

Highlights of Handelsbanken's Annual Report

JANUARY – DECEMBER 2017

Summary January – December 2017, compared with January – December 2016

- Operating profit rose by 2% to SEK 21,025m (20,633); adjusted for non-recurring items, it rose by 3%.
- The period's profit after tax for total operations decreased by 1% to SEK 16,102m (16,245).
- Earnings per share for total operations decreased to SEK 8.28 (8.43).
- Return on equity for total operations declined to 12.3% (13.1).
- Income increased by 2% to SEK 41,674m (40,763), but after adjustment for non-recurring items, it grew by 5%.
- Net interest income increased by 7% to SEK 29,766m (27,943).
- Net fee and commission income rose by 6% to SEK 9,718m (9,156).
- Continued growth in lending and growth in assets under management in all home markets.
- The C/l ratio rose to 45.5% (45.2).
- The loan loss ratio went down to 0.08% (0.09).
- The common equity tier 1 ratio decreased to 22.7% (25.1) after proposed dividend and the total capital ratio was 28.3% (31.4).
- The Board is proposing an ordinary dividend of SEK 5,50 per share and an extra dividend of SEK 2,00 per share and that the existing mandate to repurchase shares is extended for a further year.

Summary of Q4 2017, compared with Q3 2017

- Operating profit decreased by 8% to SEK 4,997m (5,424).
- The period's profit after tax for total operations declined by 10% to SEK 3,762m (4,173), and earnings per share fell to SEK 1.93 (2.15).
- Return on equity for total operations was 11.2% (12.9).
- Income rose to SEK 11,152m (10,248).
- Net interest income grew by 3% to SEK 7,777m (7,587).
- The C/l ratio increased to 45.5% (45.0).
- The loan loss ratio increased to 0.22% (0.04), with the increase being wholly attributable to two exposures.

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For definitions and calculation of alternative performance measures, together with specifications of special and non-recurring items, please see the Fact Book which is available at handelsbanken.se/ireng.

Handelsbanken Group – Overview

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Summary income statement								
Net interest income	7,777	7,587	3%	7,299	7%	29,766	27,943	7%
Net fee and commission income	2,501	2,355	6%	2,447	2%	9,718	9,156	6%
Net gains/losses on financial transactions	164	243	-33%	269	-39%	1,271	3,066	-59%
Risk result - insurance	34	19	79%	6	467%	142	142	0%
Other dividend income	576	2		2		591	228	159%
Share of profit of associates	30	14	114%	0		14	25	-44%
Other income	70	28	150%	102	-31%	172	203	-15%
Total income	11,152	10,248	9%	10,125	10%	41,674	40,763	2%
Staff costs	-3,178	-3,134	1%	-2,981	7%	-12,472	-12,542	-1%
Other expenses	-1,712	-1,337	28%	-1,518	13%	-5,889	-5,401	9%
Depreciation, amortisation and impairment of property, equipment and intangible assets	-184	-140	31%	-114	61%	-619	-495	25%
Total expenses	-5,074	-4,611	10%	-4,613	10%	-18,980	-18,438	3%
Profit before loan losses	6,078	5,637	8%	5,512	10%	22,694	22,325	2%
Net loan losses	-1,084	-217	400%	-832	30%	-1,683	-1,724	-2%
Gains/losses on disposal of property, equipment and intangible assets	3	4	-25%	18	-83%	14	32	-56%
Operating profit	4,997	5,424	-8%	4,698	6%	21,025	20,633	2%
Taxes	-1,235	-1,251	-1%	-1,254	-2%	-4,923	-4,401	12%
Profit for the period from continuing operations	3,762	4,173	-10%	3,444	9%	16,102	16,232	-1%
Profit for the period pertaining to discontinued operations, after tax	-	-		-		-	13	
Profit for the period	3,762	4,173	-10%	3,444	9%	16,102	16,245	-1%
Summary balance sheet								
Loans to the public	2,065,761	2,040,589	1%	1,963,622	5%	2,065,761	1,963,622	5%
<i>of which mortgage loans</i>	1,222,436	1,202,314	2%	1,150,594	6%	1,222,436	1,150,594	6%
Deposits and borrowing from the public	941,967	1,112,138	-15%	829,336	14%	941,967	829,336	14%
<i>of which households</i>	444,942	442,778	0%	404,112	10%	444,942	404,112	10%
Total equity	141,604	138,951	2%	136,381	4%	141,604	136,381	4%
Total assets	2,766,977	2,981,055	-7%	2,627,580	5%	2,766,977	2,627,580	5%
Summary of key figures								
Return on equity, total operations	11.2%	12.9%		10.6%		12.3%	13.1%	
Return on equity, continuing operations	11.2%	12.9%		10.6%		12.3%	13.1%	
C/I ratio, continuing operations	45.5%	45.0%		45.6%		45.5%	45.2%	
Earnings per share, total operations, SEK	1.93	2.15		1.77		8.28	8.43	
- after dilution	1.92	2.13		1.76		8.20	8.31	
Common equity tier 1 ratio, CRR	22.7%	23.6%		25.1%		22.7%	25.1%	
Total capital ratio, CRR	28.3%	28.5%		31.4%		28.3%	31.4%	

Group performance

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

The Group's operating profit grew by 2% to SEK 21,025m (20,633). Adjusted for non-recurring items, operating profit rose by 3%. The period's profit after tax for total operations decreased by 1% to SEK 16,102m (16,245) and earnings per share were SEK 8.28 (8.43). Return on equity for total operations declined to 12.3% (13.1). The C/I ratio rose to 45.5% (45.2).

The common equity tier 1 ratio decreased to 22.7% (25.1). In 2017, new models were introduced for calculation of capital requirements for corporate and sovereign exposures. This has resulted in a decrease in both the Bank's capital ratios and the capital requirements communicated by the Swedish Financial Supervisory Authority.

Income

SEK m	Full year 2017	Full year 2016	Change
Net interest income	29,766	27,943	7%
Net fee and commission income	9,718	9,156	6%
Net gains/losses on financial trans. <i>of which capital gains sale of shares</i>	1,271	3,066	-59%
		1,685	
Other income	919	598	54%
Total income	41,674	40,763	2%

Income grew by 2% to SEK 41,674m (40,763). Adjusted for capital gains on the sale of shares in the period of comparison, as well as for the receipt of a dividend from VISA Sweden ekonomisk förening (co-operative association) in 2017, the increase was 5%. Exchange rate effects had a negative impact on income of SEK -116m.

Net interest income rose by 7% to SEK 29,766m (27,943).

Starting from 2017, the Bank defines its lending and deposit margins as the customer interest rate minus the internal interest rates which are either debited or credited to branch operations. Higher lending volumes increased net interest income by SEK 1,237m. Lower lending margins in branch operations reduced net interest income by SEK -138m. Deposits had a SEK 237m positive impact on net interest income, due to increasing deposit volumes.

The benchmark effect in Stadshypotek amounted to SEK -1m (-8), while the doubled fee to the Resolution Fund amounted to SEK -1,730m (-976). Including fees for various deposit guarantees, government fees increased by SEK -724m to SEK -2,024m (-1,300). Exchange rate movements negatively affected net interest income by SEK -115m. The remainder of the increase in net interest income was chiefly attributable to lower funding costs.

The average volume of loans to the public grew by just over 4% to SEK 2,023bn (1,937). The effect of exchange rate movements was marginal. Household lending grew by 6% to SEK 1,062bn (1,000), while corporate lending grew by just over 2% to SEK 960bn (937).

The average volume of deposits and borrowing rose by 5% to SEK 1,034bn (983). The effect of exchange rate movements was marginal. The average volume of household deposits went up by 11% to SEK 423bn (381), while deposits from companies increased to SEK 611bn (603).

Net fee and commission income increased by 6% to SEK 9,718m (9,156), mainly due to higher fund management and asset management commissions. Fund management commissions increased by 18% to SEK 3,559m (3,023), and custody and asset management commissions grew by 16% to SEK 722m (623). Lending and deposit commissions rose by 6% to SEK 1,238m (1,172), while net payment commissions decreased to SEK 1,868m (1,896). Net fee and commission income from card operations decreased by 4% to SEK 1,193m (1,248) mainly due to higher clearing fees. Net gains/losses on financial transactions declined to SEK 1,271m (3,066); this was chiefly because the period of comparison included capital gains totalling SEK 1,685m from the sale of shares classified as instruments available for sale.

Other income increased to SEK 919m (598). The increase was chiefly due to the receipt of a dividend from VISA Sweden ekonomisk förening.

Expenses

SEK m	Full year 2017	Full year 2016	Change
Staff costs	-12,472	-12,542	-1%
<i>of which Oktogonen</i>	-768	-	
<i>of which Norwegian pension plan</i>	239	-	
<i>of which provision for early retirement</i>	-	-700	
Other expenses	-5,889	-5,401	9%
Depreciation and amortisation	-619	-495	25%
Total expenses	-18,980	-18,438	3%

Total expenses rose by 3% to SEK -18,980m (-18,438). Exchange rate effects reduced expenses by SEK -79m.

Staff costs decreased by 1% to SEK -12,472m (-12,542). In the first quarter, staff costs decreased by SEK 239m as a result of the transition to a defined contribution pension plan in the Norwegian operations and the period of comparison including a provision of SEK -700m. Adjusted for these items, underlying staff costs rose by 7%, or SEK 869m, mainly because of the resumption of provisions to the profit-sharing foundation Oktogonen, which totalled SEK -768m (-). Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -72m (-102).

The average number of employees grew by 73 to 11,832 (11,759). This rise was due to continuing

expansion, primarily in the UK and the Netherlands, and to the Bank's increasing focus on IT development during the year. The provision that was made in 2016, chiefly to enable early retirements, has been utilised in full. The goal of achieving a cost reduction of SEK 600-700m compared with the 2015 level, all other factors being equal, will be reached in the first half of 2018, mainly as a result of increased efficiency in the Swedish operations.

Other expenses rose by 9% to SEK -5,889m (-5,401), chiefly due to higher costs for purchased services, as well as external IT costs. The Bank's preparations for being able to convert the UK branch into a subsidiary entailed costs of -104m during the year, mainly in the 'purchased services' and 'external IT costs' categories of expenses.

Development costs and other expenses for development relating to Brexit are estimated to total some SEK -300m for 2018. The IT development and other preparatory work that is now being carried out in the UK means that UK operations are expected to have an improved basis for maintaining their strong performance in the long term.

Depreciation, amortisation and impairment losses increased by 25% to SEK -619m (-495), chiefly due to higher IT investments.

Loan losses

SEK m	Full year 2017	Full year 2016	Change
Net loan losses	-1,683	-1,724	-41
Loan loss ratio as a % of loans, acc.	0.08	0.09	-0.01
Impaired loans, net	2,785	3,103	-10%
Proportion of impaired loans, %	0.13	0.16	-0.03

Loan losses decreased slightly to SEK -1,683m (-1,724) and the loan loss ratio went down to 0.08% (0.09). Net impaired loans decreased slightly to SEK 2,785m (3,103), equivalent to 0.13% (0.16) of lending.

Q4 2017 COMPARED WITH Q3 2017

Operating profit went down by 8% to SEK 4,997m (5,424). The period's profit after tax for total operations decreased by 10% to SEK 3,762m (4,173). Earnings per share fell to SEK 1.93 (2.15) and return on equity declined to 11.2% (12.9).

The C/I ratio rose to 45.5% (45.0).

Income

SEK m	Q4 2017	Q3 2017	Change
Net interest income	7,777	7,587	3%
Net fee and commission income	2,501	2,355	6%
Net gains/losses on financial trans.	164	243	-33%
Other income	710	63	
Total income	11,152	10,248	9%

Income increased by 9% to SEK 11,152m (10,248). Adjusted for the dividend received during the quarter, income grew by 3%. Exchange rate movements increased income by SEK 83m.

Net interest income grew by 3%, or SEK 190m, to SEK 7,777m (7,587). Higher lending volumes contributed SEK 108m, while lending margins in the branch operations reduced net interest income by SEK -4m. Increasing deposit volumes had an impact of SEK 10m, while deposit margins made a positive contribution of SEK 14m.

Exchange rate effects had a SEK 65m positive impact on net interest income. Government fees increased to SEK -504m (-477), as a result of lower fees for the Swedish deposit guarantee scheme during the quarter of comparison. The benchmark effect in Stadshypotek was SEK -6m (44). The remainder of the increase in net interest income was attributable to lower funding costs.

The average volume of loans to the public grew by SEK 47bn to SEK 2,066bn (2,019). Exchange rate effects increased average volumes by SEK 13bn. Both household and corporate lending rose by just over 2%, and average volumes in both categories increased in all home markets. The total average volume of deposits and borrowing rose by 2% to SEK 1,078bn (1,059). Just over half of the volume increase was attributable to exchange rate effects. Household deposits rose by 3%, and the average volume of corporate deposits grew by 1%.

Net fee and commission income increased by 6% to SEK 2,501m (2,355). The increase was chiefly attributable to higher fund management commissions, and the fact that brokerage income in the quarter of comparison was seasonally lower. Brokerage income grew to SEK 207m (172). Fund management commissions increased by 9% to SEK 946m (869), while custody and other asset management commissions grew by 6% to SEK 200m (189). Net payment commissions rose to SEK 482m (478), including net commissions from card operations, which decreased to SEK 304m (317), due to higher clearing fees.

Net gains/losses on financial transactions went down to SEK 164m (243), largely as a result of expenses for premature redemption of derivatives in conjunction with a reconstruction agreement. Customer-driven foreign exchange trading showed a stable performance during the quarter.

Other income grew to SEK 710m (63), mainly due to a dividend of SEK 576m that was received from the VISA Sweden ekonomisk förening during the quarter. The Bank's share of the co-operative association is classified as an available-for-sale financial asset. The dividend meant that the value of the share was recognised in the income statement, while reducing Other comprehensive income. The Bank's capitalisation is thus not affected by the dividend.

Expenses

SEK m	Q4 2017	Q3 2017	Change
Staff costs	-3,178	-3,134	1%
Other expenses	-1,712	-1,337	28%
Depreciation and amortisation	-184	-140	31%
Total expenses	-5,074	-4,611	10%

Expenses increased by 10% to SEK -5,074m (-4,611). Exchange rate effects increased expenses by SEK 47m. Staff costs grew by 1%, or SEK 44m, to SEK -3,178m (-3,134), of which SEK 30m was attributable to exchange rate movements. The provision to the Oktogonen profit-sharing foundation was SEK -133m (-149). The period's provision for variable remuneration increased to SEK -19m (-7). The average number of employees fell to 11,956 (12,102), which was due to the number of temporary staff during the preceding quarter.

Other expenses increased by 28% to SEK -1,712m (-1,337). The increase was greatest in the 'external IT costs' and 'purchased services' expense categories. In addition to seasonal effects, this was attributable to increased IT development, higher costs for compliance, and the continuing development of UK operations.

Loan losses

SEK m	Q4 2017	Q3 2017	Change
Net loan losses	-1,084	-217	867
Loan loss ratio as a % of loans	0.22	0.04	0.18
Impaired loans, net	2,785	3,028	-8%
Proportion of impaired loans, %	0.13	0.15	-0.02

Loan losses increased to SEK -1,084m (-217) and the loan loss ratio was 0.22% (0.04). This increase was entirely attributable to two exposures. The underlying credit quality remained stable.

Net impaired loans decreased to SEK 2,785m (3,028), equivalent to 0.13% (0.15) of lending.

Taxes

The tax rate in Q4 was 24.7% (23.1).

A normal tax rate for the Group is 22-23%. Starting in 2017, interest expenses on subordinated loans are no longer tax-deductible; during the year, this increased the Bank's corporate tax by SEK 283m. The higher tax rate in the fourth quarter was due to a correction in the previous year's tax.

FUNDING AND LIQUIDITY

Handelsbanken's bond issues during the year decreased to SEK 163bn (198), consisting of SEK 138bn (148) in covered bonds and SEK 22bn (50) in senior bonds. The Bank replaced two dated subordinated loans that matured in the fourth quarter with two new dated subordinated loans with a total volume of SEK 3bn.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered

and therefore represent protection for the Bank's senior lenders. At the end of the period, the ratio of non-encumbered assets to all non-encumbered market funding was 224% (210 at year-end 2016).

The Bank has a strong liquidity position. Cash funds and liquid assets deposited with central banks amounted to SEK 265bn (225), while the volume of liquid bonds and other liquid assets totalled SEK 179bn (157).

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of December was 133% (126). In USD, the LCR was 482% (322), and in EUR it was 175% (136). The Group's LCR, calculated according to the European Commission's delegated act, was 139% (142). At year-end, the net stable funding ratio (NSFR) was 102% (102 at the end of 2016).

MREL

In December, the Swedish National Debt Office announced the Minimum Requirement for Eligible Liabilities, MREL. The combined MREL requirement was set at 6.6% of the consolidated situation's total liabilities and own funds. One part of this requirement means that by 1 January 2022, the Bank is expected to have replaced parts of its senior bond funding with a new form of subordinated senior bond funding that is eligible in a crisis.

The Bank expects issues of such instruments to begin by 2019 at the latest. The issues are expected to take place when parts of the present senior bond funding mature, and will not mean any increase in the Bank's total volume of bonds.

CAPITAL

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

The common equity tier 1 ratio at the end of the year was 22.7%. At the same time, the Bank estimates that the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at the end of the year amounted to 20.2%. The Bank's capitalisation was thus within the target range.

In December, the Basel Committee published proposals for extensive changes to capital requirements regulations. The details of the final implementation of the Basel Committee's proposal within the EU and in Sweden have not yet been established. However, the Bank's overall assessment of the Basel Committee's proposal, as presented in December, is that at the end of the fourth quarter of 2017, the Bank's capitalisation was already on a par with the capital requirements that the proposal would entail.

Capital situation 31 December 2017 compared with 31 December 2016

SEK m	31 Dec 2017	31 Dec 2016	Change
Common equity tier 1 ratio, CRR	22.7%	25.1%	-2.4
Total capital ratio, CRR	28.3%	31.4%	-3.1
Risk exposure amount CRR	509,032	458,787	11%
Common equity tier 1 capital	115,753	115,240	0%
Total own funds	144,115	144,233	0%
Capital requirement, Basel I floor	102,848	98,235	5%
Total own funds, Basel I floor	146,472	145,760	0%

Own funds amounted to SEK 144bn (144), and the Bank's total capital ratio decreased to 28.3% (31.4).

The common equity tier 1 capital grew to SEK 116bn (115), while the common equity tier 1 ratio fell by 2.4 percentage points to 22.7% (25.1). The implementation of new PD models, as well as IRB models for sovereign exposures, reduced the common equity tier 1 ratio by -2.4 percentage points.

The period's earnings, after a deduction for the dividend, contributed 0.2 percentage points.

Higher lending volumes reduced the common equity tier 1 ratio by -0.6 percentage points. Credit risk migration in the loan portfolio affected the common equity tier 1 ratio by -0.2 percentage points. The net effect of various risk levels on inflows and outflows in the lending portfolio – "volume migration" – caused the common equity tier 1 ratio to decrease by -0.2 percentage points.

The change in net pensions increased the common equity tier 1 ratio by 0.8 percentage points. The impact of higher asset values was greater than the negative effect of reduced discount rates. Exchange rate movements were neutral, as was the net effect of other factors.

