

Handelsbanken's Interim Report

JANUARY – JUNE 2014

Summary January – June 2014, compared with January – June 2013

- The period's profit after tax for total operations increased by 11% to SEK 7,943m (7,161)
- Earnings per share for total operations increased to SEK 12.50 (11.29)
- Operating profit went up by 10% to SEK 9,997m (9,059) and rose by 17% in home markets outside Sweden
- Return on equity for total operations rose to 14.3% (14.2)
- Income increased by 6% to SEK 19,128m (18,040)
- Net interest income went up by 1% to SEK 13,357m (13,214) and in the home markets outside Sweden, net interest income increased by 12%
- The C/I ratio improved to 44.7% (46.5)
- The loan loss ratio was 0.07% (0.07)
- The common equity tier 1 ratio according to CRD IV increased to 20.1% (17.8) and the total capital ratio rose to 25.0% (21.1)
- The Bank's liquidity reserve exceeded SEK 800bn
- The Bank has decided to establish a fifth regional bank in the UK, with its head office in Leeds

Summary of Q2 2014, compared with Q1 2014

- The period's profit after tax for total operations increased by 3% to SEK 4,034m (3,909) and earnings per share were SEK 6.35 (6.15)
- Operating profit increased by 3% to SEK 5,077m (4,920)
- Return on equity for total operations rose to 15.1% (14.1)
- Income increased by 2% to SEK 9,647m (9,481)
- Net interest income rose by 1% to SEK 6,704m (6,653)
- The loan loss ratio was 0.06% (0.07)

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Handelsbanken Group – Overview

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Summary income statement									
Net interest income	6,704	6,653	1%	6,673	0%	13,357	13,214	1%	26,669
Net fee and commission income	2,135	2,060	4%	1,924	11%	4,195	3,801	10%	7,804
Net gains/losses on financial transactions	466	658	-29%	440	6%	1,124	699	61%	1,357
Risk result - insurance	43	42	2%	26	65%	85	77	10%	142
Other dividend income	245	4		155	58%	249	156	60%	161
Share of profit of associates	5	-11		2	150%	-6	-3	-100%	9
Other income	49	75	-35%	20	145%	124	96	29%	185
Total income	9,647	9,481	2%	9,240	4%	19,128	18,040	6%	36,327
Staff costs	-2,910	-2,887	1%	-2,796	4%	-5,797	-5,579	4%	-11,404
Other administrative expenses	-1,267	-1,248	2%	-1,304	-3%	-2,515	-2,583	-3%	-5,181
Depreciation, amortisation and impairments of property, equipment and intangible assets	-122	-111	10%	-115	6%	-233	-235	-1%	-476
Total expenses	-4,299	-4,246	1%	-4,215	2%	-8,545	-8,397	2%	-17,061
Profit before loan losses	5,348	5,235	2%	5,025	6%	10,583	9,643	10%	19,266
Net loan losses	-272	-315	-14%	-306	-11%	-587	-589	0%	-1,195
Gains/losses on disposal of property, equipment and intangible assets	1	0		4	-75%	1	5	-80%	17
Operating profit	5,077	4,920	3%	4,723	7%	9,997	9,059	10%	18,088
Taxes	-1,074	-1,038	3%	-1,067	1%	-2,112	-1,952	8%	-3,915
Profit for the period from continuing operations	4,003	3,882	3%	3,656	9%	7,885	7,107	11%	14,173
Profit for the period pertaining to discontinued operations, after tax	31	27	15%	39	-21%	58	54	7%	122
Profit for the period	4,034	3,909	3%	3,695	9%	7,943	7,161	11%	14,295
Summary balance sheet									
Loans to the public	1,765,160	1,727,011	2%	1,685,665	5%	1,765,160	1,685,665	5%	1,696,339
<i>of which mortgage loans</i>	994,531	972,365	2%	924,891	8%	994,531	924,891	8%	955,251
Deposits and borrowing from the public	943,151	867,225	9%	636,776	48%	943,151	636,776	48%	825,205
<i>of which households</i>	308,777	291,582	6%	280,957	10%	308,777	280,957	10%	287,319
Total equity	116,814	107,820	8%	102,391	14%	116,814	102,391	14%	111,339
Total assets	2,680,291	2,575,840	4%	2,385,323	12%	2,680,291	2,385,323	12%	2,484,721
Summary of key figures									
Return on equity, total operations *	15.1%	14.1%		15.1%		14.3%	14.2%		13.9%
Return on equity, continuing operations *	15.0%	14.0%		14.9%		14.2%	14.1%		13.8%
C/I ratio, continuing operations	44.6%	44.8%		45.6%		44.7%	46.5%		47.0%
Earnings per share, total operations, SEK	6.35	6.15		5.82		12.50	11.29		22.52
- after dilution	6.26	6.08		5.75		12.34	11.16		22.26
Common equity tier 1 ratio, CRD IV	20.1%	19.5%		17.8%		20.1%	17.8%		18.9%
Total capital ratio, CRD IV	25.0%	24.5%		21.1%		25.0%	21.1%		21.6%

* When calculating return on equity, equity is adjusted for the impact of unrealised changes in the value of financial assets classified as "Available for Sale" and for cash flow hedges and revaluation effects on defined-benefit pension plans.

Group performance

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

The period's profit after tax for total operations increased by 11% to SEK 7,943m (7,161). Earnings per share increased to SEK 12.50 (11.29). Return on equity for total operations was 14.3% (14.2).

The Group's operating profit rose by 10% to SEK 9,997m (9,059). In the home markets outside Sweden, the increase was 17%. The C/I ratio improved to 44.7% (46.5).

Income

SEK m	Jan-Jun 2014	Jan-Jun 2013	Change
Net interest income	13,357	13,214	1%
Net fee and commission income	4,195	3,801	10%
Net gains/losses on financial trans.	1,124	699	61%
Other income	452	326	39%
Total income	19,128	18,040	6%

Income increased by 6% to SEK 19,128m (18,040). Exchange rate movements increased income by SEK 138m.

Net interest income rose by 1% to SEK 13,357m (13,214). A depreciation of the Swedish krona positively affected net interest income by SEK 107m. Higher business volumes boosted net interest income by SEK 640m, while rising lending margins, chiefly in branch operations outside Sweden, improved net interest income by SEK 129m. The combined increase in net interest income was offset by the fact that lower short-term interest rates in Swedish kronor reduced deposit margins and interest income related to equity by a combined total of SEK 689m. Net interest income was also burdened by the benchmark effect in Stadshypotek decreasing by SEK 58m to SEK -45m (13) and the increase in the cost of the Swedish Stabilisation Fund and various deposit guarantees by SEK 63m to SEK -598m (-535).

Net interest income fell by 5% in Sweden, and by 3% in Norway. Net interest income grew by 31% in the UK, by 21% in Finland, by 33% in the Netherlands, and by 7% in Denmark.

The average volume of loans to the public grew by 3% to SEK 1,720bn (1,662). Exchange rate effects increased lending volumes by SEK 10bn. Household lending increased by 7% to SEK 841bn (787) and corporate lending increased marginally to SEK 879bn (875).

The average volume of deposits and borrowing rose by 21% to SEK 841bn (698). The average volume of household deposits went up by 10% to SEK 287bn (260) and corporate deposits increased by 27% to SEK 555bn (438).

Net fee and commission income rose by 10% to SEK 4,195m (3,801), mainly as a result of higher asset management and payment commissions. Fund management commissions rose by 21% to SEK 1,159m (958) and the net increase in commissions from card operations was 28% to SEK 609m (477). Total net fee and commission income from payments increased by 21% to SEK 890m (738).

Net gains/losses on financial transactions grew by 61% to SEK 1,124m (699). Excluding the first-quarter capital gain of SEK 306m from sales of equity holdings, net gains/losses on financial transactions rose by 17%, mainly as a result of higher profits from fixed income and foreign exchange business.

Expenses

SEK m	Jan-Jun 2014	Jan-Jun 2013	Change
Staff costs	-5,797	-5,579	4%
Other administrative expenses	-2,515	-2,583	-3%
Depreciation and amortisation	-233	-235	-1%
Total expenses	-8,545	-8,397	2%

Total expenses rose by 0.5%, adjusted for exchange rate movements. Including exchange rate effects of SEK -102m, expenses rose by almost 2% to SEK -8,545m (-8,397).

Staff costs increased by 4% to SEK -5,797m (-5,579), of which just over one percentage point, or SEK -65m, was attributable to exchange rate effects. The underlying growth was due to annual salary increases and a higher number of employees. The provision to the Oktogonen Foundation amounted to SEK -366m (-512). Variable compensation, including social security costs and other payroll overheads, totalled SEK -63m (-68).

The average number of employees rose by 328 to 11,629 (11,301). This increase was due to the continued expansion in the number of employees in the UK (+361) and the Netherlands (+26). In Sweden, the number of employees decreased.

Other administrative expenses decreased by 3% to SEK -2,515m (-2,583), chiefly due to a fall in IT-related costs and purchased services. Adjusted for exchange rate effects, the decrease was 4%.

Loan losses

SEK m	Jan-Jun 2014	Jan-Jun 2013	Change
Net loan losses	-587	-589	-2
Loan loss ratio as a % of loans	0.07	0.07	0.00
Impaired loans, net	2,392	3,224	-26%
Proportion of impaired loans, %	0.13	0.19	-0.06

Loan losses were SEK -587m (-589) and credit quality remained stable. The loan loss ratio was 0.07% (0.07). Net impaired loans decreased by 26% to SEK 2,392m (3,224), equivalent to 0.13% (0.19) of lending.

Q2 2014 COMPARED WITH Q1 2014

The period's profit after tax for total operations went up by 3% to SEK 4,034m (3,909) and earnings per share were SEK 6.35 (6.15).

Operating profit increased by 3% to SEK 5,077m (4,920) and the C/I ratio was 44.6% (44.8).

Return on equity rose to 15.1% (14.1).

Income

SEK m	Q2 2014	Q1 2014	Change
Net interest income	6,704	6,653	1%
Net fee and commission income	2,135	2,060	4%
Net gains/losses on financial trans.	466	658	-29%
Other income	342	110	211%
Total income	9,647	9,481	2%

Income increased by SEK 166m, or 2%, to SEK 9,647m (9,481). Adjusted for positive exchange rate movements of SEK 106m, income grew by 1%.

Net interest income grew by SEK 51m, or 1%, to SEK 6,704m (6,653). Rising business volumes in deposit and lending operations increased net interest income by SEK 79m, while day effects and exchange rate movements had positive effects of SEK 25m and SEK 85m respectively. The increase in net interest income was limited due to the fact that declining deposit margins reduced net interest income by SEK 31m and lending margins by SEK 10m. The benchmark effect in Stadshypotek decreased by SEK 25m to SEK -35m (-10). The Group's costs for the Swedish Stabilisation Fund and various deposit guarantees went up by SEK 18m to SEK -308m (-290). Other changes are mainly due to lower interest income related to the bank's equity, as a result of lower short-term interest rates in Sweden.

The average volume of loans to the public increased by 2% to SEK 1,736bn (1,703). The total average volume of deposits and borrowing rose by 5% to SEK 861bn (822). Household deposits grew by 3%, while corporate deposits increased by 5%.

Net fee and commission income went up by 4%, or SEK 75m, to SEK 2,135m (2,060). Increasing inflows of new mutual fund volumes contributed to mutual fund commissions growing by 9% to SEK 605m (554). Net payment commissions grew by 7% to SEK 461m (429), mainly as a result of net card income increasing by 8% to SEK 316m (293).

Net gains/losses on financial transactions went down to SEK 466m (658). Adjusted for the capital gain of SEK 306m on the sale of equity holdings in the comparison quarter, net gains/losses on financial transactions rose by 32%, as a result of generally higher business volumes, chiefly in fixed income trading.

Other income increased to SEK 342m (110) due to seasonally higher dividend income of SEK 245m (4) in the second quarter.

Expenses

SEK m	Q2 2014	Q1 2014	Change
Staff costs	-2,910	-2,887	1%
Other administrative expenses	-1,267	-1,248	2%
Depreciation and amortisation	-122	-111	10%
Total expenses	-4,299	-4,246	1%

Adjusted for exchange rate movements, total expenses were unchanged. Including exchange rate effects of SEK -53m, expenses rose by 1% to SEK -4,299m (-4,246). Staff costs rose by 1% to SEK -2,910m (2,887), and other administrative expenses increased by 2% to SEK -1,267m (-1,248).

The provision to the Oktogonen profit-sharing foundation was SEK -183m (-183), and the period's provision for variable compensation totalled SEK -30m (-33).

The average number of employees was more or less unchanged at 11,626 (11,633).

Expansion costs increased by 6% to SEK -103m (-97).

Loan losses

SEK m	Q2 2014	Q1 2014	Change
Net loan losses	-272	-315	-43
Loan loss ratio as a % of loans	0.06	0.07	-0.01
Impaired loans, net	2,392	2,971	-19%
Proportion of impaired loans, %	0.13	0.17	-0.04

Loan losses went down to SEK -272m (-315), and the loan loss ratio fell to 0.06% (0.07). Credit quality remained stable. Net impaired loans decreased by 19% to SEK 2,392m (2,971), equivalent to 0.13% (0.17) of lending.

PERFORMANCE IN THE BUSINESS SEGMENTS

(January – June 2014 compared with January – June 2013)

Branch operations in Sweden decreased their operating profit by 4% to SEK 5,903m (6,172). Income decreased by 2%, while expenses fell by 1%. The loan loss ratio was 0.06% (0.04). Return on equity was 15.5%.

Branch operations in the UK increased their operating profit by 50% to SEK 754m (504). Income increased by 37%, while expenses rose by 41%. The loan loss ratio fell to 0.08% (0.18). Return on equity was 15.1%.

Branch operations in Denmark increased their operating profit by 31% to SEK 487m (371). Income grew by 10% and expenses increased by 5%. The loan loss ratio fell to 0.06% (0.21). Return on equity was 14.9%.

Branch operations in Finland increased their operating profit by 19% to SEK 422m (356). Income increased by 19%, while expenses were unchanged. The loan loss ratio increased to 0.30% (0.16). Return on equity was 12.1%.

Branch operations in Norway decreased their operating profit by 2% to SEK 1,226m (1,247). Income decreased by 1%, while expenses rose by 4%. The loan loss ratio fell to 0.07% (0.10). Return on equity was 16.1%.

Branch operations in the Netherlands increased their operating profit by 45% to SEK 48m (33). Income grew by 34% and expenses increased by 30%. The loan loss ratio was 0.01% (0.01). Return on equity was 10.6%.

Handelsbanken International increased its operating profit by 42% to SEK 136m (96), due to recoveries. Income decreased by 2%, while expenses were unchanged. Net recoveries meant that the loan loss ratio improved to -0.33% (0.05). Return on equity was 6.2%.

Handelsbanken Capital Markets increased its operating profit by 47% to SEK 910m (620). Income increased by 13%, while expenses decreased by 2%. Return on equity was 16.6%.

FUNDING AND LIQUIDITY

During the period, Handelsbanken's activity in the long-term funding market was slightly lower than last year, due to the Bank's very strong liquidity position. The work of diversifying long-term funding has continued, and the Bank has been active on bond markets such as Australia and the US. In the first six months of 2014, the Bank issued bonds with a total value of SEK 95bn (first half of 2013: SEK 123bn), of which SEK 73bn were in covered bonds and SEK 22bn in senior bonds. No extendible notes were issued in the first half of the year (first half of 2013: SEK 40bn).

During the second quarter the Bank issued a convertible subordinated bond for SEK 3.2bn to the Group's employees on market terms. Demand was large and the issue was more than three times over-subscribed.

Total liquidity reserves exceeded SEK 800bn. Cash funds and liquid assets invested with central banks amounted to SEK 476bn, while the volume of liquid bonds and other liquid assets totalled SEK 79bn. The remainder of the reserve mainly comprises an unutilised issue amount for covered bonds at Stadshypotek.

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of the period was 149%. In USD, the LCR was 127% and in EUR it was 190%. The Group's LCR according to the definition in CRD IV is estimated to be approximately 162%.

CAPITAL

SEK m	30 Jun 2014	31 Mar 2014	Change
Common equity tier 1 ratio, CRD IV	20.1%	19.5%	0.6
Total capital ratio, CRD IV	25.0%	24.5%	0.5
Risk exposure amount CRD IV, SEK	497,050	487,913	2%
Common equity tier 1 capital	99,797	95,293	5%
Total own funds	124,152	119,303	4%
Capital requirement, Basel I floor	88,657	85,892	3%
Total capital base, Basel I floor	126,380	121,519	4%

30 June 2014 compared with 31 March 2014

The capital base increased to SEK 124bn (119) and the total capital ratio according to CRD IV rose to 25.0% (24.5%).

Common equity tier 1 capital increased to SEK 100bn (95) and the common equity tier 1 ratio according to CRD IV rose by 0.6 percentage points to 20.1%, with the period's profit contributing 0.4 percentage points.

Higher lending volume reduced the common equity tier 1 ratio by 0.4 percentage points. Credit risk migration in the loan portfolio had a negative effect of 0.1 percentage point. The mix effect of the fact that new lending volumes are of better credit quality than the volumes leaving the portfolio made a positive contribution of 0.1 percentage points. Lower lending volumes in default increased the common equity tier 1 ratio by 0.1 percentage point.

Exchange rate movements increased the common equity tier 1 ratio by 0.2 percentage points. The effect of IAS 19 (pensions) and other net effects increased the common equity tier 1 capital by a total of 0.3 percentage points.

30 June 2014 compared with 30 June 2013

The common equity tier 1 capital increased by 10% to SEK 100bn (91) and the common equity tier 1 ratio rose to 20.1% (17.8). Of the increase of 2.3 percentage points, the period's profit contributed 0.7 percentage points after a deduction for dividends, while higher lending volumes had a -0.3 percentage point impact and credit risk migration in the loan portfolio reduced the common equity tier 1 ratio by 0.1 percentage point. The mix effect of the fact that new lending volumes are of better credit quality than the volumes leaving the portfolio made a positive contribution of 0.7 percentage points. A lower credit volume in default made a positive contribution of 0.2 percentage points. The effect of IAS 19 (pensions) had a positive impact of 0.3 percentage points, and lower market risks by 0.2 percentage points. Exchange rate effects made a positive contribution of 0.1 percentage points, while the net effect of other factors reduced the common equity tier 1 ratio by 0.5 percentage points.

