

Highlights of Handelsbanken's Annual Report

JANUARY – DECEMBER 2016

Summary January – December 2016, compared with January – December 2015

- Operating profit rose by 1% to SEK 20,633m (20,475)
- The period's profit after tax for total operations decreased by 1% to SEK 16,245m (16,343)
- Earnings per share for total operations were SEK 8.43 (8.57)
- Return on equity for total operations declined to 13.1% (13.5)
- Income increased by 1% to SEK 40,763m (40,336)
- Net interest income rose by 1% to SEK 27,943m (27,740)
- The loan loss ratio was unchanged at 0.09% (0.09)
- The common equity tier 1 ratio increased to 25.1% (21.2) and the total capital ratio was 31.4% (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

Summary of Q4 2016, compared with Q3 2016

- Operating profit declined by 17% to SEK 4,698m (5,691), but adjusted for sales of shares in the quarter of comparison, the decrease was 5%
- The period's profit after tax for total operations decreased to SEK 3,444m (4,564), and earnings per share were SEK 1.77 (2.36)
- Return on equity for total operations declined to 10.6% (14.7)
- Income fell by 3% to SEK 10,125m (10,473), but adjusted for sales of shares in the quarter of comparison it increased by 4%
- Net interest income increased by 4% to SEK 7,299m (7,041)
- Net fee and commission income increased by 8% to SEK 2,447m (2,259)
- The loan loss ratio rose to 0.17% (0.10)

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

Handelsbanken Group – Overview

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|------------------|------------------|-------------|------------------|-------------|-------------------|-------------------|------------|
| Summary income statement | | | | | | | | |
| Net interest income | 7,299 | 7,041 | 4% | 6,971 | 5% | 27,943 | 27,740 | 1% |
| Net fee and commission income | 2,447 | 2,259 | 8% | 2,343 | 4% | 9,156 | 9,320 | -2% |
| Net gains/losses on financial transactions | 269 | 1,112 | -76% | 1,503 | -82% | 3,066 | 2,608 | 18% |
| Risk result - insurance | 6 | 25 | -76% | 36 | -83% | 142 | 157 | -10% |
| Other dividend income | 2 | 1 | 100% | 2 | 0% | 228 | 281 | -19% |
| Share of profit of associates | 0 | 10 | -100% | -11 | | 25 | 17 | 47% |
| Other income | 102 | 25 | 308% | 65 | 57% | 203 | 213 | -5% |
| Total income | 10,125 | 10,473 | -3% | 10,909 | -7% | 40,763 | 40,336 | 1% |
| Staff costs | -2,981 | -2,941 | 1% | -3,353 | -11% | -12,542 | -12,581 | 0% |
| Other expenses | -1,518 | -1,234 | 23% | -1,442 | 5% | -5,401 | -5,203 | 4% |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | -114 | -137 | -17% | -112 | 2% | -495 | -487 | 2% |
| Total expenses | -4,613 | -4,312 | 7% | -4,907 | -6% | -18,438 | -18,271 | 1% |
| Profit before loan losses | 5,512 | 6,161 | -11% | 6,002 | -8% | 22,325 | 22,065 | 1% |
| Net loan losses | -832 | -476 | 75% | -475 | 75% | -1,724 | -1,597 | 8% |
| Gains/losses on disposal of property, equipment and intangible assets | 18 | 6 | 200% | 6 | 200% | 32 | 7 | 357% |
| Operating profit | 4,698 | 5,691 | -17% | 5,533 | -15% | 20,633 | 20,475 | 1% |
| Taxes | -1,254 | -1,127 | 11% | -1,076 | 17% | -4,401 | -4,277 | 3% |
| Profit for the period from continuing operations | 3,444 | 4,564 | -25% | 4,457 | -23% | 16,232 | 16,198 | 0% |
| Profit for the period pertaining to discontinued operations, after tax | - | - | | 44 | | 13 | 145 | -91% |
| Profit for the period | 3,444 | 4,564 | -25% | 4,501 | -23% | 16,245 | 16,343 | -1% |
| Summary balance sheet | | | | | | | | |
| Loans to the public | 1,963,622 | 1,965,649 | 0% | 1,866,467 | 5% | 1,963,622 | 1,866,467 | 5% |
| <i>of which mortgage loans</i> | <i>1,150,594</i> | <i>1,134,235</i> | <i>1%</i> | <i>1,082,644</i> | <i>6%</i> | <i>1,150,594</i> | <i>1,082,644</i> | <i>6%</i> |
| Deposits and borrowing from the public | 829,336 | 1,009,427 | -18% | 753,855 | 10% | 829,336 | 753,855 | 10% |
| <i>of which households</i> | <i>404,112</i> | <i>398,655</i> | <i>1%</i> | <i>356,432</i> | <i>13%</i> | <i>404,112</i> | <i>356,432</i> | <i>13%</i> |
| Total equity | 136,381 | 134,085 | 2% | 128,268 | 6% | 136,381 | 128,268 | 6% |
| Total assets | 2,627,580 | 2,908,935 | -10% | 2,522,133 | 4% | 2,627,580 | 2,522,133 | 4% |
| Summary of key figures | | | | | | | | |
| Return on equity, total operations | 10.6% | 14.7% | | 14.8% | | 13.1% | 13.5% | |
| Return on equity, continuing operations | 10.6% | 14.7% | | 14.7% | | 13.1% | 13.4% | |
| C/I ratio, continuing operations | 45.6% | 41.2% | | 45.0% | | 45.2% | 45.3% | |
| Earnings per share, total operations, SEK | 1.77 | 2.36 | | 2.36 | | 8.43 | 8.57 | |
| - after dilution | 1.76 | 2.32 | | 2.30 | | 8.31 | 8.39 | |
| Common equity tier 1 ratio, CRD IV | 25.1% | 24.0% | | 21.2% | | 25.1% | 21.2% | |
| Total capital ratio, CRD IV | 31.4% | 30.1% | | 27.2% | | 31.4% | 27.2% | |

Group performance

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

The Group's operating profit grew by 1% to SEK 20,633m (20,475). The period's profit after tax for total operations decreased by 1% to SEK 16,245m (16,343) and earnings per share were SEK 8.43 (8.57)

The common equity tier 1 ratio increased to 25.1% (21.2), and the return on equity for total operations decreased to 13.1% (13.5). The C/I ratio fell slightly to 45.2% (45.3).

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 trans. | 3,066 | 2,608 | 18% |
| Other income | 598 | 668 | -10% |
| Total income | 40,763 | 40,336 | 1% |

Income increased by 1% to SEK 40,763m (40,336).

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

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

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

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

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

Net fee and commission income fell by 2% to SEK 9,156m (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% to SEK 916m (1,071), mainly due to lower trading volumes. Net payment commissions decreased by SEK 131m, or 6%, to SEK 1,896m (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 152m to SEK 1,248m (1,400). Fund management commissions increased by 1%, while other custody and asset management commissions grew by 4%.

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

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

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% to SEK -18,438m (-18,271). Exchange rate effects reduced expenses by SEK 305m.

Staff costs decreased slightly to SEK -12,542m (-12,581). Exchange rate movements lowered staff costs by SEK 222m, while forecast pension costs according to IAS 19 rose by SEK 227m. During the period, no provision was made for Oktogonen (SEK -858m). Adjusted for the above-mentioned items and the Q1 provision of SEK -700m, mainly for early retirements, staff costs rose by 1%. Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -102m (-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%. The ongoing work to improve the efficiency is continuing according to plan.

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

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% to SEK -1,724m (-1,597) and the loan loss ratio was 0.09% (0.09). Net impaired loans decreased by 23% to SEK 3,103m (4,028), equivalent to 0.16% (0.21) of lending.

Q4 2016 COMPARED WITH Q3 2016

Operating profit fell by 17% to SEK 4,698m (5,691). Adjusted for non-recurring items from the sale of shares in the period of comparison, operating profit decreased by 5%. The period's profit after tax for total operations declined by 25% to SEK 3,444m (4,564). Earnings per share were SEK 1.77 (2.36) and return on equity was 10.6% (14.7).

The C/I ratio rose to 45.6% (41.2).

Income

| SEK m | Q4 2016 | Q3 2016 | Change |
|--------------------------------------|---------------|---------------|------------|
| Net interest income | 7,299 | 7,041 | 4% |
| Net fee and commission income | 2,447 | 2,259 | 8% |
| Net gains/losses on financial trans. | 269 | 1,112 | -76% |
| Other income | 110 | 61 | 80% |
| Total income | 10,125 | 10,473 | -3% |

Income fell by 3% to SEK 10,125m (10,473). Adjusted for capital gains on the sale of shares in the comparison period, income increased by 4%. Exchange rate effects had a SEK 101m positive impact on income.

Net interest income went up by 4%, or SEK 258m, to SEK 7,299m (7,041), of which SEK 77m was attributable to exchange rate movements. Government fees to the Swedish Resolution Fund and various deposit guarantees amounted to SEK -320m (-326). The benchmark effect in Stadshypotek increased by SEK 88m to SEK 37m (-51).

Rising lending volumes had a positive impact of SEK 45m, while lending margins in branch operations reduced net interest income by SEK -19m. Decreasing deposit margins affected net interest income by SEK -43m. The remainder of the improvement in net interest income was chiefly due to decreasing funding costs.

The average volume of loans to the public grew by 2% to SEK 1,981bn (1,946). Exchange rate effects increased lending by SEK 21bn. Household lending rose by 2% and corporate lending grew by 1%. The total average volume of deposits and borrowing declined by 5% to SEK 957bn (1,006). Household deposits rose by 3%, while the average volume of corporate deposits went down by 10%.

Net fee and commission income rose by 8% to SEK 2,447m (2,259). This growth was mainly attributable to higher securities-related commissions and increasing payment commissions. Brokerage income increased by 29% to SEK 256m (198), while fund management commissions grew by 8% to SEK 835m (776). Net payment commissions rose by 6% to SEK 502m (474), with the net result from card operations decreasing marginally to SEK 313m (315).

Net gains/losses on financial transactions declined to SEK 269m (1,112). Adjusted for capital gains from sales of shares amounting to SEK 769m in the period of comparison, net gains/losses on financial transactions decreased by SEK 74m.

Other income amounted to SEK 110m (61).

Expenses

| SEK m | Q4 2016 | Q3 2016 | Change |
|-------------------------------|---------------|---------------|-----------|
| Staff costs | -2,981 | -2,941 | 1% |
| Other expenses | -1,518 | -1,234 | 23% |
| Depreciation and amortisation | -114 | -137 | -17% |
| Total expenses | -4,613 | -4,312 | 7% |

Expenses went up by 7% to SEK -4,613m (-4,312).

Excluding exchange rate movements of SEK 46m, the rise was 6%; this was chiefly attributable to a normal increase in other expenses in the fourth quarter.

Staff costs rose by 1% to SEK -2,981m (-2,941). Exchange rate effects were SEK -27m, and adjusted for these, staff costs were virtually unchanged. No provision was made for the Oktogonen profit-sharing foundation (-).

The period's provision for variable remuneration increased to SEK -34m (-12), and the average number of employees fell to 11,615 (11,871), mainly due to a larger number of temporary staff during the quarter of comparison.

Other expenses increased by 23% to SEK -1,518m (-1,234), which was attributable to seasonally higher costs in the fourth quarter, particularly for purchased services and IT costs.

Loan losses

| SEK m | Q4 2016 | Q3 2016 | Change |
|---------------------------------|------------|------------|--------|
| Net loan losses | -832 | -476 | 356 |
| Loan loss ratio as a % of loans | 0.17 | 0.10 | 0.07 |
| Impaired loans, net | 3,103 | 3,321 | -7% |
| Proportion of impaired loans | 0.16 | 0.17 | -0.01 |

Loan losses rose to SEK -832m (-476), and the loan loss ratio was 0.17% (0.10). This increase was entirely attributable to a single exposure; the underlying credit quality remained stable.

Net impaired loans fell by 7% to SEK 3,103m (3,321), equivalent to 0.16% (0.17) of lending.

Taxes

The tax rate in the fourth quarter was 26.7% (19.8). A normal tax rate for the group is about 22%. The increase during the quarter was temporary, and related to tax expense for previous years.

FUNDING AND LIQUIDITY

The volume of bonds issued during the year increased to SEK 198bn (181), of which SEK 148bn (139) was in covered bonds and SEK 50bn (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% (203% at year-end 2015).

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

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

Oktagonen

The decision not to make a provision for Oktagonen 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 Oktagonen can resume during 2017.

Capital situation 31 December 2016 compared with 31 December 2015

| 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 144bn (128), and the Bank's total capital ratio rose to 31.4% (27.2).

The common equity tier 1 capital increased to SEK 115bn (101) and the common equity tier 1 ratio rose by 3.9 percentage points to 25.1% (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 4.1bn.

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.

Capital situation 31 December 2016 compared with 30 September 2016

| SEK m | 31 Dec 2016 | 30 Sep 2016 | Change |
|------------------------------------|-------------|-------------|--------|
| Common equity tier 1 ratio, CRD IV | 25.1% | 24.0% | 1.1 |
| Total capital ratio, CRD IV | 31.4% | 30.1% | 1.3 |
| Risk exposure amount CRD IV, SEK m | 458,787 | 463,675 | -1% |
| Common equity tier 1 capital | 115,240 | 111,134 | 4% |
| Total own funds | 144,233 | 139,553 | 3% |
| Capital requirement, Basel I floor | 98,235 | 98,228 | 0% |
| Total own funds, Basel I floor | 145,760 | 141,120 | 3% |

The capital base increased to SEK 144bn (140) and the total capital ratio rose to 31.4% (30.1). Common equity tier 1 capital grew to SEK 115bn (111), while the common equity tier 1 ratio according to CRD IV increased by 1.1 percentage points to 25.1% (24.0).

Conversions of the staff convertible bond increased the common equity tier 1 ratio by 0.1 percentage point, and the effect of the period's profit, after dividends generated, was marginal.

Changes in lending volumes reduced the core tier 1 ratio by 0.1 percentage point. "Volume migration" increased the common equity tier 1 ratio by 0.4 percentage points. At the same time, credit risk migration in the credit portfolio had a negative effect of 0.3 percentage points.

The effect of IAS 19 increased the common equity tier 1 capital ratio by 1.0 percentage point, due to higher asset values and the raising of the discount rate in Sweden to 2.40% (1.80).

Foreign exchange effects were marginal, and the net effect of other factors was neutral.

Economic capital and available financial resources
Handelsbanken's internal assessment of the capital requirement is based on the Bank's capital requirement, stress tests, and the Bank's model for economic capital (EC). Economic capital is measured in relation to the Bank's available financial resources (AFR). The Board stipulates that the AFR/EC ratio for the Group must exceed 120%. At the end of the fourth quarter, Group EC totalled SEK 54.2bn, while AFR was SEK 146.0bn. Thus, the ratio between AFR and EC was 269%. For the parent company, EC totalled SEK 46.6bn, and AFR was SEK 127.4bn.

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

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.

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

HANDELSBANKEN'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 69m, together with preference shares in Visa Inc. valued at SEK 12m. This had a favourable effect on net gains/losses on financial transactions. In addition, a dividend of SEK 64m 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 624m. 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.

Handelsbanken Group – Business segments

| January - December 2016 | Home markets | | | | | | | | | Group Full year 2016 |
|---|---------------|---------------|---------------|--------------|---------------|-------------|-----------------|--------------|--------------|----------------------|
| | Sweden | UK | Denmark | Finland | Norway | Netherlands | Capital Markets | Other | Adj. & elim. | |
| SEK m | | | | | | | | | | |
| 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 impairments 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 | | |

| January - December 2015 | Home markets | | | | | | | | | Group Full year 2015 |
|---|---------------|---------------|---------------|--------------|---------------|-------------|-----------------|--------------|--------------|----------------------|
| | Sweden | UK | Denmark | Finland | Norway | Netherlands | Capital Markets | Other | Adj. & elim. | |
| SEK m | | | | | | | | | | |
| 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 impairments 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 | | |

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

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

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

Handelsbanken Sweden

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

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|---------------|---------------|-------------|---------------|------------|-------------------|-------------------|-----------|
| Net interest income | 4,018 | 3,929 | 2% | 3,775 | 6% | 15,519 | 15,278 | 2% |
| Net fee and commission income | 1,102 | 1,047 | 5% | 1,143 | -4% | 4,233 | 4,619 | -8% |
| Net gains/losses on financial transactions | 184 | 167 | 10% | 50 | 268% | 725 | 383 | 89% |
| Other income | 28 | 4 | | 16 | 75% | 47 | 61 | -23% |
| Total income | 5,332 | 5,147 | 4% | 4,984 | 7% | 20,524 | 20,341 | 1% |
| Staff costs | -867 | -278 | 212% | -908 | -5% | -3,671 | -3,620 | 1% |
| Other expenses | -302 | -261 | 16% | -324 | -7% | -1,153 | -1,163 | -1% |
| Internal purchased and sold services | -680 | -630 | 8% | -636 | 7% | -2,645 | -2,595 | 2% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -11 | -19 | -42% | -21 | -48% | -67 | -88 | -24% |
| Total expenses | -1,860 | -1,188 | 57% | -1,889 | -2% | -7,536 | -7,466 | 1% |
| Profit before loan losses | 3,472 | 3,959 | -12% | 3,095 | 12% | 12,988 | 12,875 | 1% |
| Net loan losses | -180 | -128 | 41% | -317 | -43% | -416 | -763 | -45% |
| Gains/losses on disposal of property, equipment and intangible assets | -1 | 1 | | 1 | | 0 | -2 | |
| Operating profit | 3,291 | 3,832 | -14% | 2,779 | 18% | 12,572 | 12,110 | 4% |
| Profit allocation | 300 | 271 | 11% | 236 | 27% | 997 | 935 | 7% |
| Operating profit after profit allocation | 3,591 | 4,103 | -12% | 3,015 | 19% | 13,569 | 13,045 | 4% |
| Internal income | 35 | 71 | -51% | 35 | 0% | 116 | 46 | 152% |
| Cost/income ratio, % | 33.0 | 21.9 | | 36.2 | | 35.0 | 35.1 | |
| Loan loss ratio, % | 0.06 | 0.04 | | 0.11 | | 0.03 | 0.07 | |
| Allocated capital | 77,800 | 72,997 | 7% | 71,894 | 8% | 77,800 | 71,894 | 8% |
| Return on allocated capital, % | 14.4 | 17.5 | | 13.1 | | 14.7 | 14.7 | |
| Average number of employees | 4,109 | 4,352 | -6% | 4,427 | -7% | 4,293 | 4,468 | -4% |
| Number of branches and meeting points | 435 | 463 | -6% | 474 | -8% | 435 | 474 | -8% |

BUSINESS VOLUMES

| Average volumes, SEK bn | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|--------------|--------------|-----------|--------------|-----------|-------------------|-------------------|-----------|
| Loans to the public* | | | | | | | | |
| Household | 757 | 748 | 1% | 709 | 7% | 740 | 688 | 8% |
| of which mortgage loans | 705 | 695 | 1% | 654 | 8% | 687 | 633 | 9% |
| Corporate | 473 | 479 | -1% | 478 | -1% | 479 | 477 | 0% |
| of which mortgage loans | 269 | 270 | 0% | 273 | -1% | 271 | 270 | 0% |
| Total | 1,230 | 1,227 | 0% | 1,187 | 4% | 1,219 | 1,165 | 5% |
| Deposits and borrowing from the public | | | | | | | | |
| Household | 306 | 302 | 1% | 276 | 11% | 295 | 263 | 12% |
| Corporate | 209 | 199 | 5% | 199 | 5% | 201 | 193 | 4% |
| Total | 515 | 501 | 3% | 475 | 8% | 496 | 456 | 9% |

* Excluding loans to the National Debt Office.