Capital situation 31 December 2017 compared with 30 September 2017

SEK m	31 Dec 2017	30 Sep 2017	Change
Common equity tier 1 ratio, CRR	22.7%	23.6%	-0.9
Total capital ratio, CRR	28.3%	28.5%	-0.2
Risk exposure amount CRR	509,032	507,413	0%
Common equity tier 1 capital	115,753	119,511	-3%
Total own funds	144,115	144,569	0%
Capital requirement, Basel I floor	102,848	101,996	1%
Total own funds, Basel I floor	146,472	146,815	0%

Own funds amounted to SEK 144bn (145) and the total capital ratio fell somewhat to 28.3% (28.5). Common equity tier 1 capital amounted to SEK 116bn (120), while the common equity tier 1 ratio according to CRR went down to 22.7% (23.6). The period's earnings, after a deduction for the dividend, reduced the common equity tier 1 ratio by -0.6 percentage points.

Rising lending volumes reduced the common equity tier 1 ratio by -0.1 percentage point. The net effect of

credit risk and volume migration reduced the common equity tier 1 ratio by -0.4 percentage points.

The change in net pensions had a neutral effect, despite the fact that the discount rate for Swedish pension obligations was reduced to 2.2% (2.3).

Exchange rate effects were neutral, and the net effect of other factors increased the common equity tier 1 ratio by 0.2 percentage points.

Economic capital and available financial resources

Handelsbanken's internal assessment of the capital requirement is based on the Bank's capital requirement, stress tests, and the Bank's model for economic capital (EC). Economic capital is measured in relation to the Bank's available financial resources (AFR). The Board stipulates that the AFR/EC ratio for the Group must exceed 120%. At the end of the year, Group EC totalled SEK 60.0bn, while AFR was SEK 150.4bn. Thus, the ratio between AFR and EC was 251%.

For the consolidated situation, EC totalled SEK 34.2bn, and AFR was SEK 148.6bn.

IFRS 9 and IFRS 15

Starting from the 2018 financial year, IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. When the transition to the new standard takes place, the Bank's provisions for loan losses will increase by SEK 0.6bn, which is adjusted against equity by SEK -0.5bn after tax. The transition will not have a negative impact on capital ratios.

IFRS 15 Revenue from Contracts with Customers comes into force as of the 2018 financial year. The impact of the transition on the Bank is not of a material nature.

Rating

During the first quarter, Standard & Poor's changed their outlook for Handelsbanken to stable from negative. Otherwise, Handelsbanken's long-term and short-term ratings with the rating agencies which monitor the Bank were unchanged.

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

HANDELSBANKEN'S AGM ON 21 MARCH

The Board is proposing a total dividend of SEK 7,50 per share (5,00), comprising an ordinary dividend of SEK 5,50 and an extra dividend SEK 2,00, to the annual general meeting, and that the existing repurchase programme of a maximum of 120 million shares should be extended for a further year. In addition, the Board proposes that the annual general meeting authorise the

Board to be able to issue convertible debt instruments in the form of AT1 bonds, in order to adapt the Bank's capital structure to capital requirements prevailing at any time.

The Board proposes that the record day for the dividend be 23 March 2018, which means that the

Handelsbanken share will be traded ex-dividend on 22 March 2018, and that the dividend is then expected to be disbursed on 28 March 2018.

Handelsbanken Group – Business segments

January - December 2017	Home markets									Group Full year 2017
	Sweden	UK	Denmark	Finland	Norway	Netherlands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	16,694	4,659	1,714	1,203	3,666	557	472	801		29,766
Net fee and commission income	4,434	602	433	462	410	155	3,174	48		9,718
Net gains/losses on financial transactions	663	127	95	52	90	20	979	-755		1,271
Risk result - insurance							142			142
Share of profit of associates						2		12		14
Other income	49	3	15	18	14	1	26	637		763
Total income	21,840	5,391	2,257	1,735	4,180	735	4,793	743		41,674
Staff costs	-3,465	-1,828	-669	-396	-570	-289	-2,241	-2,818	-196	-12,472
Other expenses	-1,180	-549	-159	-180	-223	-85	-922	-2,591		-5,889
Internal purchased and sold services	-3,168	-595	-335	-303	-424	-98	52	4,871		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-79	-63	-13	-19	-14	-13	-83	-282	-53	-619
Total expenses	-7,892	-3,035	-1,176	-898	-1,231	-485	-3,194	-820	-249	-18,980
Profit before loan losses	13,948	2,356	1,081	837	2,949	250	1,599	-77	-249	22,694
Net loan losses	-210	-739	-466	-57	-157	2	-56			-1,683
Gains/losses on disposal of property, equipment and intangible assets	2	-1	13	0	1	-	-1	0		14
Operating profit	13,740	1,616	628	780	2,793	252	1,542	-77	-249	21,025
Profit allocation	1,257	35	94	150	90	3	-1,629	-		
Operating profit after profit allocation	14,997	1,651	722	930	2,883	255	-87	-77	-249	21,025
Internal income*	601	-935	-237	-228	-2,196	-227	-2,735	5,957		

January - December 2016	Home markets									Group Full year 2016
	Sweden	UK	Denmark	Finland	Norway	Netherlands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	15,519	4,414	1,686	1,218	3,355	438	557	756		27,943
Net fee and commission income	4,233	519	379	419	381	75	3,081	69		9,156
Net gains/losses on financial transactions	725	219	75	87	114	5	984	857		3,066
Risk result - insurance							142			142
Share of profit of associates						2		23		25
Other income	47	3	15	10	81	1	8	266		431
Total income	20,524	5,155	2,155	1,734	3,931	521	4,772	1,971		40,763
Staff costs	-3,671	-1,849	-655	-380	-676	-210	-2,368	-2,335	-398	-12,542
Other expenses	-1,153	-463	-194	-210	-206	-60	-871	-2,244		-5,401
Internal purchased and sold services	-2,645	-545	-287	-239	-379	-77	-56	4,228		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-67	-46	-14	-14	-8	-7	-76	-248	-15	-495
Total expenses	-7,536	-2,903	-1,150	-843	-1,269	-354	-3,371	-599	-413	-18,438
Profit before loan losses	12,988	2,252	1,005	891	2,662	167	1,401	1,372	-413	22,325
Net loan losses	-416	-160	-716	-36	-347	0	-49			-1,724
Gains/losses on disposal of property, equipment and intangible assets	0	2	7	0	0	-	0	23		32
Operating profit	12,572	2,094	296	855	2,315	167	1,352	1,395	-413	20,633
Profit allocation	997	35	85	131	91	3	-1,342			
Operating profit after profit allocation	13,569	2,129	381	986	2,406	170	10	1,395	-413	20,633
Internal income*	116	-1,195	-334	-262	-2,463	-210	-2,851	7,199		

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

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

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

Handelsbanken Sweden

Handelsbanken Sweden comprises branch operations in five regional banks, as well as the operations of Handelsbanken Finans, Ecster and Stadshypotek in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 420 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	4,371	4,301	2%	4,018	9%	16,694	15,519	8%
Net fee and commission income	1,146	1,113	3%	1,102	4%	4,434	4,233	5%
Net gains/losses on financial transactions	167	173	-3%	184	-9%	663	725	-9%
Other income	15	7	114%	28	-46%	49	47	4%
Total income	5,699	5,594	2%	5,332	7%	21,840	20,524	6%
Staff costs	-885	-876	1%	-867	2%	-3,465	-3,671	-6%
Other expenses	-354	-268	32%	-302	17%	-1,180	-1,153	2%
Internal purchased and sold services	-871	-732	19%	-680	28%	-3,168	-2,645	20%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-18	-6%	-11	55%	-79	-67	18%
Total expenses	-2,127	-1,894	12%	-1,860	14%	-7,892	-7,536	5%
Profit before loan losses	3,572	3,700	-3%	3,472	3%	13,948	12,988	7%
Net loan losses	-69	-42	64%	-180	-62%	-210	-416	-50%
Gains/losses on disposal of property, equipment and intangible assets	2	0		-1		2	0	
Operating profit	3,505	3,658	-4%	3,291	7%	13,740	12,572	9%
Profit allocation	311	322	-3%	300	4%	1,257	997	26%
Operating profit after profit allocation	3,816	3,980	-4%	3,591	6%	14,997	13,569	11%
Internal income	216	219	-1%	35		601	116	418%
Cost/income ratio, %	35.4	32.0		33.0		34.2	35.0	
Loan loss ratio, %	0.02	0.01		0.06		0.02	0.03	
Allocated capital	79,964	78,083	2%	77,800	3%	79,964	77,800	3%
Return on allocated capital, %	14.9	15.9		14.4		15.3	14.7	
Average number of employees	4,084	4,232	-3%	4,109	-1%	4,078	4,293	-5%
Number of branches	420	422	0%	435	-3%	420	435	-3%

BUSINESS VOLUMES

Average volumes, SEK bn	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Loans to the public*								
Household	801	788	2%	757	6%	782	740	6%
of which mortgage loans	752	738	2%	705	7%	732	687	7%
Corporate	497	491	1%	473	5%	488	479	2%
of which mortgage loans	290	285	2%	269	8%	283	271	4%
Total	1,298	1,279	1%	1,230	6%	1,270	1,219	4%
Deposits and borrowing from the public								
Household	333	325	2%	306	9%	321	295	9%
Corporate	239	232	3%	209	14%	229	201	14%
Total	572	557	3%	515	11%	550	496	11%

* Excluding loans to the National Debt Office.

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Financial performance

Operating profit increased by 9% to SEK 13,740m (12,572). The period of comparison was charged with a provision of SEK -102m relating primarily to early retirements, and adjusted for this, operating profit rose by 8%.

Net interest income grew by 8% to SEK 16,694m (15,519). Higher lending volumes increased net interest income by SEK 597m, while somewhat lower lending margins had a negative impact of SEK -27m. Deposit operations contributed SEK 127m due to volumes and SEK 18m due to improved margins. The benchmark effect in Stadshypotek had a positive impact on net interest income, increasing it by SEK 7m to SEK -1m (-8). Fees for the Resolution Fund and the deposit guarantee rose by SEK 378m to SEK -1,037m (-659). The remainder of the increase in net interest income was mainly due to lower funding costs.

Net fee and commission income grew by 5% to SEK 4,434m (4,233). The increase was primarily attributable to higher fund management and insurance commissions.

Net gains/losses on financial transactions decreased by 9% to SEK 663m (725), primarily as a consequence of lower early loan repayment charges.

Total expenses rose by 5% to SEK -7,892m (-7,536). Staff costs decreased by 6% to SEK -3,465m (-3,671). Adjusted for the aforementioned provision during the period of comparison, staff costs declined by 3%, while the total increase in expenses was 6%. The average number of employees fell by 5% to 4,078 (4,293).

Expenses for services bought and sold internally rose by 20% to SEK -3,168m (-2,645), mainly due to higher IT development costs and adaptations to regulations.

The C/I ratio improved to 34.2% (35.0).

Loan losses went down to SEK -210m (-416), and the loan loss ratio fell to 0.02% (0.03).

Business development

Just as in previous years, the major Swedish Quality Index (SKI) survey found that Handelsbanken has more satisfied customers than other major Swedish banks. For private customers, Handelsbanken's index value was 68.9, an increase compared with the previous year. The other major banks recorded scores in the 52.9 – 64.5 range. For corporate customers, Handelsbanken's index value was 67.5, as compared with the other major banks, all of which recorded scores in the 53.6 – 62.2 range.

It is Handelsbanken's combination of personal service, local presence and reliable digital services that have been recognised, with such accolades in this year's survey as "Handelsbanken's technical solutions – for both corporate and private customers – have come out on top."

In Finansbarometern's annual survey, Handelsbanken has once again been voted Business Bank of the Year –

for the seventh year running – and Sweden's Small Enterprise Bank – for the sixth year running.

During the year, new savings in the Bank's mutual funds in Sweden amounted to SEK 22.0bn (11.9), corresponding to a market share of 19.5%, making Handelsbanken the largest player for new savings in the Swedish mutual funds market.

The average volume of mortgage loans to private individuals increased by 7% to SEK 732bn (687), while the average volume of lending to companies rose by 2% to SEK 488bn (479). The average volume of deposits from households grew by 9% to SEK 321bn (295).

Handelsbanken had a total of 420 (435) branches in Sweden.

Q4 2017 COMPARED WITH Q3 2017

Operating profit decreased by 4% to SEK 3,505m (3,658), and return on allocated capital fell to 14.9% (15.9).

Net interest income rose by 2%, or SEK 70m, to SEK 4,371m (4,301). Increasing lending volumes had a positive impact of SEK 55m, while lending margins reduced net interest income by SEK 1m. Net interest income from deposit operations rose by SEK 12m. The benchmark effect in Stadshypotek had a negative impact on net interest income, decreasing it by SEK 50m to SEK -6m (44). Higher government fees in the comparison quarter also had a negative impact of SEK 25m on net interest income, and amounted to SEK -259m (-234). Most of the remainder of the increase in net interest income was attributable to lower funding costs.

The average volume of mortgage loans to private individuals grew by 2% to SEK 752bn (738). The gross margin on the mortgage portfolio – before advisory and administration expenses – was unchanged at 1.06% (1.06).

The average volume of corporate lending rose by 1% to SEK 497bn (491).

Net fee and commission income grew to SEK 1,146m (1,113), due to increased lending and payment commissions, but also to higher brokerage income.

Net gains/losses on financial transactions totalled SEK 167m (173).

Expenses rose by 12% to SEK -2,127m (-1,894), which, in addition to lower seasonal costs in the comparison quarter, was also mainly attributable to higher IT development costs. Staff costs increased by 1% and the average number of employees declined to 4,084 (4,232) as a result of the employment of temporary staff during the summer in the comparison quarter.

Loan losses amounted to SEK -69m (-42), corresponding to a loan loss ratio of 0.02% (0.01).

Handelsbanken UK

Handelsbanken UK comprises branch operations in five regional banks and the asset management company Heartwood. Handelsbanken Finans's operations in the UK are also included. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 208 branches throughout the UK.

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	1,245	1,157	8%	1,111	12%	4,659	4,414	6%
Net fee and commission income	165	147	12%	147	12%	602	519	16%
Net gains/losses on financial transactions	-13	46		59		127	219	-42%
Other income	2	1	100%	3	-33%	3	3	0%
Total income	1,399	1,351	4%	1,320	6%	5,391	5,155	5%
Staff costs	-462	-452	2%	-470	-2%	-1,828	-1,849	-1%
Other expenses	-194	-117	66%	-143	36%	-549	-463	19%
Internal purchased and sold services	-155	-139	12%	-151	3%	-595	-545	9%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-16	-15	7%	-11	45%	-63	-46	37%
Total expenses	-827	-723	14%	-775	7%	-3,035	-2,903	5%
Profit before loan losses	572	628	-9%	545	5%	2,356	2,252	5%
Net loan losses	-556	-148	276%	-73		-739	-160	362%
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0		-1	2	
Operating profit	16	480	-97%	472	-97%	1,616	2,094	-23%
Profit allocation	11	9	22%	9	22%	35	35	0%
Operating profit after profit allocation	27	489	-94%	481	-94%	1,651	2,129	-22%
Internal income	-126	-225	44%	-208	39%	-935	-1,195	22%
Cost/income ratio, %	58.7	53.2		58.3		55.9	55.9	
Loan loss ratio, %	1.13	0.30		0.15		0.38	0.08	
Allocated capital	13,106	12,519	5%	11,426	15%	13,106	11,426	15%
Return on allocated capital, %	0.6	12.2		13.1		10.2	15.4	
Average number of employees	2,093	2,073	1%	1,980	6%	2,045	1,959	4%
Number of branches	208	207	0%	207	0%	208	207	0%

BUSINESS VOLUMES

Average volumes, GBP m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Loans to the public								
Household	6,311	6,210	2%	5,754	10%	6,127	5,527	11%
Corporate	12,874	12,411	4%	11,418	13%	12,264	11,007	11%
Total	19,185	18,621	3%	17,172	12%	18,391	16,534	11%
Deposits and borrowing from the public								
Household	4,232	3,965	7%	3,039	39%	3,775	2,569	47%
Corporate	9,174	9,113	1%	7,550	22%	8,654	7,218	20%
Total	13,406	13,078	3%	10,589	27%	12,429	9,787	27%

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Financial performance

Operating profit went down by 23% to SEK 1,616m (2,094). However, exchange rate effects reduced operating profit by SEK -98m; expressed in local currency, operating profit declined by 19%. The return on allocated capital decreased to 10.2% (15.4).

Income rose by 5% but in local currency by 10%.

Net interest income rose by SEK 245m, or 6%, to SEK 4,659m (4,414). Exchange rate effects had a negative impact of SEK -212m on net interest income, but in local currency, net interest income grew by 11%. Higher lending volumes contributed SEK 367m, and deposit volumes SEK 120m. Lower lending margins, mainly on household lending, negatively affected net interest income by SEK -110m, and deposit margins declined by SEK -31m. Government fees burdened net interest income by SEK -173m (-90). Lower funding costs had a positive effect on net interest income.

Net fee and commission income rose by 16% to SEK 602m (519). In local currency, the increase was 22%, due mainly to higher lending commissions, but also to higher payment and asset management commissions.

Net gains/losses on financial transactions went down to SEK 127m (219), mainly as a result of expenses for premature redemption of derivatives in conjunction with a reconstruction agreement. The period of comparison also included one-off income related to the sale of Visa Europe.

Expenses rose by 5% to SEK -3,035m (-2,903). In local currency, expenses were up by 10%, as a result of expanding operations and expenses relating to Brexit. For branch operations in the UK, Brexit-related expenses amounted to SEK 86m during the year.

The Bank continues to see good opportunities for expansion and growing business volumes in the UK. The preparations for being able to convert the UK branch structure into a subsidiary are ongoing. The measures and expenses necessitated by such a process mean that operations in the UK will be given greater opportunities for continuing their favourable and long-term business development. The average number of employees grew by 4% to 2,045 (1,959).

Loan losses were SEK -739m (-160), which was chiefly attributable to a single exposure. The loan loss ratio was 0.38% (0.08).

Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken once again had the most satisfied customers among banks in United Kingdom. Private customers gave the Bank an index value of 85.2, as compared with the sector average of 72.3. Corporate customers gave the Bank an index value of 83.8, as compared with the sector average of 70.6.

For the fifth time, Handelsbanken was named Best Private Bank in the Financial Times and Investors

Chronicle Awards. One of the success factors highlighted by the voting of magazine readers and the jury was the Bank's business model.

For the third successive year, Handelsbanken received top rating in the Government-backed Business Banking Insight (BBI) survey of UK SMEs, further highlighting the strength of Handelsbanken's business model.

Business volumes continued to grow. The average volume of household deposits rose by 47% compared to the corresponding period of 2016, while household lending grew by 11%. Overall, the average lending volume increased by 11% to GBP 18.4bn, while total deposits grew by 27% to GBP 12.4bn. Therefore the loan-to-deposit ratio continued to decrease and was 143% at year-end, compared to 162% at year-end 2016.

Heartwood's assets under management totalled GBP 3.4bn, compared with GBP 2.9bn at year-end 2016. New savings rose sharply, totalling GBP 315m (167) for the year.