Capital requirements for Swedish banks

On 8 May, the Swedish Financial Supervisory Authority published a memorandum on new capital requirements for Swedish banks. This memorandum includes the overall capital assessment in Pillar 2, capital requirements for systemically important banks, an increase in the capital surcharge for Swedish mortgage loans, and the counter-cyclical capital buffer.

In the memorandum, the capital surcharge in Pillar 2 has only been calculated as a standardised value of 1.5%

for all systemically important banks. This autumn, the Swedish Financial Supervisory Authority will present standardised calculation models to be used by the banks. In the assessment of the final common equity tier 1 capital requirement, the size of the Pillar 2 surcharge is the chief remaining uncertainty factor.

The Bank's assessment is that, taking account of the future regulations, the Group is well-capitalised.

For further information, see note 19.

RATING

In May, the Moody's ratings agency changed its outlook to Negative for several banks, including Handelsbanken and the three other largest banks in Sweden. This change took place when Moody's carried out a review of the effects of the limited scope for government support in the new crisis management directive. Otherwise, Handelsbanken's short-term and long-term ratings with the rating agencies which monitor the Bank were unchanged during the quarter.

	Long-term	Short-term	Financial strength
Standard & Poor's	AA-	A-1+	
Fitch	AA-	F1+	
Moody's	Aa3	P-1	C
DBRS	AA (low)		

Handelsbanken Group – Business segments

January - June 2014		Branch operations - Home markets									Group Jan-Jun 2014
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Inter- national	Capital Markets	Other	Adj. & elim.	
Net interest income	7,884	1,601	769	684	1,702	137	327	59	219	-25	13,357
Net fee and commission income	1,889	159	202	217	194	12	134	1,401	-13		4,195
Net gains/losses on financial transactions	238	73	33	37	40	5	44	750	-96		1,124
Risk result - insurance								85			85
Share of profit of associates									-6		-6
Other income	32	7	14	4	11		6	2	297		373
Total income	10,043	1,840	1,018	942	1,947	154	511	2,297	401	-25	19,128
Staff costs	-1,677	-677	-287	-168	-343	-61	-258	-1,020	-1,306	0	-5,797
Other administrative expenses	-556	-150	-87	-73	-116	-12	-86	-348	-1,087		-2,515
Internal purchased and sold services	-1,533	-198	-127	-121	-189	-31	-70	13	2,231	25	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-38	-11	-9	-4	-5	-1	-5	-32	-128		-233
Total expenses	-3,804	-1,036	-510	-366	-653	-105	-419	-1,387	-290	25	-8,545
Profit before loan losses	6,239	804	508	576	1,294	49	92	910	111	0	10,583
Net loan losses	-336	-51	-21	-154	-68	-1	44				-587
Gains/losses on disposal of property, equipment and intangible assets		1		0			0	0	0		1
Operating profit	5,903	754	487	422	1,226	48	136	910	111	0	9,997
Profit allocation	457	17	27	40	25	6	19	-591	0		
Operating profit after profit allocation	6,360	771	514	462	1,251	54	155	319	111	0	9,997
Internal income *	-483	-589	-244	-220	-1,730	-83	-14	-639	4,002		

January - June 2013		Branch operations - Home markets									Group Jan-Jun 2013
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Inter- national	Capital Markets	Other	Adj. & elim.	
Net interest income	8,267	1,223	719	567	1,754	103	314	89	199	-21	13,214
Net fee and commission income	1,664	67	163	199	174	11	160	1,363	0		3,801
Net gains/losses on financial transactions	306	44	33	22	42	1	43	509	-301		699
Risk result - insurance								77			77
Share of profit of associates									-3		-3
Other income	10	9	9	3	5		4	-2	214		252
Total income	10,247	1,343	924	791	1,975	115	521	2,036	109	-21	18,040
Staff costs	-1,655	-461	-267	-167	-330	-45	-259	-1,016	-1,368	-11	-5,579
Other administrative expenses	-603	-109	-89	-74	-113	-10	-81	-393	-1,111		-2,583
Internal purchased and sold services	-1,538	-153	-122	-118	-179	-26	-72	18	2,169	21	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-45	-11	-8	-6	-5	0	-6	-25	-129		-235
Total expenses	-3,841	-734	-486	-365	-627	-81	-418	-1,416	-439	10	-8,397
Profit before loan losses	6,406	609	438	426	1,348	34	103	620	-330	-11	9,643
Net loan losses	-238	-105	-67	-70	-101	-1	-7				-589
Gains/losses on disposal of property, equipment and intangible assets	4	0	-		0		0	0	1		5
Operating profit	6,172	504	371	356	1,247	33	96	620	-329	-11	9,059
Profit allocation	359	9	18	26	14	3	11	-440	0		
Operating profit after profit allocation	6,531	513	389	382	1,261	36	107	180	-329	-11	9,059
Internal income *	-608	-594	-200	-208	-1,800	-72	-49	-712	4,243		

* Internal income which is included in total income comprises income from transactions with 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 among segments and Other.

The business segments consist of the branch operations in Sweden, the UK, Denmark, Finland, Norway and the Netherlands, as well as Handelsbanken International and 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 Capital Markets' operating profit that does not involve risk-taking is distributed to the branch with customer responsibility.

Branch operations in Sweden

Branch operations in Sweden comprise six regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 462 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches. Stadshypotek is the Bank's mortgage company, and is completely integrated with the branch operations.

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	3,947	3,937	0%	4,173	-5%	7,884	8,267	-5%	16,424
Net fee and commission income	969	920	5%	838	16%	1,889	1,664	14%	3,528
Net gains/losses on financial transactions	152	86	77%	190	-20%	238	306	-22%	462
Other income	13	19	-32%	3	333%	32	10	220%	27
Total income	5,081	4,962	2%	5,204	-2%	10,043	10,247	-2%	20,441
Staff costs	-837	-840	0%	-822	2%	-1,677	-1,655	1%	-3,300
Other administrative expenses	-290	-266	9%	-301	-4%	-556	-603	-8%	-1,190
Internal purchased and sold services	-769	-764	1%	-770	0%	-1,533	-1,538	0%	-3,027
Depreciation, amortisation and impairments of property, equipment and intangible assets	-19	-19	0%	-25	-24%	-38	-45	-16%	-87
Total expenses	-1,915	-1,889	1%	-1,918	0%	-3,804	-3,841	-1%	-7,604
Profit before loan losses	3,166	3,073	3%	3,286	-4%	6,239	6,406	-3%	12,837
Net loan losses	-88	-248	-65%	-135	-35%	-336	-238	41%	-357
Gains/losses on disposal of property, equipment and intangible assets	-	-		3		-	4		9
Operating profit	3,078	2,825	9%	3,154	-2%	5,903	6,172	-4%	12,489
Profit allocation	248	209	19%	197	26%	457	359	27%	902
Operating profit after profit allocation	3,326	3,034	10%	3,351	-1%	6,360	6,531	-3%	13,391
Internal income	-136	-347	61%	-223	39%	-483	-608	21%	-1,104
Cost/income ratio, %	35.9	36.5		35.5		36.2	36.2		35.6
Loan loss ratio, %	0.03	0.09		0.05		0.06	0.04		0.03
Allocated capital	62,698	65,504	-4%	55,842	12%	62,698	55,842	12%	61,805
Return on allocated capital, %	16.5	14.5		18.7		15.5	17.6		17.7
Average number of employees	4,316	4,350	-1%	4,342	-1%	4,333	4,346	0%	4,420
Number of branches	462	462	0%	461	0%	462	461	0%	462

BUSINESS VOLUMES

Average volumes, SEK bn	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Loans to the public*									
Household	639	631	1%	610	5%	635	606	5%	613
of which mortgage loans	588	580	1%	556	6%	584	552	6%	560
Corporate	487	486	0%	496	-2%	486	489	-1%	490
of which mortgage loans	267	260	3%	246	9%	263	242	9%	248
Total	1,126	1,117	1%	1,106	2%	1,121	1,095	2%	1,103
Deposits and borrowing from the public									
Household	236	231	2%	217	9%	233	215	8%	220
Corporate	163	168	-3%	163	0%	166	166	0%	166
Total	399	399	0%	380	5%	399	381	5%	386

* Excluding loans to the National Debt Office.

JANUARY– JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Financial performance

Operating profit fell by 4% to SEK 5,903m (6,172), due to lower net interest income and higher loan losses.

Net interest income decreased by SEK 383m, or 5%, to SEK 7,884m (8,267). A lower interest rate environment reduced the deposit margin by SEK 156m, and interest income on allocated equity decreased by SEK 363m. Lending margins had a positive impact of SEK 35m, and growing deposit and lending volumes increased net interest income by SEK 200m. The benchmark effect in Stadshypotek reduced net interest income by SEK 58m to SEK -45m (13). Fees for the Swedish Stabilisation Fund and the deposit guarantee increased by SEK 35m to SEK -336m (-301).

Net fee and commission income grew by 14% to SEK 1,889m (1,664), chiefly due to increased payment and mutual fund commissions.

Net gains/losses on financial transactions fell by 22% to SEK 238m (306).

Total expenses went down by 1% to SEK -3,804m (-3,841), as a result of lower administrative expenses. The C/I ratio was unchanged at 36.2% (36.2).

Loan losses increased to SEK -336m (-238) and the loan loss ratio was 0.06% (0.04).

Business development

The average volume of deposits from households continued to increase, amounting to SEK 233bn (215), a rise of 8% compared with the equivalent period in the previous year. During the first six months of the year, new savings in the Bank's mutual funds in Sweden amounted to SEK 19.6bn, corresponding to a market share of 24%.

The average volume of mortgage loans to private individuals increased by 6% to SEK 584bn (552), while the average volume of lending to companies fell by 1% to SEK 486bn (489).

Q2 2014 COMPARED WITH Q1 2014

Operating profit improved by 9% to SEK 3,078m (2,825), chiefly due to lower loan losses. Income grew by 2% and expenses increased by 1%.

Net interest income grew slightly to SEK 3,947m (3,937). Deposit margins went down by SEK -43m as a result of lower short-term interest rates. Lending margins improved, and had a SEK 27m positive impact on net interest income. At the same time, higher lending volumes positively affected net interest income by SEK 31m. Fees for the Swedish Stabilisation Fund and the deposit guarantee increased by SEK 10m to SEK -173m (-163), and the benchmark effect in Stadshypotek fell by SEK 25m to SEK -35m (-10).

Lending to households continued to grow and the average volume of mortgage loans to private individuals increased by 1% to SEK 588bn (580). The gross margin on the mortgage portfolio – before advisory and administration expenses – was 0.92% (0.91). The average volume of corporate lending was generally unchanged at SEK 487bn (486).

Net fee and commission income rose by 5% to SEK 969m (920), chiefly due to fund management and payment commissions.

Net gains/losses on financial transactions increased to SEK 152m (86) due to increased customer activity.

Expenses rose by 1% to SEK -1,915m (-1,889). Staff costs were largely unchanged, and other expenses went up by 3%. The average number of employees fell by 1% to 4,316 (4,350).

Loan losses went down to SEK -88m (-248), and the loan loss ratio fell to 0.03% (0.09).

Branch operations in the UK

Branch operations in the UK comprise four 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 170 branches throughout the UK.

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	834	767	9%	631	32%	1,601	1,223	31%	2,624
Net fee and commission income	83	76	9%	42	98%	159	67	137%	213
Net gains/losses on financial transactions	37	36	3%	21	76%	73	44	66%	120
Other income	4	3	33%	6	-33%	7	9	-22%	13
Total income	958	882	9%	700	37%	1,840	1,343	37%	2,970
Staff costs	-348	-329	6%	-241	44%	-677	-461	47%	-1,059
Other administrative expenses	-79	-71	11%	-53	49%	-150	-109	38%	-243
Internal purchased and sold services	-102	-96	6%	-81	26%	-198	-153	29%	-317
Depreciation, amortisation and impairments of property, equipment and intangible assets	-6	-5	20%	-4	50%	-11	-11	0%	-41
Total expenses	-535	-501	7%	-379	41%	-1,036	-734	41%	-1,660
Profit before loan losses	423	381	11%	321	32%	804	609	32%	1,310
Net loan losses	-51	0		-50	2%	-51	-105	-51%	-168
Gains/losses on disposal of property, equipment and intangible assets	1	0		0		1	0		1
Operating profit	373	381	-2%	271	38%	754	504	50%	1,143
Profit allocation	8	9	-11%	5	60%	17	9	89%	30
Operating profit after profit allocation	381	390	-2%	276	38%	771	513	50%	1,173
Internal income	-289	-300	4%	-303	5%	-589	-594	1%	-1,212
Cost/income ratio, %	55.4	56.2		53.8		55.8	54.3		55.3
Loan loss ratio, %	0.15	0.00		0.17		0.08	0.18		0.14
Allocated capital	7,732	8,186	-6%	6,477	19%	7,732	6,477	19%	7,644
Return on allocated capital, %	15.4	14.9		13.3		15.1	12.3		13.2
Average number of employees	1,547	1,476	5%	1,201	29%	1,512	1,151	31%	1,260
Number of branches	170	166	2%	147	16%	170	147	16%	161

BUSINESS VOLUMES

Average volumes, GBP m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Loans to the public									
Household	3,921	3,763	4%	3,122	26%	3,842	3,042	26%	3,252
Corporate	8,924	8,782	2%	8,317	7%	8,853	8,169	8%	8,381
Total	12,845	12,545	2%	11,439	12%	12,695	11,211	13%	11,633
Deposits and borrowing from the public									
Household	1,222	1,032	18%	605	102%	1,127	576	96%	688
Corporate	6,431	5,366	20%	2,438	164%	5,899	2,363	150%	2,988
Total	7,653	6,398	20%	3,043	151%	7,026	2,939	139%	3,676

JANUARY– JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Financial performance

Operating profit rose by 50% to SEK 754m (504), chiefly due to higher net interest income and improved net fee and commission income. Exchange rate movements had a positive effect of SEK 37m, and expressed in local currency, operating profit grew by 38%. The result was charged with expenses related to continuing expansion; over the past 12 months, 23 new branches have been opened.

Profit before loan losses grew by 32% to SEK 804m (609), as a result of continuing growth in business volumes and customer numbers.

Income increased by 37% and net interest income grew by 31% to SEK 1,601m (1,223). The increase was mainly attributable to larger deposit and lending volumes, but also to higher lending margins.

Net fee and commission income more than doubled, growing by 137% to SEK 159m (67). The increase was attributable mainly to increased asset management commissions, but also to higher payment commissions. Heartwood, which was acquired in May 2013, contributed asset management and advisory commissions of SEK 93m (13).

Net gains/losses on financial transactions increased by 66% to SEK 73m (44).

Expenses rose by 41% to SEK -1,036m (-734); this was attributable entirely to the continuing expansion. The average number of employees increased by 31% to 1,512 (1,151).

Loan losses went down to SEK -51m (-105), and the loan loss ratio fell to 0.08% (0.18).

Business development

Business volumes – particularly deposits – continued to grow. The average volume of lending increased by GBP 1.5bn, while deposits grew by GBP 4.1bn. The loan/deposit ratio has fallen from 352% to 168% over a two-year period. The average volume of lending increased by 13% compared to the corresponding period in the previous year; within this figure, lending to households grew by 26%. The average volume of deposits was up 139%; household deposits increased by 96%.

During the second quarter of the year, four new branches were opened, so that at the end of the quarter, the Bank had 170 branches in the UK. In addition, managers have been recruited for another six new branches.

Work with integrating the Bank's acquisition of the Heartwood asset management company continues according to plan. Since the acquisition was made at the end of May 2013, assets under management have increased from GBP 1.5bn to GBP 2.1bn.

The Bank has decided to establish a fifth regional bank in the UK, with its head office in Leeds. This will start up during the first quarter of 2015.

Q2 2014 COMPARED WITH Q1 2014

Operating profit decreased by 2% to SEK 373m (381) due to higher loan losses. Exchange rate effects had a positive effect of SEK 14m.

Income rose by 9%, due chiefly to higher net interest income, but also to improved net fee and commission income. Of this increase, four percentage points stemmed from exchange rate movements.

Net interest income grew by 9% to SEK 834m (767), due to higher business volumes and increasing lending margins to companies. In local currency, the average volume of deposits grew by 20% and lending volumes increased by 2%.

Net fee and commission income rose by 9% to SEK 83m (76).

Expenses increased by 7% to SEK -535m (-501), 4 percentage points of this was attributable to exchange rate movements. The average number of employees rose by 5% to 1,547 (1,476).

Loan losses increased to SEK -51m (0), and the loan loss ratio was 0.15% (0.00).

Branch operations in Denmark

Branch operations in Denmark comprise the regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Denmark. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 57 branches throughout Denmark. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	389	380	2%	363	7%	769	719	7%	1,519
Net fee and commission income	107	95	13%	82	30%	202	163	24%	329
Net gains/losses on financial transactions	8	25	-68%	25	-68%	33	33	0%	97
Other income	8	6	33%	4	100%	14	9	56%	18
Total income	512	506	1%	474	8%	1,018	924	10%	1,963
Staff costs	-147	-140	5%	-137	7%	-287	-267	7%	-546
Other administrative expenses	-44	-43	2%	-43	2%	-87	-89	-2%	-175
Internal purchased and sold services	-64	-63	2%	-59	8%	-127	-122	4%	-252
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-4	25%	-4	25%	-9	-8	13%	-17
Total expenses	-260	-250	4%	-243	7%	-510	-486	5%	-990
Profit before loan losses	252	256	-2%	231	9%	508	438	16%	973
Net loan losses	-23	2		-37	-38%	-21	-67	-69%	-161
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	229	258	-11%	194	18%	487	371	31%	812
Profit allocation	14	13	8%	10	40%	27	18	50%	47
Operating profit after profit allocation	243	271	-10%	204	19%	514	389	32%	859
Internal income	-129	-115	-12%	-94	-37%	-244	-200	-22%	-395
Cost/income ratio, %	49.4	48.2		50.2		48.8	51.6		49.3
Loan loss ratio, %	0.13	-0.01		0.22		0.06	0.21		0.25
Allocated capital	5,172	5,564	-7%	4,985	4%	5,172	4,985	4%	5,348
Return on allocated capital, %	14.7	15.2		12.7		14.9	11.8		12.7
Average number of employees	635	633	0%	626	1%	634	623	2%	624
Number of branches	57	57	0%	55	4%	57	55	4%	56

BUSINESS VOLUMES

Average volumes, DKK bn	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Loans to the public									
Household	32.4	31.4	3%	28.7	13%	31.9	28.3	13%	29.1
Corporate	28.2	28.0	1%	31.5	-10%	28.1	31.1	-10%	30.0
Total	60.6	59.4	2%	60.2	1%	60.0	59.4	1%	59.1
Deposits and borrowing from the public									
Household	10.0	9.4	6%	9.2	9%	9.7	9.0	8%	9.1
Corporate	12.2	15.2	-20%	12.6	-3%	13.7	13.7	0%	13.6
Total	22.2	24.6	-10%	21.8	2%	23.4	22.7	3%	22.7

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Financial performance

Operating profit rose by 31% to SEK 487m (371), due to higher income and lower loan losses. Exchange rate movements increased operating profit by SEK 17m, and expressed in local currency, operating profit improved by 25%. Profit before loan losses increased by 16% to SEK 508m (438). Income increased by 10%, while expenses grew by only 5%.