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Financial performance

Operating profit rose by 4% to SEK 12,572m (12,110).

Net interest income rose by 2% to SEK 15,519m (15,278). A lower interest rate environment reduced the deposit margin by SEK -1,119m. At the same time, higher deposit volumes had a negative impact on net interest income of SEK -188m. Higher lending margins improved net interest income by SEK 20m and growing lending volumes increased net interest income by SEK 688m. Fees to the Resolution Fund and the deposit guarantee reduced slightly to SEK -659m (-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% to SEK 4,233m (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% to SEK 725m (383). The increase was chiefly the result of higher profits from foreign exchange business.

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

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

Business development

In Finansbarometer'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 11.9bn (26.5), corresponding to a market share of 22% (31).

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

Q4 2016 COMPARED WITH Q3 2016

Operating profit decreased by 14% to SEK 3,291m (3,832). Adjusted for the transfer of the staff cost provision (SEK 598m) to Other during Q3, operating profit rose by 2%.

Net interest income rose by 2% to SEK 4,018m (3,929). Lower funding costs, increased lending volumes and higher mortgage margins offset the effects of the continuing decrease in short-term interest rates.

Deposit margins went down by SEK -39m as a result of the continuing decrease in short-term interest rates. Negative short-term interest rates also meant that increased deposit volumes had a negative impact on net interest income of SEK -14m. Higher lending volumes had a positive effect of SEK 14m on net interest income, while higher lending margins contributed SEK 24m. The remainder of the increase in net interest income was mainly due to lower funding costs.

Fees for the Resolution Fund and the deposit guarantee amounted to SEK -164m (-165), and the benchmark effect in Stadshypotek increased net interest income by SEK 88m (-51).

The average volume of mortgages to private individuals grew by 1% to SEK 705bn (695). The gross margin on the mortgage portfolio – before advisory and administration expenses – increased to 1.07% (1.06).

The average volume of corporate lending decreased to SEK 473bn (479).

Net fee and commission income increased by 5% to SEK 1,102m (1,047) driven by higher brokerage and asset management commissions together with increased payment commissions.

Net gains/losses on financial transactions rose to SEK 184m (167), mainly as a result of an improved currency result from spot and forward business.

As a result of the transfer of the remaining staff cost provision of SEK 598m to Other, which took place in the quarter of comparison, expenses increased to SEK -1,860m (-1,188). Adjusted for this, staff costs decreased by 1% and total expenses rose by 4%; this was mainly attributable to seasonally higher activity levels in the fourth quarter. The average number of permanent employees fell by 67. Including temporary employees, the average number of employees fell by 6% to 4,109 (4,352).

Loan losses increased to SEK -180m (-128) and the loan loss ratio was 0.06% (0.04).

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.

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|--------------|--------------|------------|--------------|-------------|-------------------|-------------------|------------|
| Net interest income | 1,111 | 1,085 | 2% | 1,193 | -7% | 4,414 | 4,570 | -3% |
| Net fee and commission income | 147 | 121 | 21% | 130 | 13% | 519 | 452 | 15% |
| Net gains/losses on financial transactions | 59 | 34 | 74% | 47 | 26% | 219 | 194 | 13% |
| Other income | 3 | -1 | | 2 | 50% | 3 | 7 | -57% |
| Total income | 1,320 | 1,239 | 7% | 1,372 | -4% | 5,155 | 5,223 | -1% |
| Staff costs | -470 | -444 | 6% | -480 | -2% | -1,849 | -1,870 | -1% |
| Other expenses | -143 | -109 | 31% | -135 | 6% | -463 | -429 | 8% |
| Internal purchased and sold services | -151 | -137 | 10% | -129 | 17% | -545 | -455 | 20% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -11 | -11 | 0% | -11 | 0% | -46 | -30 | 53% |
| Total expenses | -775 | -701 | 11% | -755 | 3% | -2,903 | -2,784 | 4% |
| Profit before loan losses | 545 | 538 | 1% | 617 | -12% | 2,252 | 2,439 | -8% |
| Net loan losses | -73 | -20 | 265% | -57 | 28% | -160 | -224 | -29% |
| Gains/losses on disposal of property, equipment and intangible assets | 0 | 0 | 0% | -1 | | 2 | -12 | |
| Operating profit | 472 | 518 | -9% | 559 | -16% | 2,094 | 2,203 | -5% |
| Profit allocation | 9 | 11 | -18% | 9 | 0% | 35 | 34 | 3% |
| Operating profit after profit allocation | 481 | 529 | -9% | 568 | -15% | 2,129 | 2,237 | -5% |
| Internal income | -208 | -310 | 33% | -358 | 42% | -1,195 | -1,481 | 19% |
| Cost/income ratio, % | 58.3 | 56.1 | | 54.7 | | 55.9 | 53.0 | |
| Loan loss ratio, % | 0.15 | 0.04 | | 0.13 | | 0.08 | 0.13 | |
| Allocated capital | 11,426 | 10,582 | 8% | 10,452 | 9% | 11,426 | 10,452 | 9% |
| Return on allocated capital, % | 13.1 | 15.6 | | 17.0 | | 15.4 | 16.8 | |
| Average number of employees | 1,980 | 1,987 | 0% | 1,883 | 5% | 1,959 | 1,794 | 9% |
| Number of branches and meeting points | 207 | 206 | 0% | 198 | 5% | 207 | 198 | 5% |

BUSINESS VOLUMES

| Average volumes, GBP m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|---------------|---------------|-----------|---------------|------------|-------------------|-------------------|------------|
| Loans to the public | | | | | | | | |
| Household | 5,754 | 5,609 | 3% | 5,094 | 13% | 5,527 | 4,809 | 15% |
| Corporate | 11,418 | 11,196 | 2% | 10,357 | 10% | 11,007 | 10,026 | 10% |
| Total | 17,172 | 16,805 | 2% | 15,451 | 11% | 16,534 | 14,835 | 11% |
| Deposits and borrowing from the public | | | | | | | | |
| Household | 3,039 | 2,751 | 10% | 1,948 | 56% | 2,569 | 1,747 | 47% |
| Corporate | 7,550 | 7,526 | 0% | 6,744 | 12% | 7,218 | 6,576 | 10% |
| Total | 10,589 | 10,277 | 3% | 8,692 | 22% | 9,787 | 8,323 | 18% |

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Financial performance

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

Return on allocated capital was 15.4% (16.8).

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

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

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

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

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

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

Loan losses went down to SEK -160m (-224) and the loan loss ratio fell to 0.08% (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% during the year, while lending to households grew by 15%. Overall, the average volume of lending increased by 11% to GBP 16.5bn, while total deposits grew by 18% to GBP 9.8bn. During the fourth quarter, the loan-to-deposit ratio decreased to 162%, compared with 178% in the corresponding quarter of 2015.

Heartwood's assets under management totalled GBP 2.9bn, as compared to GBP 2.5bn 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.

Q4 2016 COMPARED WITH Q3 2016

Operating profit went down by 9% to SEK 472m (518), mainly as a result of higher loan losses. The effect of exchange rate movements was marginal. Return on allocated capital was 13.1% (15.6).

Income grew by 7% to SEK 1,320m (1,239). Net interest income rose by 2% to SEK 1,111m (1,085). Underlying volume growth was offset by some pressure on the margins of lending to private customers.

Net fee and commission income rose by 21% to SEK 147m (121), chiefly due to higher payment commissions.

Net gains/losses on financial transactions increased to SEK 59m (34); this was mainly attributable to greater currency gains and increased early repayment charges.

Expenses rose by 11% to SEK -775m (-701). Just over half of the increase was attributable to temporary cost items in the fourth quarter. The average number of employees was 1,980 (1,987).

Loan losses increased to SEK -73m (-20), and the loan loss ratio was 0.15% (0.04).

Handelsbanken Denmark

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

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|-------------|-------------|------------|-------------|------------|-------------------|-------------------|-------------|
| Net interest income | 447 | 425 | 5% | 418 | 7% | 1,686 | 1,678 | 0% |
| Net fee and commission income | 95 | 93 | 2% | 102 | -7% | 379 | 436 | -13% |
| Net gains/losses on financial transactions | 21 | 19 | 11% | 24 | -13% | 75 | 77 | -3% |
| Other income | 3 | 3 | 0% | 3 | 0% | 15 | 17 | -12% |
| Total income | 566 | 540 | 5% | 547 | 3% | 2,155 | 2,208 | -2% |
| Staff costs | -177 | -164 | 8% | -160 | 11% | -655 | -629 | 4% |
| Other expenses | -66 | -43 | 53% | -46 | 43% | -194 | -178 | 9% |
| Internal purchased and sold services | -78 | -71 | 10% | -70 | 11% | -287 | -279 | 3% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -4 | -3 | 33% | -6 | -33% | -14 | -15 | -7% |
| Total expenses | -325 | -281 | 16% | -282 | 15% | -1,150 | -1,101 | 4% |
| Profit before loan losses | 241 | 259 | -7% | 265 | -9% | 1,005 | 1,107 | -9% |
| Net loan losses | -478 | -194 | 146% | -63 | | -716 | -299 | 139% |
| Gains/losses on disposal of property, equipment and intangible assets | 1 | 5 | -80% | 5 | -80% | 7 | 8 | -12% |
| Operating profit | -236 | 70 | | 207 | | 296 | 816 | -64% |
| Profit allocation | 22 | 26 | -15% | 19 | 16% | 85 | 72 | 18% |
| Operating profit after profit allocation | -214 | 96 | | 226 | | 381 | 888 | -57% |
| Internal income | -43 | -92 | 53% | -53 | 19% | -334 | -295 | -13% |
| Cost/income ratio, % | 55.3 | 49.6 | | 49.8 | | 51.3 | 48.3 | |
| Loan loss ratio, % | 2.26 | 0.92 | | 0.31 | | 0.85 | 0.37 | |
| Allocated capital | 6,221 | 6,412 | -3% | 6,219 | 0% | 6,221 | 6,219 | 0% |
| Return on allocated capital, % | -10.7 | 4.6 | | 11.3 | | 4.8 | 11.2 | |
| Average number of employees | 617 | 627 | -2% | 630 | -2% | 624 | 631 | -1% |
| Number of branches | 57 | 57 | 0% | 57 | 0% | 57 | 57 | 0% |

BUSINESS VOLUMES

| Average volumes, DKK bn | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|-------------|-------------|-----------|-------------|-----------|-------------------|-------------------|------------|
| Loans to the public | | | | | | | | |
| Household | 42.5 | 41.3 | 3% | 37.9 | 12% | 40.8 | 36.7 | 11% |
| Corporate | 29.0 | 28.7 | 1% | 28.2 | 3% | 28.8 | 28.9 | 0% |
| Total | 71.5 | 70.0 | 2% | 66.1 | 8% | 69.6 | 65.6 | 6% |
| Deposits and borrowing from the public | | | | | | | | |
| Household | 12.4 | 12.1 | 2% | 11.5 | 8% | 11.9 | 11.1 | 7% |
| Corporate | 16.2 | 15.7 | 3% | 16.7 | -3% | 15.7 | 16.9 | -7% |
| Total | 28.6 | 27.8 | 3% | 28.2 | 1% | 27.6 | 28.0 | -1% |

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Financial performance

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

Return on allocated capital was 4.8% (11.2).

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

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

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

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

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

Loan losses rose to SEK -716m (-299), chiefly due to an increased provision made on a single customer exposure. The loan loss ratio increased to 0.85% (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% during the year, while deposits from households grew by 7%. Corporate lending remained unchanged while corporate deposits went down by 7%. The average volume of lending increased by 6% to DKK 69.6bn (65.6), while deposits amounted to DKK 27.6bn (28.0).

Q4 2016 COMPARED WITH Q3 2016

Operating profit declined to SEK -236 m (70), as a result of higher loan losses. Profit before loan losses fell by 7% to SEK 241m (259), mainly as a result of higher expenses.

Net interest income increased by 5% to SEK 447m (425). Adjusted for exchange rate movements of SEK 11m, the increase was 3%. Growing lending volumes were partly offset by continued pressure on lending margins. Net interest income from deposits was unchanged.

Net fee and commission income went up by 2% to SEK 95m (93) with help mainly from higher advisory commissions.

Net gains/losses on financial transactions rose to SEK 21m (19).

Expenses rose by SEK 44m, or 16%, to SEK -325m (-281). Expressed in local currency, the increase in expenses was 14%; this was mainly attributable to costs associated with the reorganisation of the finance company operation in Denmark.

Loan losses rose to SEK -478m (-194). The decrease was due entirely to an increased provision related to a previously defined problem loan. The underlying credit quality remains good. The loan loss ratio rose to 2.26% (0.92).

Handelsbanken Finland

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

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|-------------|-------------|------------|-------------|-------------|-------------------|-------------------|-------------|
| Net interest income | 302 | 304 | -1% | 345 | -12% | 1,218 | 1,361 | -11% |
| Net fee and commission income | 116 | 108 | 7% | 93 | 25% | 419 | 387 | 8% |
| Net gains/losses on financial transactions | 21 | 8 | 163% | 12 | 75% | 87 | 60 | 45% |
| Other income | 3 | 1 | 200% | 7 | -57% | 10 | 23 | -57% |
| Total income | 442 | 421 | 5% | 457 | -3% | 1,734 | 1,831 | -5% |
| Staff costs | -101 | -94 | 7% | -90 | 12% | -380 | -369 | 3% |
| Other expenses | -53 | -37 | 43% | -46 | 15% | -210 | -161 | 30% |
| Internal purchased and sold services | -62 | -59 | 5% | -66 | -6% | -239 | -247 | -3% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -4 | -4 | 0% | -4 | 0% | -14 | -11 | 27% |
| Total expenses | -220 | -194 | 13% | -206 | 7% | -843 | -788 | 7% |
| Profit before loan losses | 222 | 227 | -2% | 251 | -12% | 891 | 1,043 | -15% |
| Net loan losses | 14 | -16 | | -13 | | -36 | -83 | -57% |
| Gains/losses on disposal of property, equipment and intangible assets | 0 | 0 | | 0 | | 0 | 0 | |
| Operating profit | 236 | 211 | 12% | 238 | -1% | 855 | 960 | -11% |
| Profit allocation | 38 | 31 | 23% | 32 | 19% | 131 | 110 | 19% |
| Operating profit after profit allocation | 274 | 242 | 13% | 270 | 1% | 986 | 1,070 | -8% |
| Internal income | -25 | -90 | 72% | -72 | 65% | -262 | -367 | 29% |
| Cost/income ratio, % | 45.8 | 42.9 | | 42.1 | | 45.2 | 40.6 | |
| Loan loss ratio, % | -0.05 | 0.05 | | 0.04 | | 0.03 | 0.07 | |
| Allocated capital | 6,252 | 5,937 | 5% | 6,186 | 1% | 6,252 | 6,186 | 1% |
| Return on allocated capital, % | 13.7 | 12.7 | | 13.6 | | 13.0 | 13.8 | |
| Average number of employees | 482 | 500 | -4% | 491 | -2% | 491 | 496 | -1% |
| Number of branches | 45 | 45 | 0% | 46 | -2% | 45 | 46 | -2% |

BUSINESS VOLUMES

| Average volumes, EUR m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|---------------|---------------|-----------|---------------|------------|-------------------|-------------------|------------|
| Loans to the public | | | | | | | | |
| Household | 3,997 | 3,998 | 0% | 3,962 | 1% | 3,975 | 3,947 | 1% |
| Corporate | 8,822 | 8,747 | 1% | 8,657 | 2% | 8,761 | 8,619 | 2% |
| Total | 12,819 | 12,745 | 1% | 12,619 | 2% | 12,736 | 12,566 | 1% |
| Deposits and borrowing from the public | | | | | | | | |
| Household | 1,508 | 1,485 | 2% | 1,363 | 11% | 1,451 | 1,367 | 6% |
| Corporate | 2,211 | 1,933 | 14% | 1,886 | 17% | 1,991 | 2,226 | -11% |
| Total | 3,719 | 3,418 | 9% | 3,249 | 14% | 3,442 | 3,593 | -4% |

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Financial performance

Operating profit fell by 11% to SEK 855m (960).

Exchange rate effects increased profits by SEK 11m.

Return on allocated capital was 13.0% (13.8).

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

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

Total expenses rose by 7% to SEK -843m (-788), which was mainly attributable to high costs during the first quarter. Staff costs rose by 3%, 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 -36m (-83), and the loan loss ratio was 0.03% (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%, while lending to households grew by 1%.