During the autumn, a new branch was announced for Liverpool Street in London, thus bringing the number of branches in the UK to 208 (207).

Q4 2017 COMPARED WITH Q3 2017

Operating profit fell to SEK 16m (480) as a result of higher loan losses. Profit before loan losses, expressed in local currency, was 12% lower, due to higher expenses, primarily related to Brexit preparations. Return on allocated capital fell to 0.6% (12.2).

Income grew by 4% to SEK 1,399m (1,351), though adjusted for exchange rate movements, income remained largely unchanged. Net interest income rose by 8%, or SEK 88m, to SEK 1,245m (1,157), of which SEK 41m was attributable to exchange rate effects; expressed in local currency, net interest income improved by 4%. Increasing volumes of business made a positive contribution of SEK 29m. Lending margins decreased by SEK -6m on lending to households, though this was offset by an increase in deposit margins of SEK 16m. Net fee and commission income rose by 12% to SEK 165m (147), but expressed in local currency, net fee and commission income increased by 7%. Net gains/losses on financial transactions were negative and amounted to SEK -13m (46), as a result of expenses for premature redemption of derivatives in conjunction with a reconstruction agreement.

Expenses increased by SEK 104m, or 14%, to SEK -827m (-723), of which the strengthening of sterling during the quarter accounted for SEK 26m. Adjusted for exchange rate effects, expenses grew by 10%, which was partly attributable to preparations for Brexit. The average number of employees rose to 2,093 (2,073).

Loan losses were SEK -556m (-148), which was attributable to a single exposure. The loan loss ratio was 1.13% (0.30).

Handelsbanken Denmark

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

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	439	433	1%	447	-2%	1,714	1,686	2%
Net fee and commission income	115	89	29%	95	21%	433	379	14%
Net gains/losses on financial transactions	24	18	33%	21	14%	95	75	27%
Other income	3	4	-25%	3	0%	15	15	0%
Total income	581	544	7%	566	3%	2,257	2,155	5%
Staff costs	-174	-166	5%	-177	-2%	-669	-655	2%
Other expenses	-51	-33	55%	-66	-23%	-159	-194	-18%
Internal purchased and sold services	-88	-84	5%	-78	13%	-335	-287	17%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-3	0%	-4	-25%	-13	-14	-7%
Total expenses	-316	-286	10%	-325	-3%	-1,176	-1,150	2%
Profit before loan losses	265	258	3%	241	10%	1,081	1,005	8%
Net loan losses	-372	-24		-478	-22%	-466	-716	-35%
Gains/losses on disposal of property, equipment and intangible assets	2	3	-33%	1	100%	13	7	86%
Operating profit	-105	237		-236	56%	628	296	112%
Profit allocation	25	21	19%	22	14%	94	85	11%
Operating profit after profit allocation	-80	258		-214	63%	722	381	90%
Internal income	7	-70		-43		-237	-334	29%
Cost/income ratio, %	52.1	50.6		55.3		50.0	51.3	
Loan loss ratio, %	1.53	0.10		2.26		0.48	0.85	
Allocated capital	5,711	5,708	0%	6,221	-8%	5,711	6,221	-8%
Return on allocated capital, %	-4.3	14.0		-10.7		9.7	4.8	
Average number of employees	609	608	0%	617	-1%	608	624	-3%
Number of branches	57	57	0%	57	0%	57	57	0%

BUSINESS VOLUMES

Average volumes, DKK bn	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Loans to the public								
Household	45.1	44.3	2%	42.5	6%	44.1	40.8	8%
Corporate	28.7	27.6	4%	29.0	-1%	28.7	28.8	0%
Total	73.8	71.9	3%	71.5	3%	72.8	69.6	5%
Deposits and borrowing from the public								
Household	13.3	13.1	2%	12.4	7%	12.8	11.9	8%
Corporate	19.3	19.8	-3%	16.2	19%	19.1	15.7	22%
Total	32.6	32.9	-1%	28.6	14%	31.9	27.6	16%

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Financial performance

Operating profit rose by 112% to SEK 628m (296), chiefly due to lower loan losses. Profit before loan losses improved by 8% to SEK 1,081m (1,005), partly as a result of greater customer activity. Exchange rate movements had a positive impact on operating profit of SEK 5m, and expressed in local currency, profit before loan losses rose by 6%. The return on allocated capital increased to 9.7% (4.8).

Net interest income rose by 2% to SEK 1,714m (1,686), which was attributable in full to exchange rate movements, and, expressed in local currency, remained largely unchanged year on year. Increased lending volumes contributed SEK 69m, while lower lending margins reduced net interest income by SEK -72m. Improved deposit margins and higher deposit volumes increased net interest income by SEK 8m.

Fees for the Swedish Resolution Fund and the deposit guarantee increased by SEK 31m, burdening net interest income by SEK -74m (-43).

Net fee and commission income rose by 14% to SEK 433m (379). The increase was attributable to greater customer activity in most commission areas, but particularly in the savings business, thus yielding higher brokerage fees and asset management commissions. Exchange rate movements had a positive impact of SEK 7m on net fee and commission income.

Net gains/losses on financial transactions grew to SEK 95m (75), primarily due to an increase in early loan repayment charges, but also a result of improved currency gains.

Expenses rose by 2% to SEK -1,176m (-1,150). Adjusted for the effect of exchange rate movements, expenses remained largely unchanged.

Loan losses went down to SEK -466m (-716), and the loan loss ratio fell to 0.48% (0.85).

Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken once again had the most satisfied customers among banks in Denmark. Private customers gave the Bank an index value of 76.8, as compared with the sector average of 71.1. Corporate customers gave the Bank an index value of 72.3, as compared with the sector average of 68.6.

The Bank continued to have a stable inflow of new customers, and business volumes continued to grow. During the year, the average volume of lending to households increased by 8%, and deposits from households increased by 8%. Corporate lending remained largely unchanged, while corporate deposits rose by 22%. Overall the average volume of lending grew by 5% to DKK 72.8bn (69.6), and deposits grew by 16% to DKK 31.9bn (27.6).

New savings in the Bank's mutual funds in Denmark rose sharply, totalling SEK 2.3bn (0.9) for the year.

During the year, the Bank established a branch in Hørsholm. At year-end, Handelsbanken had 57 branch offices in Denmark.

Q4 2017 COMPARED WITH Q3 2017

Operating profit amounted to SEK -105 (237) as a result of higher loan losses. Profit before loan losses increased by 3% to SEK 265m (258), which was, however, largely attributable to the strengthening of the Danish Krone. Expressed in local currency, profit before loan losses was essentially unchanged.

Net interest income grew by 1% to SEK 439m (433). Adjusted for exchange rate effects, net interest income declined by 1%.

Net fee and commission income rose by 29% to SEK 115m (89), as a result of increased customer activity in most commission areas.

Net gains/losses on financial transactions increased to SEK 24m (18), chiefly as a result of larger currency gains.

Costs were 10% higher than in the comparison quarter, totalling SEK -316m (-286). Adjusted for exchange rate effects, the increase in costs was 8% and it was largely attributable to higher IT expenses. Staff costs were unchanged in local currency terms, due to the average number of employees remaining essentially unchanged.

Loan losses were SEK -372m (-24), due to provisions for a single, previously identified exposure. The loan loss ratio was 1.53% (0.10).

Handelsbanken Finland

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

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	319	301	6%	302	6%	1,203	1,218	-1%
Net fee and commission income	118	110	7%	116	2%	462	419	10%
Net gains/losses on financial transactions	18	7	157%	21	-14%	52	87	-40%
Other income	4	4	0%	3	33%	18	10	80%
Total income	459	422	9%	442	4%	1,735	1,734	0%
Staff costs	-107	-95	13%	-101	6%	-396	-380	4%
Other expenses	-48	-46	4%	-53	-9%	-180	-210	-14%
Internal purchased and sold services	-80	-72	11%	-62	29%	-303	-239	27%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-6	-4	50%	-4	50%	-19	-14	36%
Total expenses	-241	-217	11%	-220	10%	-898	-843	7%
Profit before loan losses	218	205	6%	222	-2%	837	891	-6%
Net loan losses	-51	6		14		-57	-36	58%
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0	
Operating profit	167	211	-21%	236	-29%	780	855	-9%
Profit allocation	43	37	16%	38	13%	150	131	15%
Operating profit after profit allocation	210	248	-15%	274	-23%	930	986	-6%
Internal income	27	-81		-25		-228	-262	13%
Cost/income ratio, %	48.0	47.3		45.8		47.6	45.2	
Loan loss ratio, %	0.16	-0.02		-0.05		0.05	0.03	
Allocated capital	5,646	5,526	2%	6,252	-10%	5,646	6,252	-10%
Return on allocated capital, %	11.6	14.0		13.7		12.8	13.0	
Average number of employees	519	519	0%	482	8%	506	491	3%
Number of branches	45	45	0%	45	0%	45	45	0%

BUSINESS VOLUMES

Average volumes, EUR m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Loans to the public								
Household	4,107	4,058	1%	3,997	3%	4,061	3,975	2%
Corporate	8,901	8,858	0%	8,822	1%	8,935	8,761	2%
Total	13,008	12,916	1%	12,819	1%	12,996	12,736	2%
Deposits and borrowing from the public								
Household	1,569	1,547	1%	1,508	4%	1,596	1,451	10%
Corporate	2,698	2,658	2%	2,211	22%	2,671	1,991	34%
Total	4,267	4,205	1%	3,719	15%	4,267	3,442	24%

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Financial performance

Operating profit decreased by 9% to SEK 780m (855). Expressed in local currency, operating profit declined by 10%, due to higher costs. Return on allocated capital was 12.8% (13.0).

Income remained largely unchanged at SEK 1,735m (1,734), though income declined by 2% expressed in local currency.

Net interest income declined by 1%, or SEK 15m, to SEK 1,203m (1,218). Exchange rate movements increased net interest income by SEK 20m. Government fees to the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -101m (-53). Higher lending volumes had a positive impact of SEK 15m, and higher deposit volumes improved net interest income by SEK 5m. The remaining negative effect was attributable to lower margins.

Net fee and commission income rose by 10% to SEK 462m (419), due to higher payment commissions and rising commissions from savings business.

Net gains/losses on financial transactions decreased to SEK 52m (87), chiefly because the period of comparison included one-off income related to the sale of Visa Europe.

Total expenses rose by 7% to SEK -898m (-843). Adjusted for exchange rate movements, expenses increased by 5%.

Staff costs grew by 4%, although expressed in local currency, the growth was just below 3%. The average number of employees rose by 3% to 506 (491). During the second half-year, the Bank employed new staff to further strengthen its corporate business and its work with regulatory matters.

Loan losses were SEK -57m (-36), and the loan loss ratio was 0.05% (0.03).

Business development

According to the annual EPSI customer satisfaction survey, Handelsbanken had customers that were more satisfied than the average for banks in Finland. Private customers gave the Bank an index value of 79.6, as compared with the sector average of 75.9. Corporate customers gave the Bank an index value of 78.7, as compared with the sector average of 77.1.

The average volume of deposits from households was 10% more than in the preceding year, while lending to households grew by 2%.

The average volume of corporate deposits climbed by 34%, while corporate lending grew by 2% compared with the preceding year.

Q4 2017 COMPARED WITH Q3 2017

Operating profit decreased by 21% to SEK 167m (211) due to higher loan losses. Profit before loan losses increased by 6% to SEK 218m (205).

Net interest income rose by 6% to SEK 319m (301). Expressed in local currency, net interest income improved by 4%.

Net fee and commission income grew by 7% to SEK 118m (110), due to higher payment commissions during the third quarter.

Net gains/losses on financial transactions totalled SEK 18m (7).

Expenses rose by 11% to SEK -241m (-217). Adjusted for exchange rate movements, expenses increased by 8%.

Loan losses totalled SEK -51m (6). The loan loss ratio was 0.16% (-0.02).

Handelsbanken Norway

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

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	953	930	2%	933	2%	3,666	3,355	9%
Net fee and commission income	104	101	3%	107	-3%	410	381	8%
Net gains/losses on financial transactions	21	23	-9%	21	0%	90	114	-21%
Other income	3	1	200%	5	-40%	14	81	-83%
Total income	1,081	1,055	2%	1,066	1%	4,180	3,931	6%
Staff costs	-192	-201	-4%	-180	7%	-570	-676	-16%
Other expenses	-62	-54	15%	-62	0%	-223	-206	8%
Internal purchased and sold services	-118	-106	11%	-107	10%	-424	-379	12%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-4	-25%	-6	-50%	-14	-8	75%
Total expenses	-375	-365	3%	-355	6%	-1,231	-1,269	-3%
Profit before loan losses	706	690	2%	711	-1%	2,949	2,662	11%
Net loan losses	-36	-19	89%	-107	-66%	-157	-347	-55%
Gains/losses on disposal of property, equipment and intangible assets	0	1	-100%	0		1	0	
Operating profit	670	672	0%	604	11%	2,793	2,315	21%
Profit allocation	26	20	30%	30	-13%	90	91	-1%
Operating profit after profit allocation	696	692	1%	634	10%	2,883	2,406	20%
Internal income	-362	-550	34%	-592	39%	-2,196	-2,463	11%
Cost/income ratio, %	33.9	34.0		32.4		28.8	31.6	
Loan loss ratio, %	0.06	0.03		0.20		0.06	0.17	
Allocated capital	15,837	15,407	3%	15,883	0%	15,837	15,883	0%
Return on allocated capital, %	13.7	14.0		12.4		14.1	13.3	
Average number of employees	673	692	-3%	667	1%	672	668	1%
Number of branches	49	49	0%	50	-2%	49	50	-2%

BUSINESS VOLUMES

Average volumes, NOK bn	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Loans to the public								
Household	89.7	88.8	1%	87.6	2%	88.7	85.9	3%
Corporate	151.9	149.7	1%	146.1	4%	149.1	143.1	4%
Total	241.6	238.5	1%	233.7	3%	237.8	229.0	4%
Deposits and borrowing from the public								
Household	20.1	20.3	-1%	19.7	2%	19.9	19.3	3%
Corporate	48.3	51.4	-6%	54.2	-11%	49.4	46.3	7%
Total	68.4	71.7	-5%	73.9	-7%	69.3	65.6	6%

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Financial performance

Operating profit increased by 21% to SEK 2,793m (2,315). It was affected by a non-recurring item in the first quarter which reduced staff costs by SEK 206m, as a result of the transition to a defined contribution pension plan in the Norwegian operations. Lower loan losses and exchange rate movements also had a positive impact on profit. The period of comparison included non-recurring items resulting from the sale of Visa Europe. Adjusted for the aforementioned items, profit before loan losses improved by 5% expressed in local currency.

Return on allocated capital was 14.1% (13.3).

Income grew by 6%, adjusted for exchange rate effects, it increased by 5%.

Net interest income increased by SEK 311m, or 9%, to SEK 3,666m (3,355), which was primarily the result of growing lending volumes and lower funding costs. Higher lending volumes had a positive impact of SEK 77m, while higher deposit volumes contributed SEK 18m. Exchange rate movements positively affected net interest income by SEK 39m. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -192m (-98).

Net fee and commission income increased by 8% to SEK 410m (381). Adjusted for exchange rate movements, net fee and commission income rose by 6%, chiefly due to higher fund management commissions.

Net gains/losses on financial transactions decreased by 21% to SEK 90m (114). The decrease was chiefly attributable to a capital gain in the period of comparison related to the sale of Visa Europe.

Adjusted for the aforementioned non-recurring item that was due to the transition to a defined contribution pension plan, staff costs rose by SEK 100m, or 15%, of which SEK 9m was attributable to exchange rate effects. The new financial sector tax in Norway – a 5% charge payable on employer's contributions – had an impact of SEK -28m on staff costs. Adjusted for these effects, staff costs increased by 8% in local currency, where half of the increase is partly due to organisational changes and partly to higher current pension costs as a result of the transition to a defined contribution pension plan.

Loan losses went down to SEK -157m (-347), and the loan loss ratio fell to 0.06% (0.17).

Business development

According to the annual EPSI customer satisfaction survey, Handelsbanken was the bank with the most satisfied corporate customers, and similarly, Handelsbanken's private customers were also found to be more satisfied than the average for banks in Norway. Private customers gave the Bank an index value of 77.5, as compared with the sector average of 70.9. Corporate customers gave the Bank an index value of 72.5, as compared with the sector average of 69.3.

Business volumes continued to grow during the year. The average volume of deposits from households rose by 3% compared with the previous year, while lending to households grew by 3%. The average volume of corporate lending increased by 4%, while corporate deposits were up by 7%.

In total, the average volume of lending rose by 4% to NOK 237.8bn (229.0), while total deposits grew by 6% to NOK 69.3bn (65.6).

New savings in the Bank's mutual funds in Norway rose sharply, totalling SEK 4.3bn (0.7) for the year.

Handelsbanken had 49 branches (50) in Norway at year-end.

Q4 2017 COMPARED WITH Q3 2017

Operating profit was essentially unchanged at SEK 670m (672). Profit before loan losses increased by 2% to SEK 706m (690). Exchange rate movements had a slightly adverse affect on profit compared with the previous quarter. Expressed in local currency, profit before loan losses grew by 3%.

Net interest income rose by 2%, or SEK 23m, to SEK 953m (930), which was chiefly attributable to improved lending margins and lower funding costs. Higher lending volumes increased net interest income by SEK 10m, while the volume change in deposits had an impact of SEK -3m on net interest income. Exchange rate movements and higher government fees had negative impacts of SEK -3m and SEK -6m respectively.

Net fee and commission income rose by 3% to SEK 104m (101).

Net gains/losses on financial transactions totalled SEK 21m (23).

Expenses increased by 3% to SEK -375m (-365). Staff costs decreased by 4% and the average number of employees declined by 3% as a result of the employment of temporary staff during the summer holiday months in the comparison quarter.

Loan losses were SEK -36m (-19), and the loan loss ratio was 0.06% (0.03).

Handelsbanken the Netherlands

Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank, as well as asset management operations in Optimix Vermogensbeheer. The regional bank offers banking services at 28 branches throughout the Netherlands.