Net interest income grew by 7%, or SEK 50m, to SEK 769m (719). In local currency, the increase was 2%, and was due chiefly to lending business, where both volumes and margins rose. Deposit margins recovered somewhat, and made a positive contribution of SEK 5m to net interest income. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Danish state deposit guarantee, burdened net interest income by SEK -25m (-22).

Expenses increased by SEK 24m, or 5%, to SEK -510m (-486). Adjusted for exchange rate movements of SEK -23m, expenses were more or less unchanged. The average number of employees was 634 (623).

Loan losses decreased to SEK -21m (-67), which corresponds to a loan loss ratio of 0.06% (0.21).

Business development

The Bank continued to have a stable inflow of new customers, and both business volumes and market shares continued to increase. The average volume of lending to households climbed by 13%, while corporate lending declined by 10%. In total, the average volume of loans to the public increased by DKK 0.6bn. The average volume of deposits from the public grew by DKK 0.7bn, or 3%, to DKK 23.4bn (22.7). Fund saving also performed well and increased by 17%.

During the first quarter of the year, one new branch was opened, in Aarhus North, bringing the Bank's total number of branches in Denmark to 57.

Q2 2014 COMPARED WITH Q1 2014

Operating profit decreased by 11% to SEK 229m (258). This was due to the fact that the loan loss ratio in the quarter was 0.13%, while in the period of comparison there were net recoveries. Exchange rate effects increased operating profit by SEK 5m. Profit before loan losses for the quarter declined by 2%. Income increased by 1% and expenses by 4%.

Net interest income grew by 2% to SEK 389m (380), chiefly due to higher lending volumes. Stiffer competition meant that lending margins decreased, which was offset by higher deposit margins.

Net fee and commission income rose by 13% to SEK 107m (95), as a result of increased asset management income and lending commissions.

Net gains/losses on financial transactions decreased to SEK 8m (25).

Expenses increased by 4% to SEK -260m (-250). Excluding exchange rate movements of SEK -5m, the increase was 2%.

Loan losses were SEK -23m (2), and the loan loss ratio was thus 0.13% (-0.01).

Branch operations in Finland

Branch operations in Finland comprise the 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 46 branches throughout Finland. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	340	344	-1%	294	16%	684	567	21%	1,219
Net fee and commission income	109	108	1%	100	9%	217	199	9%	412
Net gains/losses on financial transactions	28	9	211%	13	115%	37	22	68%	40
Other income	2	2	0%	1	100%	4	3	33%	5
Total income	479	463	3%	408	17%	942	791	19%	1,676
Staff costs	-83	-85	-2%	-84	-1%	-168	-167	1%	-331
Other administrative expenses	-38	-35	9%	-40	-5%	-73	-74	-1%	-145
Internal purchased and sold services	-60	-61	-2%	-60	0%	-121	-118	3%	-239
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-2	0%	-2	0%	-4	-6	-33%	-10
Total expenses	-183	-183	0%	-186	-2%	-366	-365	0%	-725
Profit before loan losses	296	280	6%	222	33%	576	426	35%	951
Net loan losses	-106	-48	121%	-34	212%	-154	-70	120%	-268
Gains/losses on disposal of property, equipment and intangible assets	-	0		-		0	-		0
Operating profit	190	232	-18%	188	1%	422	356	19%	683
Profit allocation	19	21	-10%	15	27%	40	26	54%	70
Operating profit after profit allocation	209	253	-17%	203	3%	462	382	21%	753
Internal income	-119	-101	-18%	-97	-23%	-220	-208	-6%	-417
Cost/income ratio, %	36.7	37.8		44.0		37.3	44.7		41.5
Loan loss ratio, %	0.42	0.19		0.16		0.30	0.16		0.30
Allocated capital	5,717	6,204	-8%	5,371	6%	5,717	5,371	6%	6,121
Return on allocated capital, %	11.4	12.7		11.8		12.1	10.6		9.9
Average number of employees	500	486	3%	496	1%	493	487	1%	490
Number of branches	46	45	2%	45	2%	46	45	2%	45

BUSINESS VOLUMES

Average volumes, EUR m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Loans to the public									
Household	3,811	3,787	1%	3,667	4%	3,799	3,632	5%	3,693
Corporate	8,369	8,207	2%	7,955	5%	8,288	7,881	5%	7,979
Total	12,180	11,994	2%	11,622	5%	12,087	11,513	5%	11,672
Deposits and borrowing from the public									
Household	1,235	1,249	-1%	1,256	-2%	1,242	1,264	-2%	1,262
Corporate	3,119	3,043	2%	1,457	114%	3,081	1,502	105%	1,764
Total	4,354	4,292	1%	2,713	60%	4,323	2,766	56%	3,026

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Financial performance

Operating profit improved by 19% to SEK 422m (356), as a result of income growing by 19% while expenses were unchanged. Exchange rate effects had a positive effect of SEK 17m on operating profit.

Net interest income went up by 21% to SEK 684m (567), as a result of both growing business volumes and higher lending and deposit margins. Lending margins increased by SEK 25m, and deposit margins by SEK 5m. In local currency, net interest income rose by 15%. Fees for the Swedish Stabilisation Fund and the deposit guarantee went up by SEK 8m and burdened net interest income by SEK -25m (-17).

Net fee and commission income went up by 9% to SEK 217m (199), due mainly to higher securities commissions.

Net gains/losses on financial transactions increased to SEK 37m (22).

Total expenses remained unchanged, amounting to SEK -366m (-365). Adjusted for exchange rate movements of SEK -17m, expenses decreased by 5%. The average number of employees rose to 493 (487).

Loan losses rose to SEK -154m (-70), chiefly due to provisions made on one customer exposure. The loan loss ratio rose to 0.30% (0.16).

Business development

Business volumes increased. The average volume of lending, compared to the corresponding period of the previous year, increased by 5%. The Bank's lending to companies increased by 5%, and the average volume of lending to households rose by 5%.

The average volume of deposits from households decreased by 2%, while corporate deposits increased by 105%.

During the quarter, the Bank opened a new branch in Helsinki-Ruoholahti, bringing the Bank's total number of branches in Finland to 46.

Q2 2014 COMPARED WITH Q1 2014

Operating profit decreased by 18% to SEK 190m (232) due to higher loan losses. Exchange rate effects increased operating profit by SEK 6m. Profit before loan losses increased by 6% as a result of income growing by 3%, while expenses were unchanged.

Net interest income fell by 1% to SEK 340m (344), mainly due to slightly lower lending margins.

Net fee and commission income was generally unchanged, while net gains/losses on financial transactions increased to SEK 28m (9).

Expenses remained unchanged, amounting to SEK -183m (-183).

Loan losses rose to SEK -106m (-48), chiefly due to provisions made on one customer exposure. The loan loss ratio was 0.42% (0.19).

Branch operations in Norway

Branch operations in Norway comprise the 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. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	859	843	2%	905	-5%	1,702	1,754	-3%	3,574
Net fee and commission income	97	97	0%	88	10%	194	174	11%	364
Net gains/losses on financial transactions	23	17	35%	23	0%	40	42	-5%	83
Other income	5	6	-17%	2	150%	11	5	120%	12
Total income	984	963	2%	1,018	-3%	1,947	1,975	-1%	4,033
Staff costs	-174	-169	3%	-159	9%	-343	-330	4%	-662
Other administrative expenses	-63	-53	19%	-54	17%	-116	-113	3%	-232
Internal purchased and sold services	-99	-90	10%	-93	6%	-189	-179	6%	-368
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-2	50%	-2	50%	-5	-5	0%	-10
Total expenses	-339	-314	8%	-308	10%	-653	-627	4%	-1,272
Profit before loan losses	645	649	-1%	710	-9%	1,294	1,348	-4%	2,761
Net loan losses	-47	-21	124%	-38	24%	-68	-101	-33%	-169
Gains/losses on disposal of property, equipment and intangible assets	-	-		0		-	0		0
Operating profit	598	628	-5%	672	-11%	1,226	1,247	-2%	2,592
Profit allocation	14	11	27%	8	75%	25	14	79%	43
Operating profit after profit allocation	612	639	-4%	680	-10%	1,251	1,261	-1%	2,635
Internal income	-898	-832	-8%	-922	3%	-1,730	-1,800	4%	-3,606
Cost/income ratio, %	34.0	32.2		30.0		33.1	31.5		31.2
Loan loss ratio, %	0.10	0.04		0.07		0.07	0.10		0.08
Allocated capital	11,532	12,761	-10%	11,583	0%	11,532	11,583	0%	12,123
Return on allocated capital, %	16.5	15.6		18.3		16.1	16.2		17.0
Average number of employees	663	663	0%	648	2%	663	646	3%	650
Number of branches	50	49	2%	49	2%	50	49	2%	49

BUSINESS VOLUMES

Average volumes, NOK bn	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Loans to the public									
Household	75.8	75.0	1%	71.2	6%	75.4	70.7	7%	72.0
Corporate	113.3	113.4	0%	109.7	3%	113.3	109.8	3%	110.8
Total	189.1	188.4	0%	180.9	5%	188.7	180.5	5%	182.8
Deposits and borrowing from the public									
Household	15.0	14.6	3%	13.7	9%	14.8	13.6	9%	14.0
Corporate	45.1	43.7	3%	32.4	39%	44.4	35.6	25%	35.6
Total	60.1	58.3	3%	46.1	30%	59.2	49.2	20%	49.6

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Financial performance

Operating profit went down by 2% to SEK 1,226m (1,247). The Norwegian krone strengthened and exchange rate movements reduced operating profit by SEK 52m. In local currency, operating profit increased by 3%.

Net interest income fell by 3% to SEK 1,702m (1,754), but adjusted for exchange rate movements of SEK -75m, net interest income improved by 1%. Increased business volumes made a positive contribution of SEK 123m, while a lower interest rate level led to a SEK 77m decrease in net interest income on allocated capital. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Norwegian state deposit guarantee, increased, burdening net interest income by SEK -52m (-39).

Net fee and commission income increased by 11% to SEK 194m (174), chiefly due to higher lending and payment commissions and increased fund management income.

Expenses increased by 4% to SEK -653m (-627). Expressed in local currency, expenses were up by 9%. Staff costs increased by 4%, due to annual salary adjustments and a 3% rise in the average number of employees.

Loan losses went down to SEK -68m (-101), and the loan loss ratio was 0.07% (0.10).

Business development

Business volumes continued to grow. The average volume of lending rose by 5%, with household lending increasing by 7% and corporate lending by 3%.

The average volume of deposits from households increased by 9%, while corporate deposits grew by 25%.

During the first half of the year one new branch was opened, in Oslo-Økern, bringing Handelsbanken's total number of branches in Norway to 50.

Q2 2014 COMPARED WITH Q1 2014

Operating profit decreased by 5% to SEK 598m (628). Exchange rate effects boosted operating profit by SEK 24m.

Net interest income increased by SEK 16m, or 2%, to SEK 859m (843). In local currency, net interest income declined by 2%, chiefly due to lower lending margins.

Net fee and commission income was unchanged, and net gains/losses on financial transactions increased to SEK 23m (17).

Expenses went up by 8% to SEK -339m (-314). Adjusted for exchange rate movements of SEK -11m and non-recurring costs of SEK 13m, expenses were more or less unchanged. Staff costs were unchanged in local currency terms. The average number of employees was unchanged at 663 (663).

Loan losses increased to SEK -47m (-21) and the loan loss ratio was 0.10% (0.04).

Branch operations in the Netherlands

Since January 2013, branch operations in the Netherlands have been organised as a separate regional bank. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 18 branches in the Netherlands.

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	67	70	-4%	53	26%	137	103	33%	230
Net fee and commission income	7	5	40%	5	40%	12	11	9%	23
Net gains/losses on financial transactions	3	2	50%	1	200%	5	1	400%	1
Other income	-	-		-		-	-		-
Total income	77	77	0%	59	31%	154	115	34%	254
Staff costs	-32	-29	10%	-23	39%	-61	-45	36%	-96
Other administrative expenses	-6	-6	0%	-5	20%	-12	-10	20%	-21
Internal purchased and sold services	-15	-16	-6%	-15	0%	-31	-26	19%	-56
Depreciation, amortisation and impairments of property, equipment and intangible assets	-1	0		0		-1	0		-1
Total expenses	-54	-51	6%	-43	26%	-105	-81	30%	-174
Profit before loan losses	23	26	-12%	16	44%	49	34	44%	80
Net loan losses	-2	1		-1	100%	-1	-1	0%	-7
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	21	27	-22%	15	40%	48	33	45%	73
Profit allocation	1	5	-80%	1	0%	6	3	100%	4
Operating profit after profit allocation	22	32	-31%	16	37%	54	36	50%	77
Internal income	-38	-45	16%	-37	-3%	-83	-72	-15%	-140
Cost/income ratio, %	69.2	62.2		71.7		65.6	68.6		67.4
Loan loss ratio, %	0.04	-0.02		0.02		0.01	0.01	0%	0.05
Allocated capital	742	865	-14%	739	0%	742	739	0%	818
Return on allocated capital, %	9.7	11.4		6.6		10.6	7.6		7.7
Average number of employees	128	120	7%	100	28%	124	98	27%	102
Number of branches	18	18	0%	15	20%	18	15	20%	18

BUSINESS VOLUMES

Average volumes, EUR m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Loans to the public									
Household	682	625	9%	442	54%	653	415	57%	478
Corporate	1,145	1,460	-22%	1,255	-9%	1,303	1,240	5%	1,250
Total	1,827	2,085	-12%	1,697	8%	1,956	1,655	18%	1,728
Deposits and borrowing from the public									
Household	29	27	7%	26	12%	28	25	12%	26
Corporate	1,067	960	11%	935	14%	1,014	787	29%	918
Total	1,096	987	11%	961	14%	1,042	812	28%	944

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Financial performance

Operating profit increased by 45% to SEK 48m (33). Income rose by 34%, while continuing investments in operations led to a 30% increase in expenses.

Net interest income rose by 33% to SEK 137m (103), mainly due to growing business volumes.

Expenses rose to SEK -105m (-81), as a result of the expansion of the regional head office and the branch network. The average number of employees rose to 124 (98).

Loan losses were SEK -1m (-1), which corresponds to a loan loss ratio of 0.01% (0.01).

Business development

Average lending volumes rose by EUR 301m, while deposits grew by EUR 230m. Household deposits grew by 12%, while lending to households increased by 57%. Corporate lending grew by 5%, while the average volume of deposits from companies went up by 29%.

Two new branch managers were recruited for forthcoming branches to be established in Arnhem and Apeldoorn.

Q2 2014 COMPARED WITH Q1 2014

Operating profit decreased by 22% to SEK 21m (27) as a result of higher expenses relating to the expanding organisation.

Total income was unchanged at SEK 77m (77). Net interest income decreased by 4% to SEK 67m (70), due to reduced lending to large corporates.

Expenses rose to SEK -54m (-51), as a result of the continuing expansion. The average number of employees increased by 7% to 128 (120).

Loan losses amounted to SEK -2m (1), which corresponds to a loan loss ratio of 0.04% (-0.02).

Handelsbanken International

Handelsbanken International's main task is to support the Bank's customers in the home markets with their international business. The Bank has operations in 28 locations (19 branches and nine representative offices) in 18 countries outside its home markets.

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	153	174	-12%	161	-5%	327	314	4%	660
Net fee and commission income	72	62	16%	79	-9%	134	160	-16%	308
Net gains/losses on financial transactions	15	29	-48%	27	-44%	44	43	2%	79
Other income	4	2	100%	1	300%	6	4	50%	6
Total income	244	267	-9%	268	-9%	511	521	-2%	1,053
Staff costs	-132	-126	5%	-129	2%	-258	-259	0%	-510
Other administrative expenses	-45	-41	10%	-43	5%	-86	-81	6%	-181
Internal purchased and sold services	-35	-35	0%	-37	-5%	-70	-72	-3%	-153
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-3	-33%	-3	-33%	-5	-6	-17%	-11
Total expenses	-214	-205	4%	-212	1%	-419	-418	0%	-855
Profit before loan losses	30	62	-52%	56	-46%	92	103	-11%	198
Net loan losses	45	-1		-11		44	-7		-65
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%	0
Operating profit	75	61	23%	45	67%	136	96	42%	133
Profit allocation	6	13	-54%	3	100%	19	11	73%	38
Operating profit after profit allocation	81	74	9%	48	69%	155	107	45%	171
Internal income	-5	-9	44%	-21	76%	-14	-49	71%	-50
Cost/income ratio, %	85.6	73.2		78.2		79.1	78.6		78.4
Loan loss ratio, %	-0.67	0.02		0.15		-0.33	0.05		0.22
Allocated capital	3,711	4,024	-8%	4,202	-12%	3,711	4,202	-12%	4,221
Return on allocated capital, %	6.8	5.7		3.6		6.2	3.9		3.1
Average number of employees	502	503	0%	517	-3%	502	518	-3%	511
Number of branches	19	19	0%	19	0%	19	19	0%	19

BUSINESS VOLUMES

Average volumes, SEK bn	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Loans to the public									
Household	3.9	3.8	3%	3.4	15%	3.8	3.4	12%	3.5
Corporate	28.2	28.5	-1%	30.0	-6%	28.4	30.0	-5%	29.7
Total	32.1	32.3	-1%	33.4	-4%	32.2	33.4	-4%	33.2
Deposits and borrowing from the public									
Household	2.4	2.3	4%	2.4	0%	2.3	2.4	-4%	2.4
Corporate	32.1	28.7	12%	21.7	48%	30.4	22.7	34%	26.3
Total	34.5	31.0	11%	24.1	43%	32.7	25.1	30%	28.7

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Financial performance

Operating profit rose by 42% to SEK 136m (96), as a result of net recoveries on previously booked loan losses.

