

Handelsbanken's Interim Report

JANUARY – MARCH 2018

Summary January – March 2018, compared with January – March 2017

- Continued growth in all home markets.
- Operating profit went down by 3% to SEK 5,161m (5,347).
- The period's profit after tax decreased by 3% to SEK 4,004m (4,111).
- Earnings per share decreased to SEK 2.06 (2.11).
- Return on equity was 11.7% (12.4).
- Income increased by 3% to SEK 10,324m (10,036).
- Net interest income grew by 8% to SEK 7,648m (7,081). Adjusted for the raised resolution fee, net interest income grew by 11%.
- Net fee and commission income grew by 5% to SEK 2,461m (2,354).
- The C/l ratio rose to 48.6% (44.8).
- The loan loss ratio pursuant to IFRS 9 was 0.03% (Q1 2017 according to IAS 39: 0.04).
- The common equity tier 1 ratio decreased to 21.6% (23.8) and the total capital ratio was 28.3% (29.7)

Summary of Q1 2018, compared with Q4 2017

- Operating profit increased by 3% to SEK 5,161m (4,997).
- The period's profit after tax grew by 6% to SEK 4,004m (3,762) and earnings per share increased to SEK 2.06 (1.93)
- Return on equity increased to 11.7% (11.2).
- Income went down by 7% till SEK 10,324m (11,152). Adjusted for the one-off income in the preceding quarter, income decreased by 2%.
- Net interest income went down by 2% to SEK 7,648m (7,777). Adjusted for the raised resolution fee, net interest income grew by 1%.
- The C/l ratio rose to 48.6% (45.5).
- The loan loss ratio pursuant to IFRS 9 was 0.03% (Q4 2017 according to IAS 39: 0.22).

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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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Summary income statement									
Net interest income	7,648	7,777	-2%	7,081	8%	7,648	7,081	8%	29,766
Net fee and commission income	2,461	2,501	-2%	2,354	5%	2,461	2,354	5%	9,718
Net gains/losses on financial transactions	129	164	-21%	547	-76%	129	547	-76%	1,271
Risk result - insurance	41	34	21%	36	14%	41	36	14%	142
Other dividend income	2	576	-100%	2	0%	2	2	0%	591
Share of profit of associates	-9	30		-27	67%	-9	-27	67%	14
Other income	52	70	-26%	43	21%	52	43	21%	172
Total income	10,324	11,152	-7%	10,036	3%	10,324	10,036	3%	41,674
Staff costs	-3,217	-3,178	1%	-2,918	10%	-3,217	-2,918	10%	-12,472
Other expenses	-1,625	-1,712	-5%	-1,430	14%	-1,625	-1,430	14%	-5,889
Depreciation, amortisation and impairment of property, equipment and intangible assets	-172	-184	-7%	-150	15%	-172	-150	15%	-619
Total expenses	-5,014	-5,074	-1%	-4,498	11%	-5,014	-4,498	11%	-18,980
Profit before loan losses	5,310	6,078	-13%	5,538	-4%	5,310	5,538	-4%	22,694
Net loan losses	-153	-1,084	-86%	-196	-22%	-153	-196	-22%	-1,683
Gains/losses on disposal of property, equipment and intangible assets	4	3	33%	5	-20%	4	5	-20%	14
Operating profit	5,161	4,997	3%	5,347	-3%	5,161	5,347	-3%	21,025
Taxes	-1,157	-1,235	-6%	-1,236	-6%	-1,157	-1,236	-6%	-4,923
Profit for the period	4,004	3,762	6%	4,111	-3%	4,004	4,111	-3%	16,102
Summary balance sheet									
Loans to the public	2,143,107	2,065,761	4%	1,991,434	8%	2,143,107	1,991,434	8%	2,065,761
<i>of which mortgage loans</i>	1,247,893	1,222,436	2%	1,163,833	7%	1,247,893	1,163,833	7%	1,222,436
Deposits and borrowing from the public	1,065,678	941,967	13%	1,049,699	2%	1,065,678	1,049,699	2%	941,967
<i>of which households</i>	459,328	444,942	3%	409,694	12%	459,328	409,694	12%	444,942
Total equity	131,613	141,604	-7%	131,741	0%	131,613	131,741	0%	141,604
Total assets	2,963,576	2,766,977	7%	2,922,929	1%	2,963,576	2,922,929	1%	2,766,977
Summary of key figures									
Return on equity	11.7%	11.2%		12.4%		11.7%	12.4%		12.3%
C/I ratio	48.6%	45.5%		44.8%		48.6%	44.8%		45.5%
Earnings per share, SEK	2.06	1.93		2.11		2.06	2.11		8.28
- after dilution	2.04	1.92		2.10		2.04	2.10		8.20
Common equity tier 1 ratio, CRR	21.6%	22.7%		23.8%		21.6%	23.8%		22.7%
Total capital ratio, CRR	28.3%	28.3%		29.7%		28.3%	29.7%		28.3%

Group performance

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

The Group's operating profit fell by 3% to SEK 5,161m (5,347). The period's profit after tax decreased by 3% to SEK 4,004m (4,111) and earnings per share were SEK 2.06 (2.11). Return on equity decreased to 11.7% (12.4). The C/I ratio rose to 48.6% (44.8).

The common equity tier 1 ratio decreased to 21.6% (23.8).

Income

SEK m	Jan-Mar 2018	Jan-Mar 2017	Change
Net interest income	7,648	7,081	8%
<i>of which state fees</i>	-695	-527	32%
Net fee and commission income	2,461	2,354	5%
Net gains/losses on financial trans.	129	547	-76%
Other income	86	54	59%
Total income	10,324	10,036	3%

Income grew by 3% to SEK 10,324m (10,036).

Exchange rate movements had a positive effect on income amounting to SEK 56m.

Net interest income increased by 8% to SEK 7,648m (7,081). Adjusted for the raised resolution fee for 2018, net interest income grew by 11%.

Higher lending volumes increased net interest income by SEK 362m. Slightly lower lending margins in branch operations reduced net interest income by SEK -15m. Deposits had a SEK 98m positive impact on net interest income, due to both increasing deposit volumes and improving margins.

The fee to the Resolution Fund amounted to SEK -617m (-438). The resolution fee for 2018 is 0.125% (0.09%) of the contribution base. Including fees for various deposit guarantees, government fees increased by SEK -168m to SEK -695m (-527). The benchmark effect in Stadshypotek reduced net interest income by SEK -27m, while exchange rate movements had a positive effect of SEK 40m. The interest rate margin, expressed as net interest income in relation to total assets, rose to 1.07% (1.02).

The average volume of loans to the public grew by 6% to SEK 2,110bn (1,988). As of 2018, the Bank reports accrued interest as part of the carrying amount for the asset/liability on the balance sheet. This change has had a positive impact of SEK 1.7bn on the average volume of loans to the public. Exchange rate effects had a positive effect of SEK 11bn on average volumes. Household lending increased by 7% to SEK 1,109bn (1,039), while corporate lending grew by 6% to SEK 1,001bn (948).

The average volume of deposits and borrowing rose by 11% to SEK 1,063bn (962). Exchange rate effects had a positive effect of SEK 6bn on average volumes.

The average volume of household deposits went up by 10% to SEK 444bn (403), while deposits from companies increased by 11% to SEK 619bn (559).

Net fee and commission income rose by 5% to SEK 2,461m (2,354). The increase was broad, across most types of commission income, but greatest within custody and other asset management, where commissions grew by 49% to SEK 245m (164). Brokerage income went down by 31% to SEK 181m (261). Fund management commissions increased by 5% to SEK 889m (849). Lending and deposit commissions rose by 10% to SEK 330m (301), while net payment commissions increased to SEK 442m (429). Net fee and commission income from card operations grew by 3% to SEK 275m (266).

Net gains/losses on financial transactions went down to SEK 129m (547), mainly as a result of unusually high income in the period of comparison related to the market turbulence at the previous year-end.

Other income increased to SEK 86m (54).

Expenses

SEK m	Jan-Mar 2018	Jan-Mar 2017	Change
Staff costs	-3,217	-2,918	10%
<i>of which Oktogonen</i>	-233	-243	-4%
<i>of which Norwegian pension plan</i>	-	239	
<i>of which UK pension plan</i>	141	-	
Other expenses	-1,625	-1,430	14%
Depreciation and amortisation	-172	-150	15%
Total expenses	-5,014	-4,498	11%

Total expenses rose by 11% to SEK -5,014m (-4,498).

Exchange rate effects increased expenses by SEK -43m.

Staff costs rose by 10% to SEK -3,217m (-2,918). During the quarter, a change was made to the pension plan in the UK, which caused a one-off positive effect reducing staff costs by SEK 141m. Adjusted for this change and for the one-off effect that reduced staff costs in Norway in Q1 2017, staff costs increased by 6%. The provision to the Oktogonen profit-sharing foundation was SEK -233m (-243). Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -9m (-20).

The average number of employees grew by 482 to 12,066 (11,584). This rise was due to continuing expansion in the UK and the Netherlands, and to the Bank's increasing focus on IT development.

Other expenses increased by 14% to SEK -1,625m (-1,430). Gradually throughout 2017 and Q1 2018, the Bank has increased its development capacity in the business operations and to achieve continued improvements in efficiency. In the UK, the Bank is now taking the final step in creating a full-scale British banking operation by establishing a subsidiary. This will create even better conditions for long-term, profitable growth. The Bank has also continued to invest considerable resources in adapting to the new

regulations and in adding further resources to the control functions. The Bank's costs for preparations for creating a subsidiary in the UK amounted to SEK -78m. The assessment made previously of a cost level of SEK -300m for development work on UK operations during 2018 still stands.

Depreciation, amortisation and impairments increased by 15% to SEK -172m (-150), chiefly due to higher IT investments.

Loan losses

SEK m	Jan-Mar 2018	Jan-Mar 2017	Change
Net loan losses	-153	-196	-43
Loan loss ratio as a % of loans (IFRS 9)	0.03		
Loan loss ratio as a % of loans (IAS 39)		0.04	

Loan losses decreased to SEK -153m (-196), of which SEK -134m derived from loans to the public.

The loan loss ratio pursuant to IFRS 9 was 0.03% (Q1 2017 under IAS 39: 0.04%).

Q1 2018 COMPARED WITH Q4 2017

Operating profit increased by 3% to SEK 5,161m (4,997). The period's profit after tax grew by 6% to SEK 4,004m (3,762). Earnings per share rose to SEK 2.06 (1.93) and return on equity increased to 11.7% (11.2).

The C/I ratio rose to 48.6% (45.5).