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	155	142	9%	126	23%	557	438	27%
Net fee and commission income	55	35	57%	49	12%	155	75	107%
Net gains/losses on financial transactions	13	2		2		20	5	300%
Share of profit of associates	0	0	0%	2	-100%	2	2	0%
Other income	0	1	-100%	1	-100%	1	1	0%
Total income	223	180	24%	180	24%	735	521	41%
Staff costs	-76	-72	6%	-65	17%	-289	-210	38%
Other expenses	-27	-20	35%	-16	69%	-85	-60	42%
Internal purchased and sold services	-29	-23	26%	-24	21%	-98	-77	27%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-3	67%	-2	150%	-13	-7	86%
Total expenses	-137	-118	16%	-107	28%	-485	-354	37%
Profit before loan losses	86	62	39%	73	18%	250	167	50%
Net loan losses	1	1	0%	0		2	0	
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-	
Operating profit	87	63	38%	73	19%	252	167	51%
Profit allocation	1	0		1	0%	3	3	0%
Operating profit after profit allocation	88	63	40%	74	19%	255	170	50%
Internal income	-45	-60	25%	-47	4%	-227	-210	-8%
Cost/income ratio, %	61.2	65.6		59.1		65.7	67.6	
Loan loss ratio, %	-0.01	-0.01		0.00		-0.01	0.00	
Allocated capital	1,465	1,443	2%	1,251	17%	1,465	1,251	17%
Return on allocated capital, %	18.8	13.7		18.6		14.3	12.5	
Average number of employees	283	275	3%	245	16%	273	206	33%
Number of branches	28	27	4%	25	12%	28	25	12%

BUSINESS VOLUMES

Average volumes, EUR m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Loans to the public								
Household	2,136	2,027	5%	1,629	31%	1,959	1,434	37%
Corporate	1,803	1,697	6%	1,667	8%	1,728	1,519	14%
Total	3,939	3,724	6%	3,296	20%	3,687	2,953	25%
Deposits and borrowing from the public								
Household	109	92	18%	73	49%	91	62	47%
Corporate	749	710	5%	455	65%	739	420	76%
Total	858	802	7%	528	63%	830	482	72%

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Financial performance

Operating profit increased by 51% to SEK 252m (167), mainly due to continuing growth in business volumes. Income rose by 41%, while expenses increased by 37%. Adjusted for exchange rate movements, operating profit improved by 48% expressed in local currency. Return on allocated capital improved to 14.3% (12.5).

Net interest income rose by 27% to SEK 557m (438). Increased lending volumes contributed SEK 112m, and higher deposit volumes contributed SEK 2m. Exchange rate movements had a positive impact of SEK 7, while higher government fees had an adverse effect on net interest income of SEK -10m.

Net fee and commission income increased to SEK 155m (75), as a result of the asset management company Optimix, which has been a part of Handelsbanken in the Netherlands since 1 September 2016 and which contributed SEK 136m (53). The 2017 full-year figure for performance fees within Optimix came in at the year-end, amounting to SEK 15m (15).

Expenses rose by 37% to SEK -485m (-354), as a result of the continuing expansion, including the acquisition of asset management company Optimix. The C/I ratio improved to 65.7% (67.6), and the average number of employees increased by 33% to 273 (206).

Loan losses consisted of net recoveries and totalled SEK 2m (0). The loan loss ratio was -0.01% (0.00).

Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers of banks in the Netherlands – on both the private and corporate side. Private customers gave the Bank an index value of 78.0, as compared with the sector average of 68.3. Corporate customers gave the Bank an index value of 72.4, as compared with the sector average of 62.3.

The average volume of lending to households grew by 37% to EUR 1,959m (1,434), while deposits from households increased by 47% to EUR 91m (62). Corporate lending rose by 14% to EUR 1,728m (1,519). The average volume of corporate deposits was up by 76% to EUR 739m (420). Business volumes with small and medium-sized companies continued to grow.

The Bank opened two new branches during the first six months: in Alkmaar and in 's-Hertogenbosch. In December, a meeting place was opened in Amstelveen, thus bringing the number of units in the Netherlands to 28.

The asset management company Optimix was acquired on 1 September 2016. Assets under management totalled EUR 2.3bn (2.0) at the end of the year, including the company's own funds.

Q4 2017 COMPARED WITH Q3 2017

Operating profit increased by 38% to SEK 87m (63).

Income grew by 24% to SEK 223m (180) and increased by SEK 4m due to the positive changes of exchange rate movements. Net interest income rose by 9% to SEK 155m (142), primarily due to higher lending volumes.

Net fee and commission income increased by 57% to SEK 55m (35), where Optimix's performance fees contributed SEK 15m.

Expenses were up by 16% to SEK -137m (-118) as a result of the continued expansion. Staff costs increased by 6% to SEK -76m (-72) and the average number of employees grew by 3% to 283 (275).

As in the comparison quarter, loan losses consisted of net recoveries and amounted to SEK 1m (1). The loan loss ratio was -0.01% (-0.01).

Handelsbanken Capital Markets

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

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

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

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

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

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	116	120	-3%	151	-23%	472	557	-15%
Net fee and commission income	789	744	6%	815	-3%	3,174	3,081	3%
Net gains/losses on financial transactions	195	157	24%	162	20%	979	984	-1%
Risk result - insurance	34	19	79%	6	467%	142	142	0%
Other income	14	2		2		26	8	225%
Total income	1,148	1,042	10%	1,136	1%	4,793	4,772	0%
Staff costs	-568	-541	5%	-581	-2%	-2,241	-2,368	-5%
Other expenses	-273	-201	36%	-239	14%	-922	-871	6%
Internal purchased and sold services	23	6	283%	-17		52	-56	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-22	-21	5%	-19	16%	-83	-76	9%
Total expenses	-840	-757	11%	-856	-2%	-3,194	-3,371	-5%
Profit before loan losses	308	285	8%	280	10%	1,599	1,401	14%
Net loan losses	-1	9		-8	-88%	-56	-49	14%
Gains/losses on disposal of property, equipment and intangible assets	-1	0		0		-1	0	
Operating profit	306	294	4%	272	12%	1,542	1,352	14%
Profit allocation	-417	-409	2%	-400	4%	-1,629	-1,342	21%
Operating profit after profit allocation	-111	-115	3%	-128	13%	-87	10	
Internal income	-670	-616	-9%	-825	19%	-2,735	-2,851	4%
Cost/income ratio, %	114.9	119.6		116.3		100.9	98.3	
Loan loss ratio, %	0.01	-0.08		0.07		0.12	0.10	
Allocated capital	4,314	4,163	4%	5,033	-14%	4,314	5,033	-14%
Return on allocated capital, %	-8.1	-8.6		-8.0		-1.5	0.2	
Average number of employees	1,591	1,638	-3%	1,636	-3%	1,625	1,678	-3%

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

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Financial performance

Operating profit rose by 14% to SEK 1,542m (1,352), due to lower expenses. Total income was marginally higher at SEK 4,793m (4,772). Net fee and commission income grew by 3% to SEK 3,174m (3,081), driven mainly by higher mutual fund commissions. Net gains/losses on financial transactions were marginally lower, totalling SEK 979m (984).

Total expenses decreased by 5% to SEK -3,194m (-3,371). The decrease was mainly attributable to staff costs falling by 5% to SEK -2,241m (-2,368), partly as a result of a 3% fall in the average number of employees to 1,625 (1,678).

Loan losses amounted to SEK -56m (-49), corresponding to a loan loss ratio of 0.12% (0.10).

Business development

Asset management operations continued to show a strong performance and net savings in Handelsbanken's mutual funds in Sweden amounted to SEK 22bn in 2017, corresponding to a market share of 19.5%. Handelsbanken was thus the largest player for new savings on the mutual funds market in Sweden.

Net savings in the Bank's mutual funds elsewhere in the Nordic region showed strong growth, amounting to SEK 6.4bn during the year. All of the Nordic home markets reported the highest mutual fund volumes to date, except in Finland, where volumes were on a par with the previous quarter. Total net savings in the Group's funds amounted to SEK 28.2bn.

Xact Kapitalförvaltning remained the largest player as regards Nordic exchange-traded funds.

The total fund volume, including exchange-traded funds, increased by 17% from the beginning of the year to SEK 498bn (425). Total assets under management in the Group rose during the same period by 13% to SEK 612bn (542).

Morningstar, a mutual fund research company, ranked Handelsbanken Fonder highest of the Nordic banks when it evaluated the 30 largest fund managers on the Swedish market.

As of July 2017, all the Bank's global index funds track new, more sustainable indexes. The change of indexes means, among other things, that a number of companies that do not meet the criteria are excluded as

investment alternatives for the funds. In September, a broad Nordic index fund with a sustainability profile was also launched. The Pension & Life business area performed well and income increased by 14%, while expenses rose by 7%. The occupational pension area showed a particularly strong performance, with an 18% increase in premiums paid in. The net flow during the year was SEK 4.5bn. Assets under management at Handelsbanken Liv increased by 13% during the year to SEK 139bn (123).

The Bank's business volumes in terms of capital market funding also showed a strong performance. The Bank has continued to take an active part in arranging issues of green bonds and has also launched Green Loans for buildings, with specific environmental and climate-related criteria. In total, the Bank arranged 124 bond issues during the year for a value of EUR 13.6bn.

The Bank's investments in the Transaction Banking area generated higher customer satisfaction, and Global Finance Magazine named Handelsbanken as the "Best Trade Finance Provider 2017 in Sweden."

The average volume of lending in Handelsbanken International, i.e. the operations outside the Bank's home markets, totalled SEK 32.2bn (35.6). During the same period, deposits rose by 32% to SEK 61.5bn (46.6).

Q4 2017 COMPARED WITH Q3 2017

Operating profit grew by 4% to SEK 306m (294) due to higher income. Total income rose by 10% to SEK 1,148m (1,042), mainly due to seasonal effects in the comparison quarter.

Net fee and commission income rose by 6% to SEK 789m (744), primarily due to higher brokerage and mutual fund commissions.

Net gains/losses on financial transactions increased by 24% to SEK 195m (157), chiefly as a result of lower customer activity during the comparison quarter.

Overall expenses rose by 11% to SEK -840m (-757), chiefly as a result of seasonally lower expenses during the quarter of comparison. Staff costs were 5% higher during the fourth quarter. The average number of employees decreased to 1,591 (1,638), mainly as a result of the employment of temporary summer staff during the third quarter.

Loan losses were SEK -1m (9), which corresponds to a loan loss ratio of 0.01% (-0.08).

Other units not reported in the business segments

Below is an account of income and expenses attributable to units not reported in the business segments. The largest of these is the Group's IT department, but this also includes treasury, audit, risk control, and the unit for financial crime prevention, as well as the central staff functions for accounting, information, legal affairs, credit, and HR matters. Provisions for the profit-sharing foundation, Oktogonen, capital gains/losses, dividends, and other income and expenses that are not attributable to any of the segments are also reported here.

INCOME STATEMENT

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	179	203	-12%	211	-15%	801	756	6%
Net fee and commission income	9	16	-44%	16	-44%	48	69	-30%
Net gains/losses on financial transactions	-261	-183	-43%	-201	-30%	-755	857	
Share of profit of associates	30	14	114%	-2		12	23	-48%
Other income	605	10		59		637	266	139%
Total income	562	60		83		743	1,971	-62%
Staff costs	-674	-683	-1%	-323	109%	-2,818	-2,335	21%
Other expenses	-703	-598	18%	-637	10%	-2,591	-2,244	15%
Internal purchased and sold services	1,318	1,150	15%	1,119	18%	4,871	4,228	15%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-98	-59	66%	-45	118%	-282	-248	14%
Total expenses	-157	-190	-17%	114		-820	-599	37%
Profit before loan losses	405	-130		197	106%	-77	1,372	
Net loan losses								
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	18	-100%	0	23	
Operating profit	405	-130		215	88%	-77	1,395	
Profit allocation	-	-		0		-	0	
Operating profit after profit allocation	405	-130		215	88%	-77	1,395	
Internal income	953	1,383	-31%	1,705	-44%	5,957	7,199	-17%
Average number of employees	2,103	2,065	2%	1,879	12%	2,025	1,840	10%

JANUARY – DECEMBER 2017 COMPARED WITH JANUARY – DECEMBER 2016

Operating profit in other units not reported in the business segments amounted to SEK -77m (1,395). During the fourth quarter a dividend of SEK 576m was received from VISA Sweden ekonomisk förening. The provision to the Oktogonen profit-sharing foundation was resumed in the first quarter, which amounted to SEK -768m (-). Capital gains from the sale of shares totalling SEK 812m were included in the comparison period. The comparison period was also charged with a provision of SEK -598m relating primarily to early retirements. The average number of employees totalled 2,025 (1,840), of whom 1,542 employees (1,431) were employed by the IT department. The increase in the number of employees was primarily attributable to an increase in IT development activity.

Q4 2017 COMPARED WITH Q3 2017

Operating profit improved to SEK 405m (-130), as a result of a dividend of SEK 576m that was received from VISA Sweden ekonomisk förening during the quarter. The provision to the Oktogonen profit-sharing foundation was SEK -133m (-149). The average number of employees totalled 2,103 (2,065).

KEY FIGURES – GROUP

	Q4 2017	Q3 2017	Q4 2016	Full year 2017	Full year 2016
Return on equity, total operations	11.2%	12.9%	10.6%	12.3%	13.1%
Return on equity, continuing operations	11.2%	12.9%	10.6%	12.3%	13.1%
C/I ratio, continuing operations	45.5%	45.0%	45.6%	45.5%	45.2%
C/I ratio, continuing operations, incl. loan losses	55.2%	47.1%	53.8%	49.6%	49.5%
Earnings per share, total operations, SEK	1.93	2.15	1.77	8.28	8.43
- after dilution	1.92	2.13	1.76	8.20	8.31
Ordinary dividend, SEK				5.50	5.00
Total dividend				7.50	5.00
Adjusted equity per share, SEK	72.90	71.12	69.28	72.90	69.28
Common equity tier 1 ratio, CRR	22.7%	23.6%	25.1%	22.7%	25.1%
Total capital ratio, CRR	28.3%	28.5%	31.4%	28.3%	31.4%
Own funds in relation to capital requirement according to Basel I floor	142%	144%	148%	142%	148%
Average number of employees, continuing operations	11,956	12,102	11,615	11,832	11,759
Number of branches, Sweden	420	422	435	420	435
Number of branches outside Sweden	399	398	397	399	397

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

THE HANDELSBANKEN SHARE

	Q4 2017	Q3 2017	Q4 2016	Full year 2017	Full year 2016
Number of converted shares	-	-	3,294,729	22,151	37,105,318
Number of repurchased shares	-	-	-	-	-
Holding of own shares in trading book, end of period	-	-	-	-	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	1,944,173,551	1,944,173,551	1,944,151,400	1,944,173,551	1,944,151,400
Number of outstanding shares after dilution, end of period	1,974,525,521	1,974,776,264	1,974,290,244	1,974,525,521	1,974,290,244
Average number of shares converted during the period	22,151	22,151	36,343,029	21,058	20,009,587
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares	1,944,173,551	1,944,173,551	1,943,389,111	1,944,172,458	1,927,055,669
- after dilution	1,974,776,264	1,975,025,212	1,974,528,804	1,974,290,244	1,972,745,117
Share price SHB class A, end of period, SEK	112.20	122.90	126.60	112.20	126.60
Share price SHB class B, end of period, SEK	113.00	122.80	123.40	113.00	123.40
Market capitalisation, end of period, SEK bn	218	239	246	218	246

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Interest income		10,853	10,631	2%	10,220	6%	42,092	39,950	5%
Interest expense		-3,076	-3,044	1%	-2,921	5%	-12,326	-12,007	3%
Net interest income	Note 2	7,777	7,587	3%	7,299	7%	29,766	27,943	7%
Net fee and commission income	Note 3	2,501	2,355	6%	2,447	2%	9,718	9,156	6%
Net gains/losses on financial transactions	Note 4	164	243	-33%	269	-39%	1,271	3,066	-59%
Risk result - insurance		34	19	79%	6	467%	142	142	0%
Other dividend income		576	2		2		591	228	159%
Share of profit of associates		30	14	114%	0		14	25	-44%
Other income		70	28	150%	102	-31%	172	203	-15%
Total income		11,152	10,248	9%	10,125	10%	41,674	40,763	2%
Staff costs		-3,178	-3,134	1%	-2,981	7%	-12,472	-12,542	-1%
Other expenses	Note 5	-1,712	-1,337	28%	-1,518	13%	-5,889	-5,401	9%
Depreciation, amortisation and impairment of property, equipment and intangible assets		-184	-140	31%	-114	61%	-619	-495	25%
Total expenses		-5,074	-4,611	10%	-4,613	10%	-18,980	-18,438	3%
Profit before loan losses		6,078	5,637	8%	5,512	10%	22,694	22,325	2%
Net loan losses	Note 6	-1,084	-217	400%	-832	30%	-1,683	-1,724	-2%
Gains/losses on disposal of property, equipment and intangible assets		3	4	-25%	18	-83%	14	32	-56%
Operating profit		4,997	5,424	-8%	4,698	6%	21,025	20,633	2%
Taxes		-1,235	-1,251	-1%	-1,254	-2%	-4,923	-4,401	12%
Profit for the period from continuing operations		3,762	4,173	-10%	3,444	9%	16,102	16,232	-1%
Profit for the period pertaining to discontinued operations, after tax	Note 7	-	-		-		-	13	
Profit for the period		3,762	4,173	-10%	3,444	9%	16,102	16,245	-1%
Attributable to									
Shareholders in Svenska Handelsbanken AB		3,760	4,172	-10%	3,444	9%	16,099	16,244	-1%
Minority interest		2	1		0		3	1	

EARNINGS PER SHARE – GROUP

	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	3,760	4,172	-10%	3,444	9%	16,099	16,244	-1%
- of which interest expense on convertible subordinated loan after tax	-25	-25	0%	-25	0%	-99	-139	-29%
Average number of outstanding shares, million	1,944.2	1,944.2		1,943.4		1,944.2	1,927.1	
Average number of outstanding shares after dilution, million	1,974.8	1,975.0		1,974.5		1,974.3	1,972.7	
Earnings per share, continuing operations, SEK	1.93	2.15	-10%	1.77	9%	8.28	8.42	-2%
- after dilution	1.92	2.13	-10%	1.76	9%	8.20	8.30	-1%
Earnings per share, discontinued operations, SEK	-	-		-		-	0.01	
- after dilution	-	-		-		-	0.01	
Earnings per share, total operations, SEK	1.93	2.15	-10%	1.77	9%	8.28	8.43	-2%
- after dilution	1.92	2.13	-10%	1.76	9%	8.20	8.31	-1%

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

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Profit for the period	3,762	4,173	-10%	3,444	9%	16,102	16,245	-1%
Other comprehensive income								
Items that may not subsequently be reclassified to profit or loss								
Defined benefit plans	216	372	-42%	4,998	-96%	3,919	3,993	-2%
Taxes on items that cannot be reclassified into profit or loss	-48	-82	41%	-1,096	96%	-864	-876	1%
Total items that may not subsequently be reclassified to profit or loss	168	290	-42%	3,902	-96%	3,055	3,117	-2%
Items that can be reclassified into profit or loss								
Cash flow hedges	-1,038	-578	-80%	-6,875	85%	-2,350	-3,145	25%
Available-for-sale instruments	-552	24		-23		-470	-1,160	59%
Translation differences for the period	14	-76		168	-92%	-2,241	1,183	
<i>of which hedging net investment in foreign operations</i>	-386	-304	-27%	255		-1,509	-142	
Taxes on items that can be reclassified into profit or loss	299	216	38%	1,457	-79%	844	833	1%
<i>of which cash flow hedges</i>	228	135	69%	1,512	-85%	517	692	-25%
<i>of which available-for-sale instruments</i>	-14	13		1		-5	110	
<i>of which hedging net investment in foreign operations</i>	85	68	25%	-56		332	31	
Total items that can be reclassified into profit or loss	-1,277	-414	-208%	-5,273	76%	-4,217	-2,289	-84%
Total other comprehensive income for the period	-1,109	-124		-1,371	19%	-1,162	828	
Total comprehensive income for the period	2,653	4,049	-34%	2,073	28%	14,940	17,073	-12%
Attributable to								
Shareholders in Svenska Handelsbanken AB	2,653	4,049	-34%	2,073	28%	14,940	17,072	-12%
Minority interest	0	0	0%	0	0%	0	1	-100%

For January to December 2017, other comprehensive income totalled SEK -1,162m (828) after tax. In individual periods, the results of all items within other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

At year-end 2016, net pensions, net of pension obligations and plan assets, were a liability. At year-end 2017, net pensions were an asset. During the January–December period, other comprehensive income increased by SEK 3,055m (3,117) after tax, related to defined benefit pension plans. The main reason for the change during the period is that the plan assets have increased significantly since 31 December 2016. This has been offset to a certain extent by the pension obligations increasing as a result of a decrease in the discount rate for the Swedish pension obligations, to 2.2% from 2.4% since 31 December 2016.