Net interest income grew by 4% to SEK 327m (314), with half of the increase being attributable to exchange rate movements. The underlying growth was mainly due to increasing deposit volumes.

Net fee and commission income fell by 16% to SEK 134m (160), chiefly due to lower custody and payment commissions.

Net gains/losses on financial transactions, which mainly consists of foreign exchange-related earnings and early redemption charges, amounted to SEK 44m (43).

Expenses were largely unchanged, amounting to SEK -419m (-418). The average number of employees fell to 502 (518).

Recoveries exceeded new provisions, and loan losses amounted to SEK 44m (-7), corresponding to a loan loss ratio of -0.33% (0.05).

Business development

The average volume of lending decreased by 4% to SEK 32.2bn (33.4) compared with the previous year. Deposits grew by 30% to SEK 32.7bn (25.1), as a result of corporate deposits increasing by 34% to SEK 30.4bn (22.7).

Q2 2014 COMPARED WITH Q1 2014

Operating profit improved to SEK 75m (61), mainly due to lower loan losses. Profit before loan losses decreased to SEK 30m (62).

Income declined by 9% to SEK 244m (267), as a result of lower net interest income and reduced net gains/losses on financial transactions.

Expenses totalled SEK 214m (205), an increase of 4%, or SEK 9m; SEK 4m of this figure was attributable to exchange rate movements.

Recoveries exceeded new provisions and loan losses amounted to SEK 45m, corresponding to a loan loss ratio of -0.67% (0.02).

Handelsbanken Capital Markets

Capital Markets comprises Handelsbanken's investment bank and asset management operations, including insurance savings. The unit has a functional and product responsibility throughout the Group for trading in financial instruments, structured products, cash management, corporate finance and debt capital markets, as well as for economic and financial research. The unit is also responsible for all savings products except for savings in bank accounts.

In the table below, the income figures and comments for Capital Markets' products throughout the Group are presented first, followed by the equivalent figures and comments for the Handelsbanken Capital Markets segment.

INCOME DISTRIBUTION IN THE GROUP FOR HANDELSBANKEN CAPITAL MARKETS' PRODUCTS

January - June 2014				Total income in the group from Capital Market's products	Change Jan-Jun 2014 / Jan-Jun 2013
SEK m	Capital Markets	Branch operations	Other		
Net interest income	59			59	-34%
Commission income	1,583	1,136	-65	2,654	11%
of which brokerage income	385	248	-12	621	-1%
of which mutual funds and custody	783	679	-38	1,424	24%
of which insurance	127	209	-15	321	14%
Net fee and commission income	1,401	1,111	-20	2,492	18%
Net gains/losses on financial trans.	750	240	0	990	28%
Risk result - insurance	85			85	10%
Other income	2			2	
Total income	2,297	1,351	-20	3,628	19%

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

The Group's brokerage income decreased by 1% to SEK 621m (627). Asset management commissions increased by 24% to SEK 1,424m (1,150). Mutual fund commissions grew by 21% to SEK 1,159m (958), mainly due to increasing net flows and positive changes in the funds' values.

Insurance commissions grew to SEK 321m (281), due to increases in both the number of people insured and assets under management.

Net gains/losses on financial transactions went up by 28% to SEK 990m (775). Currency transactions related to branch operations, which are included in net gains/losses on financial transactions, resulted in a currency gain of SEK 240m (267).

Q2 2014 COMPARED WITH Q1 2014

Brokerage income went down by 11% to SEK 293m (328). Asset management commissions rose by 7% to SEK 735m (689), chiefly due to larger management volumes.

Net gains/losses on financial transactions went up by 26% to SEK 552m (438), chiefly as a result of generally higher business volumes, particularly in fixed income trading.

Currency transactions for customers in the branch operations gave a net gain of SEK 128m (112).

Business development

Handelsbanken remained the largest player in new savings in mutual funds in Sweden, with a net inflow of SEK 19.6bn in the first half of the year. During the first six months of 2014, net new savings in the Bank's funds totalled SEK 22bn. Morningstar, an independent mutual fund research company, gave Handelsbanken's funds the highest average grade of all the major Swedish banks in its three-year rating of mutual funds on the Swedish market.

The total fund volume, including exchange-traded funds, increased during the first half of the year by SEK 40bn to SEK 311bn (271) – the highest ever volume. Total assets under management in the Group rose during the same period by SEK 49bn to SEK 501bn (452).

According to TNS Sifo Prospera's annual survey, Swedish institutional investors rank Handelsbanken as No.1 for asset management.

Handelsbanken was the largest player in Sweden for capital-protected investments focused on the general public, with a market share of 18% of new sales (22%).

Demand for the Bank's occupational pension solutions continued to grow. New sales of occupational pensions were up 54% from the first half of the previous year.

Demand for capital market funding remains healthy; among other things, the Bank arranged the first green bond in SEK for a non-Swedish corporate issuer. In the first half of the year the Bank carried out a total of 78 bond issues, with a combined value of over EUR 9bn.

INCOME STATEMENT IN HANDELSBANKEN CAPITAL MARKETS BUSINESS SEGMENT

All results for Handelsbanken Capital Markets products which are attributable to customers in branch operations are reported in branch operations. In the Capital Markets segment, only the results of transactions with institutional counterparties and corporate finance are reported, together with the risk result and yield split in the insurance operations.

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	31	28	11%	46	-33%	59	89	-34%	151
Net fee and commission income	699	702	0%	703	-1%	1,401	1,363	3%	2,658
Net gains/losses on financial transactions	424	326	30%	298	42%	750	509	47%	977
Risk result - insurance	43	42	2%	26	65%	85	77	10%	142
Other income	4	-2		-6		2	-2		10
Total income	1,201	1,096	10%	1,067	13%	2,297	2,036	13%	3,938
Staff costs	-496	-524	-5%	-509	-3%	-1,020	-1,016	0%	-2,033
Other administrative expenses	-170	-178	-4%	-208	-18%	-348	-393	-11%	-785
Internal purchased and sold services	23	-10		13	77%	13	18	-28%	31
Depreciation, amortisation and impairments of property, equipment and intangible assets	-23	-9	156%	-11	109%	-32	-25	28%	-50
Total expenses	-666	-721	-8%	-715	-7%	-1,387	-1,416	-2%	-2,837
Profit before loan losses	535	375	43%	352	52%	910	620	47%	1,101
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0		0	0		0
Operating profit	535	375	43%	352	52%	910	620	47%	1,101
Profit allocation	-310	-281	10%	-239	30%	-591	-440	34%	-1,134
Operating profit after profit allocation	225	94	139%	113	99%	319	180	77%	-33
Internal income	-355	-284	-25%	-340	-4%	-639	-712	10%	-1,414
Cost/income ratio, %	74.7	88.5		86.4		81.3	88.7		101.2
Allocated capital	3,073	2,934	5%	3,926	-22%	3,073	3,926	-22%	3,061
Return on allocated capital, %	22.9	10.0		9.0		16.6	7.1		-
Average number of employees	1,388	1,427	-3%	1,458	-5%	1,407	1,461	-4%	1,464

INCOME DISTRIBUTION

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Asset management and custody	274	250	10%	231	19%	524	437	20%	945
Handelsbanken Liv	206	194	6%	152	36%	400	337	19%	690
Investment banking	721	652	11%	684	5%	1,373	1,262	9%	2,303
Total income	1,201	1,096	10%	1,067	13%	2,297	2,036	13%	3,938

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Operating profit improved by 47% to SEK 910m (620). Asset management operations, excluding Handelsbanken Liv, increased their profit to SEK 271m (178), while in the investment bank, profits rose to SEK 432m (301).

Net interest income decreased to SEK 59m (89). Net gains/losses on financial transactions improved in all major asset categories, increasing to SEK 750m (509).

Net fee and commission income grew by 3% to SEK 1,401m (1,363), chiefly due to higher mutual fund and insurance commissions.

The risk result in Handelsbanken Liv increased to SEK 85m (77).

In total, income rose by 13% to SEK 2,297m (2,036), while expenses fell by 2% to SEK -1,387m (-1,416). The average number of employees fell by 4% to 1,407 (1,461).

Q2 2014 COMPARED WITH Q1 2014

Operating profit increased by 43% to SEK 535m (375). An increased activity level in all business areas led to income growing by 10% to SEK 1,201m (1,096), while expenses fell by 8%.

Net fee and commission income was more or less unchanged. Net gains/losses on financial transactions went up by 30% to SEK 424m (326), as a result of generally higher business activity.

Expenses decreased by 8% to SEK -666m (-721), as a result of lower administrative expenses and staff costs. Staff costs decreased by 5%, mainly as a result of a 3% fall in the average number of employees to 1,388 (1,427).

Other units not reported in the business segments

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

INCOME STATEMENT

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	97	122	-20%	57	70%	219	199	10%	313
Net fee and commission income	-8	-5	-60%	-13	38%	-13	0		-31
Net gains/losses on financial transactions	-224	128		-158	-42%	-96	-301	68%	-502
Share of profit of associates	5	-11		2	150%	-6	-3	-100%	9
Other income	254	43	491%	164	55%	297	214	39%	255
Total income	124	277	-55%	52	138%	401	109	268%	44
Staff costs	-661	-645	2%	-692	-4%	-1,306	-1,368	-5%	-2,858
Other administrative expenses	-532	-555	-4%	-557	-4%	-1,087	-1,111	-2%	-2,209
Internal purchased and sold services	1,108	1,123	-1%	1,092	1%	2,231	2,169	3%	4,336
Depreciation, amortisation and impairments of property, equipment and intangible assets	-61	-67	-9%	-64	-5%	-128	-129	-1%	-249
Total expenses	-146	-144	1%	-221	-34%	-290	-439	-34%	-980
Profit before loan losses	-22	133		-169	87%	111	-330		-936
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	-	0		1		0	1		7
Operating profit	-22	133		-168	87%	111	-329		-929
Profit allocation	0	0		0		0	0		0
Operating profit after profit allocation	-22	133		-168	87%	111	-329		-929
Internal income	1,969	2,033	-3%	2,037	-3%	4,002	4,243	-6%	8,338
Average number of employees	1,947	1,975	-1%	1,973	-1%	1,961	1,973	-1%	1,982

JANUARY – JUNE 2014 COMPARED WITH JANUARY – JUNE 2013

Operating profit was SEK 111m (-329). This profit figure includes capital gains of SEK 306m from the divestment of shares. The figure also includes the provision to the Oktogonen profit-sharing foundation, which totalled SEK -366m (-512).

Q2 2014 COMPARED WITH Q1 2014

Operating profit decreased to SEK -22m (133). The comparison period included capital gains of SEK 306m from the divestment of shares. The provision to the Oktogonen profit-sharing foundation was unchanged at SEK -183m (-183). The average number of employees fell by just over 1% to 1,947 (1,975).

KEY FIGURES – GROUP

	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Return on equity, total operations *	15.1%	14.1%	15.1%	14.3%	14.2%	13.9%
Return on equity, continuing operations *	15.0%	14.0%	14.9%	14.2%	14.1%	13.8%
C/I ratio, continuing operations	44.6%	44.8%	45.6%	44.7%	46.5%	47.0%
C/I ratio, continuing operations, incl. loan losses	47.4%	48.1%	48.9%	47.7%	49.8%	50.3%
Earnings per share, total operations, SEK	6.35	6.15	5.82	12.50	11.29	22.52
- after dilution	6.26	6.08	5.75	12.34	11.16	22.26
Ordinary dividend, SEK						11.50
Total dividend						16.50
Adjusted equity per share, SEK **	182.69	170.64	162.81	182.69	162.81	177.71
Common equity tier 1 ratio, CRD IV	20.1%	19.5%	17.8%	20.1%	17.8%	18.9%
Total capital ratio, CRD IV	25.0%	24.5%	21.1%	25.0%	21.1%	21.6%
Capital base in relation to capital requirement according to Basel I floor	143%	141%	123%	143%	123%	124%
Average number of employees, continuing operations	11,626	11,633	11,361	11,629	11,301	11,503
Number of branches in Sweden	462	462	461	462	461	462
Number of branches outside Sweden	360	354	330	360	330	348

* When calculating return on equity, equity is adjusted for the impact of unrealised changes in the value of financial assets classified as "Available for Sale" and for cash flow hedges and revaluation effects on defined-benefit pension plans.

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

THE HANDELSBANKEN SHARE

	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Number of converted shares	2,940	18,941	792,428	21,881	2,583,095	2,838,683
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	635,667,676	635,664,736	635,390,207	635,667,676	635,390,207	635,645,795
Number of outstanding shares after dilution, end of period	657,648,638	647,937,156	647,719,618	657,648,638	647,719,618	647,601,239
Average number of shares converted during the year	20,699	5,873	2,411,947	13,327	1,567,806	2,139,580
Average holdings of own shares (repurchased and holdings in trading book)	124,324	73,587	280,221	103,352	328,184	157,183
Average number of outstanding shares	635,542,170	635,578,081	634,938,838	635,555,770	634,046,734	634,789,509
- after dilution	649,774,633	647,527,652	647,555,164	648,478,787	647,362,861	647,533,862
Share price ordinary class A, SEK	327.10	324.80	269.20	327.10	269.20	316.00
Market capitalisation, SEK bn	208	206	171	208	171	201

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Interest income		12,926	12,870	0%	13,544	-5%	25,796	27,321	-6%	54,463
Interest expense		-6,222	-6,217	0%	-6,871	-9%	-12,439	-14,107	-12%	-27,794
Net interest income	Note 2	6,704	6,653	1%	6,673	0%	13,357	13,214	1%	26,669
Net fee and commission income	Note 3	2,135	2,060	4%	1,924	11%	4,195	3,801	10%	7,804
Net gains/losses on financial transactions	Note 4	466	658	-29%	440	6%	1,124	699	61%	1,357
Risk result - insurance		43	42	2%	26	65%	85	77	10%	142
Other dividend income		245	4		155	58%	249	156	60%	161
Share of profit of associates		5	-11		2	150%	-6	-3	-100%	9
Other income		49	75	-35%	20	145%	124	96	29%	185
Total income		9,647	9,481	2%	9,240	4%	19,128	18,040	6%	36,327
Staff costs		-2,910	-2,887	1%	-2,796	4%	-5,797	-5,579	4%	-11,404
Other administrative expenses	Note 5	-1,267	-1,248	2%	-1,304	-3%	-2,515	-2,583	-3%	-5,181
Depreciation, amortisation and impairments of property, equipment and intangible assets		-122	-111	10%	-115	6%	-233	-235	-1%	-476
Total expenses		-4,299	-4,246	1%	-4,215	2%	-8,545	-8,397	2%	-17,061
Profit before loan losses		5,348	5,235	2%	5,025	6%	10,583	9,643	10%	19,266
Net loan losses	Note 6	-272	-315	-14%	-306	-11%	-587	-589	0%	-1,195
Gains/losses on disposal of property, equipment and intangible assets		1	0		4	-75%	1	5	-80%	17
Operating profit		5,077	4,920	3%	4,723	7%	9,997	9,059	10%	18,088
Taxes		-1,074	-1,038	3%	-1,067	1%	-2,112	-1,952	8%	-3,915
Profit for the period from continuing operations		4,003	3,882	3%	3,656	9%	7,885	7,107	11%	14,173
Profit for the period pertaining to discontinued operations, after tax	Note 7	31	27	15%	39	-21%	58	54	7%	122
Profit for the period		4,034	3,909	3%	3,695	9%	7,943	7,161	11%	14,295
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,033	3,909	3%	3,695	9%	7,942	7,161	11%	14,295
Minority interest		1	0		0		1	0		0

EARNINGS PER SHARE – GROUP

	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,033	3,909	3%	3,695	9%	7,942	7,161	11%	14,295
- of which interest expense on convertible subordinated loan after tax	-32	-27	19%	-29	10%	-59	-64	-8%	-119
Average number of outstanding shares, million	635.5	635.6		634.9		635.6	634.0		634.8
Average number of outstanding shares after dilution, million	649.8	647.5		647.6		648.5	647.4		647.5
Earnings per share, continuing operations, SEK	6.30	6.11	3%	5.76	9%	12.41	11.21	11%	22.33
- after dilution	6.21	6.04	3%	5.69	9%	12.25	11.07	11%	22.07
Earnings per share, discontinued operations, SEK	0.05	0.04	25%	0.06	-17%	0.09	0.09	0%	0.19
- after dilution	0.05	0.04	25%	0.06	-17%	0.09	0.09	0%	0.19
Earnings per share, total operations, SEK	6.35	6.15	3%	5.82	9%	12.50	11.29	11%	22.52
- after dilution	6.26	6.08	3%	5.75	9%	12.34	11.16	11%	22.26

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

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Profit for the period	4,034	3,909	3%	3,695	9%	7,943	7,161	11%	14,295
Other comprehensive income									
Items that cannot be reclassified into profit or loss									
Defined-benefit plans	286	417	-31%	-933		703	210	235%	1,402
Taxes on items that cannot be reclassified into profit or loss	-63	-92	32%	204		-155	-47	-230%	-307
Total items that cannot be reclassified into profit or loss	223	325	-31%	-729		548	163	236%	1,095
Items that can be reclassified into profit or loss									
Cash flow hedges	2,596	1,309	98%	-2,192		3,905	-2,538		-3,410
Available-for-sale instruments	-58	148		-268	78%	90	52	73%	535
Translation differences for the period	2,421	1,888	28%	695	248%	4,309	-683		763
<i>of which hedging net investment in foreign operations</i>	<i>1,210</i>	<i>1,378</i>	<i>-12%</i>	<i>-628</i>		<i>2,588</i>	<i>-737</i>		<i>767</i>
Taxes on items that can be reclassified into profit or loss	-819	-614	-33%	681		-1,433	735		514
<i>of which cash flow hedges</i>	<i>-571</i>	<i>-282</i>	<i>-102%</i>	<i>482</i>		<i>-853</i>	<i>558</i>		<i>744</i>
<i>of which available-for-sale instruments</i>	<i>18</i>	<i>-29</i>		<i>60</i>	<i>-70%</i>	<i>-11</i>	<i>14</i>		<i>-61</i>
<i>of which hedging net investment in foreign operations</i>	<i>-266</i>	<i>-303</i>	<i>12%</i>	<i>139</i>		<i>-569</i>	<i>163</i>		<i>-169</i>
Total items that can be reclassified into profit or loss	4,140	2,731	52%	-1,084		6,871	-2,434		-1,598
Total other comprehensive income for the period	4,363	3,056	43%	-1,813		7,419	-2,271		-503
Total comprehensive income for the period	8,397	6,965	21%	1,882	346%	15,362	4,890	214%	13,792
Attributable to									
Shareholders in Svenska Handelsbanken AB	8,396	6,965	21%	1,882	346%	15,361	4,890	214%	13,792
Minority interest	1	0		0		1	0		0