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

Q4 2016 COMPARED WITH Q3 2016

Operating profit rose by 12% to SEK 236m (211), principally due to net recoveries. Adjusted for positive exchange rate movements of SEK 7m, operating profit grew by 9%.

Net interest income decreased slightly to SEK 302m (304). Adjusted for exchange rate effects, net interest income went down by 3%.

Net fee and commission income increased by 7% to SEK 116m (108), mainly due to higher income from most sources of commission.

Net gains/losses on financial transactions rose to SEK 21m (8), as a result of increased customer activity in foreign exchange business.

Expenses increased by 13% to SEK -220m (-194). Adjusted for exchange rate movements, expenses in local currency terms went up by 10%; this was partly attributable to costs incurred in conjunction with the head office being moved.

Loan losses consisted of net recoveries, and totalled SEK 14m (-16). The loan loss ratio was -0.05% (0.05).

Handelsbanken Norway

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

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|--------------|-------------|------------|-------------|------------|-------------------|-------------------|------------|
| Net interest income | 933 | 856 | 9% | 788 | 18% | 3,355 | 3,248 | 3% |
| Net fee and commission income | 107 | 99 | 8% | 89 | 20% | 381 | 395 | -4% |
| Net gains/losses on financial transactions | 21 | 25 | -16% | 22 | -5% | 114 | 94 | 21% |
| Other income | 5 | 4 | 25% | 14 | -64% | 81 | 31 | 161% |
| Total income | 1,066 | 984 | 8% | 913 | 17% | 3,931 | 3,768 | 4% |
| Staff costs | -180 | -175 | 3% | -169 | 7% | -676 | -713 | -5% |
| Other expenses | -62 | -46 | 35% | -52 | 19% | -206 | -207 | 0% |
| Internal purchased and sold services | -107 | -96 | 11% | -93 | 15% | -379 | -370 | 2% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -6 | -3 | 100% | -3 | 100% | -8 | -13 | -38% |
| Total expenses | -355 | -320 | 11% | -317 | 12% | -1,269 | -1,303 | -3% |
| Profit before loan losses | 711 | 664 | 7% | 596 | 19% | 2,662 | 2,465 | 8% |
| Net loan losses | -107 | -73 | 47% | -30 | 257% | -347 | -222 | 56% |
| Gains/losses on disposal of property, equipment and intangible assets | 0 | 0 | 0% | 0 | 0% | 0 | 6 | |
| Operating profit | 604 | 591 | 2% | 566 | 7% | 2,315 | 2,249 | 3% |
| Profit allocation | 30 | 22 | 36% | 20 | 50% | 91 | 57 | 60% |
| Operating profit after profit allocation | 634 | 613 | 3% | 586 | 8% | 2,406 | 2,306 | 4% |
| Internal income | -592 | -629 | 6% | -643 | 8% | -2,463 | -2,805 | 12% |
| Cost/income ratio, % | 32.4 | 31.8 | | 34.0 | | 31.6 | 34.1 | |
| Loan loss ratio, % | 0.20 | 0.14 | | 0.06 | | 0.17 | 0.11 | |
| Allocated capital | 15,883 | 14,441 | 10% | 12,966 | 22% | 15,883 | 12,966 | 22% |
| Return on allocated capital, % | 12.4 | 13.2 | | 14.1 | | 13.3 | 13.6 | |
| Average number of employees | 667 | 681 | -2% | 666 | 0% | 668 | 676 | -1% |
| Number of branches | 50 | 50 | 0% | 50 | 0% | 50 | 50 | 0% |

BUSINESS VOLUMES

| Average volumes, NOK bn | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|--------------|--------------|------------|--------------|------------|-------------------|-------------------|------------|
| Loans to the public | | | | | | | | |
| Household | 87.6 | 86.4 | 1% | 83.4 | 5% | 85.9 | 81.3 | 6% |
| Corporate | 146.1 | 144.3 | 1% | 127.1 | 15% | 143.1 | 120.5 | 19% |
| Total | 233.7 | 230.7 | 1% | 210.5 | 11% | 229.0 | 201.8 | 13% |
| Deposits and borrowing from the public | | | | | | | | |
| Household | 19.7 | 20.0 | -2% | 17.8 | 11% | 19.3 | 17.3 | 12% |
| Corporate | 54.2 | 45.8 | 18% | 47.4 | 14% | 46.3 | 51.1 | -9% |
| Total | 73.9 | 65.8 | 12% | 65.2 | 13% | 65.6 | 68.4 | -4% |

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Financial performance

Operating profit increased by 3% to SEK 2,315m (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%.

Return on allocated capital was 13.3% (13.6).

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

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

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

Other income increased to SEK 81m (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% to SEK -1,269m (-1,303). Exchange rate effects reduced expenses by SEK 32m. Staff costs expressed in local currency fell by 3%, and the average number of employees decreased to 668 (676).

Loan losses increased to SEK -347m (-222), and the loan loss ratio was 0.17% (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% compared with the previous year, while lending to households grew by 6%. The average volume of lending to corporates increased by 19% while corporate deposits were 9% lower than during the corresponding period of the previous year.

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

Q4 2016 COMPARED WITH Q3 2016

Operating profit increased by 2% to SEK 604m (591).

Net interest income went up by 9%, or SEK 77m, to SEK 933m (856). Exchange rate effects had a positive effect of SEK 44m. Expressed in local currency, net interest income increased by 4%. Lower lending margins reduced net interest income by SEK -11m, while higher deposit volumes had a positive impact of SEK 10m.

Net fee and commission income rose by 8% to SEK 107m (99), partly due to higher brokerage and mutual fund commissions.

Net gains/losses on financial transactions decreased to SEK 21m (25).

Expenses grew by 11% to SEK -355m (-320), partly due to exchange rate movements; in local currency, the increase in expenses was 5%. In local currency terms, staff costs fell by 2%, as a result of temporary staff increasing the average number of employees during the period of comparison.

Loan losses rose to SEK -107m (-73), and the loan loss ratio was 0.20% (0.14).

Handelsbanken the Netherlands

Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank, as well as asset management operations in Optimix Vermogensbeheer. The regional bank offers banking services at 25 branches throughout the Netherlands.

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|-------------|------------|------------|------------|-------------|-------------------|-------------------|-------------|
| Net interest income | 126 | 117 | 8% | 88 | 43% | 438 | 328 | 34% |
| Net fee and commission income | 49 | 15 | 227% | 5 | | 75 | 23 | 226% |
| Net gains/losses on financial transactions | 2 | 2 | 0% | 1 | 100% | 5 | 5 | 0% |
| Share of profits associated companies | 2 | 0 | | - | | 2 | - | |
| Other income | 1 | 0 | | - | | 1 | - | |
| Total income | 180 | 134 | 34% | 94 | 91% | 521 | 356 | 46% |
| Staff costs | -65 | -56 | 16% | -43 | 51% | -210 | -158 | 33% |
| Other expenses | -16 | -20 | -20% | -11 | 45% | -60 | -37 | 62% |
| Internal purchased and sold services | -24 | -14 | 71% | -22 | 9% | -77 | -84 | -8% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -2 | -2 | 0% | -1 | 100% | -7 | -3 | 133% |
| Total expenses | -107 | -92 | 16% | -77 | 39% | -354 | -282 | 26% |
| Profit before loan losses | 73 | 42 | 74% | 17 | 329% | 167 | 74 | 126% |
| Net loan losses | 0 | -1 | | 0 | | 0 | -2 | |
| Gains/losses on disposal of property, equipment and intangible assets | - | - | | - | | - | - | |
| Operating profit | 73 | 41 | 78% | 17 | 329% | 167 | 72 | 132% |
| Profit allocation | 1 | 0 | | 0 | | 3 | 0 | |
| Operating profit after profit allocation | 74 | 41 | 80% | 17 | 335% | 170 | 72 | 136% |
| Internal income | -47 | -55 | 15% | -50 | 6% | -210 | -175 | -20% |
| Cost/income ratio, % | 59.1 | 68.7 | | 81.9 | | 67.6 | 79.2 | |
| Loan loss ratio, % | 0.00 | 0.02 | | 0.00 | | 0.00 | 0.01 | |
| Allocated capital | 1,251 | 1,131 | 11% | 851 | 47% | 1,251 | 851 | 47% |
| Return on allocated capital, % | 18.6 | 11.2 | | 6.4 | | 12.5 | 6.4 | |
| Average number of employees | 245 | 198 | 24% | 175 | 40% | 206 | 159 | 30% |
| Number of branches | 25 | 25 | 0% | 23 | 9% | 25 | 23 | 9% |

BUSINESS VOLUMES

| Average volumes, EUR m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|--------------|--------------|------------|--------------|-------------|-------------------|-------------------|-------------|
| Loans to the public | | | | | | | | |
| Household | 1,629 | 1,502 | 8% | 1,141 | 43% | 1,434 | 1,022 | 40% |
| Corporate | 1,667 | 1,741 | -4% | 1,233 | 35% | 1,519 | 1,149 | 32% |
| Total | 3,296 | 3,243 | 2% | 2,374 | 39% | 2,953 | 2,171 | 36% |
| Deposits and borrowing from the public | | | | | | | | |
| Household | 73 | 65 | 12% | 47 | 55% | 62 | 47 | 32% |
| Corporate | 455 | 378 | 20% | 600 | -24% | 420 | 703 | -40% |
| Total | 528 | 443 | 19% | 647 | -18% | 482 | 750 | -36% |

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Financial performance

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

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

Net fee and commission income increased to SEK 75m (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 53m.

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

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

Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers of banks in the Netherlands – on both the private and corporate side. Private customers gave the Bank an index value of 74.1, as compared with the sector average of 65.5. Corporate customers gave 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% to EUR 1,434m (1,022), while deposits from households increased by 32% to EUR 62m (47). Corporate lending went up by 32% to EUR 1,519m (1,149). As a result of reduced business volumes from a few large corporates, the average volume of deposits from companies decreased by 40% to EUR 420m (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 2bn, including its own mutual funds. The transaction was concluded on 1 September 2016.

Q4 2016 COMPARED WITH Q3 2016

Operating profit increased by 78% to SEK 73m (41).

Income grew by 34% to SEK 180m (134). Net interest income grew by 8%, chiefly due to rising business volumes.

Net fee and commission income rose by SEK 34m to SEK 49m (15), as a result of the Optimix asset management company being included in the income statement from 1 September. The figure for performance fees in Optimix relating to the 2016 full year came in at the end of the year at SEK 15m.

Expenses rose by 16% to SEK -107m (-92); this was partly due to Optimix. Staff costs rose by 16% and the average number of employees increased to 245 (198).

Loan losses were SEK 0m (-1), and thus the loan loss ratio was 0.00% (0.02).

Handelsbanken Capital Markets

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

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

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

Handelsbanken International encompasses the Bank's branches and representative offices in 16 countries outside the Bank's home markets, as well as the units for Financial Institutions (global banking collaborations) and Transaction Banking (cash management, trade finance and export finance).

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

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|--------------|--------------|--------------|--------------|-------------|-------------------|-------------------|-------------|
| Net interest income | 151 | 135 | 12% | 187 | -19% | 557 | 641 | -13% |
| Net fee and commission income | 815 | 753 | 8% | 758 | 8% | 3,081 | 2,972 | 4% |
| Net gains/losses on financial transactions | 162 | 244 | -34% | 214 | -24% | 984 | 1,226 | -20% |
| Risk result - insurance | 6 | 25 | -76% | 36 | -83% | 142 | 157 | -10% |
| Other income | 2 | 3 | -33% | 4 | -50% | 8 | 10 | -20% |
| Total income | 1,136 | 1,160 | -2% | 1,199 | -5% | 4,772 | 5,006 | -5% |
| Staff costs | -581 | -580 | 0% | -590 | -2% | -2,368 | -2,447 | -3% |
| Other expenses | -239 | -203 | 18% | -228 | 5% | -871 | -857 | 2% |
| Internal purchased and sold services | -17 | -17 | 0% | -46 | -63% | -56 | -86 | -35% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -19 | -18 | 6% | -24 | -21% | -76 | -79 | -4% |
| Total expenses | -856 | -818 | 5% | -888 | -4% | -3,371 | -3,469 | -3% |
| Profit before loan losses | 280 | 342 | -18% | 311 | -10% | 1,401 | 1,537 | -9% |
| Net loan losses | -8 | -44 | | 5 | | -49 | -4 | |
| Gains/losses on disposal of property, equipment and intangible assets | 0 | 0 | | 0 | | 0 | 0 | |
| Operating profit | 272 | 298 | -9% | 316 | -14% | 1,352 | 1,533 | -12% |
| Profit allocation | -400 | -361 | 11% | -317 | 26% | -1,342 | -1,209 | 11% |
| Operating profit after profit allocation | -128 | -63 | -103% | -1 | | 10 | 324 | -97% |
| Internal income | -825 | -745 | -11% | -545 | -51% | -2,851 | -2,347 | -21% |
| Cost/income ratio, % | 116.3 | 102.4 | | 100.7 | | 98.3 | 91.4 | |
| Loan loss ratio, % | 0.07 | 0.37 | | -0.04 | | 0.10 | 0.01 | |
| Allocated capital | 5,033 | 4,807 | 5% | 5,671 | -11% | 5,033 | 5,671 | -11% |
| Return on allocated capital, % | -8.0 | -4.1 | | -0.1 | | 0.2 | 4.5 | |
| Average number of employees | 1,636 | 1,674 | -2% | 1,737 | -6% | 1,678 | 1,766 | -5% |

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

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Financial performance

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

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

Loan losses amounted to SEK -49m (-4), corresponding to a loan loss ratio of 0.10% (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 11.9bn, corresponding to a market share of 22.3%. Net savings elsewhere in the Nordic region showed strong growth, increasing to SEK 2.6bn. Total net savings in the Group's funds amounted to SEK 14.7bn. Xact Kapitalförvaltning remained the largest player as regards Nordic exchange-traded funds.

The total fund volume, including exchange-traded funds, increased by 10.6% from the previous year to SEK 425bn (384). Total assets under management in the Group rose during the same period by 10.4% to SEK 542bn (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 123bn (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 4.9bn were arranged during the year. In total, the Bank arranged 117 bond issues for a value of EUR 13.2bn.

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

Q4 2016 COMPARED WITH Q3 2016

Operating profit fell by 9% to SEK 272m (298), due to lower income and higher expenses, while loan losses were lower. Total income fell by 2% to SEK 1,136m (1,160), due to lower net gains/losses on financial transactions.

Total expenses rose by 5% to SEK -856m (-818), largely owing to seasonal effects. Staff costs were virtually unchanged, and the average number of employees decreased to 1,636 (1,674).

Loan losses were SEK -8m (-44), which corresponds to a loan loss ratio of 0.07% (0.37).

Other units not reported in the business segments

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

INCOME STATEMENT

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|------------|-------------|-------------|--------------|-------------|-------------------|-------------------|-------------|
| Net interest income | 211 | 190 | 11% | 177 | 19% | 756 | 636 | 19% |
| Net fee and commission income | 16 | 23 | -30% | 23 | -30% | 69 | 36 | 92% |
| Net gains/losses on financial transactions | -201 | 613 | | 1,133 | | 857 | 569 | 51% |
| Share of profit of associates | -2 | 10 | | -11 | 82% | 23 | 17 | 35% |
| Other income | 59 | 12 | 392% | 21 | 181% | 266 | 345 | -23% |
| Total income | 83 | 848 | -90% | 1,343 | -94% | 1,971 | 1,603 | 23% |
| Staff costs | -323 | -1,084 | -70% | -933 | -65% | -2,335 | -2,651 | -12% |
| Other expenses | -637 | -515 | 24% | -600 | 6% | -2,244 | -2,171 | 3% |
| Internal purchased and sold services | 1,119 | 1,024 | 9% | 1,062 | 5% | 4,228 | 4,116 | 3% |
| Depreciation, amortisation and impairments of property, equipment and intangible assets | -45 | -74 | -39% | -42 | 7% | -248 | -248 | 0% |
| Total expenses | 114 | -649 | | -513 | | -599 | -954 | -37% |
| Profit before loan losses | 197 | 199 | -1% | 830 | -76% | 1,372 | 649 | 111% |
| Net loan losses | | | | | | | | |
| Gains/losses on disposal of property, equipment and intangible assets | 18 | 0 | | 1 | | 23 | 7 | |
| Operating profit | 215 | 199 | 8% | 831 | -74% | 1,395 | 656 | 113% |
| Profit allocation | - | - | | 1 | | - | 1 | |
| Operating profit after profit allocation | 215 | 199 | 8% | 832 | -74% | 1,395 | 657 | 112% |
| Internal income | 1,705 | 1,850 | -8% | 1,686 | 1% | 7,199 | 7,424 | -3% |
| Average number of employees | 1,879 | 1,840 | 2% | 1,816 | 3% | 1,840 | 1,829 | 1% |

JANUARY – DECEMBER 2016 COMPARED WITH JANUARY – DECEMBER 2015

Operating profit rose to SEK 1,395m (656). The increase was chiefly attributable to capital gains from the sale of shares, which amounted to SEK 1,593m (1,222), as well as the fact that no provision was made for an allocation to the Oktogonen profit-sharing foundation (-858). The profit was charged with a provision of SEK -598m, chiefly for early retirements. The average number of employees totalled 1,840 (1,829).

Q4 2016 COMPARED WITH Q3 2016

Operating profit rose to SEK 215m (199). No provision was made to the Oktogonen profit-sharing foundation (-). The average number of employees totalled 1,879 (1,840).