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

items are measured at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. Changes in the value of hedge derivatives in cash flow hedges had an effect on other comprehensive income of SEK -1,833m (-2,453) after tax. The value changes derived partly from exchange rate movements, but above all from increasing discount rates in foreign currency. During the period, SEK -22m (5) was reclassified to the income statement as a result of ineffectiveness.

Unrealised changes in the value of financial assets classified as available for sale had an effect on other comprehensive income of SEK -475m (-1,050) after tax during the year. The preceding year's negative result was mainly due to gains from selling shares having been recognised in the income statement.

Unrealised exchange rate effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations have affected other comprehensive income by SEK 1,909m (1,214) after tax during the year.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income	10,853	10,631	10,398	10,210	10,220
Interest expense	-3,076	-3,044	-3,077	-3,129	-2,921
Net interest income	7,777	7,587	7,321	7,081	7,299
Net fee and commission income	2,501	2,355	2,508	2,354	2,447
Net gains/losses on financial transactions	164	243	317	547	269
Risk result - insurance	34	19	53	36	6
Other dividend income	576	2	11	2	2
Share of profit of associates	30	14	-3	-27	0
Other income	70	28	31	43	102
Total income	11,152	10,248	10,238	10,036	10,125
Staff costs	-3,178	-3,134	-3,242	-2,918	-2,981
Other expenses	-1,712	-1,337	-1,410	-1,430	-1,518
Depreciation, amortisation and impairment of property, equipment and intangible assets	-184	-140	-145	-150	-114
Total expenses	-5,074	-4,611	-4,797	-4,498	-4,613
Profit before loan losses	6,078	5,637	5,441	5,538	5,512
Net loan losses	-1,084	-217	-186	-196	-832
Gains/losses on disposal of property, equipment and intangible assets	3	4	2	5	18
Operating profit	4,997	5,424	5,257	5,347	4,698
Taxes	-1,235	-1,251	-1,201	-1,236	-1,254
Profit for the period from continuing operations	3,762	4,173	4,056	4,111	3,444
Profit for the period pertaining to discontinued operations, after tax	-	-	-	-	-
Profit for the period	3,762	4,173	4,056	4,111	3,444
Earnings per share, continuing operations, SEK	1.93	2.15	2.09	2.11	1.77
- after dilution	1.92	2.13	2.06	2.10	1.76
Earnings per share, discontinued operations, SEK	-	-	-	-	-
- after dilution	-	-	-	-	-
Earnings per share, total operations, SEK	1.93	2.15	2.09	2.11	1.77
- after dilution	1.92	2.13	2.06	2.10	1.76

BALANCE SHEET – GROUP

SEK m		31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Assets						
Cash and balances with central banks		226,314	377,821	436,848	387,092	199,362
Other loans to central banks	Note 8	38,920	111,008	52,718	79,245	25,527
Interest-bearing securities eligible as collateral with central banks		129,006	112,339	119,603	97,262	97,205
Loans to other credit institutions	Note 8	20,250	30,742	33,526	34,542	31,347
Loans to the public	Note 8	2,065,761	2,040,589	2,011,455	1,991,434	1,963,622
Value change of interest-hedged item in portfolio hedge		36	36	33	31	35
Bonds and other interest-bearing securities		49,601	61,996	61,243	65,436	63,909
Shares		14,052	20,885	21,353	23,397	20,412
Investments in associates		297	217	212	218	255
Assets where the customer bears the value change risk		135,617	132,381	128,870	123,595	118,646
Derivative instruments	Note 9,10	56,070	56,913	61,940	73,111	82,633
Reinsurance assets		14	9	9	9	9
Intangible assets	Note 11	9,861	9,670	9,579	9,460	9,393
Property and equipment		2,238	2,404	2,353	2,363	2,387
Current tax assets		242	2,217	1,379	518	38
Deferred tax assets		399	394	436	534	962
Net pension assets		1,239	1,615	1,368	379	-
Assets held for sale		-	1	3	3	1
Other assets		10,715	13,565	12,302	29,034	5,615
Prepaid expenses and accrued income		6,345	6,253	5,864	5,266	6,222
Total assets		2,766,977	2,981,055	2,961,094	2,922,929	2,627,580
Liabilities and equity						
Due to credit institutions	Note 12	174,820	205,355	202,681	205,971	178,781
Deposits and borrowing from the public	Note 12	941,967	1,112,138	1,120,291	1,049,699	829,336
Liabilities where the customer bears the value change risk		135,617	132,488	128,962	123,653	118,745
Issued securities	Note 13	1,276,595	1,279,283	1,264,536	1,295,668	1,261,765
Derivative instruments	Note 9,10	24,876	30,147	31,654	24,297	31,738
Short positions		2,072	10,081	7,876	11,753	1,572
Insurance liabilities		549	554	562	599	574
Current tax liabilities		394	2,147	1,388	809	514
Deferred tax liabilities		6,853	7,560	7,749	7,842	7,875
Provisions		153	298	426	615	731
Net pension liabilities		-	-	-	-	2,161
Other liabilities		15,863	15,828	13,851	21,684	9,427
Accrued expenses and deferred income		12,718	13,665	13,436	15,399	14,580
Subordinated liabilities		32,896	32,560	32,782	33,199	33,400
Total liabilities		2,625,373	2,842,104	2,826,194	2,791,188	2,491,199
Minority interest		11	9	6	6	6
Share capital		3,013	3,013	3,013	3,013	3,013
Share premium		5,629	5,629	5,629	5,629	5,628
Reserves		8,106	9,215	9,339	10,237	9,268
Retained earnings		108,746	108,746	108,746	108,745	102,222
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		16,099	12,339	8,167	4,111	16,244
Total equity		141,604	138,951	134,900	131,741	136,381
Total liabilities and equity		2,766,977	2,981,055	2,961,094	2,922,929	2,627,580

STATEMENT OF CHANGES IN EQUITY – GROUP

January - December 2017 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	3,013	5,628	1,656	2,487	974	4,151	118,466	6	136,381
Profit for the period							16,099	3	16,102
Other comprehensive income			3,055	-1,833	-475	-1,909		0	-1,162
Total comprehensive income for the period			3,055	-1,833	-475	-1,909	16,099	3	14,940
Dividend							-9,721		-9,721
Effects of convertible subordinated loans	0	1							1
Change of minority interests							1	2	3
Closing equity	3,013	5,629	4,711	654	499	2,242	124,845	11	141,604

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

During the January to December 2017 period, convertibles for a nominal value of SEK 1m (2,513) relating to subordinated convertible bonds were converted into 22,151 class A shares (37,105,318). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

CASH FLOW STATEMENT, CONDENSED – GROUP

SEK m	Full year 2017	Full year 2016
Operating profit, total operations	21,025	20,674
Adjustment for non-cash items in profit/loss	3,398	89
Paid income tax	-5,723	-5,544
Changes in the assets and liabilities of operating activities	21,191	-11,167
Cash flow from operating activities	39,891	4,052
Aquisition / disposal of subsidiaries	-	-408
Change in shares	-62	5,462
Change in interest-bearing securities	-	1,003
Change in property and equipment	-451	385
Change in intangible assets	-701	-546
Cash flow from investing activities	-1,214	5,896
Repayment of subordinated loans	-	-2,512
Issued subordinated loans	-	-
Dividend paid	-9,721	-11,442
Cash flow from financing activities	-9,721	-13,954
Liquid funds at beginning of the period	199,362	202,630
Cash flow for the period	28,956	-4,006
Exchange rate difference on liquid funds	-2,004	738
Liquid funds at end of the period*	226,314	199,362

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

NOTES

Note 1 Accounting policies

Accounting policies

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

The report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2016.

Future regulatory changes

IFRS 9 Financial instruments

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, has been adopted for application by the EU. The standard encompasses three areas: classification and measurement, impairment, and general hedge accounting. The standard must be applied as of the 2018 financial year. Handelsbanken does not intend to apply the standard ahead of the stipulated date. Nor does Handelsbanken intend to recalculate the comparison figures for 2017 in the 2018 annual report as a result of IFRS 9. Adjustments of the carried values of financial assets and liabilities at the date of transition on 1 January 2018 will be reported in retained earnings. Handelsbanken intends to continue to apply the hedge accounting rules in IAS 39 in accordance with the transitional rules in IFRS 9.

According to the new classification and measurement rules, financial assets must be classified at fair value through profit or loss, at amortised cost or at fair value through other comprehensive income. The starting point for classification of debt instruments (loans and interest-bearing securities) is the company's business model for managing the financial assets and whether the instrument's contractual cash flows only contain payments of interest and principal amounts. Equity instruments are to be classified at fair value through profit or loss unless the company at the time of initial recognition opted to present these instruments at fair value through other comprehensive income. This option means that only dividends from these holdings are recognised in the income statement. Other gains and losses due to changes in fair value are not permitted to be reclassified from other comprehensive income to the income statement. The rules for classification of financial liabilities are largely unchanged compared to IAS 39. Handelsbanken's assessment is that the classification and measurement rules will not have any material impact on its financial reports. No significant reclassifications

between fair value and amortised cost are expected for the first application period.

As a result of the new regulations on impairment, a model is being introduced which is based on expected loan losses and not on incurred loan losses as in the existing model in IAS 39. IFRS 9 states that financial assets recognised at amortised cost and debt instruments recognised at fair value through other comprehensive income, as well as financial guarantees and credit commitments, are subject to the new model for reporting expected loan losses. The model comprises three different stages for reporting loan losses. Stage 1 comprises assets where there has been no significant increase in the credit risk since initial recognition. Stage 2 comprises assets where there has been a significant increase in the credit risk since initial recognition, but which are not credit-impaired financial assets. Stage 3 comprises assets which are credit-impaired and where an individual assessment of the expected loan loss must be made. In stage 1, provisions are to be recognised corresponding to the loss which is expected to occur in the case of default within 12 months. In stages 2 and 3, provisions are to be recognised corresponding to the loss which is expected to occur in the case of default at some time during the whole of the remaining maturity of the asset. Forward-looking factors must be taken into account in conjunction with the calculation of these provisions.

The model for calculating the provisions for stage 1 and stage 2 is based on historical risk data in the same way as for the internal models used for capital requirement calculations. This means that the reporting and capital requirement calculations are based on the same basic loan loss history. The expected loan loss in a future period is obtained by multiplying the present value of the exposure at default (EAD) by the probability of default (PD) and by the loss given default (LGD). Unlike the estimate in the Capital Requirements Regulation, the loan loss estimate must be based on forward-looking current assessments of EAD, PD, and LGD, given weights assigned to various possible forecasts of macroeconomic trends.

The Bank has initially decided to use three macroeconomic scenarios (base, upturn, and downturn) to take into account the non-linear aspects of expected loan losses. The model takes into account the following material macro factors, broken down by country:

- unemployment
- key/central bank rates
- GDP
- inflation
- property prices.

The various scenarios will be used to adjust the current parameters for calculating the expected loan losses, and a probability-weighted average of the expected losses in the respective scenario will be recognised as a provision. This is unlike the current IAS 39 rules, where the provision is based on the best estimate.

The Bank's definition of a significant increase of credit risk is based on three factors:

- Quantitative criteria – An increase of 250% in the probability of default during the remaining expected lifetime of the financial instrument.
- Qualitative assessment of events that have not been captured by either the quantitative criteria or "backstops", such as the reason a customer is "risk reported".
- "Backstop" – Forborne exposures and Loans that are overdue by more than 30 days.

Overall, the transition to IFRS 9 leads to an increase in loan loss provisions of SEK 0.6bn, which is adjusted against equity by SEK -0.5bn after tax. Handelsbanken will not apply the transitional regulations which have been decided regarding capital adequacy. Instead, it will allow IFRS 9 to have full impact on its capital adequacy. The relevant capital ratios will not be negatively impacted by the transition. The reason for this is that the Capital Requirements Regulation allows loan loss provisions in the accounts to be set off against expected losses according to the Regulation. These latter expected losses are adjusted for a downturn, while IFRS 9 is based on current forward-looking assessments of the credit risk in the current credit portfolio.

The new IFRS 9 general rules for hedge accounting allow the company's own risk management to be better reflected in the financial reports and also introduce less detailed rules for how the effectiveness of the hedges is to be assessed. Handelsbanken intends to utilise the opportunity to continue using the IAS 39 hedge accounting requirements, even after IFRS 9 has come into force.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers has been adopted for application in the EU. The standard will be applied as of the 2018 financial year. IFRS 15 introduces a five-stage model to establish how and when revenue must be recognised. However, the standard does not apply to financial instruments, insurance contracts or leases. IFRS 15 also contains increased disclosure requirements relating to revenue. Handelsbanken's assessment is that the new standard will not have any material impact on Handelsbanken's financial reports, capital adequacy or large exposures.

IFRS 16 Leases

IFRS 16 Leases has been published by the IASB and adopted by the EU. Assuming that the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2019 financial year. The main change due to the new standard is that all lease contracts (with the exception of short-term contracts and contracts of minor value) must be recognised as an asset (right-of-use asset) and as a liability in the lessee's balance sheet. In the income statement, the straight-line expense for the operating lease is replaced by a charge for depreciation on the leased asset and an interest expense attributable to the liability. There are also increased disclosure requirements. For lessors, the requirements are largely unchanged. Handelsbanken does not intend to apply the standard ahead of the stipulated date. The main impact on the Bank's accounts is expected to come from accounting for rental contracts. The Bank is currently analysing the financial effects of the new standard.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts has been published by the IASB. Assuming that IFRS 17 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2021 financial year. IFRS 17 entails a change in how insurance contracts are reported, presented and measured, and leads to increased disclosure. The Bank is currently analysing the financial effects of the new standard.

Others changes in IFRS

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

Note 2 Net interest income

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Interest income								
Loans to credit institutions and central banks	635	636	0%	228	179%	2,140	1,422	50%
Loans to the public	9,820	9,654	2%	9,962	-1%	38,919	39,333	-1%
Interest-bearing securities eligible as collateral with central banks	44	44	0%	-99		188	229	-18%
Interest-bearing securities	186	150	24%	191	-3%	676	783	-14%
Derivative instruments	-120	-123	2%	-331	64%	-949	-2,629	64%
Other interest income	342	321	7%	346	-1%	1,342	1,317	2%
Total interest income	10,907	10,682	2%	10,297	6%	42,316	40,455	5%
Of which interest income reported in Net gains/losses on financial transactions	54	51	6%	77	-30%	224	505	-56%
Interest income according to income statement	10,853	10,631	2%	10,220	6%	42,092	39,950	5%
Interest expense								
Due to credit institutions and central banks	-335	-338	-1%	-293	14%	-1,281	-1,086	18%
Deposits and borrowing from the general public	-414	-439	-6%	-288	44%	-1,545	-1,423	9%
Issued securities	-3,826	-3,726	3%	-4,361	-12%	-15,732	-17,740	-11%
Derivative instruments	2,294	2,198	4%	2,651	-13%	9,378	10,771	-13%
Subordinated liabilities	-344	-351	-2%	-388	-11%	-1,411	-1,534	-8%
State fees	-504	-477	6%	-320	57%	-2,024	-1,300	56%
Other interest expense	-59	-		-26	127%	-106	-279	-62%
Total interest expense	-3,188	-3,133	2%	-3,025	5%	-12,721	-12,591	1%
Of which interest expense reported in Net gains/losses on financial transactions	-112	-89	26%	-104	8%	-395	-584	-32%
Interest expense according to income statement	-3,076	-3,044	1%	-2,921	5%	-12,326	-12,007	3%
Net interest income	7,777	7,587	3%	7,299	7%	29,766	27,943	7%

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

Note 3 Net fee and commission income

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Brokerage and other securities commissions	207	172	20%	256	-19%	886	916	-3%
Mutual funds	946	869	9%	835	13%	3,559	3,023	18%
Custody and other asset management fees	200	189	6%	183	9%	722	623	16%
Advisory services	36	37	-3%	59	-39%	234	317	-26%
Insurance	169	167	1%	163	4%	664	634	5%
Payments	895	857	4%	857	4%	3,359	3,185	5%
Loans and deposits	328	301	9%	309	6%	1,238	1,172	6%
Guarantees	92	93	-1%	107	-14%	381	422	-10%
Other	125	122	2%	126	-1%	496	488	2%
Total fee and commission income	2,998	2,807	7%	2,895	4%	11,539	10,780	7%
Securities	-65	-57	14%	-74	-12%	-264	-260	2%
Payments	-413	-379	9%	-355	16%	-1,491	-1,289	16%
Other	-19	-16	19%	-19	0%	-66	-75	-12%
Total fee and commission expense	-497	-452	10%	-448	11%	-1,821	-1,624	12%
Net fee and commission income	2,501	2,355	6%	2,447	2%	9,718	9,156	6%

Note 4 Net gains/losses on financial transactions

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Trading, derivatives, FX effect etc	347	322	8%	940	-63%	1,814	832	118%
Other financial instruments at fair value in profit/loss	-184	-98	-88%	-641	71%	-553	466	
<i>of which interest-bearing securities</i>	-182	-90	-102%	-627	71%	-524	502	
<i>of which loans</i>	-2	-8	75%	-14	86%	-29	-36	19%
Financial instruments at amortised cost	53	58	-9%	29	83%	156	182	-14%
<i>of which loans</i>	111	91	22%	114	-3%	372	446	-17%
<i>of which liabilities</i>	-58	-33	-76%	-85	32%	-216	-264	18%
Financial instruments available for sale	2	-		4	-50%	8	1,689	-100%
Hedge accounting	-14	-8	-75%	-14	0%	-29	-3	
<i>of which net gains/losses on fair value hedges</i>	-8	1		1		-7	-8	13%
<i>of which cash flow hedge ineffectiveness</i>	-6	-9	33%	-15	60%	-22	5	
Gains/losses on unbundled insurance contracts	-40	-31	-29%	-49	18%	-125	-100	-25%
Total	164	243	-33%	269	-39%	1,271	3,066	-59%

Note 5 Other expenses

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Property and premises	-333	-294	13%	-319	4%	-1,235	-1,234	0%
External IT costs	-514	-454	13%	-476	8%	-1,935	-1,698	14%
Communication	-79	-71	11%	-79	0%	-309	-317	-3%
Travel and marketing	-102	-59	73%	-96	6%	-317	-306	4%
Purchased services	-471	-300	57%	-338	39%	-1,406	-1,159	21%
Supplies	-52	-40	30%	-43	21%	-178	-173	3%
Other administrative expenses	-161	-119	35%	-167	-4%	-509	-514	-1%
Other expenses	-1,712	-1,337	28%	-1,518	13%	-5,889	-5,401	9%

