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Nordic Balance 15% (NOK)

**Index Rules v1.3
Version as of 17 February 2012**

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1. Index Descriptions

The Nordic Balance 15% (NOK) (the “Index”) measures the performance of a rules-based, quantitative investment strategy that reflects the relative return of the SHB SICAV – XACT NORDIC 120 (the “Underlying Share”) against the Spot Next (S/N) interbank offered rate for deposits in NOK (the “NIBOR Rate”), based on a 15% target volatility risk control mechanism for the Underlying Share. The Index Rules are quantitative.

The exposure to the Underlying Share is adjusted daily based on formulas outlined in the Index Rules which compare the volatility of the Underlying Share to the target volatility. The purpose of adjusting the exposure is to decrease the exposure to the Underlying Share when the volatility of the Underlying Share increases and to increase the exposure to the Underlying Share when its volatility decreases. The exposure to the Underlying Share is capped at 150%.

Nordic Balance 15% (NOK) (the “Index”) is the property of Svenska Handelsbanken AB (publ) (“Handelsbanken”).

2. Index Rules

2.1 Terms and definitions relating to the Index

$ACT(t_1, t_2)$	number of calendar days between the Calculation Date (t_1) (included) and the Calculation Date (t_2) (excluded). If the Calculation Date (t_1) occurs after the Calculation Date (t_2), $ACT(t_1, t_2) = -ACT(t_2, t_1)$ applies.
Calculation Date, " t "	any Scheduled Valuation Day on which no Index Disruption Event occurs (except as provided for in Section 3); Calculation Date ($t - 1$) means the preceding Calculation Date to the Calculation Date (t)
Exposure, " E_t "	in respect of any Calculation Date (t), the Exposure to the Underlying Share is determined by the Index Calculator in accordance with the formula specified in Section 2.6
Exposure change Threshold " ΔE "	10%, the minimal amount that the exposure can be changed, i.e. if the indicated change of the exposure is less than the threshold it is kept unchanged as defined in Sections 2.6 and 2.9
Index	Nordic Balance 15% (NOK)
Index Calculator	Handelsbanken Capital Markets
Index Currency	Norwegian Krona (“NOK”)
Index Disruption Event	in respect of the Underlying Share, the occurrence or existence of an Underlying Share Disruption Event or, in respect of the NIBOR Rate, a NIBOR Disruption Event, or in respect of the Foreign Exchange Rate, a Foreign Exchange Disruption Event, which in any case the Index Calculator determines is relevant.
Index Base Date, " t_0 "	2008-03-13 (YYYY-MM-DD)
Index Launch Date	2010-09-24 (YYYY-MM-DD)
Index Level, " I_t "	in respect of any Calculation Date (t), the level of the Index calculated and announced by the Index Calculator on such date at the Valuation Time, in accordance with section 2.5
Index Owner	Svenska Handelsbanken AB (publ)

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Index Sponsor	Svenska Handelsbanken AB (publ)
Initial value of the Index, " I_0 "	the value of the Index was set to 100 as of the Index Base Date
Maximum Exposure, " E_{\max} "	150% , maximum Exposure to the Underlying Share
$N(t_1, t_2)$	the number of Calculation Dates between the Calculation Date (t_1) (included) and the Calculation Date (t_2) (excluded). If the Calculation Date (t_1) occurs after the Calculation Date (t_2), $N(t_1, t_2) = -N(t_2, t_1)$ applies.
Scheduled Valuation Day	any day on which the Underlying Share Exchange is scheduled to be open for its regular trading sessions and an official closing level of the Reference Index is planned to be published by the sponsor of the Reference Index.
Target Volatility, " Vol^B "	15%
Valuation Time	the Scheduled Valuation Day time at which the central administrator of the Underlying Share, Brown Brothers Harriman (Luxembourg) S.C.A. publishes the official Net Asset Value of the Underlying Share.

