheim **Inger Kyhen**
Kolbotn **Hanne Bjørnå Berntsen**
Kongsberg **Turid Williksen**
Kristiansand **Vidar Akselsen**
Larvik **Bodil Hansen**
Lillehammer **Thomas Næstad Moe**
Lillestrøm **Paal Tollefsen**
Lysaker **Glenn Steinbø**
Mo i Rana **Svenn Harald Johannesen**
Molde **Jørund Alme**
Moss **Willy Fossum**
Oslo
- Grev Wedels plass **Thomas B. Tresselt**
- Large Corporates **Sven Ove Oksvik**
- Majorstuen **Bjørn Erik Øverland**
- Nydalen **Eirik Arnesen**
- Olav Vs gate **Harald Søreide**
- Bryn **Christian Doksrød**
- Skøyen **Thomas Stousland**
- Økern **Ronny Myreng**

Sandefjord **Hans Jørgen Ormar**
Sandnes **Sindre Bergsagel**
Sandvika **Cecilie Tvedt**
Sarpsborg **Tormod Sørum**
Ski **Geir Anders Sundnes**
Skien **Jan Fredrik Fogth**
Sotra **Tore Svein Nese**
Stavanger
- Sentrum **Kjetil Halvorsen**, Acting
- Straen **Ole Henry Slette**

Tromsø **Yngve Haldorsen**
Trondheim
- Heimdal **Ola Grøtte**
- Leangen **Ole-Martin Smedseng**
- Søndregate **Ola Grøtte**

Tønsberg **Per Skustad**
Ålesund **Steinar Krøvel**

REGIONAL BANK THE NETHERLANDS

The operations are part of Svenska Handelsbanken AB, the Netherlands branch.

Board

Stefan Nilsson Uppsala, Chairman
Paul Gerdin Estoril, Portugal
Jens Wiklund Amsterdam

Head

Jens Wiklund Amsterdam

Branch/branch manager

Alphen aan den Rijn **Edwin Boonk**
Amersfoort **Jeroen Ammerdorffer**
Amsterdam
- Centrum **Jasper Klok**
- Zuid **Daniël van Til**

Apeldoorn **Jeroen Altena**
Arnhem **Patricia Schwalbach**
Bergen op Zoom **Jeroen Wiertz**
Breda **Ton Schröder**
Den Haag **Marc de Brey**
Eindhoven **Pieter van de Koolwijk**
Emmen **Marc Bruin**
Groningen **Erwin van der Steur**
Haarlem **Nicole Broersma**
Het Gooi **Lars Vissers**
Laren **Sharon Peeters**
Leeuwarden **Tammo Oosterhof**
Maastricht **Tim Neu**
Rijnmond Zuid **Wim Tieleman**
Roermond **Luc Geisen**
Rotterdam **Peter Bot**
Schiphol **Kristiaan Buter**
Tilburg **Marco van Tongeren**
Twente **Martijn Peters**
Utrecht **Robert van der Kolk**
Zwolle **Peter Hulsbergen**

(E)*= employee representative

OUTSIDE THE NORDIC COUNTRIES, THE UK AND THE NETHERLANDS

Operations are conducted in Svenska Handelsbanken with branches in each country.

Austria
General Manager **Christian Prinz zu Solms-Lich**

China
General Manager **Mikael Westerback**
Hong Kong **Johan Andrén**
Shanghai **Mikael Westerback**

Estonia
General Manager **Annika Nordström**
Tallinn **Jan Nurminen**

France
General Manager **Jörgen Oldensand**
Nice **Anna Jansson-Clauzier**
Paris **Jörgen Oldensand**

Germany
General Manager **Tomas Ejnar**

Latvia
General Manager **Annika Nordström**
Riga **Martins Freibergs**

Lithuania
General Manager **Annika Nordström**
Vilnius **Paulius Zagurskis**

Luxembourg
General Manager **Hannu Saari**

Poland
General Manager **Marzena Malek**

Singapore
General Manager **Jan B Djerf**

USA
General Manager **Susanna Svartz**

REPRESENTATIVE OFFICES

Beijing
Representative **Jason Wang**

Jakarta
Representative **Erik Milfors**

Kuala Lumpur
Representative **Abhinash Murukesvan**

Marbella
Representative **Vibeke Toustrup Bonne**

Mumbai
Representative **Ashish Gupta**

Sydney
Representative **Robert Karlsson**

Taipei
Representative **Amy Chen**

Zürich
Representative **Olof Svalborn**

BOARDS OF SUBSIDIARIES

EFN**
Board
Johan Lagerström Täby, Chairman
Magnus Berglund Saltsjöbaden
Michael Green Stockholm
Ulf Köping-Höggård Lidingö
Joakim Jansson Sundbyberg
Katarina Ljungqvist Västra Frölunda
Carl Bjurling Enskede

Chief Executive
Mikaela Strand Enskede

HANDEL & INDUSTRI**
Board
M Johan Widerberg Gothenburg, Chairman
Michael Green Stockholm
Olof Lindstrand Lidingö
Bo Annvik Helsingborg