Note 6 Loan losses and impaired loans

Loan losses

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Specific provision for individually assessed loans								
Provision for the period	-1,061	-284	274%	-826	28%	-1,811	-1,899	-5%
Reversal of previous provisions	41	59	-31%	202	-80%	225	377	-40%
Total	-1,020	-225	353%	-624	63%	-1,586	-1,522	4%
Collective provisions								
Net provision for the period for individually assessed loans	-51	-8		-24	113%	-120	-62	94%
Net provision for the period for homogeneous loans	-4	-4	0%	0		-10	-10	0%
Total	-55	-12	358%	-24	129%	-130	-72	81%
Off-balance-sheet items								
Losses on off-balance-sheet items	-3	0		-12	-75%	-4	-16	-75%
Reversal of previous losses on off-balance-sheet items	0	0	0%	0	0%	10	2	400%
Change in collective provision for off-balance-sheet items	-32	2		-23	39%	-27	-26	4%
Total	-35	2		-35	0%	-21	-40	-48%
Write-offs								
Actual loan losses for the period	-484	-106	357%	-628	-23%	-1,253	-2,183	-43%
Utilised share of previous provisions	422	89	374%	427	-1%	1,102	1,863	-41%
Recoveries	88	35	151%	52	69%	205	230	-11%
Total	26	18	44%	-149		54	-90	
Net loan losses	-1,084	-217	400%	-832	30%	-1,683	-1,724	-2%

Impaired loans

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

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Impaired loans	7,944	7,497	7,303	7,594	7,746
Specific provision for individually assessed loans	-4,578	-3,942	-3,840	-3,985	-4,188
Provision for collectively assessed homogeneous groups of loans with limited value	-118	-112	-108	-105	-107
Collective provisions for individually assessed loans	-463	-415	-403	-340	-348
Impaired loans, net	2,785	3,028	2,952	3,164	3,103
Total impaired loans reserve ratio	64.9%	59.6%	59.6%	58.3%	59.9%
Proportion of impaired loans	0.13%	0.15%	0.15%	0.16%	0.16%
Impaired loans reserve ratio excl. collective provisions	59.1%	54.1%	54.1%	53.9%	55.4%
Loan loss ratio as a % of loans, acc.	0.08%	0.04%	0.04%	0.04%	0.09%
Loans past due > 60 days	5,371	5,518	4,067	3,925	4,123
Loans past due > 60 days, which are not impaired	968	1,060	1,116	946	1,061

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

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

31 December 2017	Impaired loans				Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net*	Of which past due >60 days	
SEK m					
Private individuals	1,388	-710	678	430	562
Housing co-operative associations	39	-18	21	4	27
Property management	2,014	-523	1,491	387	217
Manufacturing	659	-471	188	37	38
Retail	271	-201	70	38	52
Hotel and restaurant	57	-35	22	18	4
Passenger and goods transport by sea	1,500	-1,325	175	162	3
Other transport and communication	34	-25	9	6	6
Construction	766	-697	69	38	-
Electricity, gas and water	200	-128	72	10	-
Agriculture, hunting and forestry	82	-46	36	10	4
Other services	298	-215	83	31	53
Holding, investment and insurance companies, funds etc.	527	-249	278	13	2
Other corporate lending	109	-53	56	17	-
Credit institutions	-	-	-	-	-
Total	7,944	-4,696	3,248	1,201	968

* Book value after deduction of specific provisions.

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

* Book value after deduction of specific provisions.

Note 7 Discontinued operations

Discontinued operations refer to the results from the Plastal Industri AB subsidiary for the time before the divestment, as well as the profits from the divestment of the company. The Bank divested its ownership of Plastal Industri AB during the second quarter of 2016, and since then the Bank has not had any discontinued operations.

Note 8 Loans and credit exposure

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Loans to the public	2,065,761	2,040,589	2,011,455	1,991,434	1,963,622
of which reverse repos	6,607	7,126	8,322	11,182	7,493
Loans to other credit institutions	20,250	30,742	33,526	34,542	31,347
of which reverse repos	1,338	5,738	11,175	10,805	4,088
Other loans to central banks	38,920	111,008	52,718	79,245	25,527
of which reverse repos	-	-	-	1,003	-

Loans to the public, by sector

SEK m	31 December 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	1,040,638	-710	1,039,928	982,640	-745	981,895
<i>of which mortgage loans</i>	850,962	-39	850,923	800,092	-33	800,059
<i>of which other loans with property mortgages</i>	128,728	-133	128,595	120,121	-146	119,975
<i>of which other loans to private individuals</i>	60,948	-538	60,410	62,427	-566	61,861
Housing co-operative associations	205,984	-18	205,966	187,016	-20	186,996
<i>of which mortgage loans</i>	172,264	-11	172,253	156,835	-12	156,823
Property management	565,190	-523	564,667	540,194	-691	539,503
Manufacturing	27,393	-471	26,922	27,633	-522	27,111
Retail	21,282	-201	21,081	21,947	-270	21,677
Hotels and restaurants	8,369	-35	8,334	8,516	-32	8,484
Passenger and goods transport by sea	8,499	-1,325	7,174	9,375	-1,244	8,131
Other transport and communication	16,088	-25	16,063	14,614	-36	14,578
Construction	20,216	-697	19,519	18,103	-161	17,942
Electricity, gas, water	22,040	-128	21,912	25,224	-39	25,185
Agriculture, hunting and forestry	13,064	-46	13,018	11,727	-31	11,696
Other services	22,208	-215	21,993	19,608	-113	19,495
Holding, investment, insurance, funds, etc.	67,805	-249	67,556	66,730	-316	66,414
Government and municipalities	13,611	-	13,611	15,891	-	15,891
Other corporate lending	18,533	-53	18,480	19,047	-75	18,972
Total loans to the public, before collective provisions	2,070,920	-4,696	2,066,224	1,968,265	-4,295	1,963,970
Collective provisions			-463			-348
Total loans to the public			2,065,761			1,963,622

Specification of Loans to the public – Property management

SEK m	31 December 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Loans in Sweden						
State-owned property companies	4,329	-	4,329	3,228	-	3,228
Municipal-owned property companies	8,874	-	8,874	9,771	-	9,771
Residential property companies	106,014	-20	105,994	99,598	-26	99,572
<i>of which mortgage loans</i>	92,260	-	92,260	85,134	-1	85,133
Other property management	125,224	-126	125,098	127,578	-130	127,448
<i>of which mortgage loans</i>	52,932	-2	52,930	52,925	-2	52,923
Total loans in Sweden	244,441	-146	244,295	240,175	-156	240,019
Loans outside Sweden						
Denmark	20,367	-70	20,297	19,755	-118	19,637
Finland	37,302	-4	37,298	33,891	-4	33,887
Norway	104,319	-100	104,219	103,767	-108	103,659
UK	125,701	-197	125,504	111,800	-289	111,511
The Netherlands	27,628	-	27,628	23,194	-	23,194
Other countries	5,432	-6	5,426	7,612	-16	7,596
Total loans outside Sweden	320,749	-377	320,372	300,019	-535	299,484
Total loans - Property management	565,190	-523	564,667	540,194	-691	539,503

Credit risk exposure

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Loans to the public	2,065,761	2,040,589	2,011,455	1,991,434	1,963,622
<i>of which reverse repos</i>	6,607	7,126	8,322	11,182	7,493
Loans to other credit institutions	20,250	30,742	33,526	34,542	31,347
<i>of which reverse repos</i>	1,338	5,738	11,175	10,805	4,088
Interest-bearing securities eligible as collateral with central banks	129,006	112,339	119,603	97,262	97,205
Bonds and other interest-bearing securities	49,601	61,996	61,243	65,436	63,909
Derivative instruments*	56,070	56,913	61,940	73,111	82,633
Contingent liabilities	75,666	75,666	75,293	80,481	78,530
<i>of which guarantees, credits</i>	10,177	9,936	10,088	9,839	9,643
<i>of which guarantees, other</i>	57,878	59,119	58,620	64,512	63,108
<i>of which letters of credit</i>	7,611	6,611	6,585	6,130	5,779
Other commitments	443,383	439,836	441,532	427,927	425,267
<i>of which unutilised part of granted overdraft facilities</i>	131,121	130,647	131,721	132,366	128,967
<i>of which loan commitments</i>	290,643	286,953	290,250	273,876	272,729
<i>of which other</i>	21,619	22,236	19,561	21,685	23,571
Total	2,839,737	2,818,081	2,804,592	2,770,193	2,742,513
Cash and balances with central banks	226,314	377,821	436,848	387,092	199,362
Other loans to central banks	38,920	111,008	52,718	79,245	25,527
Total	3,104,971	3,306,910	3,294,158	3,236,530	2,967,402

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Positive market values					
Trading	31,242	33,701	35,432	37,290	44,703
Fair value hedges	65	91	133	96	79
Cash flow hedges	45,585	44,399	48,394	60,151	64,905
Amounts set off	-20,822	-21,278	-22,019	-24,426	-27,054
Total	56,070	56,913	61,940	73,111	82,633
Negative market values					
Trading	33,576	35,471	37,676	40,050	47,824
Fair value hedges	125	105	78	91	82
Cash flow hedges	11,086	14,840	15,651	8,512	9,689
Amounts set off	-19,911	-20,269	-21,751	-24,356	-25,857
Total	24,876	30,147	31,654	24,297	31,738
Nominal value					
Trading	4,054,918	3,925,126	3,610,265	3,665,721	3,167,735
Fair value hedges	79,318	69,628	59,903	53,248	42,228
Cash flow hedges	1,060,565	1,078,987	1,080,938	1,092,773	1,058,071
Amounts set off	-2,071,229	-1,977,466	-1,621,005	-1,967,179	-1,747,179
Total	3,123,572	3,096,275	3,130,101	2,844,563	2,520,855

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

Note 10 Offsetting of financial instruments

31 December 2017 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	76,892	18,605	95,497
Amounts set off	-20,822	-9,309	-30,131
Carrying amount on the balance sheet	56,070	9,296	65,366
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16,838	-	-16,838
Financial assets received as collateral	-30,023	-9,296	-39,319
Total amounts not set off on the balance sheet	-46,861	-9,296	-56,157
Net amount	9,209	-	9,209
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	44,787	9,435	54,222
Amounts set off	-19,911	-9,309	-29,220
Carrying amount on the balance sheet	24,876	126	25,002
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16,838	-	-16,838
Financial assets pledged as collateral	-2,974	-126	-3,100
Total amounts not set off on the balance sheet	-19,812	-126	-19,938
Net amount	5,064	-	5,064

31 December 2016 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	109,687	13,427	123,114
Amounts set off	-27,054	-1,030	-28,084
Carrying amount on the balance sheet	82,633	12,397	95,030
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-20,643	-	-20,643
Financial assets received as collateral	-42,238	-12,397	-54,635
Total amounts not set off on the balance sheet	-62,881	-12,397	-75,278
Net amount	19,752	-	19,752
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	57,595	1,032	58,627
Amounts set off	-25,857	-1,030	-26,887
Carrying amount on the balance sheet	31,738	2	31,740
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-20,643	-	-20,643
Financial assets pledged as collateral	-3,807	-2	-3,809
Total amounts not set off on the balance sheet	-24,450	-2	-24,452
Net amount	7,288	-	7,288

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

The amount set off for derivative assets include set-off cash collateral of SEK 3,342m (3,565) derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 2,431m (2,367), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill		Other intangible assets		Total	
	Full year 2017	Full year 2016	Full year 2017	Full year 2016	Full year 2017	Full year 2016
Opening residual value	6,761	6,460	2,632	1,794	9,393	8,254
Additional during the period	7	147	694	1,070	701	1,217
The period's amortisation	-	-	-266	-198	-266	-198
The period's impairments	-	-	-9	-1	-9	-1
Foreign exchange effect	30	154	12	-33	42	121
Closing residual value	6,798	6,761	3,063	2,632	9,861	9,393

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

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Due to credit institutions	174,820	205,355	202,681	205,971	178,781
<i>of which repos</i>	126	-	-	1,003	
Deposits and borrowing from the public	941,967	1,112,138	1,120,291	1,049,699	829,336
<i>of which repos</i>	-	286	332	4,861	2

Note 13 Issued securities

SEK m	Full year 2017	Full year 2016
Issued securities at beginning of year	1,261,765	1,245,367
Issued	1,207,398	1,250,093
Repurchased	-55,656	-52,372
Matured	-1,098,438	-1,205,320
Foreign exchange effect etc.	-38,474	23,997
Issued securities at end of period	1,276,595	1,261,765

Note 14 Pledged assets, contingent liabilities and other commitments

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Assets pledged for own debt	856,772	830,488	812,294	852,739	839,982
Other pledged assets	34,165	36,179	31,755	53,558	33,375
Contingent liabilities	75,666	75,666	75,293	80,481	78,530
Other commitments	443,383	439,836	441,532	427,927	425,267

Note 15 Classification of financial assets and liabilities

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

31 December 2017	At fair value in income statement divided into		Derivatives identified as hedge instruments	Loans and other receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
	Trading	Other						
SEK m								
Assets								
Cash and balances with central banks				226,314			226,314	226,314
Other loans to central banks				38,920			38,920	38,920
Interest-bearing securities eligible as collateral with central banks	7,349	120,683			974		129,006	129,006
Loans to other credit institutions				20,250			20,250	20,081
Loans to the public		377		2,065,384			2,065,761	2,073,536
Value change of interest-hedged item in portfolio hedge				36			36	
Bonds and other interest-bearing securities	13,261	30,948			5,392		49,601	49,601
Shares	11,914	964			1,174		14,052	14,052
Assets where the customer bears the value change risk		135,563		54			135,617	135,617
Derivative instruments	12,572		43,498				56,070	56,070
Other assets	16			10,699			10,715	10,715
Prepaid expenses and accrued income	102	490		5,749	4		6,345	6,345
Total financial assets	45,214	289,025	43,498	2,367,406	7,544		2,752,687	2,760,257
Investments in associates							297	
Other non-financial assets							13,993	
Total assets							2,766,977	
Liabilities								
Due to credit institutions						174,820	174,820	176,611
Deposits and borrowing from the public						941,967	941,967	941,975
Liabilities where the customer bears the value change risk		135,556				61	135,617	135,617
Issued securities	4,625					1,271,970	1,276,595	1,289,925
Derivative instruments	15,204		9,672				24,876	24,876
Short positions	2,072						2,072	2,072
Other liabilities	12					15,851	15,863	15,863
Accrued expenses and deferred income	13					12,705	12,718	12,718
Subordinated liabilities						32,896	32,896	33,889
Total financial liabilities	21,926	135,556	9,672			2,450,270	2,617,424	2,633,546
Other non-financial liabilities							7,949	
Total liabilities							2,625,373	

31 December 2016	At fair value in income statement divided into		Derivatives identified as hedge instruments	Loans and other receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
	Trading	Other						
SEK m								
Assets								
Cash and balances with central banks				199,362			199,362	199,362
Other loans to central banks				25,527			25,527	25,527
Interest-bearing securities eligible as collateral with central banks	13,000	83,458			747		97,205	97,205
Loans to other credit institutions				31,347			31,347	31,148
Loans to the public		926		1,962,696			1,963,622	1,978,834
Value change of interest-hedged item in portfolio hedge				35			35	
Bonds and other interest-bearing securities	22,328	36,117			5,464		63,909	63,909
Shares	17,727	1,067			1,618		20,412	20,412
Assets where the customer bears the value change risk		118,588		58			118,646	118,646
Derivative instruments	19,742		62,891				82,633	82,633
Other assets	32			5,584			5,616	5,616
Prepaid expenses and accrued income	170	520		5,528	4		6,222	6,222
Total financial assets	72,999	240,676	62,891	2,230,137	7,833		2,614,536	2,629,514
Investments in associates							255	
Other non-financial assets							12,789	
Total assets							2,627,580	
Liabilities								
Due to credit institutions						178,781	178,781	180,648
Deposits and borrowing from the public						829,336	829,336	829,303
Liabilities where the customer bears the value change risk		118,687				58	118,745	118,745
Issued securities	5,763					1,256,002	1,261,765	1,280,523
Derivative instruments	23,272		8,466				31,738	31,738
Short positions	1,572						1,572	1,572
Other liabilities	21					9,407	9,428	9,428
Accrued expenses and deferred income	2					14,578	14,580	14,580
Subordinated liabilities						33,400	33,400	35,330
Total financial liabilities	30,630	118,687	8,466			2,321,562	2,479,345	2,501,867
Other non-financial liabilities							11,854	
Total liabilities							2,491,199	

Note 16 Fair value measurement of financial instruments

31 December 2017 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	126,996	2,010	-	129,006
Loans to the public	-	364	13	377
Bonds and other interest-bearing securities	47,111	2,490	-	49,601
Shares	8,798	4,008	1,246	14,052
Assets where the customer bears the value change risk	135,099	-	464	135,563
Derivative instruments	364	55,619	87	56,070
Total financial assets at fair value	318,368	64,491	1,810	384,669
Liabilities				
Liabilities where the customer bears the value change risk	135,092	-	464	135,556
Issued securities	-	4,625	-	4,625
Derivative instruments	377	24,411	88	24,876
Short positions	2,013	59	-	2,072
Total financial liabilities at fair value	137,482	29,095	552	167,129

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

Valuation process

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

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

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

Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the degree of transparency regarding market data used in the

valuation. The categorisation is shown as levels 1–3 in the tables. Financial instruments which are valued at a direct and liquid market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed shares and short-term positions in corresponding assets. Level 1 also includes the majority of shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities. Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities and interest- and currency-related derivatives. Financial instruments whose value to a material extent is affected by input data that cannot be verified using external market information are categorised as level 3. Level 3 includes unlisted shares, certain holdings of private equity funds and certain derivatives.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2016), the instrument has been moved between the levels in the table. During the 2017 financial year, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment

of market activity. On the assets side, interest-bearing securities worth SEK 212m and shares worth SEK 88m were transferred from level 1 to level 2. Interest-bearing securities worth SEK 556m and shares worth SEK 16m were transferred from level 2 to level 1. On the liabilities side, derivatives worth SEK 9m were transferred from level 1 to level 2, and derivatives worth SEK 7m were moved from level 2 to level 1. The change in level 3 holdings during the year is shown in a separate table.

The holdings in level 3 mainly comprise unlisted shares. The Group's holdings of unlisted shares consist mainly of the Bank's participating interests in various types of jointly owned operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration on Handelsbanken's home markets. Such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in other comprehensive income.

In addition to unlisted shares, certain holdings of private equity funds are categorised in level 3. These are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, such as P/E ratios. Most of these holdings represent investment assets in the Group's insurance operations. Value changes on the investment assets are included in the basis for calculating the yield split in the insurance operations and are therefore not reported directly in the income statement.

In 2017, the derivatives component in some of the Bank's issued structured bonds and the related hedging derivatives was moved from level 2 to level 3. The transfer of these derivatives to level 3 is

due to the fact that the internal assumptions which have a material impact on calculation of the fair value have been revised. Hedging derivatives in level 3 are traded under CSA agreements where the market values are checked and verified with the Bank's counterparties on a daily basis.