Income

SEK m	Q1 2018	Q4 2017	Change
Net interest income	7,648	7,777	-2%
of which state fees	-695	-504	38%
Net fee and commission income	2,461	2,501	-2%
Net gains/losses on financial trans.	129	164	-21%
Other income	86	710	-88%
Total income	10,324	11,152	-7%

Income fell by 7% to SEK 10,324m (11,152). Adjusted for the dividend from VISA Sweden Ekonomisk Förening in Q4 2017, income fell by 2%. Exchange rate movements increased income by SEK 64m.

Net interest income declined by 2%, or SEK 129m, to SEK 7,648m (7,777). However, adjusted for the raised resolution fee for 2018, net interest income grew by 1%. Higher lending volumes contributed SEK 83m, while lending margins in the branch operations reduced net interest income by SEK -17m. Net interest income from deposits grew by SEK 60m; this was chiefly attributable to improved margins in home markets outside Sweden. The fact that there were two fewer days in the first quarter than in the quarter of comparison had a SEK -69m negative impact on net interest income.

Exchange rate effects had a SEK 46m positive impact on net interest income. Government fees increased by

SEK -191m to SEK -695m (-504), due to the raised resolution fee. The benchmark effect in Stadshypotek reduced net interest income by SEK -28m. The interest rate margin, expressed as net interest income in relation to total assets, decreased slightly to 1.07% (1.08).

The average volume of loans to the public grew by 2%, or SEK 44bn, to SEK 2,110bn (2,066).

Exchange rate effects increased average volumes by SEK 13bn. Both household and corporate lending rose by 2%. The total average volume of deposits and borrowing declined by 1% to SEK 1,063bn (1,078). Exchange rate effects had a positive effect of SEK 6bn on average volumes. Household deposits grew by 1%, while the average volume of corporate deposits fell by 3%.

Net fee and commission income declined by 2% to SEK 2,461m (2,501). The decrease was primarily attributable to lower fund management commissions, as well as seasonally lower payment commissions in the first quarter. Fund management commissions decreased by 6% to SEK 889m (946). SEK 38m of the decline is attributable to the fact that management fees from discretionary asset management have been reduced as a result of the introduction of MiFID 2 as of 2018. On the other hand, fees from custody and other asset management rose by 23% to SEK 245m (200). Brokerage income fell to SEK 181m (207). Part of this decrease was attributable to the fact that, with the introduction of MiFID 2, discretionary management does not generate brokerage income; instead, the corresponding income is recognised as advisory commissions. Advisory income increased to SEK 62m (36).

Net payment commissions fell to SEK 442m (482), of which net commissions from card operations decreased to SEK 275m (304), due to seasonally higher income in the quarter of comparison.

Net gains/losses on financial transactions went down to SEK 129m (164), mainly as a result of negative valuation effects of derivatives used for the Bank's funding.

Other income fell to SEK 86m (710), mainly due to a dividend of SEK 576m that was received from the VISA Sweden ekonomisk förening during the quarter of comparison.

Expenses

SEK m	Q1 2018	Q4 2017	Change
Staff costs	-3,217	-3,178	1%
Other expenses	-1,625	-1,712	-5%
Depreciation and amortisation	-172	-184	-7%
Total expenses	-5,014	-5,074	-1%

Expenses decreased by 1% to SEK -5,014m (-5,074). Exchange rate effects increased expenses by SEK 46m. Staff costs rose by 1%, or SEK 39m, to SEK -3,217m (-3,178). Adjusted for the positive one-off effect of the

changed UK pension plan, staff costs rose by 6%. The provision to the Oktogonen profit-sharing foundation was SEK -233m (-133), and adjusted for this increased provision, staff costs went down by 2%. The provision for the quarter included an adjustment of the final allocation for 2017 of SEK -33m. The period's provision for variable remuneration decreased to SEK -9m (-19). The average number of employees rose to 12,066 (11,956), chiefly due to the preparations for the conversion of UK operations into a subsidiary, and the fact that the number of employees in the Bank's IT Department is still higher.

Other expenses fell by 5% to SEK -1,625m (-1,712). Purchased services decreased by 13% to SEK -411m (-471). At the same time, external IT costs increased by 10% to SEK -563m (-514), as a result of the Bank maintaining its high level of activity within IT development. Depreciation and amortisation fell by 7% to SEK -172m (-184).

Loan losses

	Q1 2018	Q4 2017	Change
Net loan losses	-153	-1,084	-931
Loan loss ratio as a % of loans (IFRS 9)	0.03		
Loan loss ratio as a % of loans (IAS 39)		0.22	

Loan losses decreased to SEK -153m (-1,084), of which SEK -134m derived from loans to the public. The loan loss ratio pursuant to IFRS 9 was 0.03% (according to IAS 39: 0.22). The underlying credit quality remained stable.

Taxes

The tax rate in Q1 was 22.4% (24.7). A normal tax rate for the Group is 22-23%.

FUNDING AND LIQUIDITY

Handelsbanken's bond issues during the quarter increased to SEK 69bn (57), consisting of SEK 53bn (47) in covered bonds, SEK 8bn (10) in senior bonds and SEK 8bn (0) in dated subordinated loans. During the quarter, the Bank issued a 10-year subordinated loan in EUR, with the first repayment after 5 years.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered and therefore represent protection for the Bank's senior lenders. At the end of the period, the ratio of non-encumbered assets to all unsecured market funding was 228% (224 at year-end 2017).

The Bank has a strong liquidity position. Cash funds and liquid assets deposited with central banks amounted to SEK 377bn (265), while the volume of liquid bonds and other liquid assets totalled SEK 150bn (179).

At the end of the quarter, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated act, was 142% (139).

At the end of the quarter, the net stable funding ratio (NSFR) was 102% (102 at the end of 2017).

CAPITAL

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

At the end of the first quarter, the common equity tier 1 capital ratio was 21.6%. In the Bank's assessment, the Supervisory Authority's common equity tier 1 capital requirement at the end of the first quarter was 19.5%. The Bank's capitalisation was thus within the target range.

At the end of March, the Supervisory Authority published a proposal that the current risk weight floor for Swedish mortgage loans which is currently applied in Pillar 2 should be replaced by a requirement within the framework of Article 458 of the Capital Requirements Regulation (Pillar 1). It is proposed that the proposal apply from 31 December 2018. In Handelsbanken's assessment, this proposal will increase the Bank's risk exposure amount by around SEK 160bn and reduce the reported common equity tier 1 ratio from 21.6% to 16.6%. The capital requirement ratios communicated by the Supervisory Authority will also be lower than in the current regulations. The Bank's overall capital requirement is not expected to be affected by this proposal.

Capital situation 31 March 2018 compared with 31 March 2017

SEK m	31 Mar 2018	31 Mar 2017	Change
Common equity tier 1 ratio, CRR	21.6%	23.8%	-2.2
Total capital ratio, CRR	28.3%	29.7%	-1.4
Risk exposure amount CRR	545,898	489,456	12%
Common equity tier 1 capital	117,691	116,529	1%
Total own funds	154,629	145,291	6%
Capital requirement, Basel I floor		98,946	
Total own funds, Basel I floor		147,561	

Own funds were SEK 155bn (145) and the Bank's total capital ratio decreased to 28.3% (29.7).

The common equity tier 1 capital grew to SEK 118bn (117), while the common equity tier 1 ratio fell by 2.2 percentage points to 21.6% (23.8).

Higher lending volumes reduced the common equity tier 1 ratio by -0.8 percentage points. Customer migration in the loan portfolio had an impact of -0.6 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 increase by 0.2 percentage points.

The implementation of a new risk weight floor in Pillar 1 for Special Property Lending in the UK during the first quarter, as well as IRB models for sovereign

exposures during 2017, reduced the common equity tier 1 ratio by -0.9 percentage points.

Exchange rate movements increased the common equity tier 1 ratio by 0.1 percentage point, while the net effect of other factors was -0.2 percentage point.

Capital situation 31 March 2018 compared with 31 December 2017

SEK m	31 Mar 2018	31 Dec 2017	Change
Common equity tier 1 ratio, CRR	21.6%	22.7%	-1.1
Total capital ratio, CRR	28.3%	28.3%	0.0
Risk exposure amount CRR	545,898	509,032	7%
Common equity tier 1 capital	117,691	115,753	2%
Total own funds	154,629	144,115	7%
Capital requirement, Basel I floor		102,848	
Total own funds, Basel I floor		146,472	

Own funds amounted to SEK 155bn (144) and the total capital ratio was 28.3% (28.3). The common equity tier 1 capital was SEK 118bn (116), while the common equity tier 1 ratio went down to 21.6% (22.7). The period's earnings raised the common equity tier 1 ratio by 0.1 percentage point, after a deduction for the dividend generated, including the extra dividend for 2017. The dividend generated has been calculated on the basis of the current regulations, which means that the higher of last year's and the three previous year's average dividend ratio is used in the calculation.

Rising lending volumes reduced the common equity tier 1 ratio by -0.4 percentage points. The net effect of customer and volume migration was neutral.

The change in net pensions reduced the common equity tier 1 ratio by -0.3 percentage points, chiefly because the discount rate for Swedish pension obligations was lowered to 2.1% (2.2).

The implementation of a new risk weight floor in Pillar 1 for Special Property Lending in the UK during the first quarter reduced the common equity tier 1 ratio by -0.4 percentage points. The equivalent capital requirement was previously in Pillar 2.

Exchange rate movements increased the common equity tier 1 ratio by 0.2 percentage points, while the net effect of other factors reduced the common equity tier 1 ratio by -0.3 percentage points.

Economic capital and available financial resources Handelsbanken's internal assessment of its need for capital 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 first quarter, Group EC totalled SEK 61.7bn, while AFR was SEK 161.6bn. Thus, the ratio between AFR and EC was 262%.

For the consolidated situation, EC totalled SEK 34.8bn, and AFR was SEK 159.6bn.

Rating

During the quarter, Handelsbanken's long-term and short-term ratings with the rating agencies which monitor the Bank were unchanged.

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

HANDELSBANKEN'S ANNUAL GENERAL MEETING

The Bank's annual general meeting of shareholders on 21 March adopted the Board's proposal for an ordinary dividend of SEK 5.50 per share and an extra dividend of SEK 2.00 per share.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 April, the listed Finnish credit information company Asiakastieto Group plc reached an agreement with all owners of the credit information company UC AB concerning the acquisition of UC for about SEK 3.5bn. Handelsbanken owns 24.5% of the shares in UC. Under the agreement, Handelsbanken will receive shares in Asiakastieto Group plc representing an ownership stake of about 9% in the company, as well as a cash payment of approximately SEK 250m. The sale is estimated to result in a tax-free capital gain of some SEK 825m for the Bank, which is expected to be included in the Bank's financial results for Q2 2018. The transaction means that the Bank's common equity tier 1 ratio is estimated to increase by approximately 0.1 percentage point. The acquisition of UC and the sale of the shares is conditional on approval from the relevant competition authorities.