Discontinued operations only affects Translation differences for the period in Other comprehensive income.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Interest income	12,926	12,870	13,573	13,569	13,544
Interest expense	-6,222	-6,217	-6,801	-6,886	-6,871
Net interest income	6,704	6,653	6,772	6,683	6,673
Net fee and commission income	2,135	2,060	2,107	1,896	1,924
Net gains/losses on financial transactions	466	658	304	354	440
Risk result - insurance	43	42	35	30	26
Other dividend income	245	4	1	4	155
Share of profit of associates	5	-11	7	5	2
Other income	49	75	52	37	20
Total income	9,647	9,481	9,278	9,009	9,240
Staff costs	-2,910	-2,887	-2,980	-2,845	-2,796
Other administrative expenses	-1,267	-1,248	-1,411	-1,187	-1,304
Depreciation, amortisation and impairments of property, equipment and intangible assets	-122	-111	-116	-125	-115
Total expenses	-4,299	-4,246	-4,507	-4,157	-4,215
Profit before loan losses	5,348	5,235	4,771	4,852	5,025
Net loan losses	-272	-315	-322	-284	-306
Gains/losses on disposal of property, equipment and intangible assets	1	0	9	3	4
Operating profit	5,077	4,920	4,458	4,571	4,723
Taxes	-1,074	-1,038	-966	-997	-1,067
Profit for the period from continuing operations	4,003	3,882	3,492	3,574	3,656
Profit for the period pertaining to discontinued operations, after tax	31	27	35	33	39
Profit for the period	4,034	3,909	3,527	3,607	3,695
Earnings per share, continuing operations, SEK	6.30	6.11	5.50	5.63	5.76
- after dilution	6.21	6.04	5.44	5.56	5.69
Earnings per share, discontinued operations, SEK	0.05	0.04	0.05	0.05	0.06
- after dilution	0.05	0.04	0.05	0.05	0.06
Earnings per share, total operations, SEK	6.35	6.15	5.55	5.68	5.82
- after dilution	6.26	6.08	5.49	5.61	5.75

BALANCE SHEET – GROUP

SEK m		30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Assets						
Cash and balances with central banks		417,306	367,464	334,794	345,109	211,274
Other loans to central banks	Note 8	59,780	42,941	35,160	34,403	34,327
Interest-bearing securities eligible as collateral with central banks		56,610	61,782	57,451	63,245	54,996
Loans to other credit institutions	Note 8	76,519	58,295	62,898	72,984	71,693
Loans to the public	Note 8	1,765,160	1,727,011	1,696,339	1,682,552	1,685,665
Value change of interest-hedged item in portfolio hedge		90	95	96	2,143	2,396
Bonds and other interest-bearing securities		53,057	59,175	64,125	63,947	65,575
Shares		41,870	48,345	48,595	41,929	38,698
Investments in associates		263	267	272	278	277
Assets where the customer bears the value change risk		88,879	83,246	80,930	77,496	73,199
Derivative instruments	Note 9	78,068	68,435	69,961	74,627	90,141
Reinsurance assets		4	4	4	1	1
Intangible assets	Note 10	7,968	7,890	7,835	7,716	7,747
Property and equipment		2,266	2,187	2,205	2,114	2,183
Current tax assets		692	360	405	785	387
Deferred tax assets		309	243	269	407	480
Net pension assets		2,385	2,134	1,733	1,907	1,043
Assets held for sale		1,166	1,294	1,247	1,159	1,084
Other assets		21,800	37,892	13,262	32,460	37,144
Prepaid expenses and accrued income		6,099	6,780	7,140	6,705	7,013
Total assets		2,680,291	2,575,840	2,484,721	2,511,967	2,385,323
Liabilities and equity						
Due to credit institutions	Note 11	205,649	173,675	171,624	169,761	197,223
Deposits and borrowing from the public	Note 11	943,151	867,225	825,205	807,630	636,776
Liabilities where the customer bears the value change risk		88,942	83,294	80,977	77,559	73,228
Issued securities	Note 12	1,174,512	1,173,702	1,150,641	1,180,015	1,209,644
Derivative instruments	Note 9	52,253	61,555	61,529	71,564	73,086
Short positions		19,644	21,001	22,845	18,371	20,098
Insurance liabilities		646	1,304	622	632	672
Current tax liabilities		648	343	831	1,069	928
Deferred tax liabilities		8,903	7,999	7,413	7,568	7,363
Provisions		112	117	141	123	110
Liabilities related to assets held for sale		589	575	539	537	549
Other liabilities		18,710	29,977	13,189	31,303	24,139
Accrued expenses and deferred income		20,143	20,730	21,861	23,412	19,977
Subordinated liabilities		29,575	26,523	15,965	15,911	19,139
Total liabilities		2,563,477	2,468,020	2,373,382	2,405,455	2,282,932
Minority interest		3	2	2	2	2
Share capital		2,956	2,956	2,956	2,955	2,955
Share premium		3,444	2,847	2,843	2,813	2,798
Reserves		9,256	4,893	1,837	568	69
Retained earnings		93,213	93,213	89,406	89,406	89,406
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		7,942	3,909	14,295	10,768	7,161
Total equity		116,814	107,820	111,339	106,512	102,391
Total liabilities and equity		2,680,291	2,575,840	2,484,721	2,511,967	2,385,323

STATEMENT OF CHANGES IN EQUITY – GROUP

January - June 2014 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,956	2,843	3,110	-1,517	1,043	-799	103,701	2	111,339
Profit for the period							7,942	1	7,943
Other comprehensive income			548	3,052	79	3,740		0	7,419
Total comprehensive income for the period			548	3,052	79	3,740	7,942	1	15,362
Dividend							-10,488		-10,488
Conversion of convertible subordinated loan issued in 2008	0	4							4
Equity component of the convertible subordinated loan issued in 2014		597							
Change of minority interests							0	0	0
Closing equity	2,956	3,444	3,658	1,535	1,122	2,941	101,155	3	116,217

January - June 2013 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,943	2,337		1,149	569	-1,393	101,290	2	106,897
Effects of implementing revised IAS 19			2,015				-5,062		-3,047
Opening equity after adjustment	2,943	2,337	2,015	1,149	569	-1,393	96,228	2	103,850
Profit for the period							7,161	0	7,161
Other comprehensive income			163	-1,980	66	-520		0	-2,271
Total comprehensive income for the period			163	-1,980	66	-520	7,161	0	4,890
Dividend							-6,822		-6,822
Conversion of convertible subordinated loan issued in 2008	12	461							473
Change of minority interests							0	0	0
Closing equity	2,955	2,798	2,178	-831	635	-1,913	96,567	2	102,391

During the period January to June 2014, convertibles for a nominal value of SEK 4m (485) relating to the 2008 subordinated convertible bond were converted into 21,881 class A shares (2,583,095). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

CONDENSED STATEMENT OF CASH FLOWS – GROUP

SEK m	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Cash flow from operating activities	63,691	-22,735	107,784
Cash flow from investing activities	1,024	-481	-592
Cash flow from financing activities	2,625	-7,808	-10,870
Cash flow for the period	67,340	-31,024	96,322
Liquid funds at beginning of the period	334,794	236,545	236,545
Cash flow for the period	67,340	-31,024	96,322
Exchange rate differences on liquid funds	15,171	5,753	1,927
Liquid funds at end of period	417,305	211,274	334,794

NOTES

Note 1 Accounting policies

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

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

Changed accounting policies

On 1 January 2014, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosures of Interest in Other Entities came into effect for application in the EU. The new regulations mean that the current stipulations in IAS 27 and SIC 12 concerning when a company is to be consolidated in the consolidated accounts are being replaced by a number of assessment criteria for when an entity controls another entity. One of the effects of the new regulations is that fund units owned by the Bank through unit-linked insurance contracts will not be included in the assessment of whether controlling influence of a fund management company applies. The new regulations have led to the balance sheet adjustments set out in the table below. The changes also imply extra disclosures, particularly relating to shares in non-consolidated structured entities. The application of the new regulations does not affect the income statement, and has no effect on the Bank's capital adequacy.

In other respects, the interim report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2013.

Regulatory changes

During the period, the interpretative communication IFRIC 21 Levies has been adopted for application by the EU. IFRIC 21 will be applied as of the 2015 financial year. This regulatory change is not expected to have a material impact on the Group's financial position and earnings, nor will it have an impact on the capital adequacy. IFRS 15 Revenue from contracts with customers has also been adopted by the IASB. Assuming that IFRS 15 is adopted by the EU, this standard will be applied as of the 2017 financial year. The preliminary assessment is that the standard will not have a material impact on the financial reports.

In addition to this, the IASB is revising a number of existing standards. Among these future changes in the regulations, IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, is expected to have the greatest impact on Handelsbanken's financial reports. Since much of the work with IFRS 9 remains to be completed, the Bank is refraining from estimating how the financial reports will be affected or when application of the new regulations will start.

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

SEK m	31 Mar 2013	Adjustment	31 Mar 2013	30 June 2013	Adjustment	30 June 2013	30 Sep 2013	Adjustment	30 Sep 2013	31 Dec 2013	Adjustment	31 Dec 2013
Assets where the customer bears the value change risk	75,098	-3,546	71,552	77,144	-3,945	73,199	81,766	-4,270	77,496	86,015	-5,085	80,930
Liabilities where the customer bears the value change risk	75,118	-3,546	71,572	77,173	-3,945	73,228	81,829	-4,270	77,559	86,062	-5,085	80,977

Note 2 Net interest income

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Interest income									
Loans to credit institutions and central banks	447	407	10%	375	19%	854	749	14%	1,575
Loans to the public	12,623	12,592	0%	13,205	-4%	25,215	26,398	-4%	52,614
Interest-bearing securities eligible as collateral with central banks	208	162	28%	972	-79%	370	1,606	-77%	2,106
Interest-bearing securities	292	262	11%	646	-55%	554	1,158	-52%	1,898
Derivative instruments	-771	-774	0%	-719	-7%	-1,545	-1,273	-21%	-2,556
Other interest income	353	381	-7%	351	1%	734	734	0%	1,459
Total interest income	13,152	13,030	1%	14,830	-11%	26,182	29,372	-11%	57,096
Of which interest income reported in Net gains/losses on financial transactions	226	160	41%	1,286	-82%	386	2,051	-81%	2,633
Interest income according to income statement	12,926	12,870	0%	13,544	-5%	25,796	27,321	-6%	54,463
Interest expense									
Due to credit institutions and central banks	-264	-227	16%	-358	-26%	-491	-743	-34%	-1,287
Deposits and borrowing from the general public	-1,082	-1,030	5%	-1,094	-1%	-2,112	-2,326	-9%	-4,608
Issued securities	-5,447	-5,559	-2%	-5,864	-7%	-11,006	-11,551	-5%	-23,137
Derivative instruments	1,177	1,211	-3%	997	18%	2,388	1,665	43%	3,591
Subordinated liabilities	-293	-331	-11%	-331	-11%	-624	-649	-4%	-1,214
Other interest expense	-394	-368	7%	-1,314	-70%	-762	-2,299	-67%	-3,294
Total interest expense	-6,303	-6,304	0%	-7,964	-21%	-12,607	-15,903	-21%	-29,949
Of which interest expense reported in Net gains/losses on financial transactions	-81	-87	-7%	-1,093	-93%	-168	-1,796	-91%	-2,155
Interest expense according to income statement	-6,222	-6,217	0%	-6,871	-9%	-12,439	-14,107	-12%	-27,794
Net interest income	6,704	6,653	1%	6,673	0%	13,357	13,214	1%	26,669

Note 3 Net fee and commission income

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Brokerage and other securities commissions	293	328	-11%	321	-9%	621	627	-1%	1,189
Mutual funds	605	554	9%	493	23%	1,159	958	21%	2,008
Custody and other asset management fees	130	135	-4%	108	20%	265	192	38%	427
Advisory services	62	49	27%	71	-13%	111	175	-37%	278
Insurance	163	158	3%	140	16%	321	281	14%	571
Payments	784	708	11%	680	15%	1,492	1,299	15%	2,813
Loans and deposits	289	279	4%	286	1%	568	568	0%	1,124
Guarantees	101	108	-6%	107	-6%	209	215	-3%	438
Other	113	106	7%	110	3%	219	211	4%	446
Commission income	2,540	2,425	5%	2,316	10%	4,965	4,526	10%	9,294
Securities	-60	-69	-13%	-60	0%	-129	-118	9%	-228
Payments	-323	-279	16%	-308	5%	-602	-561	7%	-1,175
Other	-22	-17	29%	-24	-8%	-39	-46	-15%	-87
Commission expense	-405	-365	11%	-392	3%	-770	-725	6%	-1,490
Net fee and commission income	2,135	2,060	4%	1,924	11%	4,195	3,801	10%	7,804

Note 4 Net gains/losses on financial transactions

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Trading, derivatives, FX effect etc	-194	-155	-25%	941		-349	1,575		2,026
Other financial instruments at fair value in profit/loss	627	533	18%	-494		1,160	-868		-785
<i>of which interest-bearing securities</i>	638	536	19%	-472		1,174	-791		-707
<i>of which loans</i>	-11	-3	-267%	-22	50%	-14	-77	82%	-78
Financial instruments at amortised cost	51	14	264%	27	89%	65	9		149
<i>of which loans</i>	101	93	9%	101	0%	194	163	19%	439
<i>of which liabilities</i>	-50	-79	37%	-74	32%	-129	-154	16%	-290
Financial instruments available for sale	-3	313		13		310	-2		24
Hedge accounting	-16	-45	64%	-21	24%	-61	31		2
<i>of which net gains/losses on fair value hedges</i>	-21	-37	43%	6		-58	21		-26
<i>of which hedge ineffectiveness</i>	5	-8		-27		-3	10		28
Gains/losses on unbundled insurance contracts	1	-2		-26		-1	-46	98%	-59
Total	466	658	-29%	440	6%	1,124	699	61%	1,357

Note 5 Other administrative expenses

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Property and premises	-299	-287	4%	-281	6%	-586	-562	4%	-1,118
External IT costs	-398	-410	-3%	-421	-5%	-808	-843	-4%	-1,704
Communication	-82	-97	-15%	-90	-9%	-179	-189	-5%	-369
Travel and marketing	-91	-78	17%	-113	-19%	-169	-195	-13%	-378
Purchased services	-247	-238	4%	-266	-7%	-485	-527	-8%	-1,031
Supplies	-39	-53	-26%	-51	-24%	-92	-97	-5%	-202
Other expenses	-111	-85	31%	-82	35%	-196	-170	15%	-379
Other administrative expenses	-1,267	-1,248	2%	-1,304	-3%	-2,515	-2,583	-3%	-5,181

Note 6 Loan losses and impaired loans

Loan losses

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Specific provision for individually valued loan receivables									
Provision for the period	-238	-569	-58%	-291	-18%	-807	-603	34%	-1,287
Reversal of previous provisions	-34	236		69		202	106	91%	289
Total	-272	-333	-18%	-222	23%	-605	-497	22%	-998
Collective provisions									
Net provision for the period for individually valued receivables	-4	1		-57	-93%	-3	-52	-94%	-60
Net provision for the period for homogeneous loan receivables	1	4	-75%	3	-67%	5	3	67%	15
Total	-3	5		-54	-94%	2	-49		-45
Other provisions									
Losses on off-balance sheet items	0	-6		-		-6	-		-9
Reversal of losses on off-balance-sheet items	0	1	-100%	-		1	0		0
Change in collective provision for off-balance-sheet items	7	8	-13%	0		15	-1		-10
Total	7	3	133%	0		10	-1		-19
Write-offs									
Actual loan losses for the period	-709	-482	47%	-311	128%	-1,191	-775	54%	-1,503
Utilised share of previous provisions	662	438	51%	231	187%	1,100	648	70%	1,174
Recoveries	43	54	-20%	50	-14%	97	85	14%	196
Total	-4	10		-30	-87%	6	-42		-133
Net loan losses	-272	-315	-14%	-306	-11%	-587	-589	0%	-1,195

Impaired loans

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

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Impaired loans	5,824	6,763	6,944	6,799	7,266
Specific provision for individually assessed loans	-2,980	-3,347	-3,454	-3,467	-3,589
Provision for collectively assessed homogeneous groups of loans with limited value	-88	-88	-92	-94	-103
Collective provisions	-364	-357	-357	-347	-350
Impaired loans, net	2,392	2,971	3,041	2,891	3,224
Total impaired loans reserve ratio	58.9%	56.1%	56.2%	57.5%	55.6%
Proportion of impaired loans, %	0.13%	0.17%	0.18%	0.17%	0.19%
Impaired loans reserve ratio excl. collective provisions	52.7%	50.8%	51.1%	52.4%	50.8%
Loan loss ratio as a % of loans, accumulated	0.07%	0.07%	0.07%	0.07%	0.07%
Loans past due > 60 days	5,665	5,596	6,185	6,661	6,834
Loans past due > 60 days, which are not impaired	1,675	1,838	2,150	2,478	2,382

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

30 June 2014		Impaired loans			Loans past due > 60 days, which are not impaired
SEK m	Gross	Provisions	Net*	Of which past due >60 days	
Private individuals	1,541	-750	791	639	1,191
Housing co-operative associations	50	-21	29	11	15
Property management	1,235	-413	822	631	227
Manufacturing	696	-530	166	86	72
Retail	543	-261	282	120	19
Hotel and restaurant	29	-14	15	13	11
Passenger and goods transport by sea	209	-208	1	-	-
Other transport and communication	47	-39	8	7	2
Construction	132	-65	67	50	58
Electricity, gas and water	32	-16	16	16	4
Agriculture, hunting and forestry	6	-5	1	1	16
Other services	81	-51	30	21	39
Holding, investment and insurance companies, funds etc.	152	-66	86	86	5
Other corporate lending	1,071	-629	442	308	17
Credit institutions	-	-	-	-	-
Total	5,824	-3,068	2,756	1,989	1,676

* Book value after deduction of specific provisions.