Chief Executive
Magnus Sternbrink Bromma

HANDELSBANKEN FINANS**
Board
Annika Brunnéd Lidingö, Chairman
Martin Blåvarg Stockholm
Anders Fagerdahl Linköping
Marie Järvås Hägersten, (E)*

Chief Executive
Maria Lidström Andersson Örebro

HANDELSBANKEN FONDER**
Board
Michael Green Stockholm, Chairman
Helen Fast Gillstedt Djursholm
Malin Hedman Björkmo Lidingö
Lars Seiz Antibes, France
Robert Lundin Stockholm, (E)*

Chief Executive
Carl Cederschiöld Värmdö

HANDELSBANKEN LIV**
Board
Stefan Nilsson Uppsala, Chairman
Katarina Berner Frösdal Bromma
Michael Green Stockholm
Joakim Jansson Sundbyberg
Anders Ohlner Malmö
Anna Hjelmberg Järfälla, (E)*

Chief Executive
Louise Sander Danderyd

HEARTWOOD**
Board
Ian White Stockport, Chairman
Tracey Davidson London
Nolan Carter Oxfordshire
Simon Dixon Battle

OPTIMIX**
Board
Jens Wiklund Amsterdam, Chairman
Gert van Wakeren Soest
Edwin van Essen Almere

STADSHYPOTEK**
Board
Stefan Nilsson Uppsala, Chairman
Michael Bertorp Stockholm
Olof Lindstrand Lidingö
Michael Green Stockholm
Monica Morén Hedemora, (E)*

Chief Executive
Ulrica Stolt Kirkegaard Stocksund

XACT KAPITALFÖRVALTNING**
Board
Olof Lindstrand Lidingö, Chairman
Michael Bertorp Stockholm
Gunnar Båtelsson Sandviken
Åsa Magnusson Linköping
Lena Munkhammar Solna
Maria Lönnqvist Bromma, (E)*

Chief Executive
Pär Nürnberg Lidingö

(E)*= employee representative
** For the complete name of the company, see note P16.

Definitions and explanations

ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) are financial measures of historical and future performance, financial position or cash flow that are neither defined in IFRS nor the capital requirements regulation. Handelsbanken uses APMs to describe the performance of the operations and to increase comparability between periods. These need not be comparable with similar key figures (performance measures) presented by other companies. Reconciliations of certain performance measures are published in the Fact Book which is available at handelsbanken.se/ireng.

ADJUSTED EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of equity. Adjusted equity is then divided by the number of ordinary shares at the year-end reduced by buybacks. Where applicable, the dilution effect is taken into account.

C/I RATIO

Total expenses in relation to total income. In segment reporting, profit allocation is included in total income.

EARNINGS PER SHARE

The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

IMPAIRED LOANS

Loans are classified as impaired loans if contracted cash flows are not likely to be fulfilled. The full amount of all claims which give rise to a specific provision are included in impaired loans even if parts are covered by collateral.

IMPAIRED LOANS RESERVE RATIO EXCLUDING COLLECTIVE PROVISIONS

Total provisions excluding collective provisions in relation to gross impaired loans.

LOAN LOSS RATIO

Loan losses and changes in value of repossessed property in relation to loans to the public and credit institutions (excluding banks), and also repossessed property and credit guarantees at the beginning of the year.

P/E RATIO

The share price at year-end divided by earnings per share.

PROPORTION OF IMPAIRED LOANS

Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without deduction for the collateral that is security for the claim.

RETURN ON ALLOCATED CAPITAL

The segment's operating profit after profit allocation, calculated using a tax rate of 22 per cent, in relation to the average capital allocated quarterly during the year.

RETURN ON EQUITY

The year's profit in relation to average equity. Average equity is adjusted for value changes on financial assets classified as available for sale, derivatives in cash flow hedges, revaluation effects from defined benefit pension plans and a weighted average of new share issues, dividends and repurchase of own shares.

RETURN ON TOTAL ASSETS

The year's profit in relation to the average of total assets for the past five quarters.

TOTAL IMPAIRED LOANS RESERVE RATIO

Total provisions in relation to gross impaired loans.

TOTAL RETURN

The total of the year's change in share price and paid dividend per share divided by the share price at the end of the previous year.

KEY FIGURES DEFINED IN THE CAPITAL REQUIREMENTS REGULATION

ADDITIONAL TIER 1 CAPITAL
Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

CAPITAL REQUIREMENT
The statutory capital requirement means that an institution which is subject to CRR must have a common equity tier 1 ratio of at least 4.5 per cent, a tier 1 ratio of at least 6 per cent and a total capital ratio of at least 8 per cent. This means that own funds for the respective ratio must be at least the stated percentage of the risk exposure amount. For definitions of the respective own funds amounts, see Common equity tier 1 capital, Tier 1 capital and Total capital. In this calculation, own funds are reduced by the net of expected loss (EL) minus provisions.