Handelsbanken Group – Business segments

January - March 2018	Home markets									Group Jan-Mar 2018
	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	4,241	1,282	415	313	922	157	110	208		7,648
Net fee and commission income	959	167	118	122	95	39	952	9		2,461
Net gains/losses on financial transactions	149	54	24	13	23	1	221	-356		129
Risk result - insurance							41			41
Share of profit of associates								-9		-9
Other income	32	0	3	4	1	0	4	10		54
Total income	5,381	1,503	560	452	1,041	197	1,328	-138		10,324
Staff costs	-901	-363	-180	-104	-199	-84	-570	-796	-20	-3,217
Other expenses	-273	-208	-42	-45	-52	-21	-229	-755		-1,625
Internal purchased and sold services	-868	-178	-89	-89	-114	-32	12	1,358		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-18	-3	-5	-4	-3	-28	-80	-14	-172
Total expenses	-2,059	-767	-314	-243	-369	-140	-815	-273	-34	-5,014
Profit before loan losses	3,322	736	246	209	672	57	513	-411	-34	5,310
Net loan losses	-115	-25	-6	6	-41	12	16	0		-153
Gains/losses on disposal of property, equipment and intangible assets	1	0	2	0	1	-	0	0		4
Operating profit	3,208	711	242	215	632	69	529	-411	-34	5,161
Profit allocation	443	7	18	40	27	0	-535	-		
Operating profit after profit allocation	3,651	718	260	255	659	69	-6	-411	-34	5,161
Internal income*	-62	-284	-74	-67	-601	-77	-672	1,837		

January - March 2017	Home markets									Group Jan-Mar 2017
	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	3,946	1,079	417	292	885	125	118	219		7,081
Net fee and commission income	1,058	140	108	113	103	32	782	18		2,354
Net gains/losses on financial transactions	147	46	24	14	27	2	399	-112		547
Risk result - insurance							36			36
Share of profit of associates						1		-28		-27
Other income	11	0	7	4	4	0	7	12		45
Total income	5,162	1,265	556	423	1,019	160	1,342	109		10,036
Staff costs	-856	-453	-166	-94	15	-67	-544	-698	-55	-2,918
Other expenses	-279	-112	-39	-42	-54	-18	-223	-663		-1,430
Internal purchased and sold services	-792	-150	-80	-73	-97	-22	19	1,195		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-27	-16	-3	-4	-4	-2	-18	-65	-11	-150
Total expenses	-1,954	-731	-288	-213	-140	-109	-766	-231	-66	-4,498
Profit before loan losses	3,208	534	268	210	879	51	576	-122	-66	5,538
Net loan losses	-60	-12	-4	3	-46	-2	-75			-196
Gains/losses on disposal of property, equipment and intangible assets	0	-1	6	-	0	-	-	0		5
Operating profit	3,148	521	270	213	833	49	501	-122	-66	5,347
Profit allocation	294	8	24	32	21	0	-379			
Operating profit after profit allocation	3,442	529	294	245	854	49	122	-122	-66	5,347
Internal income*	-16	-298	-88	-87	-666	-60	-750	1,965		

* 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 415 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

INCOME STATEMENT

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	4,241	4,371	-3%	3,946	7%	4,241	3,946	7%	16,694
Net fee and commission income	959	1,146	-16%	1,058	-9%	959	1,058	-9%	4,434
Net gains/losses on financial transactions	149	167	-11%	147	1%	149	147	1%	663
Other income	32	15	113%	11	191%	32	11	191%	49
Total income	5,381	5,699	-6%	5,162	4%	5,381	5,162	4%	21,840
Staff costs	-901	-885	2%	-856	5%	-901	-856	5%	-3,465
Other expenses	-273	-354	-23%	-279	-2%	-273	-279	-2%	-1,180
Internal purchased and sold services	-868	-871	0%	-792	10%	-868	-792	10%	-3,168
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-17	0%	-27	-37%	-17	-27	-37%	-79
Total expenses	-2,059	-2,127	-3%	-1,954	5%	-2,059	-1,954	5%	-7,892
Profit before loan losses	3,322	3,572	-7%	3,208	4%	3,322	3,208	4%	13,948
Net loan losses	-115	-69	67%	-60	92%	-115	-60	92%	-210
Gains/losses on disposal of property, equipment and intangible assets	1	2	-50%	0		1	0		2
Operating profit	3,208	3,505	-8%	3,148	2%	3,208	3,148	2%	13,740
Profit allocation	443	311	42%	294	51%	443	294	51%	1,257
Operating profit after profit allocation	3,651	3,816	-4%	3,442	6%	3,651	3,442	6%	14,997
Internal income	-62	216		-16	-288%	-62	-16	-288%	601
Cost/income ratio, %	35.4	35.4		35.8		35.4	35.8		34.2
Loan loss ratio (IAS 39), %		0.02		0.02			0.02		0.02
Loan loss ratio (IFRS 9), %	0.04					0.04			
Allocated capital	82,804	79,964	4%	78,736	5%	82,804	78,736	5%	79,964
Return on allocated capital, %	13.8	14.9		13.6		13.8	13.6		15.3
Average number of employees	4,057	4,084	-1%	4,006	1%	4,057	4,006	1%	4,078
Number of branches	415	420	-1%	425	-2%	415	425	-2%	420

BUSINESS VOLUMES

Average volumes, SEK bn	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Loans to the public*									
Household	812	801	1%	765	6%	812	765	6%	782
of which mortgage loans	764	752	2%	714	7%	764	714	7%	732
Corporate	502	497	1%	479	5%	502	479	5%	488
of which mortgage loans	293	290	1%	275	7%	293	275	7%	283
Total	1,314	1,298	1%	1,244	6%	1,314	1,244	6%	1,270
Deposits and borrowing from the public									
Household	334	333	0%	307	9%	334	307	9%	321
Corporate	243	239	2%	217	12%	243	217	12%	229
Total	577	572	1%	524	10%	577	524	10%	550

* Excluding loans to the National Debt Office.

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Financial performance

Operating profit increased by 2% to SEK 3,208m (3,148) and the return on allocated capital rose to 13.8% (13.6).

Net interest income grew by 7% to SEK 4,241m (3,946). Higher lending volumes increased net interest income by SEK 203m, while changed lending margins had a negative impact on net interest income of SEK -17m. Net interest income from deposits improved by SEK 29m; this was chiefly attributable to higher volumes. Fees to the Resolution Fund increased to SEK -284m (-205), and together with the deposit guarantee, government fees rose by SEK 70m to SEK -344m (-274). The remainder of the increase in net interest income was mainly due to lower funding costs.

Net fee and commission income declined by 9%, or SEK 99m, to SEK 959m (1,058), though this was primarily attributable to the new securities market regulations that are in effect in the EU as of 2018 under the MiFID 2 Directive. Consequently, the mutual fund commissions that the branches receive as distribution remuneration from the fund management company were SEK 86m lower year-on-year. The corresponding commissions are instead recognised in the Capital Markets segment and in the Handelsbanken Sweden segment in the profit allocation line. Adjusted for the changed model, net fee and commission income went down by 1%.

Brokerage income from discretionary management was lower as a result of MiFID 2.

Net gains/losses on financial transactions were largely unchanged at SEK 149m (147).

Total expenses rose by 5% to SEK -2,059m (-1,954). Staff costs increased by 5% to SEK -901m (-856). The average number of employees grew by 1% to 4,057 (4,006).

In recent years, several of the Bank's branches in big cities have relocated from street level premises to new and more fit-for-purpose premises a few floors up, and several of the Bank's branches in small and medium sized cities have moved from the very centre of the city to premises that are not as centrally located. Meanwhile, several branches have merged with neighbouring branches. This is part of the transition of the branches to more advisory-oriented operations. Total premises and facilities expenses were SEK 130m (138).

Expenses for services bought and sold internally increased by 10% to SEK -868m (-792), mainly due to higher IT development costs.

The C/I ratio improved to 35.4% (35.8).

Loan losses were SEK -115m (-60), and the loan loss ratio was 0.04% pursuant to IFRS 9 (0.02 under IAS 39).

Business development

New savings in the Bank's mutual funds in Sweden totalled SEK 4.4bn (5.6), corresponding to a market share of 54%.

The average volume of mortgage loans to private individuals increased by 7% to SEK 764bn (714), while deposits from households rose by 9% to SEK 334bn (307). The average volume of corporate lending grew by 5% to SEK 502bn (479), while corporate deposits increased by 12% to SEK 243bn (217).

Handelsbanken had a total of 415 (425) branches and meeting places in Sweden.

Q1 2018 COMPARED WITH Q4 2017

Operating profit decreased by 8% to SEK 3,208m (3,505), and return on allocated capital fell to 13.8% (14.9).

Net interest income declined by 3%, or SEK 130m, to SEK 4,241m (4,371). Increased lending volumes had a positive impact of SEK 49m, while lending margins had an adverse impact of SEK 9m on net interest income. Net interest income from deposit operations rose by SEK 3m. Higher government fees compared with the comparison quarter had a negative impact of SEK -83m on net interest income, and amounted to SEK -344m (-259). The benchmark effect in Stadshypotek affected net interest income negatively by SEK 27m.

The average volume of mortgage loans to private individuals grew by 2% to SEK 764bn (752). 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 502bn (497).

Net fee and commission income declined by 16%, or SEK 187m, to SEK 959m (1,146), partly due to seasonally higher payment commissions during the comparison quarter, but also as a result of the aforementioned MiFID 2 Directive, which had a negative impact of SEK -85m on net fee and commission income.

Net gains/losses on financial transactions totalled SEK 149m (167).

Expenses decreased by 3% to SEK -2,059m (-2,127), which was chiefly attributable to seasonally higher expenses during the comparison quarter.

Staff costs increased by 2% and the average number of employees declined to 4,057 (4,084).

Loan losses amounted to SEK -115m (-69), corresponding to a loan loss ratio of 0.04% pursuant to IFRS 9 (0.02 under IAS 39).