KEY FIGURES – GROUP

| | Q4 2016 | Q3 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|---|------------|------------|------------|-------------------|-------------------|
| Return on equity, total operations | 10.6% | 14.7% | 14.8% | 13.1% | 13.5% |
| Return on equity, continuing operations | 10.6% | 14.7% | 14.7% | 13.1% | 13.4% |
| C/I ratio, continuing operations | 45.6% | 41.2% | 45.0% | 45.2% | 45.3% |
| C/I ratio, continuing operations, incl. loan losses | 53.8% | 45.7% | 49.3% | 49.5% | 49.3% |
| Earnings per share, total operations, SEK | 1.77 | 2.36 | 2.36 | 8.43 | 8.57 |
| - after dilution | 1.76 | 2.32 | 2.30 | 8.31 | 8.39 |
| Ordinary dividend, SEK | | | | 5.00 | 4.50 |
| Total dividend | | | | 5.00 | 6.00 |
| Adjusted equity per share, SEK | 69.28 | 65.49 | 65.14 | 69.28 | 65.14 |
| Common equity tier 1 ratio, CRD IV | 25.1% | 24.0% | 21.2% | 25.1% | 21.2% |
| Total capital ratio, CRD IV | 31.4% | 30.1% | 27.2% | 31.4% | 27.2% |
| Own funds in relation to capital requirement according to Basel I floor | 148% | 144% | 137% | 148% | 137% |
| Average number of employees, continuing operations | 11,615 | 11,859 | 11,825 | 11,759 | 11,819 |
| Number of branches & meeting places, Sweden | 435 | 463 | 474 | 435 | 474 |
| Number of branches and meeting places outside Sweden | 397 | 396 | 387 | 397 | 387 |

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

THE HANDELSBANKEN SHARE

| | Q4 2016 | Q3 2016 | Q4 2015 | Full year 2016 | Full year 2015 |
|--|---------------|---------------|---------------|-------------------|-------------------|
| Number of converted shares | 3,294,729 | 5,009,634 | 3,614 | 37,105,318 | 18,925 |
| Number of repurchased shares | - | - | - | - | - |
| Holding of own shares in trading book, end of period | - | - | - | - | - |
| Number of outstanding shares after repurchases and deduction for trading book, end of period | 1,944,151,400 | 1,940,856,671 | 1,907,046,082 | 1,944,151,400 | 1,907,046,082 |
| Number of outstanding shares after dilution, end of period | 1,974,290,244 | 1,974,528,804 | 1,972,745,117 | 1,974,290,244 | 1,972,745,117 |
| Average number of shares converted during the period | 36,343,029 | 30,547,119 | 17,236 | 20,009,587 | 12,028 |
| Average holdings of own shares (repurchased and holdings in trading book) | - | - | - | - | - |
| Average number of outstanding shares | 1,943,389,111 | 1,937,593,201 | 1,907,044,393 | 1,927,055,669 | 1,907,039,185 |
| - after dilution | 1,974,528,804 | 1,975,789,501 | 1,972,887,071 | 1,972,745,117 | 1,971,862,552 |
| Share price SHB class A, end of period, SEK | 126.60 | 117.90 | 112.90 | 126.60 | 112.90 |
| Share price SHB class B, end of period, SEK | 123.40 | 117.70 | 116.30 | 123.40 | 116.30 |
| Market capitalisation, end of period, SEK bn | 246 | 229 | 215 | 246 | 215 |

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

| SEK m | | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|--------|---------------|---------------|-------------|---------------|-------------|-------------------|-------------------|------------|
| Interest income | | 10,220 | 9,943 | 3% | 10,540 | -3% | 39,950 | 43,052 | -7% |
| Interest expense | | -2,921 | -2,902 | 1% | -3,569 | -18% | -12,007 | -15,312 | -22% |
| Net interest income | Note 2 | 7,299 | 7,041 | 4% | 6,971 | 5% | 27,943 | 27,740 | 1% |
| Net fee and commission income | Note 3 | 2,447 | 2,259 | 8% | 2,343 | 4% | 9,156 | 9,320 | -2% |
| Net gains/losses on financial transactions | Note 4 | 269 | 1,112 | -76% | 1,503 | -82% | 3,066 | 2,608 | 18% |
| Risk result - insurance | | 6 | 25 | -76% | 36 | -83% | 142 | 157 | -10% |
| Other dividend income | | 2 | 1 | 100% | 2 | 0% | 228 | 281 | -19% |
| Share of profit of associates | | 0 | 10 | -100% | -11 | | 25 | 17 | 47% |
| Other income | | 102 | 25 | 308% | 65 | 57% | 203 | 213 | -5% |
| Total income | | 10,125 | 10,473 | -3% | 10,909 | -7% | 40,763 | 40,336 | 1% |
| Staff costs | | -2,981 | -2,941 | 1% | -3,353 | -11% | -12,542 | -12,581 | 0% |
| Other expenses | Note 5 | -1,518 | -1,234 | 23% | -1,442 | 5% | -5,401 | -5,203 | 4% |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | | -114 | -137 | -17% | -112 | 2% | -495 | -487 | 2% |
| Total expenses | | -4,613 | -4,312 | 7% | -4,907 | -6% | -18,438 | -18,271 | 1% |
| Profit before loan losses | | 5,512 | 6,161 | -11% | 6,002 | -8% | 22,325 | 22,065 | 1% |
| Net loan losses | Note 6 | -832 | -476 | 75% | -475 | 75% | -1,724 | -1,597 | 8% |
| Gains/losses on disposal of property, equipment and intangible assets | | 18 | 6 | 200% | 6 | 200% | 32 | 7 | 357% |
| Operating profit | | 4,698 | 5,691 | -17% | 5,533 | -15% | 20,633 | 20,475 | 1% |
| Taxes | | -1,254 | -1,127 | 11% | -1,076 | 17% | -4,401 | -4,277 | 3% |
| Profit for the period from continuing operations | | 3,444 | 4,564 | -25% | 4,457 | -23% | 16,232 | 16,198 | 0% |
| Profit for the period pertaining to discontinued operations, after tax | Note 7 | - | - | | 44 | | 13 | 145 | -91% |
| Profit for the period | | 3,444 | 4,564 | -25% | 4,501 | -23% | 16,245 | 16,343 | -1% |
| Attributable to | | | | | | | | | |
| Shareholders in Svenska Handelsbanken AB | | 3,444 | 4,564 | -25% | 4,501 | -23% | 16,244 | 16,342 | -1% |
| Minority interest | | 0 | 0 | | 0 | | 1 | 1 | |

EARNINGS PER SHARE – GROUP

| | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|---|------------|------------|--------|------------|--------|-------------------|-------------------|--------|
| Profit for the year, attributable to shareholders in Svenska Handelsbanken AB | 3,444 | 4,564 | -25% | 4,501 | -23% | 16,244 | 16,342 | -1% |
| - of which interest expense on convertible subordinated loan after tax | -25 | -27 | -7% | -46 | -46% | -139 | -199 | -30% |
| Average number of outstanding shares, million | 1,943.4 | 1,937.6 | | 1,907.0 | | 1,927.1 | 1,907.0 | |
| Average number of outstanding shares after dilution, million | 1,974.5 | 1,975.8 | | 1,972.9 | | 1,972.7 | 1,971.9 | |
| Earnings per share, continuing operations, SEK | 1.77 | 2.36 | -25% | 2.34 | -24% | 8.42 | 8.49 | -1% |
| - after dilution | 1.76 | 2.32 | -24% | 2.28 | -23% | 8.30 | 8.32 | 0% |
| Earnings per share, discontinued operations, SEK | - | - | | 0.02 | | 0.01 | 0.08 | -88% |
| - after dilution | - | - | | 0.02 | | 0.01 | 0.07 | -86% |
| Earnings per share, total operations, SEK | 1.77 | 2.36 | -25% | 2.36 | -25% | 8.43 | 8.57 | -2% |
| - after dilution | 1.76 | 2.32 | -24% | 2.30 | -23% | 8.31 | 8.39 | -1% |

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

STATEMENT OF COMPREHENSIVE INCOME – GROUP

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|---------------|--------------|--------------|---------------|-------------|-------------------|-------------------|-------------|
| Profit for the period | 3,444 | 4,564 | -25% | 4,501 | -23% | 16,245 | 16,343 | -1% |
| Other comprehensive income | | | | | | | | |
| Items that may not subsequently be reclassified to profit or loss | | | | | | | | |
| Defined benefit plans | 4,998 | 91 | | 495 | | 3,993 | -3,152 | |
| Taxes on items that cannot be reclassified into profit or loss | -1,096 | -20 | | -107 | | -876 | 688 | |
| Total items that may not subsequently be reclassified to profit or loss | 3,902 | 71 | | 388 | | 3,117 | -2,464 | |
| Items that can be reclassified into profit or loss | | | | | | | | |
| Cash flow hedges | -6,875 | -1,238 | -455% | -1,691 | -307% | -3,145 | -501 | |
| Available-for-sale instruments | -23 | -565 | 96% | -947 | 98% | -1,160 | 682 | |
| Translation differences for the period | 168 | 970 | -83% | -2,034 | | 1,183 | -1,713 | |
| <i>of which hedging net investment in foreign operations</i> | <i>255</i> | <i>-179</i> | | <i>-669</i> | | <i>-142</i> | <i>-394</i> | <i>64%</i> |
| Taxes on items that can be reclassified into profit or loss | 1,457 | 364 | 300% | 616 | 137% | 833 | 215 | 287% |
| <i>of which cash flow hedges</i> | <i>1,512</i> | <i>273</i> | <i>454%</i> | <i>372</i> | <i>306%</i> | <i>692</i> | <i>110</i> | |
| <i>of which available-for-sale instruments</i> | <i>1</i> | <i>52</i> | <i>-98%</i> | <i>97</i> | <i>-99%</i> | <i>110</i> | <i>18</i> | |
| <i>of which hedging net investment in foreign operations</i> | <i>-56</i> | <i>39</i> | | <i>147</i> | | <i>31</i> | <i>87</i> | <i>-64%</i> |
| Total items that can be reclassified into profit or loss | -5,273 | -469 | | -4,056 | -30% | -2,289 | -1,317 | -74% |
| Total other comprehensive income for the period | -1,371 | -398 | -244% | -3,668 | 63% | 828 | -3,781 | |
| Total comprehensive income for the period | 2,073 | 4,166 | -50% | 833 | 149% | 17,073 | 12,562 | 36% |
| Attributable to | | | | | | | | |
| Shareholders in Svenska Handelsbanken AB | 2,073 | 4,166 | -50% | 834 | 149% | 17,072 | 12,562 | 36% |
| Minority interest | 0 | 0 | 0% | -1 | | 1 | 0 | |

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

For the 2016 full year, 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 had a positive impact on Other comprehensive income amounting to SEK 3,117m after tax, compared with the period of comparison when there was a negative effect of SEK 2,464m after tax. The reason for this year's change was an increase in the discount rate for the Swedish pension commitments to 2.40% from 2.25%, as well as the 17% increase in the value of the plan assets for the Swedish pension commitments 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 measured at amortised cost, while the derivatives which are hedging these items are measured at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. Over time,

these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. Changes in the value of hedge derivatives in cash flow hedges had an effect on Other comprehensive income of SEK -2,453m (-391) after tax. The value changes derived partly from exchange rate movements, but above all from decreasing discount rates in foreign currencies. During the period, 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 an 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 selling shares have been recognised in the income statement.

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

QUARTERLY PERFORMANCE – 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 |
| 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 | - | - | 8 | 5 | 44 |
| Profit for the period | 3,444 | 4,564 | 4,194 | 4,043 | 4,501 |
| 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 |

BALANCE SHEET – GROUP

| SEK m | | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|-----------|------------------|------------------|------------------|------------------|------------------|
| Assets | | | | | | |
| Cash and balances with central banks | | 199,362 | 353,680 | 501,744 | 463,957 | 202,630 |
| Other loans to central banks | Note 8 | 25,527 | 103,113 | 81,267 | 43,790 | 34,118 |
| Interest-bearing securities eligible as collateral with central banks | | 97,205 | 119,532 | 117,753 | 95,474 | 74,777 |
| Loans to other credit institutions | Note 8 | 31,347 | 41,410 | 48,479 | 47,442 | 49,656 |
| Loans to the public | Note 8 | 1,963,622 | 1,965,649 | 1,937,155 | 1,902,479 | 1,866,467 |
| Value change of interest-hedged item in portfolio hedge | | 35 | 51 | 45 | 36 | 27 |
| Bonds and other interest-bearing securities | | 63,909 | 53,855 | 46,223 | 53,856 | 44,513 |
| Shares | | 20,412 | 35,964 | 52,541 | 39,318 | 30,387 |
| Investments in associates | | 255 | 259 | 257 | 248 | 245 |
| Assets where the customer bears the value change risk | | 118,646 | 115,532 | 107,004 | 104,316 | 105,146 |
| Derivative instruments | Note 9,10 | 82,633 | 78,688 | 92,381 | 73,885 | 85,347 |
| Reinsurance assets | | 9 | 10 | 10 | 10 | 10 |
| Intangible assets | Note 11 | 9,393 | 9,293 | 8,450 | 8,304 | 8,254 |
| Property and equipment | | 2,387 | 2,323 | 2,264 | 2,262 | 2,348 |
| Current tax assets | | 38 | 2,409 | 1,575 | 588 | 143 |
| Deferred tax assets | | 962 | 1,978 | 1,979 | 1,262 | 1,489 |
| Net pension assets | | - | - | - | - | - |
| Assets held for sale | | 1 | 2 | - | 1,671 | 1,442 |
| Other assets | | 5,615 | 19,496 | 25,810 | 12,106 | 8,887 |
| Prepaid expenses and accrued income | | 6,222 | 5,691 | 5,708 | 5,839 | 6,247 |
| Total assets | | 2,627,580 | 2,908,935 | 3,030,645 | 2,856,843 | 2,522,133 |
| Liabilities and equity | | | | | | |
| Due to credit institutions | Note 12 | 178,781 | 205,274 | 207,312 | 192,902 | 163,770 |
| Deposits and borrowing from the public | Note 12 | 829,336 | 1,009,427 | 1,134,500 | 1,042,076 | 753,855 |
| Liabilities where the customer bears the value change risk | | 118,745 | 115,600 | 107,054 | 104,392 | 105,225 |
| Issued securities | Note 13 | 1,261,765 | 1,315,684 | 1,320,083 | 1,258,169 | 1,245,367 |
| Derivative instruments | Note 9,10 | 31,738 | 33,296 | 37,283 | 44,302 | 40,592 |
| Short positions | | 1,572 | 11,441 | 8,581 | 10,181 | 2,416 |
| Insurance liabilities | | 574 | 583 | 591 | 603 | 607 |
| Current tax liabilities | | 514 | 1,657 | 1,008 | 460 | 996 |
| Deferred tax liabilities | | 7,875 | 9,788 | 10,006 | 9,578 | 8,844 |
| Provisions | | 731 | 734 | 773 | 796 | 113 |
| Net pension liabilities | | 2,161 | 6,547 | 6,544 | 3,824 | 5,314 |
| Liabilities related to assets held for sale | | - | - | - | 843 | 759 |
| Other liabilities | | 9,427 | 16,452 | 18,817 | 12,527 | 14,206 |
| Accrued expenses and deferred income | | 14,580 | 15,359 | 15,608 | 19,427 | 17,585 |
| Subordinated liabilities | | 33,400 | 33,008 | 32,903 | 33,986 | 34,216 |
| Total liabilities | | 2,491,199 | 2,774,850 | 2,901,063 | 2,734,066 | 2,393,865 |
| Minority interest | | 6 | 6 | 5 | 5 | 4 |
| Share capital | | 3,013 | 3,008 | 3,001 | 2,956 | 2,956 |
| Share premium | | 5,628 | 5,410 | 5,081 | 3,204 | 3,204 |
| Reserves | | 9,268 | 10,639 | 11,037 | 10,348 | 8,440 |
| Retained earnings | | 102,222 | 102,222 | 102,222 | 102,222 | 97,322 |
| Profit for the period, attributable to shareholders in Svenska Handelsbanken AB | | 16,244 | 12,800 | 8,236 | 4,042 | 16,342 |
| Total equity | | 136,381 | 134,085 | 129,582 | 122,777 | 128,268 |
| Total liabilities and equity | | 2,627,580 | 2,908,935 | 3,030,645 | 2,856,843 | 2,522,133 |

STATEMENT OF CHANGES IN EQUITY – GROUP

| January - December 2016 SEK m | Share capital | Share premium | Defined benefit plans | Hedge reserve | Fair value reserve | Translation reserve | Retained earnings | Minority | Total |
|--|------------------|------------------|-----------------------------|------------------|--------------------------|------------------------|----------------------|----------|----------------|
| Opening equity | 2,956 | 3,204 | -1,461 | 4,940 | 2,024 | 2,937 | 113,664 | 4 | 128,268 |
| Profit for the period | | | | | | | 16,244 | 1 | 16,245 |
| Other comprehensive income | | | 3,117 | -2,453 | -1,050 | 1,214 | | 0 | 828 |
| Total comprehensive income for the period | | | 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 of minority interests | | | | | | | 0 | 1 | 1 |
| Closing equity | 3,013 | 5,628 | 1,656 | 2,487 | 974 | 4,151 | 118,466 | 6 | 136,381 |

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

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

CASH FLOW STATEMENT, CONDENSED – GROUP

| SEK m | Full year 2016 | Full year 2015 |
|---|-------------------|-------------------|
| Operating profit, total operations | 20,674 | 20,656 |
| Adjustment for non-cash items in profit/loss | 89 | 4,200 |
| Paid income tax | -5,544 | -4,878 |
| Changes in the assets and liabilities of operating activities | -11,167 | -292,273 |
| Cash flow from operating activities | 4,052 | -272,295 |
| Aquisition / disposal of subsidiaries | -408 | - |
| Change in shares | 5,462 | 3,675 |
| Change in interest-bearing securities | 1,003 | 11 |
| Change in property and equipment | 385 | -510 |
| Change in intangible assets | -546 | -456 |
| Cash flow from investing activities | 5,896 | 2,720 |
| 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 |
| Liquid funds at beginning of the year | 202,630 | 454,532 |
| Cash flow for the period | -4,006 | -276,307 |
| 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.

NOTES

Note 1 Accounting policies

Accounting policies

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

On 1 January 2016, the Swedish Financial Supervisory Authority's regulations FFFS 2015:20 came into effect. These regulations amend the Authority's regulations and general guidelines FFFS 2008:25, Annual reports in credit institutions and securities companies. 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. This only applies to the parent company.