COMMON EQUITY TIER 1 CAPITAL
Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill and other intangible assets etc., and also the difference between an expected loss and provisions made for probable loan losses.

COMMON EQUITY TIER 1 RATIO
Common equity tier 1 capital in relation to total risk exposure amount.

COMMON EQUITY TIER 1 RATIO AVAILABLE FOR USE AS A BUFFER
The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal capital requirements.

CREDIT CONVERSION FACTOR
The factor that is used when calculating the exposure amount for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance-sheet commitments.

CREDIT VALUATION ADJUSTMENT RISK
Credit valuation adjustment risk (CVA) measures the risk that the market value of a derivative will decrease as a result of the creditworthiness of the counterparty weakening. The credit valuation adjustment is a component in the regulations for valuation of derivatives. The adjustment in the value is based on the counterparty's creditworthiness. An exposure to a counterparty with weaker creditworthiness must have a lower carrying amount than the equivalent exposure to a counterparty with better creditworthiness. In this context, credit risk means that if a given counterparty's creditworthiness weakens, the balance sheet values of all derivative transactions with this counterparty with a positive market value decrease – and thus the Bank's equity decreases. To factor in this risk in the capital adequacy, the credit valuation adjustment risk has been introduced as part of the capital adequacy regulations.

EXPOSURE AMOUNT
Exposure amount (exposure at default) is the amount which is subject to capital adequacy requirements. It is calculated inclusive of interest and fees. Off-balance-sheet amounts are recalculated with the credit conversion factor (CCF). For derivatives, the exposure amount is calculated as positive MTM (mark-to-market) plus value change risk, i.e. the nominal amount multiplied by the upward adjustment factor.

EXPOSURE VALUE
Exposure value is the same as exposure amount. The exposure value concept is used in the standardised approach for credit risk.

LEVERAGE RATIO
Tier 1 capital in relation to total assets, including certain off-balance-sheet items recalculated with conversion factors defined in the standardised approach and regulatory adjustments from own funds.

LIQUIDITY COVERAGE RATIO (LCR)
High-quality liquid assets in relation to an estimated net outflow of liquidity over a period of 30 days.

OWN FUNDS/TOTAL CAPITAL
Own funds are the sum of tier 1 and tier 2 capital.

RISK EXPOSURE AMOUNT
The capital requirement in accordance with CRR, multiplied by 12.5. The risk exposure amount is used in conjunction with market risk and operational risk.

RISK WEIGHT
A measure to describe the level of risk an exposure is expected to have according to the capital adequacy regulations.

RISK-WEIGHTED EXPOSURE AMOUNT
Exposure amount multiplied by risk weight. Risk-weighted exposure amount is used in conjunction with credit risk and counterparty risk.

TIER 1 CAPITAL
Common equity tier 1 capital including additional tier 1 capital.

TIER 1 RATIO
Tier 1 capital in relation to total risk exposure amount.

TIER 2 CAPITAL
Tier 2 capital is one of the components of own funds, and mainly consists of perpetual subordinated loans which fulfil the requirements stated in Regulation (EU) No 575/2013 to be included as tier 2 capital.

TOTAL CAPITAL RATIO
Total capital in relation to total risk exposure amount.

TOTAL RISK EXPOSURE AMOUNT
Total risk exposure amount is the sum of risk exposure amount and risk-weighted exposure amount.

EXPLANATIONS

BENCHMARK EFFECT
The benchmark effect refers to differences between the interest-fixing periods of lending and funding that result when Stadshypotek's issues mature at nine-month intervals while new lending to customers occurs daily. The effect varies from quarter to quarter but approaches zero over the long term.

CRR
CRR is the EU capital requirements regulation for credit institutions and investment firms: Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

ITRAXX
ITRAXX Financials is an index of CDS (credit default swaps) spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

NON-RECURRING ITEMS
Non-recurring items are items which Handelsbanken deems to be of a one-off nature. These are specified in Handelsbanken's Fact Book, which is available at handelsbanken.se/ireng.

OTC DERIVATIVES
Over-the-counter derivatives are uncleared tailor-made derivatives.

PREMIUMS WRITTEN
A concept used within the Bank's insurance operations denoting mainly the total of insurance premiums paid in during the year.

RISK RESULT
A concept used in the Bank's insurance operations. The year's risk result is the difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance events.

SOCIAL SECURITY COSTS
Fees for financing the social security systems. This comprises employers' contributions and special payroll tax in Sweden and equivalent taxes and charges elsewhere.

SOLVENCY RATIO
A concept used in insurance operations. The solvency ratio equals own funds divided by the solvency capital requirement and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

SPECIAL ITEMS
Special items are items which tend to vary between financial reporting periods, such as provisions to the Oktogonen profit-sharing foundation, and which Handelsbanken has specified in detail to facilitate comparison of financial performance.

YIELD SPLIT
When the total yield exceeds the guaranteed return for insurance with a guaranteed return, the insurance company will receive 10 per cent of the total yield as its share in the yield split.

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