Handelsbanken UK

Handelsbanken UK comprises branch operations in five regional banks and the asset management company Heartwood. 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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	1,282	1,245	3%	1,079	19%	1,282	1,079	19%	4,659
Net fee and commission income	167	165	1%	140	19%	167	140	19%	602
Net gains/losses on financial transactions	54	-13		46	17%	54	46	17%	127
Other income	0	2	-100%	0	0%	0	0	0%	3
Total income	1,503	1,399	7%	1,265	19%	1,503	1,265	19%	5,391
Staff costs	-363	-462	-21%	-453	-20%	-363	-453	-20%	-1,828
Other expenses	-208	-194	7%	-112	86%	-208	-112	86%	-549
Internal purchased and sold services	-178	-155	15%	-150	19%	-178	-150	19%	-595
Depreciation, amortisation and impairments of property, equipment and intangible assets	-18	-16	13%	-16	13%	-18	-16	13%	-63
Total expenses	-767	-827	-7%	-731	5%	-767	-731	5%	-3,035
Profit before loan losses	736	572	29%	534	38%	736	534	38%	2,356
Net loan losses	-25	-556	-96%	-12	108%	-25	-12	108%	-739
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	-1		0	-1		-1
Operating profit	711	16		521	36%	711	521	36%	1,616
Profit allocation	7	11	-36%	8	-13%	7	8	-13%	35
Operating profit after profit allocation	718	27		529	36%	718	529	36%	1,651
Internal income	-284	-126	-125%	-298	5%	-284	-298	5%	-935
Cost/income ratio, %	50.8	58.7		57.4		50.8	57.4		55.9
Loan loss ratio (IAS 39), %		1.13		0.02			0.02		0.38
Loan loss ratio (IFRS 9), %	0.05					0.05			
Allocated capital	12,894	13,106	-2%	12,914	0%	12,894	12,914	0%	13,106
Return on allocated capital, %	17.4	0.6		12.8		17.4	12.8		10.2
Average number of employees	2,155	2,093	3%	1,991	8%	2,155	1,991	8%	2,045
Number of branches	208	208	0%	207	0%	208	207	0%	208

BUSINESS VOLUMES

Average volumes, GBP m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Loans to the public									
Household	6,416	6,311	2%	5,916	8%	6,416	5,916	8%	6,127
Corporate	13,247	12,874	3%	11,719	13%	13,247	11,719	13%	12,264
Total	19,663	19,185	2%	17,635	11%	19,663	17,635	11%	18,391
Deposits and borrowing from the public									
Household	4,336	4,232	2%	3,297	32%	4,336	3,297	32%	3,775
Corporate	8,851	9,174	-4%	7,840	13%	8,851	7,840	13%	8,654
Total	13,187	13,406	-2%	11,137	18%	13,187	11,137	18%	12,429

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Financial performance

Operating profit increased by 36%, or SEK 190m, to SEK 711m (521). Exchange rate effects had a positive effect of SEK 12m on operating profit. The return on allocated capital increased to 17.4% (12.8).

Income rose by 19% to SEK 1,503m (1,265).

Expressed in local currency, income rose by 16%.

Net interest income improved by SEK 203m, or 19%, to SEK 1,282m (1,079). Exchange rate movements increased net interest income by SEK 23m, and expressed in local currency, net interest income grew by 16%. Higher lending volumes contributed SEK 86m, and greater deposit volumes contributed SEK 32m. Improved deposit margins increased net interest income by SEK 51m. The margin on lending to households declined by SEK 25m, while the corporate lending margin improved by SEK 9m. Government fees rose by SEK 14m and amounted to SEK -59m (-45). Lower funding costs had a positive effect on net interest income.

Net fee and commission income increased by 19% to SEK 167m (140), due in part to higher payment and lending commissions. Capital and advisory service commissions in Heartwood Wealth Management rose by 12% to SEK 74m (66).

Net gains/losses on financial transactions increased by 17% to SEK 54m (46).

Staff costs declined by 20%, or SEK 90m, which was attributable to a change made during the quarter to the pension plan in the UK, which caused a one-off positive effect of SEK 141m. Adjusted for this, staff costs rose by SEK 51m or 11%. The average number of employees grew by 8% to 2,155 (1,991).

Loan losses were SEK -25m (-12) and the loan loss ratio (IFRS 9) was 0.05%, compared with 0.02% (IAS 39) in the year-earlier period.

Establishment of Handelsbanken plc

Preparatory work continued ahead of the formation of a subsidiary to which the operations of Handelsbanken UK will be transferred. During the quarter, expenses for development and other preparatory work of SEK -60m were charged to profit in Handelsbanken UK. Development work includes investments in improved IT support, which is expected to increase efficiency and create better conditions for branches to pursue continued profitable growth. These efforts also include developing better digital solutions for customers. Customers of the subsidiary will be covered by the UK deposit guarantee. With the establishment of the UK subsidiary, the Bank is taking the final step in creating full-scale banking operations in the UK.

Business development

Business volumes continued to grow. The average volume of deposits from households rose by 32% compared with the corresponding period of 2017, while lending to households grew by 8%. Overall, the average volume of lending increased by 11% to GBP 19.7bn, while total deposits grew by 18% to GBP 13.2bn. Therefore the loan-to-deposit ratio continued to decrease and was 149% at the end of quarter, compared with 158% at the end of Q1 2017.

Heartwood Wealth Management's assets under management totalled GBP 3.4bn, as compared with GBP 3.1bn at the end of Q1 2017. The net inflow increased by 38% compared with the corresponding period of the previous year, totalling GBP 72m (52) for the quarter.

At the end of Q1, Handelsbanken had a total of 208 (207) branches in the UK.

Q1 2018 COMPARED WITH Q4 2017

Operating profit improved to SEK 711m (16), mainly due to lower loan losses and the positive one-off effect in staff costs. Profit before loan losses increased by 29% to SEK 736m (572). Expressed in local currency, profit before loan losses grew by 26%. The return on allocated capital increased to 17.4% (0.6).

Income grew by 7% to SEK 1,503m (1,399), and expressed in local currency, income growth was 5%.

Net interest income rose by 3%, or SEK 37m, to SEK 1,282m (1,245), of which SEK 28m was attributable to exchange rate effects; expressed in local currency, net interest income improved by 1%. The fact that there were two fewer calendar days in the first quarter had a negative impact of SEK 24m on net interest income. Improved deposit margins increased net interest income by SEK 56m. The margins on lending to households declined by SEK 17m, while the corporate lending margins improved by SEK 7m. Increasing volumes of business made a positive contribution of SEK 11m.

Net fee and commission income increased by 1% to SEK 167m (165). Net gains/losses on financial transactions amounted to SEK 54m (-13), the increase in which was attributable to expenses for premature redemption of derivatives in conjunction with a reconstruction agreement being charged in the comparison quarter.

Expenses decreased by SEK 60m, or 7%, to SEK -767m (-827), which was entirely attributable to the aforementioned change in the pension plan. Adjusted for this one-off effect, expenses rose by SEK 81m, or 10%, which was chiefly due to preparations for the conversion of the UK branch structure into a subsidiary.

Loan losses were SEK -25m (-556), thus yielding a loan loss ratio (IFRS 9) of 0.05%, compared with 1.13% (IAS 39) in the preceding quarter.

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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	415	439	-5%	417	0%	415	417	0%	1,714
Net fee and commission income	118	115	3%	108	9%	118	108	9%	433
Net gains/losses on financial transactions	24	24	0%	24	0%	24	24	0%	95
Other income	3	3	0%	7	-57%	3	7	-57%	15
Total income	560	581	-4%	556	1%	560	556	1%	2,257
Staff costs	-180	-174	3%	-166	8%	-180	-166	8%	-669
Other expenses	-42	-51	-18%	-39	8%	-42	-39	8%	-159
Internal purchased and sold services	-89	-88	1%	-80	11%	-89	-80	11%	-335
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-3	0%	-3	0%	-3	-3	0%	-13
Total expenses	-314	-316	-1%	-288	9%	-314	-288	9%	-1,176
Profit before loan losses	246	265	-7%	268	-8%	246	268	-8%	1,081
Net loan losses	-6	-372	-98%	-4	50%	-6	-4	50%	-466
Gains/losses on disposal of property, equipment and intangible assets	2	2	0%	6	-67%	2	6	-67%	13
Operating profit	242	-105		270	-10%	242	270	-10%	628
Profit allocation	18	25	-28%	24	-25%	18	24	-25%	94
Operating profit after profit allocation	260	-80		294	-12%	260	294	-12%	722
Internal income	-74	7		-88	16%	-74	-88	16%	-237
Cost/income ratio, %	54.3	52.1		49.7		54.3	49.7		50.0
Loan loss ratio (IAS 39), %		1.53		0.02			0.02		0.48
Loan loss ratio (IFRS 9), %	0.02					0.02			
Allocated capital	5,794	5,711	1%	6,382	-9%	5,794	6,382	-9%	5,711
Return on allocated capital, %	14.0	-4.3		14.4		14.0	14.4		9.7
Average number of employees	617	609	1%	611	1%	617	611	1%	608
Number of branches	57	57	0%	57	0%	57	57	0%	57

BUSINESS VOLUMES

Average volumes, DKK bn	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Loans to the public									
Household	46.0	45.1	2%	43.4	6%	46.0	43.4	6%	44.1
Corporate	28.9	28.7	1%	29.6	-2%	28.9	29.6	-2%	28.7
Total	74.9	73.8	1%	73.0	3%	74.9	73.0	3%	72.8
Deposits and borrowing from the public									
Household	13.2	13.3	-1%	12.2	8%	13.2	12.2	8%	12.8
Corporate	21.4	19.3	11%	18.5	16%	21.4	18.5	16%	19.1
Total	34.6	32.6	6%	30.7	13%	34.6	30.7	13%	31.9

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Financial performance

Operating profit went down by 10% to SEK 242m (270). Profit before loan losses decreased by 8% to SEK 246m (268). Exchange rate movements had a positive impact on operating profit of SEK 13m, and expressed in local currency, profit before loan losses declined by 12% due to lower income and higher expenses. Return on allocated capital was 14.0% (14.4).

Net interest income decreased marginally to SEK 415m (417), which was entirely attributable to lower lending margins on both lending to households and companies. This had a negative impact of SEK 22m on net interest income. However, deposit margins rose somewhat and improved net interest income by SEK 3m. Higher business volumes made a positive contribution of SEK 5m. Fees for the Swedish Resolution Fund increased by SEK 8m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -27m (-19).

Net fee and commission income grew by 9% to SEK 118m (108), due in part to higher payment and insurance commissions. Expressed in local currency, net fee and commission income was 4% higher.

Net gains/losses on financial transactions were unchanged at SEK 24m (24).

Expenses increased by 9% to SEK -314m (-288). In local currency, expenses rose by 4%.

Staff costs increased by 8% to SEK -180m (-166) but expressed in local currency, staff costs increased by 3%. The average number of employees increased by 1% to 617 (611).

Loan losses rose marginally to SEK -6m (-4), and the loan loss ratio was 0.02% pursuant to IFRS 9 (0.02 under IAS 39).