31 December 2013		Impaired loans			Loans past due > 60 days, which are not impaired
SEK m	Gross	Provisions	Net*	Of which past due >60 days	
Private individuals	1,634	-790	844	689	1,316
Housing co-operative associations	101	-33	68	45	7
Property management	1,299	-394	905	560	526
Manufacturing	890	-517	373	189	9
Retail	705	-362	343	210	42
Hotel and restaurant	37	-24	13	11	9
Passenger and goods transport by sea	424	-423	1	1	1
Other transport and communication	110	-80	30	28	5
Construction	194	-116	78	71	88
Electricity, gas and water	72	-44	28	28	7
Agriculture, hunting and forestry	33	-25	8	7	2
Other services	153	-101	52	43	33
Holding, investment and insurance companies, funds etc.	1,138	-569	569	61	4
Other corporate lending	154	-68	86	74	101
Credit institutions	-	-	-	-	-
Total	6,944	-3,546	3,398	2,017	2,150

* Book value after deduction of specific provisions.

Note 7 Discontinued operations

Discontinued operations comprise the results from the Plastal Industri AB subsidiary, including the acquired parts of the Plastal Group. The Bank intends to divest Plastal Industri AB.

Note 8 Loans and credit exposure

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Loans to the public	1,765,160	1,727,011	1,696,339	1,682,552	1,685,665
of which reverse repos	19,418	18,539	15,711	22,932	24,284
Loans to other credit institutions	76,519	58,295	62,898	72,984	71,693
of which reverse repos	37,497	30,436	33,874	38,562	42,463
Other loans to central banks	59,780	42,941	35,160	34,403	34,327
of which reverse repos	994	1,436	360	2,326	505

Loans to the public, by sector

SEK m	30 June 2014			31 December 2013		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	822,364	-750	821,614	788,495	-790	787,705
<i>of which mortgage loans</i>	664,019	-24	663,995	642,459	-54	642,405
<i>of which other loans with property mortgages</i>	85,146	-98	85,048	77,461	-111	77,350
<i>of which other loans to private individuals</i>	73,198	-628	72,570	68,575	-625	67,950
Housing co-operative associations	147,376	-21	147,355	140,320	-33	140,287
<i>of which mortgage loans</i>	133,290	-9	133,281	128,524	-9	128,515
Property management	473,120	-413	472,707	461,726	-394	461,332
Manufacturing	42,227	-530	41,697	39,051	-517	38,534
Retail	28,039	-261	27,778	31,570	-362	31,208
Hotels and restaurants	7,774	-14	7,760	7,396	-24	7,372
Passenger and goods transport by sea	14,218	-208	14,010	14,733	-423	14,310
Other transport and communication	30,405	-39	30,366	26,972	-80	26,892
Construction	14,722	-65	14,657	12,295	-116	12,179
Electricity, gas, water	23,091	-16	23,075	23,620	-44	23,576
Agriculture, hunting and forestry	9,999	-5	9,994	8,365	-25	8,340
Other services	21,528	-51	21,477	22,996	-101	22,895
Holding, investment, insurance, funds, etc.	56,211	-66	56,145	73,272	-569	72,703
Government and municipalities	32,624	-	32,624	20,935	-	20,935
Other corporate lending	44,894	-629	44,265	28,496	-68	28,428
Total loans to the public, before collective provisions	1,768,592	-3,068	1,765,524	1,700,242	-3,546	1,696,696
Collective provisions			-364			-357
Total loans to the public			1,765,160			1,696,339

Specification of Loans to the public – Property management

SEK m	30 June 2014			31 December 2013		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Loans in Sweden						
State-owned property companies	7,373	-	7,373	7,798	-	7,798
Municipal-owned property companies	15,983	-	15,983	15,430	-	15,430
Residential property companies	86,871	-20	86,851	73,571	-15	73,556
<i>of which mortgage loans</i>	69,972	-2	69,970	57,726	-1	57,725
Other property management	138,345	-90	138,255	151,410	-110	151,300
<i>of which mortgage loans</i>	70,932	-3	70,929	75,969	-3	75,966
Total loans in Sweden	248,572	-110	248,462	248,209	-125	248,084
Loans outside Sweden						
Denmark	12,404	-110	12,294	12,108	-117	11,991
Finland	24,336	-	24,336	23,612	-	23,612
Norway	79,448	-67	79,381	76,457	-60	76,397
UK	90,922	-105	90,817	81,129	-69	81,060
The Netherlands	9,809	-	9,809	12,633	-	12,633
Other countries	7,629	-21	7,608	7,578	-23	7,555
Total loans outside Sweden	224,548	-303	224,245	213,517	-269	213,248
Total loans - Property management	473,120	-413	472,707	461,726	-394	461,332

Credit risk exposure

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Loans to the public	1,765,160	1,727,011	1,696,339	1,682,552	1,685,665
<i>of which reverse repos</i>	19,418	18,539	15,711	22,932	24,284
Loans to other credit institutions	76,519	58,295	62,898	72,984	71,693
<i>of which reverse repos</i>	37,497	30,436	33,874	38,562	42,463
Unutilised part of granted overdraft facilities *	91,754	91,538	99,660	98,937	98,862
Committed loan offers	263,690	258,152	246,518	247,486	247,482
Other commitments	11,696	9,552	9,046	16,248	10,637
Guarantees, credits	9,472	8,390	8,371	9,002	10,145
Guarantees, other	60,754	58,838	58,568	58,623	59,186
Documentary credits	5,260	5,702	7,190	7,559	8,187
Derivative instruments **	81,869	68,435	69,961	74,627	90,141
Treasury bills and other eligible bills	56,610	61,782	57,451	63,245	54,996
Bonds and other interest-bearing securities	53,057	59,175	64,125	63,947	65,575
Total	2,475,841	2,406,870	2,380,127	2,395,210	2,402,569

* As of 2014, unutilised overdraft facilities which the counterparty does not have at its disposal at the time of recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been restated.

** Refers to the total of positive market values.

Note 9 Derivatives

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Positive market values					
Trading	55,453	52,799	51,868	56,410	69,079
Fair value hedges	215	194	198	10,274	10,170
Cash flow hedges	30,940	22,281	23,930	12,105	12,533
Amounts set off in the balance sheet	-8,540	-6,839	-6,035	-4,162	-1,641
Total	78,068	68,435	69,961	74,627	90,141
Negative market values					
Trading	51,337	56,801	54,591	60,439	60,919
Fair value hedges	653	733	762	2,023	2,515
Cash flow hedges	8,803	10,860	12,211	13,264	11,293
Amounts set off in the balance sheet	-8,540	-6,839	-6,035	-4,162	-1,641
Total	52,253	61,555	61,529	71,564	73,086
Nominal value					
Trading	5,669,267	6,323,042	6,374,976	6,776,464	7,106,437
Fair value hedges	44,946	58,967	63,580	240,982	272,337
Cash flow hedges	769,971	734,681	703,460	543,797	510,452
Total	6,484,184	7,116,690	7,142,016	7,561,243	7,889,226

Derivative contracts are presented gross in the table. Offsetting amounts disclosed in Note 17 consist of the offsetted 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 in the balance sheet per counterparty and currency.

Note 10 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Jun 2014	Jan-Jun 2013	Full year 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Opening residual value	6,431	6,273	6,273	1,404	933	933	7,835	7,206	7,206
Additional during the period	-	144	144	95	449	596	95	593	740
The period's amortisation	-	-	-	-74	-68	-140	-74	-68	-140
The period's impairments	-	-	-	-6	-	-2	-6	-	-2
Foreign exchange effect	97	11	14	21	5	17	118	16	31
Closing residual value	6,528	6,428	6,431	1,440	1,319	1,404	7,968	7,747	7,835

Note 11 Due to credit institutions, deposits and borrowing from the public

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Due to credit institutions	205,649	173,675	171,624	169,761	197,223
<i>of which repos</i>	<i>4,467</i>	<i>910</i>	<i>748</i>	<i>816</i>	<i>2,097</i>
Deposits and borrowing from the public	943,151	867,225	825,205	807,630	636,776
<i>of which repos</i>	<i>14,339</i>	<i>6,834</i>	<i>7,604</i>	<i>10,442</i>	<i>12,289</i>

Note 12 Issued securities

SEK m	30 Jun 2014
Issued securities at beginning of year	1,150,641
Issued	493,955
Repurchased	62,775
Matured	427,858
Foreign exchange effect etc	20,549
Issued securities at end of period	1,174,512

Note 13 Assets pledged, contingent liabilities and other commitments

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Assets pledged for own debt	780,047	766,480	754,265	751,303	763,360
Other pledged assets	32,924	44,230	41,679	36,265	35,612
Contingent liabilities	75,486	72,930	74,129	75,184	77,556
Other commitments *	367,140	359,242	355,224	362,671	356,981

* As of 2014, unutilised overdraft facilities which the counterparty does not have at its disposal at the time of recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been restated.

The total contingent liabilities mainly consist of credit guarantees.

Note 14 Classification of financial assets and liabilities

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

30 June 2014	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					416,836		470	417,306	417,306
Other loans to central banks					59,780			59,780	59,780
Interest-bearing securities eligible as collateral with central banks	34,088	20,216		750		1,556		56,610	56,615
Loans to other credit institutions					76,519			76,519	76,007
Loans to the public		2,504			1,762,656			1,765,160	1,776,920
Value change of interest hedged item in portfolio hedge					90			90	
Bonds and other interest-bearing securities	16,844	34,334		254		1,625		53,057	53,052
Shares	31,821	1,854				8,195		41,870	41,870
Investments in associates							263	263	263
Assets where the customer bears the value change risk		88,521			358			88,879	88,879
Derivative instruments	46,913		31,155					78,068	78,068
Other assets	20				21,095		685	21,800	21,800
Prepaid expenses and accrued income	444	554		2	3,411	2	1,686	6,099	6,099
Total financial assets	130,130	147,983	31,155	1,006	2,340,745	11,378	3,104	2,665,501	2,676,659
Other non-financial assets								14,790	
Total assets								2,680,291	
Liabilities									
Due to credit institutions							205,649	205,649	207,612
Deposits and borrowing from the public							943,151	943,151	943,142
Liabilities where the customer bears the value change risk		88,584					358	88,942	88,942
Issued securities	18,772						1,155,740	1,174,512	1,199,914
Derivative instruments	42,797		9,456					52,253	52,253
Short positions	19,644							19,644	19,644
Other liabilities	129						18,581	18,710	18,710
Accrued expenses and deferred income	406						19,737	20,143	20,143
Subordinated liabilities							29,575	29,575	33,453
Total financial liabilities	81,748	88,584	9,456				2,372,791	2,552,579	2,583,813
Other non-financial liabilities								10,898	
Total liabilities								2,563,477	

31 December 2013	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					334,185		470	334,794	334,794
Other loans to central banks					35,160			35,160	35,160
Interest-bearing securities eligible as collateral with central banks	32,611	19,819		3,463		1,558		57,451	57,471
Loans to other credit institutions					62,898			62,898	62,413
Loans to the public		2,580			1,693,759			1,696,339	1,701,517
Value change of interest hedged item in portfolio hedge					96			96	
Bonds and other interest-bearing securities	26,959	35,331		933		902		64,125	64,123
Shares	41,542	1,328				5,725		48,595	48,595
Investments in associates							272	272	272
Assets where the customer bears the value change risk		80,234			696			80,930	80,930
Derivative instruments	46,692		23,269					69,961	69,961
Other assets	68				12,846		348	13,262	13,262
Prepaid expenses and accrued income	480	791		117	3,848		1,904	7,140	7,140
Total financial assets	148,352	140,083	23,269	4,513	2,143,488	8,185	3,133	2,471,023	2,475,638
Other non-financial assets								13,698	
Total assets								2,484,721	
Liabilities									
Due to credit institutions							171,624	171,624	173,128
Deposits and borrowing from the public							825,205	825,205	824,904
Liabilities where the customer bears the value change risk		80,281					696	80,977	80,977
Issued securities	17,420						1,133,221	1,150,641	1,167,147
Derivative instruments	48,790		12,739					61,529	61,529
Short positions	22,845							22,845	22,845
Other liabilities	19						13,170	13,189	13,189
Accrued expenses and deferred income	357						21,504	21,861	21,861
Subordinated liabilities							15,965	15,965	17,710
Total financial liabilities	89,431	80,281	12,739				2,181,385	2,363,836	2,383,290
Other non-financial liabilities								9,546	
Total liabilities								2,373,382	

Note 15 Fair value measurement of financial instruments

30 June 2014 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	55,860	-	-	55,860
Loans to the public	-	2,488	16	2,504
Bonds and other interest-bearing securities	48,256	4,547	-	52,803
Shares	39,680	725	1,465	41,870
Assets where the customer bears the value change risk	87,917	-	604	88,521
Derivative instruments	722	77,346	-	78,068
Total financial assets at fair value	232,435	85,106	2,085	319,626
Liabilities				
Liabilities where the customer bears the value change risk	87,980	-	604	88,584
Issued securities	4	18,684	84	18,772
Derivative instruments	1,311	50,942	-	52,253
Short positions	19,587	57	-	19,644
Total financial liabilities at fair value	108,882	69,683	688	179,253

31 December 2013 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	53,988	-	-	53,988
Loans to the public	-	2,562	18	2,580
Bonds and other interest-bearing securities	52,612	10,580	-	63,192
Shares	45,384	1,823	1,388	48,595
Assets where the customer bears the value change risk	79,744	-	490	80,234
Derivative instruments	1,333	68,628	-	69,961
Total financial assets at fair value	233,061	83,593	1,896	318,550
Liabilities				
Liabilities where the customer bears the value change risk	79,791	-	490	80,281
Issued securities	4	17,332	84	17,420
Derivative instruments	2,158	59,371	-	61,529
Short positions	21,951	894	-	22,845
Total financial liabilities at fair value	103,904	77,597	574	182,075

Handelsbanken's independent risk control function is responsible for checking and validating the fair value measurement of financial instruments. In general, the valuations are based on externally generated data as far as is possible, considering the circumstances in each case.

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

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

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 valuation techniques at initial recognition and the transaction price (day - 1 effect), the profit/loss is distributed over the maturity period of the financial instrument. Such differences occur when the applied valuation model does not capture all the components which affect the value of the instrument. As a consequence of the application of this principle, SEK 45m has been amortised in net gains/losses on financial transactions during the period January – June 2014. At the end of the period, non-amortised day -1 gains amounted to SEK 424m. In addition, the Bank makes an independent valuation of the total credit risk component (own credit risk as well as counterparty risk) in outstanding mark-to-model method OTC derivatives. Changes in fair value due to changed credit risk are recognised in profit/loss to the extent that the overall effect exceeds non-recognised day -1 effects.

Valuation hierarchy

In the tables, financial instruments at fair value have been classified in terms of how the valuations have been carried out and the amount of market data used in the valuation. If the classification on the balance sheet date has changed from the classification at the preceding year-end, the instrument will have been moved between the levels in the table. During the January – June 2014 period, no instruments were moved between levels 1 and 2. The changes in level 3 are shown in a separate table.

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 shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities (assets and liabilities where the customer bears the value change risk).

Financial instruments which are valued using valuation models which are substantially based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities, as well as interest rate and currency-related derivatives.

Financial instruments valued using models which are based on input data that is not possible to verify using external market information and which

have affected the valuation to a material extent, are categorised as level 3. These holdings essentially consist of holdings in private equity funds and unlisted equities. No reasonable changes in the assumptions on which the models used are based would have a significant impact on the valuation.

Investments in private equity funds are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, e.g. P/E ratios. Most of these holdings represent plan assets in the Group's insurance operations. Value changes on the plan assets are included in the basis for calculating the yield split in the insurance operations.

The Group's holdings of unlisted securities mainly consist of the Bank's participating interests in various types of joint operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration on the Bank'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. Changes in level 3 holdings during the period are shown in a separate table. In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in other comprehensive income.

Reconciliation of financial instruments in level 3

January - June 2014 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	1,388	18	490	-490	-84
Acquisitions/issues	43	-	-	-	-
Repurchases/sales	-35	-	-	-	-
Matured during the period	-	-4	-	-	-
Unrealised value change in income statement	-24	0	100	-100	0
Unrealised value change in other comprehensive income	93	1	14	-14	-
Transfer from level 1 or 2	-	1	-	-	-
Transfer to level 1 or 2	-	-	-	-	-
Carrying amount at end of period	1,465	16	604	-604	-84

January - December 2013 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	1,560	24	-	-	-77
Acquisitions/issues	107	-	-	-	-1
Repurchases/sales	-304	-	-	-	-
Matured during the period	-1	-2	-	-	-
Unrealised value change in income statement	-12	0	-	-	-6
Unrealised value change in other comprehensive income	38	1	-	-	-
Transfer from level 1 or 2	-	3	490	-490	-
Transfer to level 1 or 2	-	-8	-	-	-
Carrying amount at end of period	1,388	18	490	-490	-84

Note 16 Related-party transactions

On 25 March 2014, Svenska Handelsbanken AB, Handelsbanken's Pension Foundation and Handelsbanken's Pension Fund made mutual reallocations of their respective shareholdings; the Bank divested several shareholdings and, at the same time, purchased shares in Industrivärden and SCA. Following these transactions, Svenska Handelsbanken AB controls 10.46% of the votes in Industrivärden (7.5% of the capital) and 10.15% of the votes in SCA (2.1% of the capital). These transactions generated a capital gain of SEK 306m for the Bank. All business transactions with associated companies are made on market terms.