Differences between the transaction price and the value produced using a valuation model

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

As a consequence of the application of this principle an accrual effect, SEK 144m (143), was recognised in Net gains/losses on financial transactions during the 2017 financial year. At the end of the period, non-recognised day 1 gains/losses amounted to SEK 638m; at year-end 2016, the corresponding figure was SEK 585m.

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

Reconciliation of financial instruments in level 3

January – December 2017 SEK m	Shares	Derivatives- assets	Derivatives- liabilities	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	1,837	-	-	17	762	-762
Acquisitions/issues	25	-	-	-	-	-
Repurchases/sales	-62	-	-	-	-318	318
Matured during the period	-	-	-	-5	-	-
Unrealised value change in income statement	-77	-	-	-	20	-20
Unrealised value change in other comprehensive income	-477	-	-	-	-	-
Transfer from level 1 or 2	-	87	-88	1	-	-
Transfer to level 1 or 2	-	-	-	-	-	-
Carrying amount at end of period	1,246	87	-88	13	464	-464

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

Note 17 Assets and liabilities by currency

31 December 2017								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	83	85,625	3,916	2,139	84,768	48,079	1,704	226,314
Other loans to central banks	6,683	-	7,170	24,198	492	-	377	38,920
Loans to other credit institutions	2,059	5,700	566	45	811	9,711	1,358	20,250
Loans to the public	1,287,467	200,448	235,215	94,108	213,208	28,186	7,129	2,065,761
<i>of which corporates</i>	481,250	133,080	145,245	33,661	143,347	27,955	6,324	970,862
<i>of which households</i>	806,217	67,368	89,970	60,447	69,861	231	805	1,094,899
Interest-bearing securities eligible as collateral with central banks	100,576	6,853	-	12	-	20,804	761	129,006
Bonds and other interest-bearing securities	36,964	2,383	1,090	-	1,378	7,786	-	49,601
Other items not broken down by currency	237,125							237,125
Total assets	1,670,957	301,009	247,957	120,502	300,657	114,566	11,329	2,766,977
Liabilities								
Due to credit institutions	62,784	61,572	13,866	7,860	3,373	18,915	6,450	174,820
Deposits and borrowing from the public	559,212	104,453	57,429	39,416	146,293	29,973	5,191	941,967
<i>of which corporates</i>	221,345	86,046	36,994	22,164	98,176	27,633	4,666	497,024
<i>of which households</i>	337,867	18,407	20,435	17,252	48,117	2,340	525	444,943
Issued securities	468,766	282,725	24,175	556	93,884	376,959	29,530	1,276,595
Subordinated liabilities	8,349	14,751	-	-	-	9,796	-	32,896
Other items not broken down by currency, incl. equity	340,699							340,699
Total liabilities and equity	1,439,810	463,501	95,470	47,832	243,550	435,643	41,171	2,766,977
Other assets and liabilities broken down by currency (net)		162,627	-152,299	-72,590	-56,970	321,072	29,891	
Net foreign currency position		135	188	80	137	-5	49	584

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

Note 18 Own funds and capital requirements in the consolidated situation

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

Own funds

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
TIER 1 CAPITAL					
Equity, Group	141,604	138,951	134,900	131,741	136,381
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year	-14,581	-7,759	-5,127	-2,595	-9,721
Adjustment of Group result	-820	-629	-429	-195	3,829
Adjustment of Group equity	3,337	3,311	3,289	3,267	-593
Minority interests	-11	-9	-6	-6	-6
Equity (consolidated entities)	129,529	133,865	132,627	132,212	129,890
Deducted items					
Goodwill and other intangible assets	-9,787	-9,599	-9,513	-9,409	-9,355
Value adjustments (fair value)	-409	-426	-477	-633	-645
Special deduction for IRB institutions	-2,357	-2,246	-2,272	-2,270	-1,527
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-569	-619	-607	-622	-636
Adjustments in accordance with stability filter					
Cash flow hedges	-654	-1,464	-1,907	-2,749	-2,487
Unrealised accumulated gains, shares	-	-	-	-	-
Common equity tier 1 capital, gross	115,753	119,511	117,851	116,529	115,240
Threshold deductions					
Capital contributions to unconsolidated financial entities >10% CET1	-	-	-	-	-
Deferred tax assets >10% CET1	-	-	-	-	-
Amount of capital contributions and deferred tax assets >15%	-	-	-	-	-
Common equity tier 1 capital	115,753	119,511	117,851	116,529	115,240
Additional tier 1 instruments	11,746	11,718	12,011	12,598	12,768
Total tier 1 capital	127,499	131,229	129,862	129,127	128,008
TIER 2 CAPITAL					
Subordinated loans	17,745	14,469	17,431	17,293	17,354
Deducted items					
Tier 2 contribution in unconsolidated financial entities	-1,129	-1,129	-1,129	-1,129	-1,129
Total tier 2 capital	16,616	13,340	16,302	16,164	16,225
Total own funds	144,115	144,569	146,164	145,291	144,233

Capital ratios and buffers

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Common equity tier 1 ratio, CRR	22.7%	23.6%	23.4%	23.8%	25.1%
Tier 1 ratio, CRR	25.0%	25.9%	25.8%	26.4%	27.9%
Total capital ratio, CRR	28.3%	28.5%	29.0%	29.7%	31.4%
Risk exposure amount CRR	509,032	507,413	504,199	489,456	458,787
Own funds in relation to capital requirement according to Basel I floor	142%	144%	148%	149%	148%
Institution-specific buffer requirements*	6.7%	6.7%	6.6%	6.6%	6.4%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.2%	1.2%	1.1%	1.1%	0.9%
<i>of which systemic risk buffer requirement</i>	3.0%	3.0%	3.0%	3.0%	3.0%
Common equity tier 1 capital available for use as a buffer	18.2%	19.1%	18.9%	19.3%	20.6%

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

Capital requirement

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Credit risk according to standardised approach	6,707	6,579	6,609	6,330	6,472
Credit risk according to IRB Approach	27,871	27,630	27,560	26,334	23,950
Market risks	825	995	800	936	873
Credit valuation adjustment risk (CVA)	391	460	438	627	594
Operational risk	4,929	4,929	4,929	4,929	4,815
Total capital requirement	40,723	40,593	40,336	39,156	36,704
Adjustment according to Basel I floor	62,125	61,403	60,239	59,790	61,531
Capital requirement, Basel I floor	102,848	101,996	100,575	98,946	98,235
Total own funds, Basel I floor	146,472	146,815	148,436	147,561	145,760

Risk exposure amount

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Credit risk according to standardised approach	83,833	82,243	82,608	79,126	80,896
Credit risk according to IRB Approach	348,386	345,377	344,497	329,180	299,370
Market risk	10,310	12,437	10,004	11,705	10,910
Credit valuation adjustment risk (CVA)	4,890	5,743	5,477	7,832	7,429
Operational risk	61,613	61,613	61,613	61,613	60,182
Total risk exposure amount	509,032	507,413	504,199	489,456	458,787

Capital requirement credit risks, standardised approach**

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Sovereign and central banks	236	255,748	-	77	-	6	0.0	0.0
Municipalities	-	54,908	-	22	-	2	0.0	0.0
Multilateral development banks	568	636	-	0	-	0	0.0	0.0
International organisations	35	49	-	0	-	0	0.0	0.0
Institutions	7,290	4,215	506	343	40	27	6.9	8.1
Corporates	9,407	10,640	9,312	10,017	745	801	99.0	94.1
Households	16,824	17,042	12,580	12,737	1,006	1,019	74.8	74.7
Collateral in real estate	106,316	92,087	38,158	33,316	3,053	2,665	35.9	36.2
Past due items	654	199	748	258	60	21	114.4	129.6
Collective investment undertakings	86	0	86	0	7	0	100.0	0.0
Equities	6,813	6,796	16,143	16,126	1,291	1,290	236.9	237.3
Other items	6,780	8,571	6,300	8,000	505	641	92.9	93.4
Total	155,009	450,891	83,833	80,896	6,707	6,472	54.1	17.9

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

Credit risks IRB

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	Sovereign and central banks	357,719		7,474		598		2.1
Corporate	852,845	821,000	237,107	194,650	18,969	15,572	27.8	23.7
Corporate lending	835,665	798,330	233,707	190,709	18,697	15,257	28.0	23.9
<i>of which other loans foundation approach *</i>	109,608	116,048	32,467	35,946	2,598	2,876	29.6	31.0
<i>of which other loans advanced approach *</i>	726,057	682,282	201,240	154,763	16,099	12,381	27.7	22.7
<i>of which large companies</i>	152,189	126,774	58,176	57,176	4,654	4,574	38.2	45.1
<i>of which medium-sized companies</i>	80,590	81,640	37,839	32,486	3,027	2,599	47.0	39.8
<i>of which property companies</i>	493,278	473,868	105,225	65,101	8,418	5,208	21.3	13.7
Counterparty risk	17,180	22,670	3,400	3,941	272	315	19.8	17.4
Housing co-operative associations	195,265	187,897	9,974	7,555	798	604	5.1	4.0
Retail	1,026,668	982,270	72,574	72,398	5,806	5,792	7.1	7.4
Private individuals	1,001,733	955,346	65,742	65,258	5,259	5,221	6.6	6.8
<i>of which property loans</i>	925,491	874,253	51,092	48,178	4,087	3,854	5.5	5.5
<i>of which other loans</i>	76,242	81,093	14,650	17,080	1,172	1,367	19.2	21.1
Small companies	24,935	26,924	6,832	7,140	547	571	27.4	26.5
<i>of which property loans</i>	6,929	7,650	1,707	1,706	137	137	24.6	22.3
<i>of which other loans</i>	18,006	19,274	5,125	5,434	410	434	28.5	28.2
Institutions	72,223	105,185	13,929	17,397	1,114	1,392	19.3	16.5
Lending to institutions	16,332	20,066	5,232	6,175	418	494	32.0	30.8
Counterparty risk	55,891	85,119	8,697	11,222	696	898	15.6	13.2
<i>of which repos and securities loans</i>	7,667	14,070	173	631	14	50	2.3	4.5
<i>of which derivatives</i>	48,224	71,049	8,524	10,591	682	848	17.7	14.9
Equity exposures	1,512	1,340	5,068	4,959	405	397	335.1	370.0
<i>of which listed shares</i>	661	-	1,916	-	153	-	290.0	-
<i>of which other shares</i>	851	1,340	3,152	4,959	252	397	370.0	370.0
Non credit-obligation assets	2,238	2,387	2,238	2,387	179	191	100.0	100.0
Securitisation positions	20	22	22	24	2	2	106.0	105.9
<i>of which Traditional securitisation</i>	20	22	22	24	2	2	106.0	105.9
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
Total IRB Approach	2,508,490	2,100,101	348,386	299,370	27,871	23,950	13.9	14.3

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

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

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

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

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

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

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

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

The total average risk weight for exposures approved for the IRB Approach increased during the quarter and amounted to 13.9% (12.7).

Credit quality is good. Of Handelsbanken's corporate exposures, 97% were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between 1 and 5 on the Bank's nine-point risk rating scale. The IRB Approach is based on historical losses from both the financial crisis of recent years and the Swedish banking crisis in the early 1990s. These risk weights reflect

the fact that Handelsbanken has reported low loan losses over a long period. The risk measurements applied contain margins of conservatism to ensure that the risk is not underestimated.

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

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

Capital requirement market risks

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Outright products					
Interest rate risk	808	973	784	916	854
<i>of which general risk</i>	572	649	497	616	598
<i>of which specific risk</i>	236	324	287	300	256
Equity price risk	9	6	6	6	4
<i>of which general risk</i>	3	1	1	2	1
<i>of which specific risk</i>	6	5	4	4	3
<i>of which mutual funds</i>	0	0	1	0	0
Exchange rate risk	-	-	-	-	-
Commodities risk	5	10	7	8	9
Options					
Scenario approach	3	6	3	6	6
<i>of which interest rate risk</i>	0	1	0	1	1
<i>of which equity risk</i>	3	5	3	5	5
<i>of which foreign exchange risk</i>	-	-	-	-	-
<i>of which commodity risk</i>	0	0	0	0	0
Securitisation (specific risk)	-	-	-	-	-
Settlement risk	0	-	0	-	0
Total capital requirement for market risks	825	995	800	936	873

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

Capital requirement operational risk

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

Leverage ratio

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

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Balance sheet according to accounting regulations	2,766,977	2,981,055	2,961,094	2,922,929	2,627,580
Deduction for assets not included in the banking group	-131,176	-128,302	-123,620	-120,443	-114,858
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-17,115	-17,943	-21,485	-26,092	-20,341
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	2,176	4,104	3,342	3,860	4,436
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>501,292</i>	<i>498,940</i>	<i>500,667</i>	<i>485,559</i>	<i>492,788</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-320,747</i>	<i>-319,972</i>	<i>-321,387</i>	<i>-312,461</i>	<i>-314,413</i>
Assets reported off the balance sheet, net	180,545	178,968	179,280	173,098	178,375
Additional adjustment	-13,775	-14,354	-14,775	-15,683	-14,650
Assets on which the leverage ratio is calculated	2,787,632	3,003,528	2,983,836	2,937,669	2,660,542
Capital on which the leverage ratio can be calculated					
Tier 1 capital	127,499	131,229	129,862	129,127	128,008
Leverage ratio					
Leverage ratio calculated on tier 1 capital	4.6%	4.4%	4.4%	4.4%	4.8%

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

Note 19 Risk and liquidity

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

Risk and uncertainty factors

Handelsbanken provides credit through its branch operations, exercising a low risk tolerance. The credit process is based on the conviction that a decentralised organisation with local presence ensures high quality in credit decisions. In recent months, house prices have shown a weaker trend, which has affected companies focused on housing development. The Bank's credit process and risk tolerance mean that the Bank avoids granting credits to high-risk companies that are focused on housing development. Handelsbanken's exposure to market risks is also low. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. The situation with regard to regulatory developments continues to evolve

rapidly. The UK's decision to leave the EU means there is uncertainty regarding the regulations that will apply to the Bank's UK operations. The Bank is preparing for the implementation of Brexit in close consultation with public authorities in both Sweden and the UK. The Bank's low tolerance of risk, sound capitalisation and strong liquidity situation mean that Handelsbanken is also well-equipped to operate under substantially more difficult market conditions than those experienced during the past few years. The Bank's liquidity position is described in more detail below under the heading Liquidity and funding.

Liquidity and funding

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

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

Funding programmes/limits as at 31 December 2017 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	6,984	68,728
ECP (Stadshypotek)*	EUR	4,000	-	-
French Commercial Paper	EUR	7,500	4,051	39,860
Swedish Commercial Paper	SEK	25,000	-	-
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	-	-
USCP	USD	15,000	3,497	28,697
AMTN	AUD	5,000	1,275	8,175
AMTCN (Stadshypotek)	AUD	5,000	-	-
EMTN*	USD	50,000	17,432	143,032
EMTCN (Stadshypotek)*	EUR	20,000	11,252	110,729
US 144A/3(a)(2)	USD	20,000	12,150	99,692
Stadshypotek US 144A	USD	15,000	5,000	41,026
Samurai	JPY	400,000	147,800	10,779
MTN*	SEK	100,000	10,000	10,000
General funding >1 Y*	USD	15,000	3,206	26,306
Extendible Notes	USD	15,000	-	-
Total				587,024
Total programme (or limited) amounts, SEK m		1,832,544		
Unutilised amount, SEK m		1,245,520		
Available amount		68%		

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

Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 444bn as at 31 December 2017 (see table below). In addition, there was an

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

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

Market value					
SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Cash and balances with and other lending to central banks	265,234	488,559	489,210	465,038	224,533
Balances with banks and the National Debt Office, overnight	2,041	2,086	1,555	2,301	7,712
Securities issued by governments and public entities	132,385	114,761	123,699	99,652	96,217
Covered bonds	44,249	46,387	48,011	53,093	53,647
Securities issued by non-financial companies	141	262	934	287	27
Securities issued by financial companies	275	277	106	301	124
Total	444,325	652,332	663,515	620,672	382,260
<i>of which in SEK</i>	<i>142,452</i>	<i>197,104</i>	<i>135,228</i>	<i>151,277</i>	<i>126,241</i>
<i>of which in EUR</i>	<i>94,685</i>	<i>107,857</i>	<i>122,095</i>	<i>123,353</i>	<i>108,380</i>
<i>of which in USD</i>	<i>74,168</i>	<i>196,348</i>	<i>246,228</i>	<i>195,289</i>	<i>47,449</i>
<i>of which in other currencies</i>	<i>133,020</i>	<i>151,023</i>	<i>159,964</i>	<i>150,753</i>	<i>100,190</i>

31 December 2017					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	6,766	85,624	48,079	124,765	265,234
Balances with other banks and the National Debt Office, overnight	1,831	13	19	178	2,041
Securities issued by governments	92,916	6,916	22,173	-	122,005
Securities issued by municipalities and other public entities	6,433	-	3,897	50	10,380
Covered bonds, external issuers	31,911	1,973	-	6,625	40,509
Own covered bonds	2,338	-	-	1,402	3,740
Securities issued by non-financial companies	126	15	-	-	141
Securities issued by financial companies	131	144	-	-	275
Total	142,452	94,685	74,168	133,020	444,325

Maturities for financial assets and liabilities

31 December 2017 SEK m	Up to 30 days	31 days - 6 mths	6 - 12 mths	1 - 2 yrs	2 - 5 yrs	5 yrs -	Unspec. maturity	Total
Assets								
Cash and balances with central banks	265,234	-	-	-	-	-	-	265,234
Interest-bearing securities eligible as collateral with central banks	129,006	-	-	-	-	-	-	129,006
Bonds and other interest-bearing securities	49,601	-	-	-	-	-	-	49,601
Loans to credit institutions	13,654	1,349	782	270	1,479	2,615	101	20,250
-of which reverse repos	1,338	-	-	-	-	-	-	1,338
Loans to the public	54,445	241,057	173,900	174,446	394,647	1,027,266	-	2,065,761
-of which reverse repos	6,607	-	-	-	-	-	-	6,607
Other	20,858	-	-	-	-	-	216,267	237,125
-of which shares and participating interests	14,052	-	-	-	-	-	-	14,052
-of which claims on investment banking settlements	6,806	-	-	-	-	-	-	6,806
Total	532,798	242,406	174,682	174,716	396,126	1,029,881	216,368	2,766,977
Liabilities								
Due to credit institutions	90,298	48,732	3,532	4,191	485	4,623	22,959	174,820
-of which repos	126	-	-	-	-	-	-	126
-of which deposits from central banks	34,268	26,293	546	-	-	-	1,496	62,603
Deposits and borrowing from the public	9,398	29,494	4,846	671	2,272	5,635	889,651	941,967
-of which repos	0	-	-	-	-	-	-	0
Issued securities	61,473	361,749	183,550	191,460	420,836	57,527	-	1,276,595
-of which covered bonds	4,528	91,078	79,757	117,232	276,370	52,993	-	621,958
-of which certificates and other securities with original maturity of less than one year	55,467	240,266	66,229	-	-	-	-	361,962
-of which senior bonds and other securities with original maturity of more than one year	1,478	30,405	37,564	74,228	144,466	4,534	-	292,675
Subordinated liabilities	-	-	-	20,100	12,796	-	-	32,896
Other	8,661	-	-	-	-	-	332,038	340,699
-of which short positions	2,072	-	-	-	-	-	-	2,072
-of which investment banking settlement debts	6,589	-	-	-	-	-	-	6,589
Total	169,830	439,975	191,928	216,422	436,389	67,785	1,244,648	2,766,977

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

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

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

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

Liquidity coverage ratio (LCR)

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Liquidity coverage ratio (LCR), %					
EUR	175	139	132	178	136
USD	482	225	177	236	322
Total*	133	126	120	148	126

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

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Liquidity coverage ratio (LCR) - decomposition, SEK m					
Liquid assets	431,037	642,891	650,117	606,507	290,058
Liquid assets level 1	396,615	606,023	613,808	565,626	251,189
Liquid assets level 2	34,422	36,868	36,309	40,881	38,869
Cash outflows	366,396	556,910	593,185	489,050	359,659
Deposits from customers	213,769	246,569	242,608	220,330	173,496
Market funding	107,727	256,752	308,352	228,791	151,735
Other cash flows	44,900	53,589	42,225	39,929	34,428
Cash inflows	43,467	48,652	50,132	79,554	129,176
Inflows from maturing lending to non-financial customers	23,508	20,285	14,486	22,186	21,146
Other cash inflows	19,959	28,367	35,646	57,368	108,030

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.