Business development

The Bank continued to have a stable inflow of new customers. The average volume of lending to households increased by 6%, while deposits from households grew by 8%. Corporate lending decreased by 2%, while corporate deposits went up by 16%. Overall the average volume of lending grew by 3% to DKK 74.9bn (73.0), and deposits grew by 13% to DKK 34.6bn (30.7).

New savings in the Bank's mutual funds in Denmark totalled SEK 0.7bn (1.3) in the first quarter.

At the end of Q1, Handelsbanken had a total of 57 (57) branches in Denmark.

Q1 2018 COMPARED WITH Q4 2017

Operating profit rose to SEK 242m (-105), due to lower loan losses. Profit before loan losses decreased by 7% to SEK 246m (265). In local currency, profit before loan losses decreased by 9%.

Net interest income went down by 5% to SEK 415m (439). Adjusted for exchange rate effects, net interest income expressed in local currency declined by 7%. Fees for the Swedish Resolution Fund increased by SEK 9m. The fact that there were two fewer calendar days in the first quarter had a negative impact of SEK 8m on net interest income. Pressure on lending margins continued to be high due to intense competition. Net fee and commission income grew by 3% to SEK 118m (115). Expressed in local currency, net fee and commission income was unchanged.

Net gains/losses on financial transactions were unchanged at SEK 24m (24).

Costs were 1% lower than in the comparison quarter, totalling SEK -314m (-316).

Loan losses totalled SEK -6m (-372). The loan loss ratio was 0.02% pursuant to IFRS 9 (1.53 under IAS 39).

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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	313	319	-2%	292	7%	313	292	7%	1,203
Net fee and commission income	122	118	3%	113	8%	122	113	8%	462
Net gains/losses on financial transactions	13	18	-28%	14	-7%	13	14	-7%	52
Other income	4	4	0%	4	0%	4	4	0%	18
Total income	452	459	-2%	423	7%	452	423	7%	1,735
Staff costs	-104	-107	-3%	-94	11%	-104	-94	11%	-396
Other expenses	-45	-48	-6%	-42	7%	-45	-42	7%	-180
Internal purchased and sold services	-89	-80	11%	-73	22%	-89	-73	22%	-303
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-6	-17%	-4	25%	-5	-4	25%	-19
Total expenses	-243	-241	1%	-213	14%	-243	-213	14%	-898
Profit before loan losses	209	218	-4%	210	0%	209	210	0%	837
Net loan losses	6	-51		3	100%	6	3	100%	-57
Gains/losses on disposal of property, equipment and intangible assets	0	0		-		0	-		0
Operating profit	215	167	29%	213	1%	215	213	1%	780
Profit allocation	40	43	-7%	32	25%	40	32	25%	150
Operating profit after profit allocation	255	210	21%	245	4%	255	245	4%	930
Internal income	-67	27		-87	23%	-67	-87	23%	-228
Cost/income ratio, %	49.4	48.0		46.8		49.4	46.8		47.6
Loan loss ratio (IAS 39), %		0.16		-0.01			-0.01		0.05
Loan loss ratio (IFRS 9), %	-0.12					-0.12			
Allocated capital	6,456	5,646	14%	6,169	5%	6,456	6,169	5%	5,646
Return on allocated capital, %	12.3	11.6		12.4		12.3	12.4		12.8
Average number of employees	523	519	1%	482	9%	523	482	9%	506
Number of branches	45	45	0%	45	0%	45	45	0%	45

BUSINESS VOLUMES

Average volumes, EUR m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Loans to the public									
Household	4,125	4,107	0%	4,024	3%	4,125	4,024	3%	4,061
Corporate	8,879	8,901	0%	8,922	0%	8,879	8,922	0%	8,935
Total	13,004	13,008	0%	12,946	0%	13,004	12,946	0%	12,996
Deposits and borrowing from the public									
Household	1,511	1,569	-4%	1,625	-7%	1,511	1,625	-7%	1,596
Corporate	3,006	2,698	11%	2,771	8%	3,006	2,771	8%	2,671
Total	4,517	4,267	6%	4,396	3%	4,517	4,396	3%	4,267

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Financial performance

Operating profit increased by 1% to SEK 215m (213). Exchange rate movements increased operating profit by SEK 13m, and expressed in local currency, operating profit decreased by 4%, which was attributable to higher expenses due to the number of employees rising by 9%. Return on allocated capital was 12.3% (12.4).

Income rose by 7% to SEK 452m (423). However, the increase was chiefly attributable to exchange rate movements, and expressed in local currency, income increased by 2%.

Net interest income rose by 7%, or SEK 21m, to SEK 313m (292). Exchange rate movements accounted for SEK 15m of the improvement. Greater volumes of business made a positive contribution of SEK 4m. Both deposit and lending margins were lower. Fees for the Swedish Resolution Fund increased by SEK 6m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -33m (-27).

Net fee and commission income rose by 8% to SEK 122m (113). Adjusted for exchange rate movements the increase was 3%. Mutual fund commissions were negatively affected by the new securities market regulations that are in effect in the EU as of 2018 under the MiFID 2 Directive. Consequently, the mutual fund commissions that the branches receive as distribution remuneration from the fund management company were SEK 4m lower year-on-year.

Net gains/losses on financial transactions were generally unchanged at SEK 13m (14).

Total expenses rose by 14% to SEK -243m (-213). Adjusted for exchange rate movements, expenses increased by 9% in local currency.

Staff costs rose by 11% to SEK -104m (-94), but expressed in local currency, the increase was 6%. The average number of employees grew by 9% to 523 (482) due to a greater focus on corporate business but also to more rigorous compliance requirements and pending development projects.

Loan loss figures showed net recoveries and amounted to SEK 6m (3), and the loan loss ratio was -0.12% pursuant to IFRS 9 (-0.01 under IAS 39).

Business development

Lending to households rose by 3% compared with the corresponding period of the previous year, while deposits from households declined by 7%.

The average volume of corporate deposits increased by 8%, while corporate lending was generally unchanged compared with the corresponding period of the previous year. New savings in the Bank's mutual funds increased to SEK 1.2bn (-0.6).

At the end of Q1, Handelsbanken had a total of 45 (45) branches in Finland.

Q1 2018 COMPARED WITH Q4 2017

Operating profit rose by 29% to SEK 215m (167), due to net recoveries. Profit before loan losses decreased by 4% to SEK 209m (218).

Net interest income declined by 2% to SEK 313m (319), which was primarily attributable to fees for the Swedish Resolution Fund increasing by SEK 10m.

Net fee and commission income rose by 3% to SEK 122m (118). Adjusted for exchange rate movements, net fee and commission income was essentially unchanged. Mutual fund commissions were negatively affected by the new securities market regulations that are in effect in the EU as of 2018 under the MiFID 2 Directive. Consequently, the mutual fund commissions that the branches receive as distribution remuneration from the fund management company were SEK 4m lower year-on-year.

Net gains/losses on financial transactions totalled SEK 13m (18).

Expenses increased by 1% to SEK -243m (-241), but adjusted for exchange rate movements expenses decreased by 1%.

Loan losses consisted of net recoveries and totalled SEK 6m (-51). The loan loss ratio was -0.12% pursuant to IFRS 9 (0.16 under IAS 39).

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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	922	953	-3%	885	4%	922	885	4%	3,666
Net fee and commission income	95	104	-9%	103	-8%	95	103	-8%	410
Net gains/losses on financial transactions	23	21	10%	27	-15%	23	27	-15%	90
Other income	1	3	-67%	4	-75%	1	4	-75%	14
Total income	1,041	1,081	-4%	1,019	2%	1,041	1,019	2%	4,180
Staff costs	-199	-192	4%	15		-199	15		-570
Other expenses	-52	-62	-16%	-54	-4%	-52	-54	-4%	-223
Internal purchased and sold services	-114	-118	-3%	-97	18%	-114	-97	18%	-424
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-3	33%	-4	0%	-4	-4	0%	-14
Total expenses	-369	-375	-2%	-140	164%	-369	-140	164%	-1,231
Profit before loan losses	672	706	-5%	879	-24%	672	879	-24%	2,949
Net loan losses	-41	-36	14%	-46	-11%	-41	-46	-11%	-157
Gains/losses on disposal of property, equipment and intangible assets	1	0		0		1	0		1
Operating profit	632	670	-6%	833	-24%	632	833	-24%	2,793
Profit allocation	27	26	4%	21	29%	27	21	29%	90
Operating profit after profit allocation	659	696	-5%	854	-23%	659	854	-23%	2,883
Internal income	-601	-362	-66%	-666	10%	-601	-666	10%	-2,196
Cost/income ratio, %	34.6	33.9		13.5		34.6	13.5		28.8
Loan loss ratio (IAS 39), %		0.06		0.08			0.08		0.06
Loan loss ratio (IFRS 9), %	0.07					0.07			
Allocated capital	15,680	15,837	-1%	16,808	-7%	15,680	16,808	-7%	15,837
Return on allocated capital, %	13.1	13.7		15.9		13.1	15.9		14.1
Average number of employees	683	673	1%	662	3%	683	662	3%	672
Number of branches	49	49	0%	49	0%	49	49	0%	49

BUSINESS VOLUMES

Average volumes, NOK bn	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Loans to the public									
Household	90.2	89.7	1%	88.0	3%	90.2	88.0	3%	88.7
Corporate	156.2	151.9	3%	145.8	7%	156.2	145.8	7%	149.1
Total	246.4	241.6	2%	233.8	5%	246.4	233.8	5%	237.8
Deposits and borrowing from the public									
Household	20.1	20.1	0%	19.6	3%	20.1	19.6	3%	19.9
Corporate	43.0	48.3	-11%	48.8	-12%	43.0	48.8	-12%	49.4
Total	63.1	68.4	-8%	68.4	-8%	63.1	68.4	-8%	69.3

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Financial performance

Operating profit went down by 24% to SEK 632m (833). The comparison period was affected by a non-recurring item that reduced staff costs by SEK 206m as a result of a transition to a defined contribution pension plan in the Norwegian operations. Adjusted for this, operating profit grew by 1%. Exchange rate movements had a negative effect of SEK -15m on operating profit, and in local currency, operating profits increased by 4%.

Return on allocated capital was 13.1% (15.9).

Income increased by 2% to SEK 1,041m (1,019) and was negatively affected by exchange rate movements in the amount of SEK 20m. Expressed in local currency, income rose by 4%.

Net interest income increased by SEK 37m, or 4%, to SEK 922m (885). Improved lending margins had a positive effect of SEK 46m, and higher lending volumes contributed SEK 39m. Deposit margins decreased by SEK 19m, and lower deposit volumes reduced net interest income by SEK 3m. Exchange rate movements had a negative impact on net interest income in the amount of SEK 18m. Fees for the Swedish Resolution Fund increased by SEK 23m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -71m (-49).