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 informs about definitions and reconciliation of alternative performance measures in the Fact Book which is available at www.handelsbanken.se/ireng.

In other respects, the report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2015.

Future amendments to regulations

IFRS 9 Financial Instruments, which 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 encompasses three areas: classification and measurement, impairment, and general hedge accounting. The future regulations on impairment are based on expected loan losses, and not on incurred loan losses as in the current regulations in IAS 39. 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. In conjunction with the transition to IFRS 9, this will mean an increase in provisions for loan losses and a consequent reduction in equity. 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 Bank is currently analysing the financial effects of the new standard in more detail.

IFRS 15 Revenue from Contracts with Customers has also been adopted for application in the EU. The standard will be applied as of the 2018 financial year. The current assessment is that the new standard will not have any material impact on Handelsbanken's financial reports, capital adequacy or large exposures.

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

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

Note 2 Net interest income

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|---------------|---------------|------------|---------------|-------------|-------------------|-------------------|-------------|
| Interest income | | | | | | | | |
| Loans to credit institutions and central banks | 228 | 322 | -29% | 330 | -31% | 1,422 | 1,356 | 5% |
| Loans to the public | 9,962 | 9,800 | 2% | 9,971 | 0% | 39,333 | 41,963 | -6% |
| Interest-bearing securities eligible as collateral with central banks | -99 | 101 | | 126 | | 229 | 651 | -65% |
| Interest-bearing securities | 191 | 167 | 14% | 172 | 11% | 783 | 915 | -14% |
| Derivative instruments | -331 | -661 | 50% | -253 | -31% | -2,629 | -2,386 | -10% |
| Other interest income | 346 | 331 | 5% | 345 | 0% | 1,317 | 1,377 | -4% |
| Total interest income | 10,297 | 10,060 | 2% | 10,691 | -4% | 40,455 | 43,876 | -8% |
| Of which interest income reported in Net gains/losses on financial transactions | 77 | 117 | -34% | 151 | -49% | 505 | 824 | -39% |
| Interest income according to income statement | 10,220 | 9,943 | 3% | 10,540 | -3% | 39,950 | 43,052 | -7% |
| Interest expense | | | | | | | | |
| Due to credit institutions and central banks | -293 | -250 | 17% | -226 | 30% | -1,086 | -908 | 20% |
| Deposits and borrowing from the general public | -288 | -349 | -17% | -377 | -24% | -1,423 | -1,881 | -24% |
| Issued securities | -4,361 | -4,405 | -1% | -4,421 | -1% | -17,740 | -18,166 | -2% |
| Derivative instruments | 2,651 | 2,697 | -2% | 2,027 | 31% | 10,771 | 8,364 | 29% |
| Subordinated liabilities | -388 | -373 | 4% | -425 | -9% | -1,534 | -1,695 | -9% |
| Other interest expense | -346 | -384 | -10% | -225 | 54% | -1,579 | -1,574 | 0% |
| Total interest expense | -3,025 | -3,064 | -1% | -3,647 | -17% | -12,591 | -15,860 | -21% |
| Of which interest expense reported in Net gains/losses on financial transactions | -104 | -162 | -36% | -78 | 33% | -584 | -548 | 7% |
| Interest expense according to income statement | -2,921 | -2,902 | 1% | -3,569 | -18% | -12,007 | -15,312 | -22% |
| Net interest income | 7,299 | 7,041 | 4% | 6,971 | 5% | 27,943 | 27,740 | 1% |

Note 3 Net fee and commission income

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|--------------|--------------|-----------|--------------|-----------|-------------------|-------------------|------------|
| Brokerage and other securities commissions | 256 | 198 | 29% | 266 | -4% | 916 | 1,071 | -14% |
| Mutual funds | 835 | 776 | 8% | 743 | 12% | 3,023 | 2,987 | 1% |
| Custody and other asset management fees | 183 | 145 | 26% | 150 | 22% | 623 | 600 | 4% |
| Advisory services | 59 | 56 | 5% | 89 | -34% | 317 | 326 | -3% |
| Insurance | 163 | 162 | 1% | 155 | 5% | 634 | 639 | -1% |
| Payments | 857 | 815 | 5% | 852 | 1% | 3,185 | 3,364 | -5% |
| Loans and deposits | 309 | 293 | 5% | 296 | 4% | 1,172 | 1,096 | 7% |
| Guarantees | 107 | 108 | -1% | 108 | -1% | 422 | 421 | 0% |
| Other | 126 | 116 | 9% | 122 | 3% | 488 | 471 | 4% |
| Total fee and commission income | 2,895 | 2,669 | 8% | 2,781 | 4% | 10,780 | 10,975 | -2% |
| Securities | -74 | -50 | 48% | -59 | 25% | -260 | -244 | 7% |
| Payments | -355 | -341 | 4% | -359 | -1% | -1,289 | -1,337 | -4% |
| Other | -19 | -19 | 0% | -20 | -5% | -75 | -74 | 1% |
| Total fee and commission expense | -448 | -410 | 9% | -438 | 2% | -1,624 | -1,655 | -2% |
| Net fee and commission income | 2,447 | 2,259 | 8% | 2,343 | 4% | 9,156 | 9,320 | -2% |

Note 4 Net gains/losses on financial transactions

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|------------|--------------|-------------|--------------|-------------|-------------------|-------------------|------------|
| Trading, derivatives, FX effect etc | 940 | 249 | 278% | 719 | 31% | 832 | 1,965 | -58% |
| Other financial instruments at fair value in profit/loss | -641 | 77 | | -416 | -54% | 466 | -497 | |
| <i>of which interest-bearing securities</i> | -627 | 89 | | -346 | -81% | 502 | -401 | |
| <i>of which loans</i> | -14 | -12 | -17% | -70 | 80% | -36 | -96 | 63% |
| Financial instruments at amortised cost | 29 | 61 | -52% | -38 | | 182 | 53 | 243% |
| <i>of which loans</i> | 114 | 119 | -4% | 94 | 21% | 446 | 482 | -7% |
| <i>of which liabilities</i> | -85 | -58 | -47% | -132 | 36% | -264 | -429 | 38% |
| Financial instruments available for sale | 4 | 769 | -99% | 1,192 | -100% | 1,689 | 1,203 | 40% |
| Hedge accounting | -14 | -25 | 44% | 93 | | -3 | -21 | 86% |
| <i>of which net gains/losses on fair value hedges</i> | 1 | -21 | | 72 | -99% | -8 | -53 | 85% |
| <i>of which cash flow hedge ineffectiveness</i> | -15 | -4 | -275% | 21 | | 5 | 32 | -84% |
| Gains/losses on unbundled insurance contracts | -49 | -19 | -158% | -47 | -4% | -100 | -95 | -5% |
| Total | 269 | 1,112 | -76% | 1,503 | -82% | 3,066 | 2,608 | 18% |

Note 5 Other expenses

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|-------------------------------|---------------|---------------|------------|---------------|-----------|-------------------|-------------------|-----------|
| Property and premises | -319 | -304 | 5% | -320 | 0% | -1,234 | -1,243 | -1% |
| External IT costs | -476 | -394 | 21% | -438 | 9% | -1,698 | -1,623 | 5% |
| Communication | -79 | -73 | 8% | -89 | -11% | -317 | -342 | -7% |
| Travel and marketing | -96 | -57 | 68% | -103 | -7% | -306 | -335 | -9% |
| Purchased services | -338 | -259 | 31% | -304 | 11% | -1,159 | -1,027 | 13% |
| Supplies | -43 | -42 | 2% | -47 | -9% | -173 | -182 | -5% |
| Other administrative expenses | -167 | -105 | 59% | -141 | 18% | -514 | -451 | 14% |
| Other expenses | -1,518 | -1,234 | 23% | -1,442 | 5% | -5,401 | -5,203 | 4% |

Note 6 Loan losses and impaired loans

Loan losses

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|-------------|-------------|-------------|-------------|-------------|-------------------|-------------------|-------------|
| Specific provision for individually assessed loans | | | | | | | | |
| Provision for the period | -826 | -432 | 91% | -494 | 67% | -1,899 | -1,832 | 4% |
| Reversal of previous provisions | 202 | 42 | 381% | 102 | 98% | 377 | 372 | 1% |
| Total | -624 | -390 | 60% | -392 | 59% | -1,522 | -1,460 | 4% |
| Collective provisions | | | | | | | | |
| Net provision for the period for individually assessed loans | -24 | -41 | -41% | -15 | 60% | -62 | 0 | |
| Net provision for the period for homogeneous loans | 0 | -11 | | -7 | | -10 | -3 | 233% |
| Total | -24 | -52 | -54% | -22 | 9% | -72 | -3 | |
| Off-balance-sheet items | | | | | | | | |
| Losses on off-balance-sheet items | -12 | 0 | | 0 | | -16 | 0 | |
| Reversal of previous losses on off-balance-sheet items | 0 | 0 | 0% | 0 | 0% | 2 | 0 | |
| Change in collective provision for off-balance-sheet items | -23 | -8 | 188% | -6 | 283% | -26 | -33 | -21% |
| Total | -35 | -8 | 338% | -6 | 483% | -40 | -33 | 21% |
| Write-offs | | | | | | | | |
| Actual loan losses for the period | -628 | -198 | 217% | -296 | 112% | -2,183 | -964 | 126% |
| Utilised share of previous provisions | 427 | 127 | 236% | 195 | 119% | 1,863 | 659 | 183% |
| Recoveries | 52 | 45 | 16% | 46 | 13% | 230 | 204 | 13% |
| Total | -149 | -26 | 473% | -55 | 171% | -90 | -101 | -11% |
| Net loan losses | -832 | -476 | 75% | -475 | 75% | -1,724 | -1,597 | 8% |

Impaired loans

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

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Impaired loans | 7,746 | 7,710 | 7,427 | 7,390 | 8,844 |
| Specific provision for individually assessed loans | -4,188 | -3,972 | -3,671 | -3,517 | -4,444 |
| Provision for collectively assessed homogeneous groups of loans with limited value | -107 | -107 | -94 | -93 | -94 |
| Collective provisions for individually assessed loans | -348 | -310 | -279 | -272 | -278 |
| Impaired loans, net | 3,103 | 3,321 | 3,383 | 3,508 | 4,028 |
| Total impaired loans reserve ratio | 59.9% | 56.9% | 54.4% | 52.5% | 54.5% |
| Proportion of impaired loans | 0.16% | 0.17% | 0.17% | 0.18% | 0.21% |
| Impaired loans reserve ratio excl. collective provisions | 55.4% | 52.9% | 50.7% | 48.8% | 51.3% |
| Loan loss ratio as a % of loans, acc. | 0.09% | 0.06% | 0.04% | 0.04% | 0.09% |
| Loans past due > 60 days | 4,123 | 4,928 | 4,629 | 4,473 | 4,657 |
| Loans past due > 60 days, which are not impaired | 1,061 | 1,381 | 1,229 | 1,270 | 1,218 |

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

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

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

* Book value after deduction of specific provisions.

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

* Book value after deduction of specific provisions.

Note 7 Discontinued operations

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

Note 8 Loans and credit exposure

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Loans to the public | 1,963,622 | 1,965,649 | 1,937,155 | 1,902,479 | 1,866,467 |
| of which reverse repos | 7,493 | 14,041 | 11,360 | 14,279 | 7,742 |
| Loans to other credit institutions | 31,347 | 41,410 | 48,479 | 47,442 | 49,656 |
| of which reverse repos | 4,088 | 16,984 | 19,330 | 20,592 | 23,394 |
| Other loans to central banks | 25,527 | 103,113 | 81,267 | 43,790 | 34,118 |
| of which reverse repos | - | - | - | 462 | - |

Loans to the public, by sector

| SEK m | 31 December 2016 | | | 31 December 2015 | | |
|--|------------------|---------------|------------------|------------------|---------------|------------------|
| | Loans gross | Provisions | Loans net | Loans gross | Provisions | Loans net |
| Private individuals | 982,640 | -745 | 981,895 | 912,517 | -755 | 911,762 |
| <i>of which mortgage loans</i> | 800,092 | -33 | 800,059 | 736,768 | -31 | 736,737 |
| <i>of which other loans with property mortgages</i> | 120,121 | -146 | 119,975 | 107,591 | -146 | 107,445 |
| <i>of which other loans to private individuals</i> | 62,427 | -566 | 61,861 | 68,158 | -578 | 67,580 |
| Housing co-operative associations | 187,016 | -20 | 186,996 | 169,595 | -20 | 169,575 |
| <i>of which mortgage loans</i> | 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 |
| Hotels and restaurants | 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, 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, funds, etc. | 66,730 | -316 | 66,414 | 71,179 | -282 | 70,897 |
| Government and municipalities | 15,891 | - | 15,891 | 22,452 | - | 22,452 |
| Other corporate lending | 19,047 | -75 | 18,972 | 22,759 | -117 | 22,642 |
| Total loans to the public, before collective provisions | 1,968,265 | -4,295 | 1,963,970 | 1,871,283 | -4,538 | 1,866,745 |
| Collective provisions | | | -348 | | | -278 |
| Total loans to the public | | | 1,963,622 | | | 1,866,467 |

Specification of Loans to the public – Property management

| SEK m | 31 December 2016 | | | 31 December 2015 | | |
|--|------------------|-------------|----------------|------------------|-------------|----------------|
| | Loans gross | Provisions | Loans net | Loans gross | Provisions | Loans net |
| Loans in Sweden | | | | | | |
| State-owned property companies | 3,228 | - | 3,228 | 5,042 | - | 5,042 |
| Municipal-owned property companies | 9,771 | - | 9,771 | 12,242 | - | 12,242 |
| Residential property companies | 99,598 | -26 | 99,572 | 91,484 | -35 | 91,449 |
| <i>of which mortgage loans</i> | 85,134 | -1 | 85,133 | 77,367 | -4 | 77,363 |
| Other property management | 127,578 | -130 | 127,448 | 136,333 | -71 | 136,262 |
| <i>of which mortgage loans</i> | 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 | | | | | | |
| Denmark | 19,755 | -118 | 19,637 | 13,816 | -89 | 13,727 |
| Finland | 33,891 | -4 | 33,887 | 28,704 | -22 | 28,682 |
| Norway | 103,767 | -108 | 103,659 | 85,787 | -58 | 85,729 |
| UK | 111,800 | -289 | 111,511 | 115,669 | -408 | 115,261 |
| The Netherlands | 23,194 | - | 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 |

Credit risk exposure

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|------------------|------------------|------------------|------------------|------------------|
| Loans to the public | 1 963 622 | 1 965 649 | 1 937 155 | 1 902 479 | 1 866 467 |
| <i>of which reverse repos</i> | 7 493 | 14 041 | 11 360 | 14 279 | 7 742 |
| Loans to other credit institutions | 31 347 | 41 410 | 48 479 | 47 442 | 49 656 |
| <i>of which reverse repos</i> | 4 088 | 16 984 | 19 330 | 20 592 | 23 394 |
| Interest-bearing securities eligible as collateral with central banks | 97 205 | 119 532 | 117 753 | 95 474 | 74 777 |
| Bonds and other interest-bearing securities | 63 909 | 53 855 | 46 223 | 53 856 | 44 513 |
| Derivative instruments* | 82 633 | 78 688 | 92 381 | 73 885 | 85 347 |
| Contingent liabilities | 78 530 | 82 361 | 78 459 | 74 351 | 77 457 |
| <i>of which guarantees, credits</i> | 9 643 | 10 110 | 10 440 | 9 209 | 9 750 |
| <i>of which guarantees, other</i> | 63 108 | 67 122 | 63 551 | 60 672 | 61 274 |
| <i>of which letters of credit</i> | 5 779 | 5 129 | 4 468 | 4 470 | 6 433 |
| Other commitments | 425 267 | 431 564 | 425 390 | 416 763 | 420 857 |
| <i>of which unutilised part of granted overdraft facilities</i> | 128 967 | 128 930 | 130 525 | 127 904 | 129 216 |
| <i>of which loan commitments</i> | 272 729 | 274 810 | 268 866 | 257 692 | 267 200 |
| <i>of which other</i> | 23 571 | 27 824 | 25 999 | 31 167 | 24 441 |
| Total | 2 742 513 | 2 773 059 | 2 745 840 | 2 664 250 | 2 619 074 |

* Refers to the total of positive market values.