2.2 Terms and definitions relating to the NIBOR Rate

NIBOR Disruption Event	in respect of the NIBOR Rate, the occurrence on a Scheduled Valuation Day of any event that prevents the Index Calculator from ascertaining the NIBOR Rate from the NIBOR Rate Source.
NIBOR Rate, " R_t "	in respect of the Calculation Date (t) referring to 2011-10-12 and later, the most recent percentage fixing rate of the Norwegian Overnight Weighted Average which appears on the NIBOR Rate Source immediately following the time of regular fixing publications. In respect of the Calculation Date (t) referring to a date prior to 2011-10-12, but later than 2007-02-13, the most recent percentage fixing rate of the Norwegian Interbank offered rate Spot Next (S/N) which appears on the NIBOR Rate Source immediately following the time of regular fixing publications. For Calculation Date (t) referring to a date prior to 2007-02-13, the most recent percentage fixing rate of the Norwegian Interbank offered rate Tomorrow Next (T/N) which appears on the NIBOR Rate Source immediately following the time of regular fixing publications.
NIBOR Rate Source	in respect of the Calculation Date (t) referring to 2011-10-12 and later, Reuters Screen page "NOWA=", or any successor page or service, as determined by the Index Calculator. In respect of the Calculation Date (t) referring to a date prior to 2011-10-12, but later than 2007-02-13 Reuters Screen page "OINOKSND=", or any successor page or service, as determined by the Index Calculator and for Calculation Date (t) referring to a date prior to 2007-02-13 Reuters Screen page "OINOKTND=", or any successor page or service, as determined by the Index Calculator.

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2.3 Terms and definitions relating to the Foreign Exchange Rate

Foreign Exchange Rate, FX_t^{EURNOK}	in respect of the Calculation Date (t), the most recent fixing rate of the EURNOK exchange rate expressed as the number of NOK per EUR which appears on the Foreign Exchange Rate Source immediately following the time of regular fixing publications.
EUR	means the legal currency of the European Monetary Union, or any currency replacing that currency.
NOK	means the legal currency in Norway, or any currency replacing that currency.
Foreign Exchange Disruption Event	in respect of the Foreign Exchange Rate, the occurrence on a Scheduled Valuation Day of any event that prevents the Index Calculator from ascertaining the Foreign Exchange Rate from the Foreign Exchange Rate Source.
Foreign Exchange Rate Source	Reuters Screen page “EURNOKFIXM=WM”, published by The World Markets Company PLC, or any successor page or service, as determined by the Index Calculator.

2.4 Terms and definitions relating to the Underlying Share

Underlying Share	the SHB SICAV – XACT NORDIC 120, ISIN LU0530353027. The XACT NORDIC 120 fund is a sub-fund issued by SHB SICAV. Handelsbanken Fonder AB (“HBF”) serves as investment manager of the fund. HBF is a subsidiary of Svenska Handelsbanken AB (publ).
Underlying Share Disruption Event	<p>in respect of the Underlying Share, the occurrence or existence on any Scheduled Valuation Day, of any of the following events which the Index Calculator determines is material;</p> <ul style="list-style-type: none">(i) any suspension of or limitation imposed on trading by the Underlying Share Exchange or Related Exchange, or(ii) any event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, the Underlying Share on the Underlying Share Exchange or to effect transactions in, or obtain market values for, futures and option contracts relating to the Underlying Share on any Relevant Exchange, or(iii) any event that disrupts or impairs the publication of an official closing level of the Reference Index, or(iv) any event that disrupts or impairs the publication of the official Net Asset Value of the Underlying Share, or(v) the closure on any Scheduled Valuation Day of the Underlying Share Exchange or any Relevant Exchange prior to its scheduled closing time unless such earlier close is announced by the Underlying Share Exchange or the Relevant Exchange at least one hour prior to the earlier of (1) the actual closing time for the regular trading sessions and (2) the submission deadline for orders to be entered into for execution on such day.

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Underlying Share Exchange NASDAQ OMX Stockholm AB.

Reference Index NASDAQ OMX Nordic 120 Net Return Index, (Bloomberg Ticker: NOMXN12N <Index>).

Related Exchange in respect of the Underlying Share, each exchange or quotation system where trading has a material effect (as determined by the Index Calculator) on the overall market for the Underlying Share or for futures or options contracts relating to the Underlying Share.

Underlying Share Adjustment Event as described in Section 4.