Net fee and commission income declined by 8% to SEK 95m (103). Adjusted for exchange rate movements, net fee and commission income went down by 6%, chiefly due to higher fee and commission expenses in the payment business. Mutual fund commissions were negatively affected by the new securities market regulations that are in effect in the EU as of 2018 under the MiFID 2 Directive. Consequently, the mutual fund commissions that the branches receive as distribution remuneration from the fund management company were SEK 7m lower year-on-year.

Net gains/losses on financial transactions decreased by 15% to SEK 23m (27).

Adjusted for the aforementioned non-recurring item during the period of comparison, staff costs increased by 4%. The average number of employees rose by 3%.

Loan losses declined to SEK -41m (-46), and the loan loss ratio was 0.07% pursuant to IFRS 9 (0.08 under IAS 39).

Business development

Lending volumes continued to grow during the first three months of the year. Compared with the corresponding period of the previous year, corporate lending increased by 7%, while the average volume of lending to households was 3% higher. The average volume of deposits from households grew by 3%, while corporate deposits fell by 12%.

In total, the average volume of lending rose by 5% to NOK 246.4bn (233.8), while total deposits decreased by 8% to NOK 63.1bn (68.4).

New savings in the Bank's mutual funds in Norway totalled SEK 0.8bn (1.0) in the first quarter of the year.

At the end of Q1, Handelsbanken had a total of 49 (49) branches in Norway.

Q1 2018 COMPARED WITH Q4 2017

Operating profit decreased by 6% to SEK 632m (670), and expressed in local currency, operating profit declined by 7%.

Net interest income declined by 3%, or SEK 31m, to SEK 922m (953). Lower margins on lending to households were almost entirely offset by higher margins on corporate lending. Higher lending volumes improved net interest income by SEK 14m, while lower deposit volumes decreased net interest income by SEK 6m. Improved margins on corporate deposits made a positive contribution of SEK 6m, while the margin on household deposits was somewhat negative. Fees for the Swedish Resolution Fund increased by SEK 20m and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -71m (-51).

Net fee and commission income decreased by 9% to SEK 95m (104), due in part to higher fee and commission expenses in the payment business. Mutual fund commissions were negatively affected by the new securities market regulations that are in effect in the EU as of 2018 under the MiFID 2 Directive. Consequently, the mutual fund commissions that the branches receive as distribution remuneration from the fund management company were SEK 6m lower year-on-year.

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

Expenses decreased by 2% to SEK -369m (-375). Staff costs increased by 4%, due in part to the average number of employees rising by 1%. Other expenses declined to SEK -52m (-62), down 16%, which was attributable to seasonally high costs in the comparison quarter.

Loan losses were SEK -41m (-36), and the loan loss ratio was 0.07% pursuant to IFRS 9 (0.06 under IAS 39).

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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	157	155	1%	125	26%	157	125	26%	557
Net fee and commission income	39	55	-29%	32	22%	39	32	22%	155
Net gains/losses on financial transactions	1	13	-92%	2	-50%	1	2	-50%	20
Share of profit of associates	-	0		1		-	1		2
Other income	0	0	0%	0	0%	0	0	0%	1
Total income	197	223	-12%	160	23%	197	160	23%	735
Staff costs	-84	-76	11%	-67	25%	-84	-67	25%	-289
Other expenses	-21	-27	-22%	-18	17%	-21	-18	17%	-85
Internal purchased and sold services	-32	-29	10%	-22	45%	-32	-22	45%	-98
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-5	-40%	-2	50%	-3	-2	50%	-13
Total expenses	-140	-137	2%	-109	28%	-140	-109	28%	-485
Profit before loan losses	57	86	-34%	51	12%	57	51	12%	250
Net loan losses	12	1		-2		12	-2		2
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	69	87	-21%	49	41%	69	49	41%	252
Profit allocation	0	1	-100%	0	0%	0	0	0%	3
Operating profit after profit allocation	69	88	-22%	49	41%	69	49	41%	255
Internal income	-77	-45	-71%	-60	-28%	-77	-60	-28%	-227
Cost/income ratio, %	71.1	61.2		68.1		71.1	68.1		65.7
Loan loss ratio (IAS 39), %		-0.01		0.02			0.02		-0.01
Loan loss ratio (IFRS 9), %	-0.12					-0.12			
Allocated capital	1,558	1,465	6%	1,276	22%	1,558	1,276	22%	1,465
Return on allocated capital, %	13.9	18.8		12.0		13.9	12.0		14.3
Average number of employees	291	283	3%	259	12%	291	259	12%	273
Number of branches	28	28	0%	26	8%	28	26	8%	28

BUSINESS VOLUMES

Average volumes, EUR m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Loans to the public									
Household	2,218	2,136	4%	1,780	25%	2,218	1,780	25%	1,959
Corporate	1,997	1,803	11%	1,695	18%	1,997	1,695	18%	1,728
Total	4,215	3,939	7%	3,475	21%	4,215	3,475	21%	3,687
Deposits and borrowing from the public									
Household	118	109	8%	78	51%	118	78	51%	91
Corporate	1,077	749	44%	768	40%	1,077	768	40%	739
Total	1,195	858	39%	846	41%	1,195	846	41%	830

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Financial performance

Operating profit increased by 41% to SEK 69m (49), mainly due to continuing growth in business volumes. Income rose by 23%, while expenses increased by 28%. Adjusted for exchange rate movements, operating profit grew by 35% expressed in local currency. Return on allocated capital improved to 13.9% (12.0).

Net interest income increased by 26% to SEK 157m (125). Of the SEK 32m increase, greater lending volumes accounted for SEK 27m. Exchange rate movements made a positive contribution of SEK 6m. Fees for the Swedish Resolution Fund increased by SEK 4m and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -9m (-5).

Net fee and commission income rose by 22% to SEK 39m (32). Asset management company Optimix, which has been a part of Handelsbanken in the Netherlands since 1 September 2016, contributed SEK 34m (28).

Expenses grew by 28% to SEK -140m (-109), as a result of the continuing expansion. The average number of employees went up by 12% to 291 (259).

Loan losses consisted of net recoveries due to the transition to IFRS 9. Net recoveries were SEK 12m (-2), and the loan loss ratio was -0.12% pursuant to IFRS 9 (0.02 under IAS 39).

Business development

Business volumes continued to grow. The average volume of loans to the public was 21% higher than in the corresponding period of the previous year, while deposits were 41% higher. The average volume of lending to households grew by 25% to EUR 2,218m (1,780), while deposits from households increased by 51% to EUR 118m (78). Corporate lending rose by 18% to EUR 1,997m (1,695). The average volume of corporate deposits was up by 40% to EUR 1,077m (768).

Assets under management at Optimix totalled EUR 2.3bn (2.1) at the end of the quarter, including the company's own funds.

Handelsbanken had 28 branches in the Netherlands.

Q1 2018 COMPARED WITH Q4 2017

Operating profit went down by 21% to SEK 69m (87). However, the decline was almost entirely attributable to asset manager Optimix's performance fee of SEK 15m that was recorded in the comparison quarter.

Income fell by 12% to SEK 197m (223), but adjusted for the aforementioned income in the previous quarter, income was 5% lower.

Net interest income rose by 1% to SEK 157m (155), primarily due to higher lending volumes.

Net fee and commission income declined by 29% to SEK 39m (55), where the decrease was entirely attributable to Optimix's performance fees of SEK 15m being included in the comparison quarter.

Expenses increased by 2% to SEK -140m (-137) and were attributable to the continued expansion. Staff costs increased by 11% to SEK -84m (-76) and the average number of employees grew by 3% to 291 (283).

As in the comparison quarter, loan losses consisted of net recoveries and amounted to SEK 12m (1). The loan loss ratio was -0.12% pursuant to IFRS 9 (-0.01 under IAS 39).

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 certain 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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	110	116	-5%	118	-7%	110	118	-7%	472
Net fee and commission income	952	789	21%	782	22%	952	782	22%	3,174
Net gains/losses on financial transactions	221	195	13%	399	-45%	221	399	-45%	979
Risk result - insurance	41	34	21%	36	14%	41	36	14%	142
Other income	4	14	-71%	7	-43%	4	7	-43%	26
Total income	1,328	1,148	16%	1,342	-1%	1,328	1,342	-1%	4,793
Staff costs	-570	-568	0%	-544	5%	-570	-544	5%	-2,241
Other expenses	-229	-273	-16%	-223	3%	-229	-223	3%	-922
Internal purchased and sold services	12	23	-48%	19	-37%	12	19	-37%	52
Depreciation, amortisation and impairments of property, equipment and intangible assets	-28	-22	27%	-18	56%	-28	-18	56%	-83
Total expenses	-815	-840	-3%	-766	6%	-815	-766	6%	-3,194
Profit before loan losses	513	308	67%	576	-11%	513	576	-11%	1,599
Net loan losses	16	-1		-75		16	-75		-56
Gains/losses on disposal of property, equipment and intangible assets	0	-1		-		0	-		-1
Operating profit	529	306	73%	501	6%	529	501	6%	1,542
Profit allocation	-535	-417	28%	-379	41%	-535	-379	41%	-1,629
Operating profit after profit allocation	-6	-111	95%	122		-6	122		-87
Internal income	-672	-670	0%	-750	10%	-672	-750	10%	-2,735
Cost/income ratio, %	102.8	114.9		79.5		102.8	79.5		100.9
Loan loss ratio (IAS 39), %		0.01		0.67			0.67		0.12
Loan loss ratio (IFRS 9), %	-0.09					-0.09			
Allocated capital	4,342	4,314	1%	4,972	-13%	4,342	4,972	-13%	4,314
Return on allocated capital, %	-0.4	-8.1		7.7		-0.4	7.7		-1.5
Average number of employees	1,577	1,591	-1%	1,643	-4%	1,577	1,643	-4%	1,625

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 – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Financial performance

Operating profit rose by 6% to SEK 529m (501), due to lower loan losses. Profit before loan losses decreased by 11% to SEK 513m (576), chiefly due to higher expenses.

Total income fell by 1% to SEK 1,328m (1,342), mainly as a result of net gains/losses on financial transactions being higher at the beginning of the previous year. Net fee and commission income rose by 22%, to SEK 952m (782), which was partly attributable to new securities market regulations in effect in the EU as of 2018 under the MiFID 2 Directive. As a consequence of this the fund management company is retaining SEK 97m of the distribution compensation that was previously reported directly in the branch operations. This will instead be paid to the branch operations by means of profit allocation.

Net gains/losses on financial transactions decreased to SEK 221m (399). The decrease in profit was attributable to unusually high income in the comparison period due to market turmoil at the beginning of last year.