Note 17 Offsetting of financial instruments

30 June 2014 SEK m	Derivatives	Repurchase agreements, securities lending/borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amounts of recognised financial assets	86,608	59,751	146,359
Gross amounts of recognised financial liabilities set off in the balance sheet	-8,540	-	-8,540
Net amounts of financial assets presented in the balance sheet	78,068	59,751	137,819
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-39,886	-	-39,886
Collateral received	-15,435	-59,746	-75,181
Net amount	22,747	5	22,752
Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements			
Gross amounts of recognised financial liabilities	60,793	18,806	79,599
Gross amounts of recognised financial assets set off in the balance sheet	-8,540	-	-8,540
Net amounts of financial liabilities presented in the balance sheet	52,253	18,806	71,059
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-39,886	-	-39,886
Assets pledged	-4,174	-16,963	-21,137
Net amount	8,193	1,843	10,036

31 December 2013 SEK m	Derivatives	Repurchase agreements, securities lending/borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amounts of recognised financial assets	75,996	53,586	129,582
Gross amounts of recognised financial liabilities set off in the balance sheet	-6,035	-	-6,035
Net amounts of financial assets presented in the balance sheet	69,961	53,586	123,547
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-41,036	-	-41,036
Collateral received	-10,540	-53,569	-64,109
Net amount	18,385	17	18,402
Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements			
Gross amounts of recognised financial liabilities	67,564	8,352	75,916
Gross amounts of recognised financial assets set off in the balance sheet	-6,035	-	-6,035
Net amounts of financial liabilities presented in the balance sheet	61,529	8,352	69,881
Related amounts not set off in the balance sheet			
Financial instruments not set off in the balance sheet	-41,036	-	-41,036
Assets pledged	-4,793	-7,889	-12,682
Net amount	15,700	463	16,163

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

Note 18 Assets and liabilities by currency

30 June 2014								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	214	89,249	3,376	80	61,209	262,844	334	417,306
Other loans to central banks	18,333	-	17,091	17,339	314	6,702	1	59,780
Loans to other credit institutions	20,698	7,978	211	188	618	44,588	2,238	76,519
Loans to the public	1,156,684	167,401	188,207	67,958	146,914	24,613	13,383	1,765,160
<i>of which corporates</i>	508,071	122,762	103,319	28,058	101,505	24,546	12,170	900,431
<i>of which households</i>	648,613	44,639	84,888	39,900	45,409	67	1,213	864,729
Interest-bearing securities eligible as collateral with central banks	23,658	6,209	1,668	6	-	23,518	1,551	56,610
Bonds and other interest-bearing securities	45,575	3,887	3,020	-	460	115	-	53,057
Other items not broken down by currency	251,859							251,859
Total assets	1,517,021	274,724	213,573	85,571	209,515	362,380	17,507	2,680,291
Liabilities								
Due to credit institutions	31,283	36,883	17,681	10,347	10,381	77,902	21,172	205,649
Deposits and borrowing from the public	441,857	119,554	51,860	26,459	105,646	194,617	3,158	943,151
<i>of which corporates</i>	193,049	106,615	34,190	14,223	90,416	192,944	2,937	634,374
<i>of which households</i>	248,808	12,939	17,670	12,236	15,230	1,673	221	308,777
Issued securities	460,072	237,059	20,003	295	85,876	344,039	27,168	1,174,512
Subordinated liabilities	10,207	18,237	-	-	-	139	992	29,575
Other items not broken down by currency, incl. equity	327,404							327,404
Total liabilities and equity	1,270,823	411,733	89,544	37,101	201,903	616,697	52,490	2,680,291
Other assets and liabilities broken down by currency and off-balance sheet items		136,992	-124,034	-48,465	-7,642	254,381	35,026	
Net foreign currency position		-17	-5	5	-30	64	43	60

31 December 2013								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	342	48,191	4,263	85	46,585	235,126	202	334,794
Other loans to central banks	2,540	130	11,105	21,156	229	-	0	35,160
Loans to other credit institutions	4,120	11,124	132	151	583	43,811	2,977	62,898
Loans to the public	1,121,986	164,903	182,613	62,231	129,807	24,378	10,421	1,696,339
<i>of which corporates</i>	494,774	123,076	101,809	24,965	90,892	24,313	9,199	869,028
<i>of which households</i>	627,212	41,827	80,804	37,266	38,915	65	1,222	827,311
Interest-bearing securities eligible as collateral with central banks	26,826	6,727	1,137	6	-	21,202	1,553	57,451
Bonds and other interest-bearing securities	54,921	5,651	2,667	75	-	734	77	64,125
Other items not broken down by currency	233,954							233,954
Total assets	1,444,689	236,726	201,917	83,704	177,204	325,251	15,230	2,484,721
Liabilities								
Due to credit institutions	29,695	24,208	5,252	13,315	12,156	75,355	11,643	171,624
Deposits and borrowing from the public	429,266	83,433	52,273	32,072	69,091	153,580	5,490	825,205
<i>of which corporates</i>	192,500	70,681	36,810	20,758	59,905	151,938	5,293	537,885
<i>of which households</i>	236,766	12,752	15,463	11,314	9,186	1,642	197	287,320
Issued securities	477,393	227,389	18,769	226	89,640	317,453	19,771	1,150,641
Subordinated liabilities	10,472	4,427	-	-		143	923	15,965
Other items not broken down by currency, incl. equity	321,286							321,286
Total liabilities and equity	1,268,112	339,457	76,294	45,613	170,887	546,531	37,827	2,484,721
Other assets and liabilities broken down by currency and off-balance sheet items		102,703	-125,629	-38,049	-6,362	221,290	22,683	
Net foreign currency position		-28	-6	42	-45	10	86	59

Note 19 Capital base and capital requirements in the consolidated situation

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

Capital base*

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
TIER 1 CAPITAL					
Equity, Group	116,814	107,820	111,339	106,512	102,391
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year **	-4,085	-1,904	-10,485	-5,123	-3,415
Result from unconsolidated entities	-335	-180	-680	-326	-227
Equity not part of the consolidated situation	421	1,031	1,727	1,842	1,829
Minority interests	-3	-2	-2	-2	-2
Equity (consolidated entities)	112,812	106,765	101,899	102,903	100,576
Deducted items					
Goodwill and other intangible assets	-7,958	-7,883	-7,835	-8,164	-8,136
Value adjustments (fair value)	-1	-1	-67	-7	-14
Special deduction for IRB institutions	-2,228	-2,216	-1,986	-1,750	-1,852
Positions in securitisation	-	-492	-490	-486	-512
Net pension assets	-13	-47	-	-	-
Adjustments in accordance with stability filter	-	-	-	-	-
Cash flow hedges	-1,535	490	1,518	696	831
Unrealised accumulated gains, shares	-1,280	-1,323	-	-	-
Common equity tier 1 capital, gross	99,797	95,293	93,039	93,192	90,893
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	99,797	95,293	93,039	93,192	90,893
Additional tier 1 instruments	7,896	7,746	10,602	10,577	10,685
Total tier 1 capital	107,693	103,039	103,641	103,769	101,578
TIER 2 CAPITAL					
Subordinated loans	17,588	17,393	3,882	4,313	7,362
Deducted items					
Tier 2 contribution in unconsolidated financial entities	-1,129	-1,129	-1,129	-1,129	-1,129
Total tier 2 capital	16,459	16,264	2,753	3,184	6,233
Total own funds	124,152	119,303	106,394	106,953	107,811

* The historic comparison figures for 2013 in the table relate to CRR/CRD IV and are estimates based on the Bank's interpretation of the regulations at the respective reporting date and assuming full implementation of the regulations.

** The amount as at 30 June 2014 assumes that Handelsbanken receives the consent of the Swedish Financial Supervisory Authority to calculate the deduction for dividends based on historical ordinary dividends, i.e. excluding extraordinary dividends. The Supervisory Authority has not yet made a decision on this matter. If the deduction was instead based on the total dividend, common equity tier 1 capital would be reduced by SEK 1,776m.

Capital adequacy analysis*

	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Common equity tier 1 ratio, CRD IV	20.1%	19.5%	18.9%	18.8%	17.8%
Tier 1 ratio, CRD IV	21.7%	21.1%	21.0%	21.0%	19.9%
Total capital ratio, CRD IV	25.0%	24.5%	21.6%	21.6%	21.1%
Risk exposure amount CRD IV, SEK m	497,050	487,913	492,785	495,174	511,041
Capital base in relation to capital requirement according to Basel I floor	143%	141%	124%	125%	123%

* The historic comparison figures regarding the capital requirement according to CRR/CRD IV for 2013 are estimates based on the Bank's interpretation of the regulations at the respective reporting date and assuming full implementation of the regulations.

Capital requirements for Swedish banks

On 8 May, the Swedish Financial Supervisory Authority published a memorandum on new capital requirements for Swedish banks.

This memorandum includes the overall capital assessment in Pillar 2, capital requirements for systemically important banks, an increase in the capital surcharge for Swedish mortgage loans, and the counter-cyclical capital buffer.

The memorandum states that systemically important Swedish banks must have a system risk buffer of common equity tier 1 capital of 5 percentage points, including 2 percentage points as a buffer in Pillar 2. In addition, the Supervisory Authority intends to raise the Pillar 2 capital requirement for Swedish mortgage loans, with the risk weight floor being increased from 15% to 25%.

Including the Supervisory Authority's now proposed counter-cyclical buffer of 1%, (1.5% was used in the memorandum) the current risk weight floor for Swedish mortgage loans of 15% will mean a total Pillar 2 capital requirement of SEK 10.5bn in 2015. The proposed raising of the risk weight floor to 25% will increase the Bank's total Pillar 2 capital requirement by a further SEK 10bn approximately.

The Supervisory Authority proposes that the Pillar 2 capital requirement, excluding the systemic risk buffer and the risk weight floor for mortgage loans, be divided up into a Pillar 2 Basic requirement and a capital planning buffer. The latter would be in the form of a surcharge in Pillar 2, only to the extent that it exceeds the capital conservation buffer in Pillar 1. As a rule, the Pillar 2 Basic requirement is to be covered by the same type of capital as the Pillar 1 requirements. The capital planning buffer, however, is to be covered by common equity tier 1 capital.

In the memorandum, the total common equity tier 1 capital requirements of the systemically important banks are calculated, including a standard Pillar 2 surcharge of 1.5 percentage points; Handelsbanken's requirement is estimated at 17.4%. This autumn, the Supervisory Authority will present standardised calculation models for how the surcharge is to be calculated – the standard surcharge given in the memorandum is only an example. In the assessment of the final common equity tier 1 capital requirement, the size of the Pillar 2 surcharge is the chief remaining uncertainty factor.

The Bank's assessment is that, even factoring in the remaining uncertainties, the Group is well-capitalised.

Capital requirement

	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
SEK m					
Credit risk according to standardised approach	5,992	5,731	4,225	4,089	3,885
Credit risk according to IRB approach	28,161	27,729	28,015	28,385	29,555
Market risks	696	700	770	711	988
Credit value adjustment risk (CVA)	476	434			
Operational risk	4,439	4,439	4,246	4,246	4,246
Total capital requirement	39,764	39,033	37,256	37,431	38,674
Adjustment according to Basel I floor	48,893	46,859	44,039	43,363	42,957
Capital requirement, Basel I floor	88,657	85,892	81,295	80,794	81,631
Total capital base, Basel I floor	126,380	121,519	100,406	101,360	102,210

Capital requirement credit risks standardised approach

SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
	2014	2013	2014	2013	2014	2013
Sovereign and central banks	515,708	406,996	0.0	0.0	3	12
Municipalities	67,437	57,231	0.0	0.0	2	2
Multilateral development banks	1,218	1,647	0.0	0.0	0	0
Institutions	6,572	2,238	10.3	25.4	54	45
Corporates	25,769	23,032	65.1	100.0	1,341	1,842
Households	18,583	11,117	74.6	75.0	1,109	667
Collateral in real estate	40,903	36,378	34.6	37.8	1,132	1,102
Past due items	183	168	132.2	136.2	19	18
Equities	7,073	0	231.2	0.0	1,308	0
Other items	10,278	14,748	124.5	45.5	1,024	537
Total	693,724	553,555	10.8	9.5	5,992	4,225

Credit risks IRB

SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Corporates	939,822	915,218	25.6	28.4	19,242	20,824
<i>of which repos and securities loans</i>	7,973	8,376	0.8	0.5	5	3
<i>of which other loans foundation approach</i>	149,720	140,425	32.5	35.8	3,992	4,023
<i>of which other loans advanced approach</i>	782,129	766,417	24.5	27.4	15,245	16,798
<i>of which large companies</i>	150,042	153,810	51.5	52.5	6,185	6,458
<i>of which medium-sized companies</i>	72,817	72,305	48.9	57.4	2,849	3,323
<i>of which property companies</i>	413,632	401,705	17.4	20.0	5,759	6,435
<i>of which housing co-operative associations</i>	145,638	138,597	3.9	5.2	452	582
Households	846,126	818,080	8.0	8.3	5,440	5,405
Private individuals	817,811	789,722	7.4	7.3	4,821	4,604
<i>of which property loans</i>	731,626	705,004	5.4	5.2	3,172	2,934
<i>of which other loans</i>	86,185	84,718	23.9	24.6	1,648	1,670
Small companies	28,315	28,358	27.3	35.3	619	801
Institutions	123,566	100,503	17.5	11.9	1,729	954
<i>of which repos and securities loans</i>	53,033	48,863	3.6	0.8	153	31
<i>of which other loans</i>	70,534	51,640	27.9	22.3	1,575	923
Equity exposures	6,491	5,693	301.8	143.6	1,567	654
<i>of which listed shares</i>	5,532	4,369	290.0	133.0	1,283	465
<i>of which other shares</i>	959	1,324	370.0	180.7	284	189
Exposures without a counterparty	2,266	2,204	100.0	100.0	181	176
Securitisation positions	319	878	8.1	3.1	2	2
<i>of which Traditional securitisation</i>	319	878	8.1	3.1	2	2
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-
Total IRB	1,918,590	1,842,576	18.3	19.0	28,161	28,015
<i>of which repos and securities loans</i>	61,006	57,239	3.2	0.7	158	34
<i>of which other loans foundation approach</i>	229,329	200,840	39.4	36.0	7,318	5,778
<i>of which other loans advanced approach</i>	1,628,255	1,584,497	16.0	17.5	20,685	22,203

Handelsbanken applies an internal method called the IRB model for categorising risk and calculation of credit risk. The capital adequacy regulations contain two different IRB approaches: a foundation approach and an advanced approach. In the foundation approach, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set by the Financial Supervisory Authority. In the advanced approach, the Bank also uses its own methods to calculate the loss given default (LGD), the exposure at default (EAD) and the maturity factor (M).

Handelsbanken uses the foundation IRB method for exposures to institutions and for certain product and collateral types for corporate exposures in the whole of the regional banking operations and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB, Handelsbanken Finans (Shanghai) Financial Leasing Co Ltd and Rahoitus Oy. The advanced IRB approach is applied to the majority of exposures to large corporates, medium-sized companies, property companies and housing co-operative associations in regional bank operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy.

At the end of the quarter, the IRB approach was applied to approx. 82% of the total credit risk exposure amount. For the remaining credit risk exposures, the capital requirement was measured using capital adequacy standard regulations. Repos and securities loans are reported separately in the table of capital requirements according to

the IRB model, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirement is because the exposure is presented gross and the exposure is secured.

The total average risk weight for the IRB exposures decreased during the quarter, and as at 30 June 2014 it was 18.3%. The main reason for the decrease in the average risk weight is the fact that the credit volume to counterparties with low risk weights in relative terms has increased.

Credit quality is good. 95% of Handelsbanken's corporate exposures was to customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point risk rating scale. The advanced IRB models are based on historical losses from both the recent financial crisis and the Swedish banking crisis of the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low loan losses over a long period. The risk measurements applied contain safety margins to ensure that the risk is not underestimated.

The level of the risk weight in the corporate exposures reflects the portfolio composition and how various loans are classified in the different exposure classes. Handelsbanken has classified its lending to housing co-operative associations as corporate, while some other banks have opted to classify this as retail lending.

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

Capital requirement market risks

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Position risk in the trading book	686	691	756	701	978
Interest rate risk	667	675	745	690	956
<i>of which general risk</i>	459	441	493	466	568
<i>of which specific risk</i>	202	228	252	224	387
<i>of which positions in securitisation instruments</i>	0	0	0	0	1
<i>of which non-delta risk</i>	6	6	-	-	-
Equity price risk	19	16	11	11	22
<i>of which general risk</i>	3	4	3	4	6
<i>of which specific risk</i>	8	8	6	6	16
<i>of which mutual funds</i>	1	1	2	1	0
<i>of which non-delta risk</i>	7	3	-	-	-
Exchange rate risk	-	-	-	-	-
<i>of which non-delta risk</i>	-	-	-	-	-
Commodities risk	10	9	14	10	10
<i>of which non-delta risk</i>	0	1	-	-	-
Settlement risk	0	0	0	-	-
Total capital requirement for market risks	696	700	770	711	988

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

Historical statutory key figures*

SEK m	31 Dec 2013	30 Sep 2013	30 Jun 2013
Total tier 1 capital	100,137	100,682	98,779
Total capital base for capital adequacy purposes	100,406	101,360	102,210
Risk-weighted assets, transitional rules	1,016,192	1,009,925	1,020,391
Risk-weighted assets, Basel II	465,701	467,888	483,425
Capital ratio, Basel II	21.6%	21.7%	21.1%
Capital ratio, transitional rules	9.9%	10.0%	10.0%
Tier 1 ratio, Basel II	21.5%	21.5%	20.4%
Tier 1 ratio, transitional rules	9.9%	10.0%	9.7%

* Key figures according to capital regulations applying in 2013.

Note 20 Risk and capital management

Risks and uncertainty factors

Although the turbulence in the financial markets has decreased, the structural problems that brought on the crisis remain. The debt problems of certain countries are still a concern, and both the financial sector and the real economy continue to be supported by massive stimulus in the form of monetary policy. Sooner or later the players in the economy must adapt to more normal circumstances. For the financial sector, apart from managing these circumstances, it also means adapting to significantly more stringent and extensive regulatory requirements – which have not yet been established in their entirety.

Handelsbanken's historically low tolerance of risk, sound capitalisation and strong liquidity situation mean that the Bank is well equipped to

cope with substantially more difficult market conditions than those experienced during the quarter. The core operations will continue to be run using the same business model, even under stricter regulations. The Bank's liquidity situation is healthy and is described in more detail under the heading Liquidity and funding.

Other aspects of the Bank's risk and capital management are described in Handelsbanken's Annual Report and in Handelsbanken's Risk and capital management – Information according to Pillar 3. No material changes have occurred since the publication of these documents that are not presented in this interim report.

Liquidity and funding

Handelsbanken's liquidity situation is healthy. For a long period of 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 purpose of strengthening control of the liquidity risks and of guaranteeing and optimising the Bank's funding in all scenarios.

The Bank has worked for a long time on extending the maturities of its funding by increasing bond issues and ensuring that liquidity risks are included in internal pricing. The Bank's funding programme covers the entire maturity spectrum in SEK, EUR and USD that the Bank needs to finance its lending, and also creates the opportunity for issues in all currencies that are relevant for the Bank.