Note 9 Derivatives

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Positive market values | | | | | |
| Trading | 44,703 | 53,324 | 66,498 | 54,524 | 50,673 |
| Fair value hedges | 79 | 15 | 22 | 23 | 38 |
| Cash flow hedges | 64,905 | 60,986 | 62,328 | 54,402 | 58,576 |
| Amounts set off | -27,054 | -35,637 | -36,467 | -35,064 | -23,940 |
| Total | 82,633 | 78,688 | 92,381 | 73,885 | 85,347 |
| Negative market values | | | | | |
| Trading | 47,824 | 58,556 | 63,037 | 66,116 | 53,991 |
| Fair value hedges | 82 | 146 | 129 | 37 | 1 |
| Cash flow hedges | 9,689 | 8,264 | 8,096 | 9,921 | 10,241 |
| Amounts set off | -25,857 | -33,670 | -33,979 | -31,772 | -23,641 |
| Total | 31,738 | 33,296 | 37,283 | 44,302 | 40,592 |
| Nominal value | | | | | |
| Trading | 3,167,735 | 3,370,296 | 3,390,582 | 3,368,807 | 3,441,484 |
| Fair value hedges | 42,228 | 26,073 | 24,725 | 13,482 | 8,297 |
| Cash flow hedges | 1,058,071 | 925,397 | 891,575 | 873,712 | 833,736 |
| Amounts set off | -1,747,179 | -1,671,455 | -1,575,310 | -1,578,065 | -1,414,478 |
| Total | 2,520,855 | 2,650,311 | 2,731,572 | 2,677,936 | 2,869,039 |

Derivative contracts are presented gross in the table. Amounts set off on the balance sheet consist of the set-off market value of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

Note 10 Offsetting of financial instruments

| 31 December 2016 SEK m | Derivatives | Repurchase agreements, securities borrowing and similar agreements | 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 similar 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 |

| 31 December 2015 SEK m | Derivatives | Repurchase agreements, securities borrowing and similar agreements | 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 similar 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 the settlement of two or more derivatives reflects the Bank's anticipated cash flows. Repurchase agreements and reverse repurchase agreements with central counterparty clearing houses are set off on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. This occurs when the Bank has both a contractual right and intention to settle the agreed cash flows with a net amount. The remaining counterparty risk in derivatives is reduced through netting agreements if payments are suspended, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

The amount set off for derivative assets includes set-off cash collateral of SEK 3,565m (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 2,367m (664), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

| SEK m | Goodwill | | Other intangible assets | | Total | |
|-------------------------------|-------------------|-------------------|-------------------------|-------------------|-------------------|-------------------|
| | Full year 2016 | Full year 2015 | Full year 2016 | Full year 2015 | Full year 2016 | Full year 2015 |
| Opening residual value | 6,460 | 6,597 | 1,794 | 1,535 | 8,254 | 8,132 |
| Additional during the period | 147 | - | 1,070 | 455 | 1,217 | 455 |
| The period's amortisation | - | - | -198 | -182 | -198 | -182 |
| The period's impairments | - | - | -1 | -17 | -1 | -17 |
| Foreign exchange effect | 154 | -137 | -33 | 3 | 121 | -134 |
| Closing residual value | 6,761 | 6,460 | 2,632 | 1,794 | 9,393 | 8,254 |

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

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Due to credit institutions | 178,781 | 205,274 | 207,312 | 192,902 | 163,770 |
| <i>of which repos</i> | - | 450 | 912 | 768 | 290 |
| Deposits and borrowing from the public | 829,336 | 1,009,427 | 1,134,500 | 1,042,076 | 753,855 |
| <i>of which repos</i> | - | 5,559 | 4,522 | 8,952 | - |

Note 13 Issued securities

| SEK m | Full year 2016 | Full year 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 period | 1,261,765 | 1,245,367 |

Note 14 Pledged assets, contingent liabilities and other commitments

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Assets pledged for own debt | 839,982 | 822,426 | 829,996 | 819,522 | 779,834 |
| Other pledged assets | 33,375 | 38,286 | 34,969 | 34,730 | 33,488 |
| Contingent liabilities | 78,530 | 82,361 | 78,459 | 74,351 | 77,457 |
| Other commitments | 425,267 | 431,564 | 425,390 | 416,763 | 420,857 |

Total contingent liabilities mainly consist of guarantees.

Note 15 Classification of financial assets and liabilities

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

| 31 December 2016 | At fair value in income statement divided into | | Derivatives identified as hedge instruments | Investments held to maturity | Loans and other receivables | Financial assets available for sale | Other financial assets/liabilities | Total carrying amount | Fair value |
|---|--|----------------|---|------------------------------|-----------------------------|-------------------------------------|------------------------------------|-----------------------|------------------|
| | Trading | Other | | | | | | | |
| SEK m | | | | | | | | | |
| 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 | | | | | | | | 12,790 | |
| Total assets | | | | | | | | 2,627,581 | |
| 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 | | | | | | | | 11,855 | |
| Total liabilities | | | | | | | | 2,491,200 | |

| 31 December 2015 | At fair value in income statement divided into | | Derivatives identified as hedge instruments | Investments held to maturity | Loans and other receivables | Financial assets available for sale | Other financial assets/liabilities | Total carrying amount | Fair value |
|---|--|----------------|---|------------------------------|-----------------------------|-------------------------------------|------------------------------------|-----------------------|------------------|
| | Trading | Other | | | | | | | |
| SEK m | | | | | | | | | |
| 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 | | 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 | |

Note 16 Fair value measurement of financial instruments

| 31 December 2016 SEK m | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|---------------|--------------|----------------|
| Assets | | | | |
| Interest-bearing securities eligible as collateral with central banks | 95,511 | 1,694 | - | 97,205 |
| Loans to the public | - | 909 | 17 | 926 |
| Bonds and other interest-bearing securities | 61,514 | 2,395 | - | 63,909 |
| Shares | 11,528 | 7,047 | 1,837 | 20,412 |
| Assets where the customer bears the value change risk | 117,826 | - | 762 | 118,588 |
| Derivative instruments | 408 | 82,225 | - | 82,633 |
| Total financial assets at fair value | 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 financial liabilities at fair value | 119,465 | 37,533 | 762 | 157,760 |

| 31 December 2015 SEK m | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|---------------|--------------|----------------|
| Assets | | | | |
| Interest-bearing securities eligible as collateral with central banks | 72,181 | 1,844 | - | 74,025 |
| Loans to the public | - | 1,609 | 10 | 1,619 |
| Bonds and other interest-bearing securities | 41,494 | 2,769 | - | 44,263 |
| Shares | 24,297 | 4,807 | 1,283 | 30,387 |
| Assets where the customer bears the value change risk | 104,345 | - | 732 | 105,077 |
| Derivative instruments | 275 | 85,072 | - | 85,347 |
| Total financial assets at fair value | 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 financial liabilities at fair value | 107,308 | 48,014 | 732 | 156,054 |

Valuation process

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

Financial instruments for which price information is easily available, and which are representative of real and frequently occurring transactions, are valued at their current market price. The current bid price is used for financial assets and the current ask price is used for financial liabilities. For groups of financial instruments which are managed on the basis of the Bank's net exposure to market risk, the current market price is presumed to be the same as the price which would be received or paid if the net position were divested.

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

Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the extent of market data used in the valuation. The categorisation is

shown as levels 1–3 in the tables. Financial instruments which are valued at the current market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed 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 is affected by input data that cannot be verified using external market information are categorised as level 3.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2015), the instrument has been moved between the levels in the table. During the 2016 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 835m were transferred from level 2 to level 1. On the

liabilities side, derivatives worth SEK 130m were transferred from level 1 to level 2, and derivatives worth SEK 265m were moved from level 2 to level 1.

The holdings in level 3 mainly comprise unlisted shares and holdings in private equity funds. Holdings in private equity funds are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, 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 shares consist mainly of the Bank's participating interests in various types of jointly owned operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration on Handelsbanken's home markets. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in other comprehensive income.

Differences between the transaction price and the value measured by a valuation model

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

As a consequence of the application of this principle, SEK 143m (126) was amortised in net gains/losses on financial transactions during the 2016 financial year. At the end of the period, non-recognised day 1 gains/losses amounted to SEK 585m; at the previous year-end, the corresponding figure was SEK 539m.

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

Reconciliation of financial instruments in level 3

| January – December 2016 SEK m | Shares | Loans to the public | Assets where the customer bears the value change risk | Liabilities where the customer bears the value change risk | Issued securities |
|---|--------------|------------------------|--|---|----------------------|
| Carrying amount at beginning of year | 1,283 | 10 | 732 | -732 | - |
| Acquisitions/issues | 14 | - | - | - | - |
| Repurchases/sales | -90 | - | - | - | - |
| Matured during the period | - | -2 | - | - | - |
| Unrealised value change in income statement | -55 | 0 | 30 | -30 | - |
| Unrealised value change in other comprehensive income | 685 | 1 | - | - | - |
| Transfer from level 1 or 2 | - | 8 | - | - | - |
| Transfer to level 1 or 2 | - | - | - | - | - |
| Carrying amount at end of period | 1,837 | 17 | 762 | -762 | - |

| January – December 2015 SEK m | Shares | Loans to the public | Assets where the customer bears the value change risk | Liabilities where the customer bears the value change risk | Issued securities |
|---|--------------|------------------------|--|---|----------------------|
| Carrying amount at beginning of year | 1,405 | 13 | 698 | -698 | -94 |
| Acquisitions/issues | 57 | - | - | - | 94 |
| Repurchases/sales | -142 | - | - | - | - |
| Matured during the period | - | -5 | - | - | - |
| Unrealised value change in income statement | -116 | - | 34 | -34 | - |
| Unrealised value change in other comprehensive income | 82 | - | - | - | - |
| Transfer from level 1 or 2 | - | 2 | - | - | - |
| Transfer to level 1 or 2 | -3 | - | - | - | - |
| Carrying amount at end of period | 1,283 | 10 | 732 | -732 | - |

Note 17 Business combinations

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

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

Since the acquisition, Optimix has contributed SEK 54m 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 128m 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 information 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 | Reported in the consolidated accounts at the time of acquisition |
|---|---|
| Loans to other credit institutions | 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 liabilities | 396 |
| Subsidiary's net assets | 469 |
| Acquisition cost, cash | 408 |
| Acquisition cost, liabilities for contingent consideration | 208 |
| Goodwill | 147 |
| Cash flow | |
| Acquired cash and cash equivalents in subsidiary | 0 |
| Cash paid | 408 |
| Net | 408 |

Note 18 Assets and liabilities by currency

| 31 December 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 |
| <i>of which corporates</i> | 460,084 | 128,416 | 139,985 | 36,741 | 128,371 | 28,413 | 8,287 | 930,297 |
| <i>of which households</i> | 760,091 | 59,233 | 92,719 | 55,558 | 64,582 | 223 | 919 | 1,033,325 |
| Interest-bearing securities eligible as collateral with central banks | 72,683 | 6,431 | - | 11 | - | 17,344 | 736 | 97,205 |
| Bonds and other interest-bearing securities | 43,464 | 2,181 | 1,329 | - | 1,701 | 15,234 | - | 63,909 |
| Other items not broken down by currency | 246,608 | | | | | | | 246,608 |
| 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 |
| <i>of which corporates</i> | 192,720 | 61,542 | 38,662 | 19,051 | 86,076 | 21,003 | 6,170 | 425,224 |
| <i>of which households</i> | 311,170 | 17,194 | 21,099 | 15,682 | 36,298 | 2,178 | 491 | 404,112 |
| Issued securities | 463,704 | 240,231 | 30,826 | 324 | 84,338 | 405,286 | 37,056 | 1,261,765 |
| Subordinated liabilities | 8,230 | 14,355 | - | - | - | 10,815 | - | 33,400 |
| Other items not broken down by currency, incl. equity | 324,298 | | | | | | | 324,298 |
| 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 |

| 31 December 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 | - | - | 34,118 |
| Loans to other credit institutions | 2,561 | 8,692 | 207 | 115 | 1,285 | 33,337 | 3,459 | 49,656 |
| Loans to the public | 1,190,747 | 174,047 | 190,881 | 78,738 | 195,097 | 27,213 | 9,744 | 1,866,467 |
| <i>of which corporates</i> | 475,424 | 122,999 | 110,217 | 31,446 | 131,228 | 27,024 | 8,758 | 907,096 |
| <i>of which households</i> | 715,323 | 51,048 | 80,664 | 47,292 | 63,869 | 189 | 986 | 959,371 |
| Interest-bearing securities eligible as collateral with central banks | 36,606 | 6,402 | - | 7 | - | 30,744 | 1,018 | 74,777 |
| Bonds and other interest-bearing securities | 39,770 | 2,726 | 716 | 2 | 1,282 | 17 | - | 44,513 |
| Other items not broken down by currency | 249,972 | | | | | | | 249,972 |
| 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 |
| <i>of which corporates</i> | 184,145 | 49,610 | 28,813 | 15,870 | 84,067 | 28,209 | 6,709 | 397,423 |
| <i>of which households</i> | 281,530 | 14,925 | 17,928 | 13,839 | 25,397 | 2,378 | 435 | 356,432 |
| Issued securities | 445,875 | 232,006 | 18,512 | 367 | 91,366 | 420,752 | 36,489 | 1,245,367 |
| Subordinated liabilities | 10,519 | 13,717 | - | - | - | 9,980 | - | 34,216 |
| Other items not broken down by currency, incl. equity | 324,925 | | | | | | | 324,925 |
| 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 |

Note 19 Own funds and capital requirements in the consolidated situation

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

Own funds

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| TIER 1 CAPITAL | | | | | |
| Equity, Group | 136,381 | 134,085 | 129,582 | 122,777 | 128,268 |
| Accrued unpaid dividend last year | - | - | - | - | - |
| Accrued dividend current year | -9,721 | -6,400 | -4,118 | -2,021 | -11,442 |
| Adjustment of Group result | 3,829 | -162 | 34 | -202 | -748 |
| Adjustment of Group equity | -593 | 3,532 | 3,518 | 1,731 | 172 |
| Minority interests | -6 | -6 | -5 | -5 | -4 |
| Equity (consolidated entities) | 129,890 | 131,049 | 129,011 | 122,280 | 116,246 |
| Deducted items | | | | | |
| Goodwill and other intangible assets | -9,355 | -9,268 | -8,433 | -8,293 | -8,246 |
| Value adjustments (fair value) | -645 | -637 | -685 | -665 | -553 |
| Special deduction for IRB institutions | -1,527 | -1,567 | -1,543 | -1,452 | -1,395 |
| Positions in securitisation | - | - | - | - | - |
| Net pension assets | - | - | - | - | - |
| Own shares | -636 | -593 | -529 | -556 | -577 |
| Adjustments in accordance with stability filter | | | | | |
| Cash flow hedges | -2,487 | -7,850 | -8,815 | -7,690 | -4,940 |
| Unrealised accumulated gains, shares | - | - | - | - | - |
| Common equity tier 1 capital, gross | 115,240 | 111,134 | 109,006 | 103,624 | 100,535 |
| Threshold deductions | | | | | |
| Capital contributions to unconsolidated financial entities >10% CET1 | - | - | - | - | - |
| Deferred tax assets >10% CET1 | - | - | - | - | - |
| Amount of capital contributions and deferred tax assets >15% | - | - | - | - | - |
| Common equity tier 1 capital | 115,240 | 111,134 | 109,006 | 103,624 | 100,535 |
| Additional tier 1 instruments | 12,768 | 12,156 | 12,045 | 11,570 | 11,933 |
| Total tier 1 capital | 128,008 | 123,290 | 121,051 | 115,194 | 112,468 |
| TIER 2 CAPITAL | | | | | |
| Subordinated loans | 17,354 | 17,392 | 17,135 | 17,111 | 17,150 |
| Deducted items | | | | | |
| Tier 2 contribution in unconsolidated financial entities | -1,129 | -1,129 | -1,129 | -1,129 | -1,129 |
| Total tier 2 capital | 16,225 | 16,263 | 16,006 | 15,982 | 16,021 |
| Total own funds | 144,233 | 139,553 | 137,057 | 131,176 | 128,489 |

Capital ratios and buffers

| | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|----------------|----------------|----------------|----------------|----------------|
| Common equity tier 1 ratio, CRD IV | 25.1% | 24.0% | 23.0% | 22.7% | 21.2% |
| Tier 1 ratio, CRD IV | 27.9% | 26.6% | 25.5% | 25.3% | 23.8% |
| Total capital ratio, CRD IV | 31.4% | 30.1% | 28.9% | 28.8% | 27.2% |
| Risk exposure amount CRD IV, SEK m | 458,787 | 463,675 | 474,500 | 456,104 | 473,132 |
| Own funds in relation to capital requirement according to Basel I floor | 148% | 144% | 142% | 139% | 137% |
| Institution-specific buffer requirements* | 6.4% | 6.4% | 6.4% | 6.1% | 6.1% |
| <i>of which capital conservation buffer requirement</i> | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| <i>of which countercyclical capital buffer requirement</i> | 0.9% | 0.9% | 0.9% | 0.6% | 0.6% |
| <i>of which systemic risk buffer requirement</i> | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Common equity tier 1 capital available for use as a buffer | 20.6% | 19.5% | 18.5% | 18.2% | 16.7% |

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

Capital requirement

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Credit risk according to standardised approach | 6,472 | 6,336 | 6,186 | 5,949 | 6,433 |
| Credit risk according to IRB Approach | 23,950 | 24,476 | 25,603 | 24,360 | 25,225 |
| Market risks | 873 | 817 | 711 | 796 | 825 |
| Credit valuation adjustment risk (CVA) | 594 | 650 | 645 | 568 | 713 |
| Operational risk | 4,815 | 4,815 | 4,815 | 4,815 | 4,655 |
| Total capital requirement | 36,704 | 37,094 | 37,960 | 36,488 | 37,851 |
| Adjustment according to Basel I floor | 61,531 | 61,134 | 59,499 | 58,870 | 56,982 |
| Capital requirement, Basel I floor | 98,235 | 98,228 | 97,459 | 95,358 | 94,833 |
| Total own funds, Basel I floor | 145,760 | 141,120 | 138,600 | 132,628 | 129,884 |

Risk exposure amount

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Credit risk according to standardised approach | 80,896 | 79,204 | 77,323 | 74,358 | 80,406 |
| Credit risk according to IRB Approach | 299,370 | 305,951 | 320,041 | 304,506 | 315,310 |
| Market risk | 10,910 | 10,216 | 8,890 | 9,954 | 10,318 |
| Credit valuation adjustment risk (CVA) | 7,429 | 8,122 | 8,064 | 7,104 | 8,911 |
| Operational risk | 60,182 | 60,182 | 60,182 | 60,182 | 58,187 |
| Total risk exposure amount | 458,787 | 463,675 | 474,500 | 456,104 | 473,132 |

Capital requirement credit risks, standardised approach**

| SEK m | Exposure amount | | Risk-weighted exposure amount | | Capital requirement | | Average risk weight, % | |
|--------------------------------|-----------------------------|----------------|-------------------------------|----------------|---------------------|----------------|------------------------|----------------|
| | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 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 | 0.0 |
| Multilateral development banks | 636 | 649 | 0 | 0 | 0 | 0 | 0.0 | 0.0 |
| International organisations | 49 | 1 | 0 | 0 | 0 | 0 | 0.0 | 0.0 |
| Institutions | 4,215 | 4,162 | 343 | 603 | 27 | 48 | 8.1 | 14.5 |
| Corporates | 10,640 | 12,232 | 10,017 | 11,570 | 801 | 926 | 94.1 | 94.6 |
| Households | 17,042 | 22,417 | 12,737 | 16,774 | 1,019 | 1,342 | 74.7 | 74.8 |
| Collateral in real estate | 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 |
| Other items | 8,571 | 9,034 | 8,000 | 8,375 | 641 | 671 | 93.4 | 92.7 |
| Total | 450,891 | 456,260 | 80,896 | 80,406 | 6,472 | 6,433 | 17.9 | 17.6 |