Total expenses rose by 6% to SEK -815m (-766). Staff costs rose by 5% to SEK -570m (-544), mainly due to a non-recurring item in the comparison period that reduced staff costs in Norway in conjunction with the transition to a defined contribution pension plan. The average number of employees fell by 4% to 1,577 (1,643).

Loan losses consisted of net recoveries, which amounted to SEK 16m (-75), and the loan loss ratio was -0.09% pursuant to IFRS 9 (0.67 under IAS 39).

Business development

Asset management operations continued to show a strong performance. Net savings in Handelsbanken's mutual funds in Sweden totalled SEK 4.4bn (5.6) during the quarter, corresponding to a market share of 54%.

Net savings in the Bank's mutual funds elsewhere in the Nordic region showed strong growth, amounting to SEK 2.8bn during the same period. All the Nordic home markets reported the highest ever mutual fund volumes. Total net savings in the Group's funds were SEK 7.0bn.

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

The total fund volume, including exchange-traded funds, increased by 2.9% from the beginning of the year to SEK 513bn (449). Total assets under management in the Group rose during the same period by 2.6% to SEK 627bn (612), the highest figure ever.

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. Handelsbanken mutual funds also rank high in the Lipper Fund Awards, including as Best Mixed Asset Fund management company, and awards

for Emerging Markets Theme, America Small Cap, MultiAsset 75 and the Foundation Fund.

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. During the quarter, the Sustainability Hedge Criteria fund was also launched, which not only invests in truly sustainable companies, but also takes a negative position (shorts) companies that pursue non-sustainable business operations from an environmental point of view.

The Pension & Life business area performed well and in the area of occupational pensions in Sweden, premiums paid in increased by 24% compared with the corresponding period in the previous year. The total net flow also performed strongly during the quarter and rose by 95% to SEK 1,762m (905). Since the year-end, assets under management by Handelsbanken Liv have grown by just over 2% to SEK 142bn (139).

The Bank's capital market funding business volumes developed well and during the quarter, the Bank arranged 32 bond issues with a total value of EUR 3.8bn.

The Bank's investments in the Transaction Banking area generated higher customer satisfaction, and according to Prospera Magazine, the largest customers have now ranked Handelsbanken as the best Trade Finance provider in Sweden.

The average volume of deposits in Handelsbanken International, i.e. the operations outside the Bank's home markets, rose by 45% totalling SEK 58.6bn (40.3). During the same period, lending decreased by 10% to SEK 31.8bn (35.3).

Q1 2018 COMPARED WITH Q4 2017

Operating profit rose by 73% to SEK 529m (306) due to higher income and lower expenses. Total income grew by 16% to SEK 1,328m (1,148). Net fee and commission income rose by 21%, to SEK 952m (789), which was partly due to new securities market regulations in effect in the EU as of 2018 under the MiFID 2 Directive. Consequently, the fund management company retains the distribution remuneration that has been paid directly to the branch operations as remuneration in previous years. This had a positive effect of SEK 95m on fund management commissions.

Net gains/losses on financial transactions grew by 13% to SEK 221m (195). The increase was attributable to a number of product areas.

Total expenses decreased by 3% to SEK -815m (-840), chiefly due to seasonally higher costs in the fourth quarter. The average number of employees fell by 1% to 1,577 (1,591). Loan losses consisted of net recoveries, which amounted to SEK 16m (-1), and the loan loss ratio was -0.09% pursuant to IFRS 9 (0.01 under IAS 39).

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, communications, 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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	208	179	16%	219	-5%	208	219	-5%	801
Net fee and commission income	9	9	0%	18	-50%	9	18	-50%	48
Net gains/losses on financial transactions	-356	-261	-36%	-112	-218%	-356	-112	-218%	-755
Share of profit of associates	-9	30		-28	68%	-9	-28	68%	12
Other income	10	605	-98%	12	-17%	10	12	-17%	637
Total income	-138	562		109		-138	109		743
Staff costs	-796	-674	18%	-698	14%	-796	-698	14%	-2,818
Other expenses	-755	-703	7%	-663	14%	-755	-663	14%	-2,591
Internal purchased and sold services	1,358	1,318	3%	1,195	14%	1,358	1,195	14%	4,871
Depreciation, amortisation and impairments of property, equipment and intangible assets	-80	-98	-18%	-65	23%	-80	-65	23%	-282
Total expenses	-273	-157	74%	-231	18%	-273	-231	18%	-820
Profit before loan losses	-411	405		-122	-237%	-411	-122	-237%	-77
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0		0
Operating profit	-411	405		-122	-237%	-411	-122	-237%	-77
Profit allocation	-	-		0		-	0		-
Operating profit after profit allocation	-411	405		-122	-237%	-411	-122	-237%	-77
Internal income	1,837	953	93%	1,965	-7%	1,837	1,965	-7%	5,957
Average number of employees	2,163	2,103	3%	1,930	12%	2,163	1,930	12%	2,025

JANUARY – MARCH 2018 COMPARED WITH JANUARY – MARCH 2017

Operating profit in other units not reported in the business segments amounted to SEK -411m (-122).

Net gains/losses on financial transactions were negatively affected by valuation effects of derivatives used for the Bank's funding.

The provision to the Oktogonen profit-sharing foundation was SEK -233m (-243) and included a final reconciliation for 2017 of SEK -33m.

The average number of employees totalled 2,163 (1,930). The increase in the number of employees was partly attributable to an increase in IT development activity. The number of employees in the IT department grew by 6% to 1,584 (1,496). The Bank has also continued to add resources to its control functions in order to adjust to regulatory development.

Q1 2018 COMPARED WITH Q4 2017

Operating profit was SEK -411m (405). The comparison quarter included a dividend of SEK 576m from VISA Sweden ekonomisk förening. The provision to the Oktogonen profit-sharing foundation was SEK -233m (-133). The average number of employees totalled 2,163 (2,103).

KEY FIGURES – GROUP

	Q1 2018	Q4 2017	Q1 2017	Jan-Mar 2018	Jan-Mar 2017
Return on equity	11.7%	11.2%	12.4%	11.7%	12.4%
C/l ratio	48.6%	45.5%	44.8%	48.6%	44.8%
C/l ratio, incl. loan losses	50.0%	55.2%	46.8%	50.0%	46.8%
Earnings per share, SEK - after dilution	2.06 2.04	1.93 1.92	2.11 2.10	2.06 2.04	2.11 2.10
Ordinary dividend, SEK					
Total dividend					
Adjusted equity per share, SEK	68.23	72.90	66.77	68.23	66.77
Common equity tier 1 ratio, CRR	21.6%	22.7%	23.8%	21.6%	23.8%
Total capital ratio, CRR	28.3%	28.3%	29.7%	28.3%	29.7%
Average number of employees, continuing operations	12,066	11,956	11,584	12,066	11,584
Number of branches, Sweden	415	420	425	415	425
Number of branches outside Sweden	399	399	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

	Q1 2018	Q4 2017	Q1 2017	Jan-Mar 2018	Jan-Mar 2017
Number of converted shares	-	-	22,151	-	22,151
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	1,944,173,551	1,944,173,551	1,944,173,551
Number of outstanding shares after dilution, end of period	1,975,753,103	1,974,525,521	1,975,278,248	1,975,753,103	1,975,278,248
Average number of shares converted during the period	-	22,151	17,718	-	17,718
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares - after dilution	1,944,151,400 1,974,503,370	1,944,173,551 1,974,776,264	1,944,169,118 1,974,290,244	1,944,151,400 1,974,503,370	1,944,169,118 1,974,290,244
Share price SHB class A, end of period, SEK	104.20	112.20	122.90	104.20	122.90
Share price SHB class B, end of period, SEK	110.00	113.00	123.40	110.00	123.40
Market capitalisation, end of period, SEK bn	203	218	239	203	239

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change
Interest income		11,106	10,853	2%	10,210	9%	11,106	10,210	9%
Interest expense		-3,458	-3,076	12%	-3,129	11%	-3,458	-3,129	11%
Net interest income	Note 2	7,648	7,777	-2%	7,081	8%	7,648	7,081	8%
Net fee and commission income	Note 3	2,461	2,501	-2%	2,354	5%	2,461	2,354	5%
Net gains/losses on financial transactions	Note 4	129	164	-21%	547	-76%	129	547	-76%
Risk result - insurance		41	34	21%	36	14%	41	36	14%
Other dividend income		2	576	-100%	2	0%	2	2	0%
Share of profit of associates		-9	30		-27	67%	-9	-27	67%
Other income		52	70	-26%	43	21%	52	43	21%
Total income		10,324	11,152	-7%	10,036	3%	10,324	10,036	3%
Staff costs		-3,217	-3,178	1%	-2,918	10%	-3,217	-2,918	10%
Other expenses	Note 5	-1,625	-1,712	-5%	-1,430	14%	-1,625	-1,430	14%
Depreciation, amortisation and impairment of property, equipment and intangible assets		-172	-184	-7%	-150	15%	-172	-150	15%
Total expenses		-5,014	-5,074	-1%	-4,498	11%	-5,014	-4,498	11%
Profit before loan losses		5,310	6,078	-13%	5,538	-4%	5,310	5,538	-4%
Net loan losses	Note 6	-153	-1,084	-86%	-196	-22%	-153	-196	-22%
Gains/losses on disposal of property, equipment and intangible assets		4	3	33%	5	-20%	4	5	-20%
Operating profit		5,161	4,997	3%	5,347	-3%	5,161	5,347	-3%
Taxes		-1,157	-1,235	-6%	-1,236	-6%	-1,157	-1,236	-6%
Profit for the period		4,004	3,762	6%	4,111	-3%	4,004	4,111	-3%
Attributable to									
Shareholders in Svenska Handelsbanken AB		4,003	3,760	6%	4,111	-3%	4,003	4,111	-3%
Minority interest		1	2		0		1	0	

EARNINGS PER SHARE – GROUP

	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,003	3,760	6%	4,111	-3%	4,003	4,111	-3%	16,099
- of which interest expense on convertible subordinated loan after tax	-25	-25	0%	-31	-19%	-25	-31	-19%	-99
Average number of outstanding shares, million	1,944.2	1,944.2		1,944.2		1,944.2	1,944.2		1,944.2
Average number of outstanding shares after dilution, million	1,974.5	1,974.8		1,974.3		1,974.5	1,974.3		1,974.3
Earnings per share, SEK	2.06	1.93	7%	2.11	-2%	2.06	2.11	-2%	8.28
- after dilution	2.04	1.92	6%	2.10	-3%	2.04	2.10	-3%	8.20