Funding programmes/limits as at 30 June 2014 - Group

Programme (in millions)	Programme size	Currency	Unutilised amount	Countervalue SEK m	Latest issue
ECP*	5,000	EUR	2,281	20,882	Jun-14
ECP (Stadshypotek)*	4,000	EUR	2,099	19,216	May-14
French Commercial Paper	7,500	EUR	6,996	64,047	Jun-14
EMTCN (Stadshypotek)*	20,000	EUR	7,506	68,716	May-14
MTN*	100,000	SEK	83,119	83,119	Jun-14
Swedish Commercial Paper	25,000	SEK	24,980	24,980	Mar-14
Swedish Commercial Paper (Stadshypotek)	90,000	SEK	90,000	90,000	Jun-13
EMTN*	50,000	USD	26,018	174,371	Mar-14
General funding >1 Y*	15,000	USD	12,350	82,769	May-14
USCP	15,000	USD	7,865	52,711	Jun-14
Extendible Notes	15,000	USD	7,925	53,113	Oct-13
US 144A / 3(a)(2)	20,000	USD	10,600	71,041	Jun-14
Stadshypotek US 144A	15,000	USD	12,250	82,099	May-13
Stadshypotek AUD Covered Bond Programme	5,000	AUD	4,250	26,803	Oct-12
Samurai	400,000	JPY	349,500	22,042	Jun-13
AUD MTN	5,000	AUD	4,350	27,434	Apr-14
Total				963,343	
Total programme (or limited) amounts, SEK m	1,508,697				
Unutilised amount, SEK m	963,343				
Available amount	64%				

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

As at 30 June 2014, total liquidity reserves exceeded SEK 800bn. Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 578bn (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

SEK m	Market value				
	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Cash and balances with and other lending to central banks	475,622	408,519	368,351	377,187	245,601
Balances with banks and the National Debt Office, overnight	24,022	11,809	2,182	1,827	2,770
Securities issued by governments and public entities	39,647	51,225	42,746	48,648	40,947
Covered bonds	33,934	43,340	43,318	49,566	54,449
Securities issued by non-financial companies	1,376	1,757	976	929	1,156
Securities issued by financial companies	3,554	1,942	2,505	2,214	2,785
Total	578,155	518,592	460,078	480,371	347,708
<i>of which in SEK</i>	<i>80,252</i>	<i>90,448</i>	<i>56,378</i>	<i>70,608</i>	<i>76,349</i>
<i>of which in EUR</i>	<i>100,032</i>	<i>68,143</i>	<i>59,496</i>	<i>81,996</i>	<i>69,425</i>
<i>of which in USD</i>	<i>285,902</i>	<i>277,388</i>	<i>250,024</i>	<i>247,795</i>	<i>164,579</i>
<i>of which in other currencies</i>	<i>111,969</i>	<i>82,613</i>	<i>94,180</i>	<i>79,972</i>	<i>37,355</i>

30 June 2014					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	17,341	89,172	269,533	99,576	475,622
Balances with other banks and the National Debt Office, overnight	22,235	228	94	1,465	24,022
Securities issued by governments	15,582	7,270	14,662	2,133	39,647
Securities issued by municipalities and other public entities	-	-	-	-	-
Covered bonds, external issuers	21,285	2,214	-	7,026	30,525
Own covered bonds	1,777	155	-	1,477	3,409
Securities issued by non-financial companies	781	595	-	-	1,376
Securities issued by financial companies	1,251	398	1,613	292	3,554
Total	80,252	100,032	285,902	111,969	578,155

Maturities for financial assets and liabilities

30 June 2014 SEK m	Up to 3 mths	3 - 6 mths	6 - 12 mths	1 - 5 yrs	5 yrs -	Unspecified maturity	Total
Cash and balances with central banks	477,086	-	-	-	-	-	477,086
Interest bearing securities eligible as collateral with central banks	56,610	-	-	-	-	-	56,610
Bonds and other interest-bearing securities	53,057	-	-	-	-	-	53,057
Loans to credit institutions	70,455	677	1,084	1,613	2,229	461	76,519
-of which reverse repos	37,497	-	-	-	-	-	37,497
Loans to the public	155,835	79,009	118,181	374,624	1,035,400	2,111	1,765,160
-of which reverse repos	19,418	-	-	-	-	-	19,418
Other	57,653	-	-	-	-	194,206	251,859
-of which shares and participating interests	41,870	-	-	-	-	-	41,870
-of which claims on investment banking settlements	15,783	-	-	-	-	-	15,783
Total	870,696	79,686	119,265	376,237	1,037,629	196,778	2,680,291
Due to credit institutions	174,302	8,947	752	56	5,288	16,304	205,649
-of which repos	4,467	-	-	-	-	-	4,467
-of which deposits from central banks	85,246	1,546	-	-	-	2,061	88,853
Deposits and borrowing from the public	251,729	13,163	12,029	4,516	7,887	653,827	943,151
-of which repos	14,339	-	-	-	-	-	14,339
Issued securities	227,411	106,038	120,427	620,756	99,880	-	1,174,512
Subordinated liabilities	-	-	-	28,609	966	-	29,575
Other	28,961	-	-	-	-	298,443	327,404
-of which short positions	19,644	-	-	-	-	-	19,644
-of which investment banking settlement debts	9,317	-	-	-	-	-	9,317
Total	682,403	128,148	133,208	653,937	114,021	968,574	2,680,291

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 included securities.

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 maturities for SEK, USD and EUR assets and liabilities, see the Fact Book.

Liquidity Coverage Ratio (LCR)

	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Liquidity Coverage Ratio (LCR), %					
EUR	190	122	110	119	118
USD	127	158	170	163	190
Total *	149	152	128	139	128

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

	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Liquidity Coverage Ratio (LCR) - decomposition, SEK m					
Liquid assets	210,869	208,504	162,346	241,407	155,703
Liquid assets level 1	182,489	172,740	130,591	209,400	114,666
Liquid assets level 2	28,380	35,764	31,755	32,007	41,037
Cash outflows	567,759	547,871	507,882	507,019	420,415
Deposits from customers	188,691	188,615	165,295	150,616	133,322
Market funding	326,056	285,119	265,572	277,439	200,704
Other cash flows	53,012	74,137	77,016	78,964	86,389
Cash inflows	425,820	410,903	380,912	333,567	298,888
Inflows from maturing lending to non-financial customers	16,372	25,658	22,080	22,827	21,610
Other cash inflows	409,448	385,245	358,832	310,740	277,278

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.

In the area of liquidity, a number of new regulations have been gradually introduced, with the purpose of strengthening market financial stability. The Swedish regulations implemented as of 2013 contain a measurement of banks' liquidity in the form of a short-term liquidity buffer – the Liquidity Coverage Ratio (LCR). This measure is based on the LCR measure proposed internationally, but it contains some deviations. In particular, the major changes to the ratio proposed by the Basel Committee in January 2013 have not yet been implemented in the Swedish regulations.

At the end of the quarter, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 149%, which shows that the Bank has high resistance to short-term disruptions in the funding market. This also applies in US dollars and euros.

The Bank's LCR, factoring in the Basel Committee's changes in the measurement, is estimated at some 162%.

Stress test with liquidity-creating measures

The Bank's liquidity position is regularly subjected to a stress test. In the test, the Bank's cash flows are stressed, based on certain defined assumptions. The stress test shows resistance to more long-term market disruptions. For example, it is assumed in the stress test that the Bank cannot obtain funding in the financial markets while there is a gradual disappearance of 10% of deposits from households and companies over the first month. It is further assumed that the Bank continues to conduct its core activities, i.e. loans to households and companies and that committed loan offers and other credit facilities

are partly utilised by customers. Account is also taken of the fact that holdings with central banks are utilised and that the Central Treasury liquidity portfolio can provide immediate additional liquidity. In addition, liquidity-creating measures – for example, unutilised facilities to issue covered bonds – are used in order to gradually provide liquidity to the Bank. The result of the stress test shows that also in a stressed scenario, the liquidity reserves cover the Bank's liquidity requirement for over two years, even if access to new funding in the markets were to disappear.

Non-encumbered assets, NEA

30 June 2014		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	578	71%
Mortgage loans	377	117%
Other household lending	142	135%
Property company lending lowest risk class (1-3)	208	160%
Other corporate lending lowest risk class (1-3)	164	180%
Loans to credit institutions lowest risk class (1-3)	74	189%
Other corporate lending	216	216%
Other assets	108	229%
Total non-encumbered assets (NEA)	1,867	229%
Encumbered assets without underlying liabilities**	57	
Encumbered assets with underlying liabilities	756	
Total assets, Group	2,680	

31 December 2013		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	460	60%
Mortgage loans	340	105%
Other household lending	130	122%
Property company lending lowest risk class (1-3)	203	149%
Other corporate lending lowest risk class (1-3)	168	171%
Loans to credit institutions lowest risk class (1-3)	68	179%
Other corporate lending	224	209%
Other assets	96	221%
Total non-encumbered assets (NEA)	1,689	221%
Encumbered assets without underlying liabilities**	57	
Encumbered assets with underlying liabilities	739	
Total assets, Group	2,485	

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

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

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Net interest income	4,047	3,989	1%	4,035	0%	8,036	7,932	1%	15,962
Dividends received	549	426	29%	828	-34%	975	920	6%	8,995
Net fee and commission income	1,511	1,471	3%	1,451	4%	2,982	2,912	2%	5,649
Net gains/losses on financial transactions	114	168	-32%	-181		282	9		589
Other operating income	520	549	-5%	418	24%	1,069	907	18%	1,953
Total income	6,741	6,603	2%	6,551	3%	13,344	12,680	5%	33,148
Staff costs	-2,686	-2,681	0%	-2,579	4%	-5,367	-5,170	4%	-9,977
Other administrative expenses	-1,260	-1,235	2%	-1,285	-2%	-2,495	-2,532	-1%	-5,075
Depreciation, amortisation and impairments of property, equipment and intangible assets	-125	-116	8%	-124	1%	-241	-253	-5%	-498
Total expenses before loan losses	-4,071	-4,032	1%	-3,988	2%	-8,103	-7,955	2%	-15,550
Profit before loan losses	2,670	2,571	4%	2,563	4%	5,241	4,725	11%	17,598
Net loan losses	-274	-311	-12%	-307	-11%	-585	-581	1%	-1,189
Impairments of financial assets	-	-		-		-	-		-29
Operating profit	2,396	2,260	6%	2,256	6%	4,656	4,144	12%	16,380
Appropriations	28	27	4%	24	17%	55	4,217	-99%	4,267
Profit before tax	2,424	2,287	6%	2,280	6%	4,711	8,361	-44%	20,647
Taxes	-521	-513	2%	-518	1%	-1,034	-1,878	-45%	-4,619
Profit for the period	1,903	1,774	7%	1,762	8%	3,677	6,483	-43%	16,028

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q2 2014	Q1 2014	Change	Q2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full year 2013
Profit for the period	1,903	1,774	7%	1,762	8%	3,677	6,483	-43%	16,028
Other comprehensive income									
Items that can be reclassified into profit or loss									
Cash flow hedges	710	21		-1,107		731	-1,543		-3,009
Available-for-sale instruments	-57	148		-263	78%	91	52	75%	534
Translation differences for the period	2,295	1,795	28%	501	358%	4,090	-632		879
<i>of which hedging net investment in foreign operations</i>	<i>1,248</i>	<i>1,385</i>	<i>-10%</i>	<i>-462</i>		<i>2,633</i>	<i>-622</i>		<i>901</i>
Tax related to other comprehensive income	-413	-332	-24%	406		-745	491		397
<i>of which cash flow hedges</i>	<i>-157</i>	<i>2</i>		<i>244</i>		<i>-155</i>	<i>340</i>		<i>656</i>
<i>of which available-for-sale instruments</i>	<i>18</i>	<i>-29</i>		<i>60</i>	<i>-70%</i>	<i>-11</i>	<i>14</i>		<i>-61</i>
<i>of which hedging net investment in foreign operations</i>	<i>-274</i>	<i>-305</i>	<i>10%</i>	<i>102</i>		<i>-579</i>	<i>137</i>		<i>-198</i>
Total items that can be reclassified into profit or loss	2,535	1,632	55%	-463		4,167	-1,632		-1,199
Total other comprehensive income for the period	2,535	1,632	55%	-463		4,167	-1,632		-1,199
Total comprehensive income for the period	4,438	3,406	30%	1,299	242%	7,844	4,851	62%	14,829

Information for the parent company with comments concerning financial performance, significant events and risk is covered by the report provided for the whole of the Handelsbanken Group.

BALANCE SHEET – PARENT COMPANY

SEK m	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
Assets					
Cash and balances with central banks	417,306	367,464	334,794	345,023	211,158
Interest-bearing securities eligible as collateral with central banks	52,597	57,687	53,785	59,515	51,144
Loans to credit institutions	551,583	494,644	475,440	473,074	453,562
Loans to the public	718,613	702,872	685,372	691,725	703,996
Bonds and other interest-bearing securities	48,922	54,680	58,943	58,813	60,273
Shares	39,971	46,956	47,221	40,462	37,263
Shares in subsidiaries and investments in associates	46,037	46,016	46,153	46,161	46,160
Assets where the customer bears the value change risk	3,699	3,811	2,188	2,181	2,243
Derivative instruments	83,337	75,570	78,295	85,847	100,270
Intangible assets	1,745	1,760	1,750	1,705	1,715
Property and equipment	1,062	980	978	899	957
Current tax assets	524	160	-	642	105
Deferred tax assets	293	224	202	239	265
Other assets	15,816	20,056	16,468	25,631	26,133
Prepaid expenses and accrued income	4,483	4,943	5,272	4,816	4,942
Total assets	1,985,988	1,877,823	1,806,861	1,836,733	1,700,186
Liabilities and equity					
Due to credit institutions	256,005	232,531	226,631	229,132	264,573
Deposits and borrowing from the public	939,547	864,097	814,227	796,090	621,562
Liabilities where the customer bears the value change risk	3,762	3,859	2,236	2,244	2,273
Issued securities	549,612	529,127	532,607	562,521	568,481
Derivative instruments	68,540	75,804	77,143	86,430	87,599
Short positions	19,644	21,001	22,845	18,371	20,098
Current tax liabilities	-	-	816	-	-
Deferred tax liabilities	881	447	114	177	154
Provisions	92	106	128	109	94
Other liabilities	18,034	29,354	12,703	30,859	23,622
Accrued expenses and deferred income	10,504	10,203	9,915	11,879	11,034
Subordinated liabilities	29,575	26,523	15,965	15,911	19,138
Total liabilities	1,896,196	1,793,052	1,715,330	1,753,723	1,618,628
Untaxed reserves	739	753	773	783	823
Share capital	2,956	2,956	2,956	2,955	2,955
Share premium	3,444	2,847	2,843	2,813	2,798
Other funds	6,078	3,543	1,911	1,360	1,478
Retained earnings	72,898	72,898	67,020	67,021	67,021
Profit for the period	3,677	1,774	16,028	8,078	6,483
Total equity	89,053	84,018	90,758	82,227	80,735
Total liabilities and equity	1,985,988	1,877,823	1,806,861	1,836,733	1,700,186
Memorandum items					
Assets pledged for own debt	41,793	23,833	25,216	27,348	35,622
Other assets pledged	33,483	44,230	41,679	36,265	35,612
Contingent liabilities and commitments	120,753	126,886	121,509	123,391	129,902
Other commitments	491,209	480,384	495,502	513,631	492,815

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

Stockholm, 16 July 2014

Anders Nyrén
Chairman of the Board

Fredrik Lundberg
Vice Chairman

Sverker Martin-Löf
Vice Chairman

Jon Fredrik Baksaas
Board Member

Charlotte Skog
Board Member

Tommy Bylund
Board Member

Ole Johansson
Board Member

Jan Johansson
Board Member

Bente Rathe
Board Member

Pär Boman
Group Chief Executive

PRESS AND PHONE CONFERENCE

A press and analyst conference is being arranged at the Bank's head office at 8.30 a.m. (CET) on 17 July.

A phone conference will be held at 11 a.m. (CET) on 17 July.

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

The interim report for January – September 2014 will be published on 22 October 2014.

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Auditors' report concerning review of interim report

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

INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 June 2014 and for the six-month period ending as at this date. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

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

and generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

CONCLUSION

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

Stockholm, 16 July 2014

KPMG AB
Stefan Holmström, Authorised Public Accountant

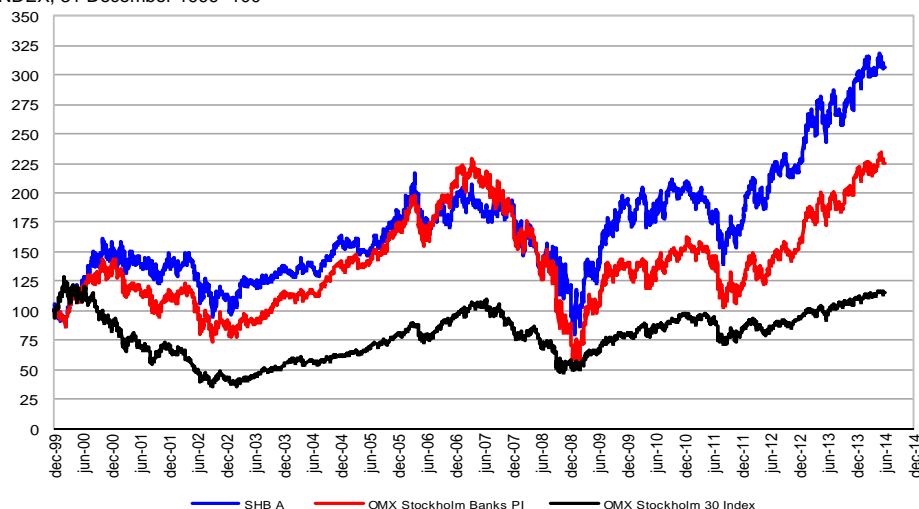
Ernst & Young AB
Erik Åström, Authorised Public Accountant

Share price performance and other information

The Swedish stock market grew by 3% during the first six months of the year. The Stockholm stock exchange's bank index rose by 5%. Handelsbanken's class A shares closed at SEK 327.10, a rise of 4%, but including dividends paid amounting to SEK 16.50, the total return was 9%. Since 1 January 2000, Handelsbanken's share price has increased by 206%, excluding dividends, while the Stockholm Stock Exchange has risen by 15%.

SHARE PRICE PERFORMANCE, 31 DECEMBER 1999 – 30 JUNE 2014

INDEX, 31 December 1999=100



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