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

Credit risks IRB

| SEK m | Exposure amount | | Risk-weighted exposure amount | | Capital requirement | | Average risk weight, % | |
|---|------------------|------------------|-------------------------------|----------------|---------------------|---------------|------------------------|--------------|
| | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 |
| | Corporate | 821,000 | 821,795 | 194,650 | 204,181 | 15,572 | 16,334 | 23.7 |
| Corporate lending | 798,330 | 796,198 | 190,709 | 199,470 | 15,257 | 15,957 | 23.9 | 25.1 |
| <i>of which other loans foundation approach *</i> | 116,048 | 124,939 | 35,946 | 37,805 | 2,876 | 3,024 | 31.0 | 30.3 |
| <i>of which other loans advanced approach *</i> | 682,282 | 671,259 | 154,763 | 161,665 | 12,381 | 12,933 | 22.7 | 24.1 |
| <i>of which large companies</i> | 126,774 | 137,749 | 57,176 | 61,130 | 4,574 | 4,890 | 45.1 | 44.4 |
| <i>of which medium-sized companies</i> | 81,640 | 76,639 | 32,486 | 32,888 | 2,599 | 2,631 | 39.8 | 42.9 |
| <i>of which property companies</i> | 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 | 4.0 | 3.7 |
| Retail | 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 |
| <i>of which property loans</i> | 874,253 | 810,312 | 48,178 | 43,517 | 3,854 | 3,481 | 5.5 | 5.4 |
| <i>of which other loans</i> | 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 |
| <i>of which property loans</i> | 7,650 | 7,541 | 1,706 | 2,016 | 137 | 161 | 22.3 | 26.7 |
| <i>of which other loans</i> | 19,274 | 19,296 | 5,434 | 5,388 | 434 | 432 | 28.2 | 27.9 |
| Institutions | 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 | 14.0 |
| <i>of which repos and securities loans</i> | 14,070 | 31,143 | 631 | 424 | 50 | 34 | 4.5 | 1.4 |
| <i>of which derivatives</i> | 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 | 370.0 | 302.4 |
| <i>of which listed shares</i> | - | 4,418 | - | 12,811 | - | 1,025 | - | 290.0 |
| <i>of which other shares</i> | 1,340 | 811 | 4,959 | 3,004 | 397 | 240 | 370.0 | 370.0 |
| Non credit-obligation assets | 2,387 | 2,348 | 2,387 | 2,348 | 191 | 188 | 100.0 | 100.0 |
| Securitisation positions | 22 | 28 | 24 | 2 | 2 | 0 | 105.9 | 7.4 |
| <i>of which Traditional securitisation</i> | 22 | 28 | 24 | 2 | 2 | 0 | 105.9 | 7.4 |
| <i>of which Synthetic securitisation</i> | - | - | - | - | - | - | - | - |
| Total IRB Approach | 2,100,101 | 2,035,574 | 299,370 | 315,310 | 23,950 | 25,225 | 14.3 | 15.5 |

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

The capital requirement for credit risk is calculated according to the standardised approach and the IRB Approach in accordance with CRR. There are two different IRB Approaches: the IRB Approach without own estimates of LGD and CCF, and the IRB Approach with own estimates of LGD and CCF.

In the IRB Approach without own estimates of LGD and CCF, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set out in CRR rules. In the IRB Approach with own estimates of LGD and CCF, the Bank uses its own methods to calculate the loss 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 end of Q4, the IRB Approach was applied to 79% of the total risk-weighted exposure amount for credit risk. For the remaining credit risk exposures, the capital requirement is calculated using the standardised approach.

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

The total average risk weight for exposures approved for the IRB Approach decreased during Q4, amounting to 14.3% (14.5). The decrease in the average risk weight is attributable to a change in the composition of the portfolio, whereby exposures with lower risk weight, particularly household exposures, account for a higher proportion of the total.

Credit quality is good. Of Handelsbanken's corporate exposures, 97% were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between 1 and 5 on the Bank's 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 into different exposure classes.

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

Capital requirement market risks

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|----------------|----------------|----------------|----------------|----------------|
| Position risk in the trading book | 864 | 810 | 703 | 789 | 819 |
| Interest rate risk | 855 | 801 | 694 | 778 | 804 |
| of which general risk | 598 | 651 | 534 | 598 | 512 |
| of which specific risk | 256 | 149 | 158 | 179 | 290 |
| of which positions in securitisation instruments | - | - | - | - | - |
| of which non-delta risk | 1 | 1 | 2 | 1 | 2 |
| Equity price risk | 9 | 9 | 9 | 11 | 15 |
| of which general risk | 1 | 1 | 1 | 1 | 1 |
| of which specific risk | 3 | 4 | 3 | 4 | 4 |
| of which mutual funds | 0 | 0 | 1 | 1 | 2 |
| of which non-delta risk | 5 | 4 | 4 | 5 | 8 |
| Exchange rate risk | - | - | - | - | - |
| of which non-delta risk | - | - | - | - | - |
| Commodities risk | 9 | 7 | 8 | 7 | 6 |
| of which non-delta risk | 0 | 0 | 0 | 0 | 0 |
| Settlement risk | 0 | 0 | 0 | 0 | 0 |
| Total capital requirement for market risks | 873 | 817 | 711 | 796 | 825 |

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

Capital requirement operational risks

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

Leverage ratio

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

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|------------------|------------------|------------------|------------------|------------------|
| Balance sheet according to accounting regulations | 2,627,580 | 2,908,935 | 3,030,645 | 2,856,843 | 2,522,133 |
| Deduction for assets not included in the banking group | -114,858 | -112,161 | -103,215 | -99,917 | -103,655 |
| Adjustment for differences between carrying amount and leverage ratio exposure – derivatives | -20,341 | -27,185 | -24,710 | -29,163 | -37,126 |
| Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans | 4,436 | 5,295 | 6,252 | 6,530 | 4,786 |
| Assets reported off the balance sheet, gross (before adjustment for conversion factor) | 492,788 | 494,872 | 486,570 | 476,586 | 483,859 |
| Deduction from assets off the balance sheet after application of conversion factor | -314,413 | -313,706 | -309,195 | -300,702 | -303,538 |
| Assets reported off the balance sheet, net | 178,375 | 181,166 | 177,375 | 175,884 | 180,321 |
| Additional adjustment | -14,650 | -19,915 | -21,106 | -19,747 | -16,872 |
| Assets on which the leverage ratio is calculated | 2,660,542 | 2,936,135 | 3,065,241 | 2,890,430 | 2,549,587 |
| Capital on which the leverage ratio can be calculated | | | | | |
| Tier 1 capital | 128,008 | 123,290 | 121,051 | 115,194 | 112,468 |
| Leverage ratio | | | | | |
| Leverage ratio calculated on tier 1 capital | 4.8% | 4.2% | 3.9% | 4.0% | 4.4% |

Information in note 19 relates to Handelsbanken's material risks and capital requirement at the time that this report is published. A full description of the Bank's risk and capital management can be found in Handelsbanken's Annual Report and in Handelsbanken's Risk and Capital Management – Information according to Pillar 3.

Note 20 Risk and liquidity

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

Risk and uncertainty factors

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

The situation with regard to regulatory developments continues to evolve rapidly. The Bank's low tolerance of risk, sound capitalisation and strong liquidity situation mean that Handelsbanken is also well-equipped to operate under substantially more difficult market conditions than those experienced during the last few years. The Bank's liquidity position is described in more detail below under the heading Liquidity and funding.

Liquidity and funding

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

For many years, the Bank has worked on extending the maturities of its funding by increasing bond issues and ensuring that liquidity risks are included in internal pricing. Handelsbanken's funding programme covers the maturities in all currencies that the Bank needs to fund its lending and enables the Bank to issue in all currencies of relevance to the Bank.

Funding programmes/limits as at 31 December 2016 – Group

| Programme (in millions) | Currency | Programme size | Utilised amount | Countervalue SEK m |
|---|----------|----------------|-----------------|-----------------------|
| ECP* | EUR | 15,000 | 3,093 | 29,640 |
| ECP (Stadshypotek)* | 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 |
| EMTN* | USD | 50,000 | 21,759 | 197,465 |
| EMTCN (Stadshypotek)* | 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* | SEK | 100,000 | 13,334 | 13,334 |
| General funding >1 Y* | 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 | | |
| Available amount | | 70% | | |

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

Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 382bn as at 31 December 2016 (see table below). In addition, there was an

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

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

| Market value | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
| Cash and balances with and other lending to central banks | 224,533 | 456,491 | 582,590 | 506,949 | 236,359 |
| Balances with banks and the National Debt Office, overnight | 7,712 | 803 | 1,807 | 3,618 | 1,180 |
| Securities issued by governments and public entities | 96,217 | 106,938 | 104,133 | 83,145 | 63,136 |
| Covered bonds | 53,647 | 53,458 | 50,101 | 52,096 | 50,096 |
| Securities issued by non-financial companies | 27 | 797 | 614 | 782 | 637 |
| Securities issued by financial companies | 124 | 242 | 142 | 102 | 233 |
| Total | 382,260 | 618,729 | 739,387 | 646,692 | 351,641 |
| <i>of which in SEK</i> | <i>126,241</i> | <i>192,224</i> | <i>160,997</i> | <i>116,992</i> | <i>89,695</i> |
| <i>of which in EUR</i> | <i>108,380</i> | <i>135,707</i> | <i>83,698</i> | <i>70,363</i> | <i>55,471</i> |
| <i>of which in USD</i> | <i>47,449</i> | <i>179,920</i> | <i>366,669</i> | <i>348,004</i> | <i>114,702</i> |
| <i>of which in other currencies</i> | <i>100,190</i> | <i>110,878</i> | <i>128,023</i> | <i>111,333</i> | <i>91,773</i> |

| 31 December 2016 | | | | | |
|---|----------------|----------------|---------------|----------------|----------------|
| Market value, 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 the National Debt Office, overnight | 7,567 | 22 | 23 | 100 | 7,712 |
| Securities issued by governments | 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, external issuers | 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 | 85 | 20 | - | 19 | 124 |
| Total | 126,241 | 108,380 | 47,449 | 100,190 | 382,260 |

Maturities for financial assets and liabilities

| 31 December 2016 SEK m | Up to 1 mth | 1 - 6 mths | 6 - 12 mths | 1 - 2 yrs | 2 - 5 yrs | 5 yrs - | Unspec. maturity | Total |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|------------------|
| Assets | | | | | | | | |
| Cash and balances with central banks | 224,889 | - | - | - | - | - | - | 224,889 |
| Interest-bearing securities eligible as collateral with central banks | 97,205 | - | - | - | - | - | - | 97,205 |
| Bonds and other interest-bearing securities | 63,909 | - | - | - | - | - | - | 63,909 |
| Loans to credit institutions | 24,312 | 2,404 | 363 | 17 | 825 | 3,426 | - | 31,347 |
| -of which reverse repos | 4,088 | - | - | - | - | - | - | 4,088 |
| Loans to the public | 55,850 | 247,108 | 166,303 | 173,487 | 351,025 | 969,849 | - | 1,963,622 |
| -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 | 488,934 | 249,512 | 166,666 | 173,504 | 351,850 | 973,275 | 223,839 | 2,627,580 |
| Liabilities | | | | | | | | |
| Due to credit institutions | 98,317 | 47,860 | 4,107 | 4,535 | 12 | 5,006 | 18,944 | 178,781 |
| -of which repos | - | - | - | - | - | - | - | 0 |
| -of which deposits from central banks | 30,528 | 34,116 | 1,275 | - | - | - | 1,868 | 67,787 |
| Deposits and borrowing from the public | 17,669 | 21,050 | 5,596 | 908 | 2,754 | 5,556 | 775,803 | 829,336 |
| -of which repos | 2 | - | - | - | - | - | - | 2 |
| Issued securities | 102,126 | 348,837 | 77,944 | 233,408 | 417,484 | 81,966 | - | 1,261,765 |
| -of which covered bonds | - | 95,615 | 11,530 | 194,577 | 255,043 | 46,990 | - | 603,755 |
| -of which certificates and other securities with original maturity of less than one year | 101,502 | 221,614 | 25,363 | - | - | - | - | 348,479 |
| -of which senior bonds and other securities with original maturity of more than one year | 624 | 31,608 | 41,051 | 38,831 | 162,441 | 34,976 | - | 309,531 |
| Subordinated liabilities | - | - | 2,965 | - | 30,435 | - | - | 33,400 |
| Other | 4,105 | - | - | - | - | - | 320,193 | 324,298 |
| -of which short positions | 1,572 | - | - | - | - | - | - | 1,572 |
| -of which investment banking settlement debts | 2,533 | - | - | - | - | - | - | 2,533 |
| Total | 222,217 | 417,747 | 90,612 | 238,851 | 450,685 | 92,528 | 1,114,940 | 2,627,580 |

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

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

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

For maturity tables in SEK, EUR and USD, please see the Fact Book which is available at handelsbanken.se/ireng.

Liquidity coverage ratio (LCR)

| | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Liquidity coverage ratio (LCR), % | | | | | |
| EUR | 136 | 178 | 181 | 134 | 161 |
| USD | 322 | 164 | 121 | 161 | 429 |
| Total* | 126 | 162 | 139 | 151 | 137 |

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

| | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Liquidity coverage ratio (LCR) - decomposition, SEK m | | | | | |
| Liquid assets | 290,058 | 416,189 | 433,824 | 360,481 | 283,573 |
| Liquid assets level 1 | 251,189 | 375,318 | 394,887 | 318,791 | 242,606 |
| Liquid assets level 2 | 38,869 | 40,871 | 38,937 | 41,690 | 40,967 |
| Cash outflows | 359,659 | 514,967 | 697,349 | 581,222 | 318,364 |
| Deposits from customers | 173,496 | 191,610 | 169,582 | 192,835 | 141,589 |
| Market funding | 151,735 | 284,083 | 486,320 | 349,721 | 142,770 |
| Other cash flows | 34,428 | 39,274 | 41,447 | 38,666 | 34,005 |
| Cash inflows | 129,176 | 258,526 | 384,619 | 342,332 | 111,599 |
| Inflows from maturing lending to non-financial customers | 21,146 | 18,618 | 26,985 | 24,548 | 22,612 |
| Other cash inflows | 108,030 | 239,908 | 357,634 | 317,784 | 88,987 |

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

As of 1 October 2015, due to the European Commission's delegated act, there is a European minimum requirement for banks' liquidity in the form of a short-term liquidity buffer: liquidity coverage ratio (LCR). The minimum requirement in 2016 was 70%, and it will be gradually raised to 100% by 2018, when the delegated act will be fully implemented. However, according to the delegated act, the LCR is based on the less stringent LCR proposed by the Basel Committee in 2013 and certain EU-specific changes, for example, that the liquidity reserve may include a higher proportion of covered bonds.

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

At the end of December, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 126%, which shows that the Bank has high resistance to short-term disruptions in the funding market. This also applies in US dollars and euros. During 2016, the LCR, as an average of daily

observations according to the same regulation, was 154%. The Bank's LCR, calculated according to the European Commission's delegated act, was 142%.

Stress test with liquidity-creating measures

The Bank's liquidity position is regularly subjected to stress tests. In these tests, the Bank's cash flows are stressed, based on certain defined assumptions. For example, in the stress test aimed at demonstrating resistance to more long-term market disruptions, it is assumed that the Bank is unable to obtain funding in the financial markets at the same time as it experiences a gradual disappearance of 10% of deposits from households and companies over the first month. It is further assumed that the Bank continues to conduct its core activities, i.e. loans to households and companies and that committed loan offers and other credit facilities are partly utilised by customers. Account is also taken of the fact that holdings with central banks are utilised and that the Group Treasury liquidity portfolio can provide immediate additional liquidity. In addition, liquidity-creating measures – for example, unutilised facilities to issue covered bonds – are used in order to gradually provide liquidity to the Bank. The result of the stress test shows that the liquidity reserves, even in a stressed scenario, cover the Bank's liquidity requirement for over three years, even if access to new funding in the markets were to disappear.