ETF start time, t^{ETF} 2010-09-28 (YYYY-MM-DD)

Net Asset Value, NAV_t means, in respect of the Calculation Date (t), the value of the total net assets attributable to the Underlying Share on a Scheduled Valuation Day (i.e., the value of the total assets attributable to the Underlying Shares on such day less the value of the total liabilities attributable to the Underlying Share on such day) divided by the number of outstanding shares of the Underlying Share. Net Asset Value is available at www.xact.se.

Underlying Share Level, S_t as of the Calculation Date t , when $N(t, t^{ETF}) > 0$, the Underlying Share level is set equal to the official close of the Reference Index multiplied with the Foreign Exchange Rate in respect of the Calculation Date (t), i.e. $S_t = I_t^{ref} \cdot Fx_t^{EURNOK}$. If, at the Calculation Date t , $N(t^{ETF}, t) \geq 0$, the Underlying Share level is set equal to the Net Asset Value multiplied with the Foreign Exchange Rate in respect of the Calculation Date (t), scaled with the ratio between the Reference Index and the Net Asset Value at the ETF start time, i.e.

$$S_t = NAV_t \cdot Fx_t^{EURNOK} \frac{I_t^{ref}}{NAV_t^{ETF}}$$

2.5 Determination of the Index Level “ I_t ”

$I_0 = 100$ (as of the index Base Date)

As of each Calculation Date (t) when $N(t_0, t) \geq 1$, Index Level “ I_t ” is determined by the Index Calculator in accordance with the following formula:

$$I_t = I_{t-1} \left[1 + E_{t-1} \left(\frac{S_t}{S_{t-1}} - 1 \right) - E_{t-1} R_{t-1} \frac{ACT(t-1, t)}{360} \right]$$

where

E_{t-1} = in respect of the Calculation Date $t-1$, the Exposure to the Underlying Share (as described in section 2.6)

S_t = in respect of the Calculation Date t , the Underlying Share Level on such date

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R_{t-1} = in respect of the Calculation Date $t-1$, the NIBOR Rate on such date
 $ACT(t-1, t)$ = the number of calendar days between the Calculation Date ($t-1$) and the Calculation Date t

2.6 Determination of the Exposure " E_t "

Calculation of the Exposure " E_t " is based on the Target Exposure " TE_t ". The Target Exposure " TE_t " is related to the historical volatility of the Underlying Share and the Convexity Correction Factor. The Target Exposure " TE_t " may not exceed 150%. As of each Calculation Date (t), the Target Exposure " TE_t " is determined by the Index Calculator in accordance with the following formula:

$$TE_t = \min(E_{\max}, CCF_{t-1} * Vol^B / Vol_{t-1}^S)$$

where

$E_{\max} = 150\%$, the Maximum Exposure to the Underlying Share
 $CCF_{t-1} = \max(0.75, Vol^B / Vol_{t-1}^{UA})$, the Convexity Correction Factor on the Calculation Date ($t-1$)
 Vol_{t-1}^{UA} = in respect of the Calculation Date ($t-1$), the historical volatility of the Unadjusted Balance Index (as described in section 2.10)
 Vol_{t-1}^S = in respect of the Calculation Date ($t-1$), the historical volatility of the Underlying Share (as described in section 2.7)

The Exposure " E_t " is related to the Target Exposure " TE_t " in such a way that it is unchanged relative to its previous value at the Calculation Date ($t-1$) if the distance $abs(TE_t - E_{t-1})$ is smaller than the threshold " ΔE ". If the distance is greater than or equal to the threshold the Exposure is set equal to the Target Exposure. On the index Base Date the Exposure is set equal to the Target Exposure. Thus, at each Calculation Date after the Base Date the Exposure is given by:

$$E_t = \begin{cases} TE_t & \text{if } abs(TE_t - E_{t-1}) \geq \Delta E \\ E_{t-1} & \text{if } abs(TE_t - E_{t-1}) < \Delta E \end{cases}$$

On the Calculation Date ($t = t_0$) the Exposure " E_t " is set to the Target Exposure " TE_t ", i.e.

$$E_t = TE_t .$$

2.7 Determination of the Historical Volatility of the Underlying Share " Vol_t^S "

As of each Calculation Date (t) when $N(t, t_0) < 254$, i.e, when the Historical Volatility of the Underlying Share is to be calculated for any Calculation Date after the 254th Calculation Date preceding the Index Base Date, it is determined by the Index Calculator in accordance with the following formula:

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$$Vol_t^S = \sqrt{\lambda_S (Vol_{t-1}^S)^2 + (1 - \lambda_S) \left[\ln \left(\frac{S_t}{S_{t-1}} \right) \right]^2} \cdot 252$$

where

$\lambda_S = 0.96$, the exponentially weighted smoothing factor for calculating the historical volatility of the Underlying Share

“ln” means the logarithm to the base e

As of the Calculation Date (t) when $N(t, t_0) = 254$, i.e., when the number of Calculation Dates between the Calculation Date (t) (included) and the Index Base Date (t_0) (excluded) is 254, the Historical Volatility of the Underlying Share on such date is determined by the Index Calculation Agent in accordance with the following formula:

$$Vol_t^S = \sqrt{\sum_{i=t-49}^t \frac{\alpha_{t,i}}{SF_t^S} \left[\ln \left(\frac{S_i}{S_{i-1}} \right) \right]^2} \cdot 252$$

where

$$\alpha_{t,i} = (1 - \lambda_S) * \lambda_S^{t-i}$$

$$SF_t^S = \sum_{j=t-49}^t \alpha_{t,j}$$

2.8 Determination of the Unadjusted Balance Index Level “ I_t^{UA} ”

The Unadjusted Balance Index is calculated in order to obtain the Convexity Correction Factor CCF_t as defined in section 2.6. $I_t^{UA} = 100$ as of the Calculation Date ($t = t_0^{UA}$) when

$N(t_0^{UA}, t_0) = 253$, i.e., the Unadjusted Balance Index Level was set to 100 as of the 253rd Calculation Date preceding the Index Base Date

On each Calculation Date (t) when $N(t_0^{UA}, t) \geq 1$, the Unadjusted Balance Index Level “ I_t^{UA} ” is determined by the Index Calculator in accordance with the following formula:

$$I_t^{UA} = I_{t-1}^{UA} \left[1 + E_{t-1}^{UA} \left(\frac{S_t}{S_{t-1}} - 1 \right) - E_{t-1}^{UA} R_{t-1} \frac{ACT(t-1, t)}{360} \right]$$

where

E_{t-1}^{UA} = in respect of the Calculation Date ($t-1$), the Exposure of the Unadjusted Balance Index to the Underlying Share (as described in section 2.8)

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2.9 Determination of the Exposure of the Unadjusted Balance Index " E_t^{UA} "

The Target Exposure " TE_t^{UA} " is related to the historical volatility of the Underlying Share and it may not exceed 150%. As of each Calculation Date (t), the Target Exposure " TE_t^{UA} " is determined by the Index Calculator in accordance with the following formula:

$$TE_t^{UA} = \min(E_{\max}, Vol^B / Vol_{t-1}^S)$$

The Exposure " E_t^{UA} " is related to the Target Exposure " TE_t^{UA} " through the formula:

$$E_{t,t}^{UA} = \begin{cases} TE_t^{UA} & \text{if } \text{abs}(TE_t^{UA} - E_{t-1}^{UA}) \geq \Delta E \\ E_{t-1}^{UA} & \text{if } \text{abs}(TE_t^{UA} - E_{t-1}^{UA}) < \Delta E \end{cases}$$

On the Calculation Date ($t = t_0^{UA}$) the Exposure " E_t^{UA} " is set to the Target Exposure " TE_t^{UA} ", i.e.

$$E_t^{UA} = TE_t^{UA}.$$

2.10 Determination of the Unadjusted Balance Index Historical Volatility " Vol_t^{UA} "

As of each Calculation Date (t) when $N(t_0, t) \geq 0$, i.e., when the Unadjusted Balance Index Historical Volatility is to be calculated for the Index Base date or any Calculation Date after the Index Base Date, it is determined by the Index Calculator in accordance with the following formula:

$$Vol_t^{UA} = \sqrt{\lambda_{UA} (Vol_{t-1}^{UA})^2 + (1 - \lambda_{UA}) \left[\ln \left(\frac{I_t^{UA}}{I_{t-1}^{UA}} \right) \right]^2} \cdot 252$$

where

$\lambda_{UA} = 0.99$, which is the exponentially weighted smoothing factor for calculating the Unadjusted Balance Index Historical Volatility