Since 2013, the liquidity coverage ratio (LCR) has been a binding requirement for Swedish banks, and Handelsbanken has reported it according to the Swedish Financial Supervisory Authority's definition. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The ratio must exceed 100%. The requirement has applied to LCR at the aggregate level and separately for US dollars and euros. As of 1 October 2015, the European Commission's delegated act contains a minimum European requirement for LCR. This minimum requirement, which applies at the aggregate level, was 80% in 2017, but is 100% as of 1 January 2018, when the delegated act became fully implemented. In conjunction with this, the Swedish Financial Supervisory Authority's directives and requirements for the LCR were repealed. The Authority has announced that, in the future, they intend to exercise supervision of LCR in individual currencies within the framework of the supervisory review and evaluation process in Pillar 2. Minimum requirements for the net stable funding ratio (NSFR) – the structural liquidity measure that is the ratio between available stable funding and the stable funding required – is expected to be introduced in the EU in 2019 at the earliest.

At year-end, the Group's aggregated LCR according to the Swedish Financial Supervisory Authority's definition was 133% and the Bank's LCR according to the European Commission's delegated act was 139%, which shows that the Bank has substantial resistance to short-term disruptions in the funding markets. This also applies in US

dollars and euros. During 2016, the LCR, as an average of daily observations according to the Supervisory Authority's regulation, was 135%.

Stress test with liquidity-creating measures

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

Non-encumbered assets, NEA

31 December 2017		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	444	53%
Mortgage loans	549	118%
Other household lending	190	141%
Property company lending lowest risk class (1-3)	276	174%
Other corporate lending lowest risk class (1-3)	141	191%
Loans to credit institutions lowest risk class (1-3)	19	193%
Other corporate lending	248	223%
Other assets	9	224%
Total non-encumbered assets (NEA)	1,876	224%
Encumbered assets without underlying liabilities**	61	
Encumbered assets with underlying liabilities	830	
Total assets, Group	2,767	

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

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

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

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

Note 20 Related-party transactions

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

Note 21 Segment reporting

Information about the Bank's segment reporting is provided on pages 9-23.

Note 22 Events after the balance sheet date

No significant events occurred after the balance sheet date.

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Net interest income	4,125	4,225	-2%	4,000	3%	16,326	15,011	9%
Dividends received	12,631	34		12,252	3%	13,705	17,045	-20%
Net fee and commission income	1,655	1,586	4%	1,710	-3%	6,592	6,509	1%
Net gains/losses on financial transactions	239	235	2%	285	-16%	1,339	3,076	-56%
Other operating income	465	412	13%	498	-7%	1,690	1,647	3%
Total income	19,115	6,492	194%	18,745	2%	39,652	43,288	-8%
Staff costs	-2,353	-2,832	-17%	-2,141	10%	-10,938	-10,427	5%
Other administrative expenses	-1,650	-1,301	27%	-1,461	13%	-5,702	-5,224	9%
Depreciation, amortisation and impairment of property, equipment and intangible assets	-306	-257	19%	-184	66%	-1,094	-591	85%
Total expenses before loan losses	-4,309	-4,390	-2%	-3,786	14%	-17,734	-16,242	9%
Profit before loan losses	14,806	2,102		14,959	-1%	21,918	27,046	-19%
Net loan losses	-1,083	-220	392%	-831	30%	-1,685	-1,730	-3%
Impairment of financial assets	-	-		-20		-	-20	
Operating profit	13,723	1,882		14,108	-3%	20,233	25,296	-20%
Appropriations	29	29	0%	-261		115	-193	
Profit before tax	13,752	1,911		13,847	-1%	20,348	25,103	-19%
Taxes	-3,181	-507		-3,287	-3%	-4,662	-4,503	4%
Profit for the period	10,571	1,404		10,560	0%	15,686	20,600	-24%

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q4 2017	Q3 2017	Change	Q4 2016	Change	Full year 2017	Full year 2016	Change
Profit for the period	10,571	1,404		10,560	0%	15,686	20,600	-24%
Other comprehensive income								
Items that may subsequently be reclassified to profit or loss								
Cash flow hedges	-424	-259	-64%	-4,054	90%	41	-1,882	
Available-for-sale instruments	-552	24		-23		-470	-1,152	59%
Translation differences for the period	-44	-180	76%	300		-2,261	387	
<i>of which hedging net investment in foreign operations</i>	-353	-303	-17%	253		-1,476	-65	
Tax related to other comprehensive income	158	144	10%	837	-81%	311	538	-42%
<i>of which cash flow hedges</i>	93	65	43%	892	-90%	-9	414	
<i>of which available-for-sale instruments</i>	-13	12		1		-5	110	
<i>of which hedging net investment in foreign operations</i>	78	67	16%	-56		325	14	
Total items that may subsequently be reclassified to profit or loss	-862	-271	-218%	-2,940	71%	-2,379	-2,109	-13%
Total other comprehensive income for the period	-862	-271	-218%	-2,940	71%	-2,379	-2,109	-13%
Total comprehensive income for the period	9,709	1,133		7,620	27%	13,307	18,491	-28%

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

The parent company's accounts cover parts of the operations that, in organisational terms, are included in branch operations within and outside Sweden, Capital Markets, and central departments and staff functions. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms a sizeable part of business volumes are outside the parent company in wholly-owned subsidiaries – particularly in the Stadshypotek AB mortgage institution. Thus, the performance of the parent company is not equivalent to the performance of business operations in the Group as a whole.

The parent company's operating profit decreased by 20% to SEK 20,233m (25,296), chiefly owing to reduced dividends, as well as lower net gains/losses on financial transactions. Profit for the year went down by 24% to SEK 15,686m (20,600). Net interest income rose by 9% to SEK 16,326m (15,011), and net fee and commission income increased by 1% to SEK 6,592m (6,509). Since the start of the year, the parent company's equity has grown to SEK 120,200m (116,642).

BALANCE SHEET – PARENT COMPANY

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Assets					
Cash and balances with central banks	226,314	377,821	436,848	387,092	199,362
Interest-bearing securities eligible as collateral with central banks	125,887	109,219	116,399	94,096	94,236
Loans to credit institutions	664,018	751,645	692,429	670,211	593,125
Loans to the public	795,691	788,996	779,600	778,918	763,567
Bonds and other interest-bearing securities	46,220	58,614	57,779	61,788	60,311
Shares	13,073	19,865	20,400	22,363	19,339
Shares in subsidiaries and investments in associates	47,302	47,207	47,205	46,358	46,363
Assets where the customer bears the value change risk	5,005	4,285	4,079	3,969	4,172
Derivative instruments	59,767	61,914	66,804	77,322	87,061
Intangible assets	2,610	2,477	2,428	2,336	2,268
Property, equipment and leasing assets	2,822	2,982	2,911	2,914	2,970
Current tax assets	191	2,076	1,313	448	-
Deferred tax assets	283	269	310	365	425
Other assets	18,807	10,647	8,968	12,727	16,713
Prepaid expenses and accrued income	4,886	4,587	4,139	3,761	4,792
Total assets	2,012,876	2,242,604	2,241,612	2,164,668	1,894,704
Liabilities and equity					
Due to credit institutions	193,822	220,467	212,715	209,637	189,176
Deposits and borrowing from the public	941,401	1,110,978	1,118,658	1,048,659	827,753
Liabilities where the customer bears the value change risk	5,005	4,385	4,166	4,027	4,271
Issued securities	654,637	681,674	684,792	674,987	648,977
Derivative instruments	41,771	47,144	48,645	44,266	54,491
Short positions	2,072	10,081	7,876	11,753	1,572
Current tax liabilities	-	-	-	-	184
Deferred tax liabilities	582	759	932	1,066	1,066
Provisions	146	235	328	307	429
Other liabilities	12,746	15,446	12,909	20,939	8,786
Accrued expenses and deferred income	6,915	7,676	7,717	6,841	7,164
Subordinated liabilities	32,896	32,560	32,782	33,199	33,400
Total liabilities	1,891,993	2,131,405	2,131,520	2,055,681	1,777,269
Untaxed reserves	683	708	734	762	793
Share capital	3,013	3,013	3,013	3,013	3,013
Share premium	5,629	5,629	5,629	5,629	5,628
Other funds	7,320	8,025	8,218	9,156	9,242
Retained earnings	88,552	88,709	88,787	88,936	78,159
Profit for the period	15,686	5,115	3,711	1,491	20,600
Total equity	120,200	110,491	109,358	108,225	116,642
Total liabilities and equity	2,012,876	2,242,604	2,241,612	2,164,668	1,894,704

CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

January – December 2017 SEK m	Restricted equity			Unrestricted equity					Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	Retained earnings	
Opening equity	3,013	2,682	1,766	5,628	-119	974	3,939	98,759	116,642
Profit for the period								15,686	15,686
Other comprehensive income					32	-475	-1,936		-2,379
Total comprehensive income for the period					32	-475	-1,936	15,686	13,307
Dividend								-9,721	-9,721
Group contributions provided								-37	-37
Tax effect on Group contribution								8	8
Effects of convertible subordinated loans	0			1					1
Fund for internally developed software			457					-457	
Closing equity	3,013	2,682	2,223	5,629	-87	499	2,003	104,238	120,200

January – December 2016 SEK m	Restricted equity			Unrestricted equity					Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	Retained earnings	
Opening equity	2,956	2,682		3,204	1,349	2,016	3,538	91,367	107,112
Profit for the period								20,600	20,600
Other comprehensive income					-1,468	-1,042	401		-2,109
Total comprehensive income for the period					-1,468	-1,042	401	20,600	18,491
Dividend								-11,442	-11,442
Effects of convertible subordinated loans	57			2,424					2,481
Fund for internally developed software			1,766					-1,766	
Closing equity	3,013	2,682	1,766	5,628	-119	974	3,939	98,759	116,642

* Included in fair value fund.

During the January to December 2017 period, convertibles for a nominal value of SEK 1m (2,513) relating to subordinated convertible bonds were converted into 22,151 class A shares (37,105,318). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

CASH FLOW STATEMENT, CONDENSED – PARENT COMPANY

SEK m	Full year 2017	Full year 2016
Operating profit	20,233	25,296
Adjustment for non-cash items in profit/loss	-8,032	-12,351
Paid income tax	-5,064	-5,281
Changes in the assets and liabilities of operating activities	21,738	-11,861
Cash flow from operating activities	28,875	-4,197
Acquisition / divestment of subsidiaries	-	-408
Change in shares	-924	5,437
Change in interest-bearing securities	-	1,000
Change in property and equipment	-886	-2,257
Change in intangible assets	-645	-598
Cash flow from investing activities	-2,455	3,174
Repayment of subordinated loans	-	-2,512
Issued subordinated loans	-	-
Dividend paid	-9,721	-11,442
Received group contributions	12,257	10,971
Cash flow from financing activities	2,536	-2,983
Liquid funds at beginning of the year	199,362	202,630
Cash flow for the period	28,956	-4,006
Exchange rate difference on liquid funds	-2,004	738
Liquid funds at end of year	226,314	199,362

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

Own funds and capital ratios – Parent company

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Common equity tier 1 capital	100,782	101,971	101,639	101,698	102,883
Total tier 1 capital	112,528	113,689	113,650	114,296	115,651
Total tier 2 capital	16,616	13,340	16,302	16,164	16,225
Total own funds	129,144	127,029	129,952	130,460	131,876
Capital ratios and buffers					
Common equity tier 1 ratio, CRR	21.4%	21.7%	21.8%	22.3%	23.4%
Tier 1 ratio, CRR	23.9%	24.2%	24.4%	25.0%	26.3%
Total capital ratio, CRR	27.5%	27.0%	27.9%	28.5%	30.0%
Risk exposure amount, CRR	470,353	469,808	466,443	456,975	439,657
Own funds in relation to capital requirement according to transitional rules	249%	246%	255%	258%	260%
Institution-specific buffer requirements	3.7%	3.7%	3.7%	3.6%	3.4%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.2%	1.2%	1.2%	1.1%	0.9%
<i>of which systemic risk buffer requirement</i>	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	16.9%	17.2%	17.3%	17.8%	18.9%

Capital requirement – Parent company

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Credit risk according to standardised approach	11,496	11,354	11,367	11,136	11,258
Credit risk according to IRB Approach	21,524	21,383	21,317	20,466	19,043
Market risk	825	995	800	936	873
Credit valuation adjustment risk (CVA)	390	460	438	627	594
Operational risk	3,393	3,393	3,393	3,393	3,405
Total capital requirement	37,628	37,585	37,315	36,558	35,173
Adjustment according to Basel I floor	14,886	14,839	14,421	14,686	16,010
Capital requirement, Basel I floor	52,514	52,424	51,736	51,244	51,183
Total own funds, Basel I floor	130,967	128,839	131,739	132,262	133,016

Capital requirement credit risks, standardised approach * – Parent company

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Sovereign and central banks	-	-	0	14	6
Municipalities	-	-	0	2	2
Multilateral development banks	-	-	0	0	0
International organisations	-	-	0	0	0
Institutions	75	72	65	61	64
Corporates	740	766	903	771	783
Households	997	981	995	992	1,011
Collateral in real estate	3,053	2,920	2,808	2,762	2,665
Past due items	34	35	27	26	21
Equities	6,121	6,116	6,115	6,111	6,111
Other items	476	465	455	397	595
Total	11,496	11,355	11,367	11,136	11,258

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

Capital requirement credit risks IRB – Parent company

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Sovereign and central banks	428	606	587		
Corporates	17,061	16,468	16,429	15,875	14,512
Households	1,949	1,996	2,050	2,261	2,265
Private individuals	1,493	1,538	1,575	1,779	1,788
<i>of which property loans</i>	795	812	845	821	812
<i>of which other loans</i>	698	726	730	958	976
Small companies	456	458	475	482	477
Institutions	1,114	1,177	1,121	1,443	1,392
Equity exposures	891	1,041	1,038	794	780
<i>of which listed shares</i>	1	-	-	-	-
<i>of which other shares</i>	890	1,041	1,038	794	780
Non credit-obligation assets	79	93	90	91	92
Securitisation positions	2	2	2	2	2
Total IRB	21,524	21,383	21,317	20,466	19,043

Capital requirement market risks – Parent company

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Position risk in the trading book	820	985	793	928	864
Interest rate risk	808	974	784	917	855
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
Equity price risk	12	11	9	11	9
Exchange rate risk	-	-	-	-	-
Commodities risk	5	10	7	8	9
Settlement risk	0	-	0	-	0
Total capital requirement for market risks	825	995	800	936	873

Leverage ratio – Parent company

SEK m	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Balance sheet according to accounting regulations	2,012,876	2,242,604	2,241,612	2,164,668	1,894,704
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-17,888	-20,230	-23,522	-24,891	-12,825
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	2,199	4,106	3,342	3,856	4,440
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>542,726</i>	<i>540,406</i>	<i>541,924</i>	<i>530,052</i>	<i>539,468</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-351,822</i>	<i>-351,177</i>	<i>-352,673</i>	<i>-345,307</i>	<i>-348,431</i>
Assets reported off the balance sheet, net	190,904	189,229	189,251	184,745	191,037
Additional adjustment	-631,185	-623,472	-619,930	-574,506	-572,136
Assets on which the leverage ratio is calculated	1,556,906	1,792,237	1,790,753	1,753,872	1,505,220
Capital on which the leverage ratio can be calculated					
Tier 1 capital	112,528	113,689	113,650	114,296	115,651
Leverage ratio					
Leverage ratio calculated on tier 1 capital	7.2%	6.3%	6.3%	6.5%	7.7%

PRESS AND TELEPHONE CONFERENCE

A press and analyst conference is being arranged at the Bank's head office on 7 February at 9 a.m. (CET).

A phone conference will be held on 7 February at 11 a.m. (CET).

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

The Annual Report for 2017 will be published during the week starting 12 February and will then be available at handelsbanken.se/ireng.

The Bank's 2018 annual general meeting will be held at the Grand Hotel's Winter Garden, Royal Entrance, Stallgatan 4, Stockholm, at 10 a.m. (CET) on 21 March.

The interim report for January – March 2018 will be published on 25 April 2018.

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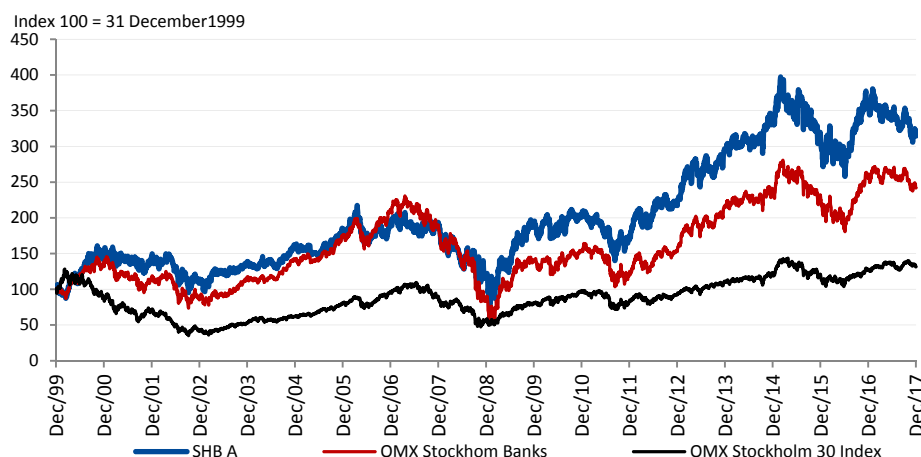
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Share price performance and other information

The Swedish stock market grew by 4% during the year. The Stockholm stock exchange's bank index, however, fell by 5%. Handelsbanken's class A shares closed at SEK 112.20, a decline of 11%, but including the dividend paid amounting to SEK 5.00, the total return was -7%. Since 1 January 2000, Handelsbanken's share price has increased by 215%, excluding dividends, while the Stockholm stock exchange has risen by 32%.

SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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