Non-encumbered assets, NEA

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

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

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

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

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

Note 21 Related-party transactions

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

Note 22 Segment reporting

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

Note 23 Events after the balance sheet date

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

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|---------------|---------------|-------------|---------------|------------|-------------------|-------------------|------------|
| Net interest income | 4,000 | 3,778 | 6% | 3,867 | 3% | 15,011 | 15,250 | -2% |
| Dividends received | 12,252 | 10 | | 10,924 | 12% | 17,045 | 11,978 | 42% |
| Net fee and commission income | 1,710 | 1,571 | 9% | 1,733 | -1% | 6,509 | 6,778 | -4% |
| Net gains/losses on financial transactions | 285 | 1,124 | -75% | 1,672 | -83% | 3,076 | 2,349 | 31% |
| Other operating income | 498 | 374 | 33% | 428 | 16% | 1,647 | 1,644 | 0% |
| Total income | 18,745 | 6,857 | 173% | 18,624 | 1% | 43,288 | 37,999 | 14% |
| Staff costs | -2,141 | -2,625 | -18% | -2,531 | -15% | -10,427 | -10,904 | -4% |
| Other administrative expenses | -1,461 | -1,208 | 21% | -1,385 | 5% | -5,224 | -5,040 | 4% |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | -184 | -142 | 30% | -116 | 59% | -591 | -507 | 17% |
| Total expenses before loan losses | -3,786 | -3,975 | -5% | -4,032 | -6% | -16,242 | -16,451 | -1% |
| Profit before loan losses | 14,959 | 2,882 | 419% | 14,592 | 3% | 27,046 | 21,548 | 26% |
| Net loan losses | -831 | -464 | 79% | -467 | 78% | -1,730 | -1,614 | 7% |
| Impairment of financial assets | -20 | - | | - | | -20 | -15 | 33% |
| Operating profit | 14,108 | 2,418 | 483% | 14,125 | 0% | 25,296 | 19,919 | 27% |
| Appropriations | -261 | 18 | | 14 | | -193 | 100 | |
| Profit before tax | 13,847 | 2,436 | 468% | 14,139 | -2% | 25,103 | 20,019 | 25% |
| Taxes | -3,287 | -441 | | -2,960 | 11% | -4,503 | -4,176 | 8% |
| Profit for the period | 10,560 | 1,995 | 429% | 11,179 | -6% | 20,600 | 15,843 | 30% |

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

| SEK m | Q4 2016 | Q3 2016 | Change | Q4 2015 | Change | Full year 2016 | Full year 2015 | Change |
|--|---------------|--------------|--------------|---------------|------------|-------------------|-------------------|------------|
| Profit for the period | 10,560 | 1,995 | 429% | 11,179 | -6% | 20,600 | 15,843 | 30% |
| Other comprehensive income | | | | | | | | |
| Items that may subsequently be reclassified to profit or loss | | | | | | | | |
| Cash flow hedges | -4,054 | -741 | -447% | -567 | | -1,882 | 195 | |
| Available-for-sale instruments | -23 | -565 | 96% | -948 | 98% | -1,152 | 694 | |
| Translation differences for the period | 300 | 554 | -46% | -1,773 | | 387 | -1,155 | |
| <i>of which hedging net investment in foreign operations</i> | 253 | -144 | | -711 | | -65 | -444 | 85% |
| Tax related to other comprehensive income | 837 | 247 | 239% | 379 | 121% | 538 | 73 | |
| <i>of which cash flow hedges</i> | 892 | 163 | 447% | 125 | | 414 | -43 | |
| <i>of which available-for-sale instruments</i> | 1 | 52 | -98% | 97 | -99% | 110 | 18 | |
| <i>of which hedging net investment in foreign operations</i> | -56 | 32 | | 157 | | 14 | 98 | -86% |
| Total items that may subsequently be reclassified to profit or loss | -2,940 | -505 | -482% | -2,909 | -1% | -2,109 | -193 | |
| Total other comprehensive income for the period | -2,940 | -505 | -482% | -2,909 | -1% | -2,109 | -193 | |
| Total comprehensive income for the period | 7,620 | 1,490 | 411% | 8,270 | -8% | 18,491 | 15,650 | 18% |

Comment on results for parent company, January – December 2016 compared with January – December 2015

The parent company's accounts cover parts of the operations that, in organisational terms, are included in branch operations within and outside Sweden, Capital Markets, and central departments and administrative 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% to SEK 25,296m (19,919), chiefly due to increased dividends and higher net gains/losses on financial transactions. Profit for the year grew by 30% to SEK 20,600m (15,843). Net interest income decreased by 2% to SEK 15,011m (15,250), while net fee and commission income declined by 4% to SEK 6,509m (6,778). Dividends have been received amounting to SEK 17,045m (11,978). Since the start of the year, the parent company's equity has increased to SEK 116,642m (107,112).

BALANCE SHEET – PARENT COMPANY

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|------------------|------------------|------------------|------------------|------------------|
| Assets | | | | | |
| Cash and balances with central banks | 199,362 | 353,680 | 501,696 | 463,957 | 202,630 |
| Interest-bearing securities eligible as collateral with central banks | 94,236 | 116,301 | 114,485 | 92,174 | 71,436 |
| Loans to credit institutions | 593,125 | 684,565 | 638,845 | 594,779 | 596,441 |
| Loans to the public | 763,567 | 781,690 | 770,214 | 757,955 | 733,988 |
| Bonds and other interest-bearing securities | 60,311 | 50,394 | 42,794 | 50,292 | 40,974 |
| Shares | 19,339 | 34,838 | 51,704 | 38,473 | 29,309 |
| Shares in subsidiaries and investments in associates | 46,363 | 46,382 | 45,773 | 45,784 | 45,815 |
| Assets where the customer bears the value change risk | 4,172 | 3,860 | 3,743 | 3,603 | 3,422 |
| Derivative instruments | 87,061 | 82,232 | 96,260 | 78,170 | 89,491 |
| Intangible assets | 2,268 | 2,146 | 2,056 | 1,994 | 1,962 |
| Property, equipment and leasing assets | 2,970 | 1,101 | 1,081 | 1,084 | 1,150 |
| Current tax assets | - | 2,322 | 1,484 | 498 | - |
| Deferred tax assets | 425 | 472 | 471 | 413 | 328 |
| Other assets | 16,713 | 13,307 | 20,061 | 12,424 | 18,299 |
| Prepaid expenses and accrued income | 4,792 | 4,075 | 4,068 | 4,292 | 4,813 |
| Total assets | 1,894,704 | 2,177,365 | 2,294,735 | 2,145,892 | 1,840,058 |
| Liabilities and equity | | | | | |
| Due to credit institutions | 189,176 | 218,830 | 217,291 | 203,177 | 173,533 |
| Deposits and borrowing from the public | 827,753 | 1,007,257 | 1,132,359 | 1,044,283 | 755,066 |
| Liabilities where the customer bears the value change risk | 4,271 | 3,927 | 3,793 | 3,680 | 3,501 |
| Issued securities | 648,977 | 712,465 | 707,071 | 663,056 | 676,950 |
| Derivative instruments | 54,491 | 57,377 | 59,539 | 64,603 | 61,109 |
| Short positions | 1,572 | 11,441 | 8,581 | 10,181 | 2,416 |
| Current tax liabilities | 184 | - | - | - | 847 |
| Deferred tax liabilities | 1,066 | 2,026 | 2,234 | 1,969 | 1,521 |
| Provisions | 429 | 426 | 455 | 487 | 96 |
| Other liabilities | 8,786 | 12,931 | 14,383 | 11,943 | 13,751 |
| Accrued expenses and deferred income | 7,164 | 8,343 | 8,614 | 8,855 | 9,370 |
| Subordinated liabilities | 33,400 | 33,008 | 32,903 | 33,986 | 34,216 |
| Total liabilities | 1,777,269 | 2,068,031 | 2,187,223 | 2,046,220 | 1,732,376 |
| Untaxed reserves | 793 | 535 | 539 | 539 | 570 |
| Share capital | 3,013 | 3,008 | 3,001 | 2,956 | 2,956 |
| Share premium | 5,628 | 5,410 | 5,081 | 3,204 | 3,204 |
| Other funds | 9,242 | 12,056 | 12,456 | 10,388 | 9,585 |
| Retained earnings | 78,159 | 78,285 | 78,390 | 78,466 | 75,524 |
| Profit for the period | 20,600 | 10,040 | 8,045 | 4,119 | 15,843 |
| Total equity | 116,642 | 108,799 | 106,973 | 99,133 | 107,112 |
| Total liabilities and equity | 1,894,704 | 2,177,365 | 2,294,735 | 2,145,892 | 1,840,058 |

CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

| January – December 2016 SEK m | Restricted equity | | | Unrestricted equity | | | | | Total |
|--|-------------------|-------------------|--|---------------------|-----------------|----------------------|-----------------------|-------------------|----------------|
| | Share capital | Statutory reserve | Fund for internally developed software | Share premium | Hedge reserve * | Fair value reserve * | Translation reserve * | Retained earnings | |
| Opening equity | 2,956 | 2,682 | | 3,204 | 1,349 | 2,016 | 3,538 | 91,367 | 107,112 |
| Profit for the period | | | | | | | | 20,600 | 20,600 |
| Other comprehensive income | | | | | -1,468 | -1,042 | 401 | | -2,109 |
| Total comprehensive income for the period | | | | | -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 | 3,013 | 2,682 | 1,766 | 5,628 | -119 | 974 | 3,939 | 98,759 | 116,642 |

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

* Included in fair value fund.

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

CASH FLOW STATEMENT, CONDENSED – PARENT COMPANY

| SEK m | Full year 2016 | Full year 2015 |
|---|----------------|-----------------|
| Operating profit | 25,296 | 19,919 |
| Adjustment for non-cash items in profit/loss | -12,351 | -7,338 |
| Paid income tax | -5,281 | -4,221 |
| Changes in the assets and liabilities of operating activities | -11,861 | -293,815 |
| Cash flow from operating activities | -4,197 | -285,455 |
| Acquisition / divestment of subsidiaries | -408 | - |
| Change in shares | 5,437 | 3,618 |
| Change in interest-bearing securities | 1,000 | 0 |
| Change in property and equipment | -2,257 | -415 |
| Change in intangible assets | -598 | -447 |
| Cash flow from investing activities | 3,174 | 2,756 |
| Repayment of subordinated loans | -2,512 | -5,690 |
| Issued subordinated loans | - | 10,082 |
| Dividend paid | -11,442 | -11,124 |
| Received group contributions | 10,971 | 8,727 |
| Cash flow from financing activities | -2,983 | 1,995 |
| Liquid funds at beginning of the year | 202,630 | 454,532 |
| Cash flow for the period | -4,006 | -280,704 |
| Exchange rate difference on liquid funds | 738 | 28,802 |
| Liquid funds at end of year | 199,362 | 202,630 |

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

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

Own funds and capital ratios – Parent company

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Common equity tier 1 capital | 102,883 | 96,742 | 95,408 | 90,361 | 90,624 |
| Total tier 1 capital | 115,651 | 108,898 | 107,453 | 101,931 | 102,557 |
| Total tier 2 capital | 16,225 | 16,263 | 16,006 | 15,982 | 16,021 |
| Total own funds | 131,876 | 125,161 | 123,459 | 117,913 | 118,578 |
| Capital ratios and buffers | | | | | |
| Common equity tier 1 ratio, CRD IV | 23.4% | 21.8% | 20.8% | 20.7% | 19.9% |
| Tier 1 ratio, CRD IV | 26.3% | 24.5% | 23.5% | 23.3% | 22.6% |
| Total capital ratio, CRD IV | 30.0% | 28.2% | 27.0% | 27.0% | 26.1% |
| Risk exposure amount, CRD IV | 439,657 | 444,468 | 457,600 | 436,936 | 454,661 |
| Own funds in relation to capital requirement according to transitional rules | 260% | 244% | 241% | 236% | 237% |
| Institution-specific buffer requirements | 3.4% | 3.4% | 3.4% | 3.1% | 3.1% |
| <i>of which capital conservation buffer requirement</i> | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| <i>of which countercyclical capital buffer requirement</i> | 0.9% | 0.9% | 0.9% | 0.6% | 0.6% |
| <i>of which systemic risk buffer requirement</i> | - | - | - | - | - |
| Common equity tier 1 capital available for use as a buffer | 18.9% | 17.3% | 16.3% | 16.2% | 15.4% |

Capital requirement – Parent company

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Credit risk according to standardised approach | 11,258 | 11,390 | 11,190 | 10,645 | 11,120 |
| Credit risk according to IRB Approach | 19,043 | 19,295 | 20,657 | 19,541 | 20,377 |
| Market risk | 873 | 817 | 711 | 796 | 825 |
| Credit valuation adjustment risk (CVA) | 594 | 650 | 645 | 568 | 713 |
| Operational risk | 3,405 | 3,405 | 3,405 | 3,405 | 3,338 |
| Total capital requirement | 35,173 | 35,557 | 36,608 | 34,955 | 36,373 |
| Adjustment according to Basel I floor | 16,010 | 16,137 | 15,147 | 15,563 | 14,150 |
| Capital requirement, Basel I floor | 51,183 | 51,694 | 51,755 | 50,518 | 50,523 |
| Total own funds, Basel I floor | 133,016 | 126,315 | 124,606 | 118,994 | 119,602 |

Capital requirement credit risks, standardised approach * – Parent company

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Sovereign and central banks | 6 | 4 | 5 | 9 | 6 |
| Municipalities | 2 | 3 | 1 | 1 | 1 |
| Multilateral development banks | 0 | 0 | 0 | 0 | 0 |
| International organisations | 0 | 0 | 0 | 0 | 0 |
| Institutions | 64 | 65 | 58 | 71 | 81 |
| Corporates | 783 | 917 | 818 | 916 | 872 |
| Households | 1,011 | 957 | 938 | 930 | 1,319 |
| Collateral in real estate | 2,665 | 2,574 | 2,487 | 2,269 | 2,029 |
| Past due items | 21 | 19 | 19 | 21 | 25 |
| Equities | 6,111 | 6,354 | 6,372 | 6,050 | 6,129 |
| Other items | 595 | 497 | 492 | 378 | 658 |
| Total | 11,258 | 11,390 | 11,190 | 10,645 | 11,120 |

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

Capital requirement credit risks IRB – Parent company

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Corporates | 14,512 | 15,107 | 15,314 | 14,734 | 15,162 |
| Households | 2,265 | 2,343 | 2,335 | 2,080 | 2,049 |
| Private individuals | 1,788 | 1,847 | 1,831 | 1,563 | 1,544 |
| of which property loans | 812 | 836 | 830 | 746 | 723 |
| of which other loans | 976 | 1,011 | 1,001 | 817 | 821 |
| Small companies | 477 | 496 | 504 | 517 | 505 |
| Institutions | 1,392 | 1,301 | 1,381 | 1,255 | 1,638 |
| Equity exposures | 780 | 456 | 1,541 | 1,384 | 1,436 |
| of which listed shares | - | - | 949 | 979 | 1,025 |
| of which other shares | 780 | 456 | 593 | 405 | 411 |
| Non credit-obligation assets | 92 | 88 | 86 | 87 | 92 |
| Securitisation positions | 2 | - | 0 | 0 | 0 |
| Total IRB | 19,043 | 19,295 | 20,657 | 19,540 | 20,377 |

Capital requirement market risks – Parent company

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|----------------|----------------|----------------|----------------|----------------|
| Position risk in the trading book | 864 | 810 | 703 | 789 | 819 |
| Interest rate risk | 855 | 801 | 694 | 778 | 804 |
| of which positions in securitisation instruments | - | - | 0 | - | - |
| Equity price risk | 9 | 9 | 9 | 11 | 15 |
| Exchange rate risk | - | - | - | - | - |
| Commodities risk | 9 | 7 | 8 | 7 | 6 |
| Settlement risk | 0 | 0 | 0 | 0 | 0 |
| Total capital requirement for market risks | 873 | 817 | 711 | 796 | 825 |

Leverage ratio – Parent company

| SEK m | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 |
|---|------------------|------------------|------------------|------------------|------------------|
| Balance sheet according to accounting regulations | 1,894,704 | 2,177,365 | 2,294,735 | 2,145,892 | 1,840,058 |
| Adjustment for differences between carrying amount and leverage ratio exposure - derivatives | -12,825 | -18,977 | -16,621 | -21,580 | -29,556 |
| Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans | 4,440 | 5,447 | 8,471 | 8,312 | 4,792 |
| Assets reported off the balance sheet, gross (before adjustment for conversion factor) | 539,468 | 539,151 | 531,167 | 525,339 | 530,343 |
| Deduction from assets off the balance sheet after application of conversion factor | -348,431 | -347,254 | -343,000 | -335,227 | -338,334 |
| Assets reported off the balance sheet, net | 191,037 | 191,897 | 188,167 | 190,112 | 192,009 |
| Additional adjustment | -572,136 | -563,981 | -8,361 | -7,500 | -5,880 |
| Assets on which the leverage ratio is calculated | 1,505,220 | 1,791,751 | 2,466,391 | 2,315,236 | 2,001,423 |
| Capital on which the leverage ratio can be calculated | | | | | |
| Tier 1 capital | 115,651 | 108,898 | 107,453 | 101,931 | 102,557 |
| Leverage ratio | | | | | |
| Leverage ratio calculated on tier 1 capital | 7.7% | 6.1% | 4.4% | 4.4% | 5.1% |

PRESS AND TELEPHONE CONFERENCE

A conference for members of the press and analysts is being arranged at the Bank's head office at 9.00 a.m. (CET) on 8 February.

A phone conference will be held at 11.00 a.m. (CET) on 8 February.

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

The Annual Report for 2016 will be published during the week starting 13 February and will then be available at handelsbanken.se/ireng.

The Bank's 2017 AGM will be held at the Grand Hotel's Winter Garden, Royal Entrance, Stallgatan 4, Stockholm, at 10.00 a.m. (CET) on 29 March.

The interim report for January – March 2017 will be published on 26 April 2017.

For further information, please contact:

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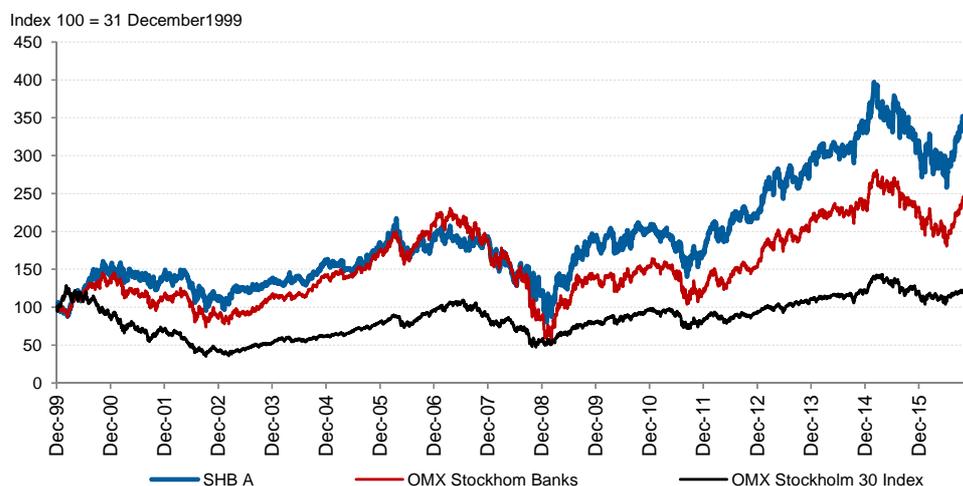
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Share price performance and other information

The Swedish stock market grew by 5% during the year. The Stockholm stock exchange's bank index rose by 11%. Handelsbanken's class A shares closed at SEK 126.60, a rise of 12%, but including dividends paid amounting to SEK 6.00, the total return was 17%. Since 1 January 2000, Handelsbanken's share price has increased by 255%, excluding dividends, while the Stockholm stock exchange has risen by 27%.

SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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