As of the Calculation Date (t) when $N(t, t_0) = 1$, i.e., if the Unadjusted Balance Index Historical Volatility is to be calculated for the preceding Calculation Date to the Index Base date, it is determined by the Index Calculator in accordance with the following formula:

$$Vol_t^{UA} = \sqrt{\sum_{i=t-251}^t \frac{\alpha_{t,i}^{UA}}{SF_t^{UA}} \left[\ln \left(\frac{I_i^{UA}}{I_{i-1}^{UA}} \right) \right]^2} \cdot 252$$

where

$$\alpha_{t,i}^{UA} = (1 - \lambda_{UA}) * \lambda_{UA}^{(t-i)}$$

$$SF_t^{UA} = \sum_{j=t-251}^t \alpha_{t,j}^{UA}$$

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3. Consequences of an Index Disruption Event

If an Index Disruption Event occurs on a Scheduled Valuation Day, then there will be no level for the Index calculated or announced on such day.

If an Index Disruption Event occurs on each of the eight Scheduled Valuation Days immediately following the initial Scheduled Valuation Day, then that eighth Scheduled Valuation Day, and each Scheduled Valuation Day thereafter on which an Index Disruption Event continues to exist, shall be deemed to be a Calculation Date, notwithstanding the existence of an Index Disruption Event on such date(s). The Index Calculator shall then, as of the Valuation Time on each such deemed Calculation Date, in regards to the level of Index (each, a “Disrupted Calculation Date”), act based on the following:

- (i) if an Underlying Share Disruption Event exists there will be no level for the Index calculated or announced on such day;
- (ii) if a NIBOR Disruption Event exists but not an Underlying Share Disruption Event, a Successor Rate, replacing the NIBOR Rate is determined by the Index Calculator using rates quoted by major banks, selected by the Index Calculator, for loans in NOK to leading European banks on the relevant date(s) of determination.
- (iii) if a Foreign Exchange Disruption Event exists but not an Underlying Share Disruption Event, a Successor Rate, replacing the Foreign Exchange Rate is determined by the Index Calculator, taking into consideration all available information that in good faith it deems relevant.

Notwithstanding the foregoing, if an Index Disruption Event continues for eight consecutive Scheduled Valuation Days, then the Index Calculator may permanently cancel the Index on such eighth Scheduled Valuation Day.

4. Underlying Share Adjustment Event

Following the occurrence of an event which causes the adjustment to the terms of any futures or options contract on the Underlying Share traded on any Related Exchange, the Index Calculator will make the corresponding adjustments, if any, or any other adjustments that the Index Calculator determines to be appropriate to account for such event.

Following the occurrence of an event, other than those specified above, beyond the control of the Index Calculator which has a material effect on the Underlying Share, the Index Calculator may make an adjustment or decide to modify a provision regarding adjustment or permanently cancel the Index to account for such event.

5. Index Extraordinary Event

If, in the opinion of the Index Calculator, technical or other reasons, render the automatic transmission of price information or other information regarding the Underlying Share either wholly or partially unavailable, or if such price information is unreliable or in any other way fails to reflect the development of market prices in the Underlying Share, the Index Calculator may utilise another source of information and thereby apply other bases for the calculation of the Index than those which otherwise are stated in these rules.

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6. Limits of Liability

The Index Owner is not liable for loss or damage resulting from Swedish or foreign legislative enactment, actions of Swedish or foreign authorities, war, power failure, telecommunication failure, fire, water damage, strike, blockade, lockout, boycott, or other similar circumstances outside the control of the Index Owner. The reservation with respect to strikes, blockade, lockout and boycott also applies if the Index Owner adopts or is the object of such conflict measures.

The Index Owner is not responsible in any circumstance for loss of data, non-payment of profits or other indirect damage. The Index Owner provides no express or implied warranties regarding the results which may be obtained as a consequence of the use of the Index or regarding the value of the Index at any given time. The Index Owner shall in no case be liable for errors or defects in the Index nor obligated to provide notice of, or publish, errors in the Index.

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