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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Profit for the period	4,004	3,762	6%	4,111	-3%	4,004	4,111	-3%	16,102
Other comprehensive income									
Items that will not be reclassified to the income statement									
Defined benefit plans	-1,775	216		2,318		-1,775	2,318		3,919
Instruments measured at fair value through other comprehensive income - equity instruments	39					39			
Tax on items that will not be reclassified to income statement	389	-48		-511		389	-511		-864
<i>of which defined benefit pension plans</i>	389	-48		-511		389	-511		-864
<i>of which equity instruments measured at fair value through other comprehensive income</i>	0					0			
Total items that will not be reclassified to the income statement	-1,347	168		1,807		-1,347	1,807		3,055
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	-1,054	-1,038	-2%	336		-1,054	336		-2,350
Available-for-sale instruments		-552		37			37		-470
Instruments measured at fair value through other comprehensive income - debt instruments	1					1			
Translation differences for the period	3,233	14		-1,310		3,233	-1,310		-2,241
<i>of which hedging net investment in foreign operations</i>	-92	-386	76%	-795	88%	-92	-795	88%	-1,509
Tax on items that may subsequently be reclassified to the income statement	252	299	-16%	99	155%	252	99	155%	844
<i>of which cash flow hedges</i>	232	228	2%	-74		232	-74		517
<i>of which available-for-sale instruments</i>		-14		-2			-2		-5
<i>of which debt instruments measured at fair value through other comprehensive income</i>	0					0			
<i>of which hedging net investment in foreign operations</i>	20	85	-76%	175	-89%	20	175	-89%	332
Total items that may subsequently be reclassified to the income statement	2,432	-1,277		-838		2,432	-838		-4,217
Total other comprehensive income for the period	1,085	-1,109		969	12%	1,085	969	12%	-1,162
Total comprehensive income for the period	5,089	2,653	92%	5,080	0%	5,089	5,080	0%	14,940
Attributable to									
Shareholders in Svenska Handelsbanken AB	5,089	2,653	92%	5,080	0%	5,089	5,080	0%	14,940
Minority interest	0	0	0%	0	0%	0	0	0%	0

For the January to March 2018 period, other comprehensive income totalled SEK 1,085m (969) 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 2017, net pensions, net of pension obligations and plan assets, were an asset. At the end of Q1 2018, net pensions were a liability. During the January–March period, other comprehensive income was negatively affected by SEK -1,386m after tax, related to defined benefit pension plans, while in the period of comparison there was a positive effect of SEK 1,807 after tax. The main reason for the change in the period was the pension obligations increasing as a result of a decrease in the discount rate for the Swedish pension obligations, to 2.10% from 2.20%, since 31 December 2017, while plan assets have decreased slightly since the year-end.

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 -822m (262) 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 -24m (-4) was reclassified to the income statement as a result of ineffectiveness.

Unrealised changes in the value of equity instruments and debt instruments classified at fair value via other comprehensive income had impacts of SEK 39m (29) and SEK 1m (6) after tax, respectively.

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 3,253m (-1,135) after tax during the year.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Interest income	11,106	10,853	10,631	10,398	10,210
Interest expense	-3,458	-3,076	-3,044	-3,077	-3,129
Net interest income	7,648	7,777	7,587	7,321	7,081
Net fee and commission income	2,461	2,501	2,355	2,508	2,354
Net gains/losses on financial transactions	129	164	243	317	547
Risk result - insurance	41	34	19	53	36
Other dividend income	2	576	2	11	2
Share of profit of associates	-9	30	14	-3	-27
Other income	52	70	28	31	43
Total income	10,324	11,152	10,248	10,238	10,036
Staff costs	-3,217	-3,178	-3,134	-3,242	-2,918
Other expenses	-1,625	-1,712	-1,337	-1,410	-1,430
Depreciation, amortisation and impairment of property, equipment and intangible assets	-172	-184	-140	-145	-150
Total expenses	-5,014	-5,074	-4,611	-4,797	-4,498
Profit before loan losses	5,310	6,078	5,637	5,441	5,538
Net loan losses	-153	-1,084	-217	-186	-196
Gains/losses on disposal of property, equipment and intangible assets	4	3	4	2	5
Operating profit	5,161	4,997	5,424	5,257	5,347
Taxes	-1,157	-1,235	-1,251	-1,201	-1,236
Profit for the period	4,004	3,762	4,173	4,056	4,111
Earnings per share, SEK	2.06	1.93	2.15	2.09	2.11
- after dilution	2.04	1.92	2.13	2.06	2.10

BALANCE SHEET – GROUP

SEK m		31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Assets						
Cash and balances with central banks		276,999	226,314	377,821	436,848	387,092
Other loans to central banks	Note 7	99,545	38,920	111,008	52,718	79,245
Interest-bearing securities eligible as collateral with central banks		103,579	129,006	112,339	119,603	97,262
Loans to other credit institutions	Note 7	35,475	20,250	30,742	33,526	34,542
Loans to the public	Note 7	2,143,107	2,065,761	2,040,589	2,011,455	1,991,434
Value change of interest-hedged item in portfolio hedge		36	36	36	33	31
Bonds and other interest-bearing securities		59,175	49,601	61,996	61,243	65,436
Shares		19,093	14,052	20,885	21,353	23,397
Investments in associates		289	297	217	212	218
Assets where the customer bears the value change risk		138,442	135,617	132,381	128,870	123,595
Derivative instruments	Note 9,10	59,069	56,070	56,913	61,940	73,111
Reinsurance assets		14	14	9	9	9
Intangible assets	Note 11	10,161	9,861	9,670	9,579	9,460
Property and equipment		2,252	2,238	2,404	2,353	2,363
Current tax assets		2,141	242	2,217	1,379	518
Deferred tax assets		355	399	394	436	534
Net pension assets		-	1,239	1,615	1,368	379
Assets held for sale		-	-	1	3	3
Other assets		10,420	10,715	13,565	12,302	29,034
Prepaid expenses and accrued income		3,424	6,345	6,253	5,864	5,266
Total assets		2,963,576	2,766,977	2,981,055	2,961,094	2,922,929
Liabilities and equity						
Due to credit institutions	Note 12	193,642	174,820	205,355	202,681	205,971
Deposits and borrowing from the public	Note 12	1,065,678	941,967	1,112,138	1,120,291	1,049,699
Liabilities where the customer bears the value change risk		138,448	135,617	132,488	128,962	123,653
Issued securities	Note 13	1,331,913	1,276,595	1,279,283	1,264,536	1,295,668
Derivative instruments	Note 9,10	25,902	24,876	30,147	31,654	24,297
Short positions		7,559	2,072	10,081	7,876	11,753
Insurance liabilities		1,165	549	554	562	599
Current tax liabilities		789	394	2,147	1,388	809
Deferred tax liabilities		6,247	6,853	7,560	7,749	7,842
Provisions		268	153	298	426	615
Net pension liabilities		11	-	-	-	-
Other liabilities		13,791	15,863	15,828	13,851	21,684
Accrued expenses and deferred income		4,929	12,718	13,665	13,436	15,399
Subordinated liabilities		41,621	32,896	32,560	32,782	33,199
Total liabilities		2,831,963	2,625,373	2,842,104	2,826,194	2,791,188
Minority interest		13	11	9	6	6
Share capital		3,013	3,013	3,013	3,013	3,013
Share premium		5,629	5,629	5,629	5,629	5,629
Reserves		9,192	8,106	9,215	9,339	10,237
Retained earnings		109,763	108,746	108,746	108,746	108,745
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		4,003	16,099	12,339	8,167	4,111
Total equity		131,613	141,604	138,951	134,900	131,741
Total liabilities and equity		2,963,576	2,766,977	2,981,055	2,961,094	2,922,929

As of Q1 2018, Handelsbanken presents contractual accrued interest on financial assets and liabilities as part of the carrying amount for the asset or liability on the balance sheet. The size of the total balance sheet has not been affected. The presentation of historical comparison figures has not been changed. Previous periods contractual accrued interest on financial assets and liabilities will continue to be presented under Prepaid expenses and accrued income and Accrued expenses and deferred income on the balance sheet.

The table on the next page shows the effect of the changed presentation of accrued interest on the balance-sheet lines which are affected.

SEK m	Carrying amount 31Mar 2018	Changed presentation of of accrued interest	Carrying amount 31Mar 2018 adjusted for changed presentation of accrued interest
Assets			
Cash and balances with central banks	277,026	-27	276,999
Other loans to central banks	99,487	58	99,545
Interest-bearing securities eligible as collateral with central banks	103,271	308	103,579
Loans to other credit institutions	35,410	65	35,475
Loans to the public	2,139,962	3,145	2,143,107
Bonds and other interest-bearing securities	58,692	483	59,175
Prepaid expenses and accrued income	7,456	-4,032	3,424
Assets	2,721,304	-	2,721,304
Liabilities			
Due to credit institutions	193,421	221	193,642
Deposits and borrowing from the public	1,064,725	953	1,065,678
Issued securities	1,323,603	8,310	1,331,913
Short positions	7,472	87	7,559
Subordinated liabilities	41,466	155	41,621
Accrued expenses and deferred income	14,655	-9,726	4,929
Liabilities	2,645,342	-	2,645,342

STATEMENT OF CHANGES IN EQUITY – GROUP

January – March 2018 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Minority	Total
Closing equity 2017	3,013	5,629	4,711	654	499	2,242	124,845	11	141,604
Effect of transition to IFRS 9					1		-640		-639
Tax effect due to transition to IFRS 9					0		139		139
Opening equity 2018	3,013	5,629	4,711	654	500	2,242	124,344	11	141,104
Profit for the period							4,003	1	4,004
Other comprehensive income			-1,386	-822	40	3,253		0	1,085
Total comprehensive income for the period			-1,386	-822	40	3,253	4,003	1	5,089
Dividend							-14,581		-14,581
Effects of convertible subordinated loans	-	-							-
Change of minority interests							-	1	1
Closing equity	3,013	5,629	3,325	-168	540	5,495	113,766	13	131,613

January - December 2017 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	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 – March 2017 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Minority	Total
Opening equity	3,013	5,628	1,656	2,487	974	4,151	118,466	6	136,381
Profit for the period							4,111	0	4,111
Other comprehensive income			1,807	262	35	-1,135		0	969
Total comprehensive income for the period			1,807	262	35	-1,135	4,111	0	5,080
Dividend							-9,721		-9,721
Effects of convertible subordinated loans	0	1							1
Change of minority interests							-	-	-
Closing equity	3,013	5,629	3,463	2,749	1,009	3,016	112,856	6	131,741

The translation reserve includes conversion effects relating to the balance sheets and income statements of the Group's international branches. Accumulated conversion effects are reported for taxation when an international branch is closed down or divested. The tax regulations for the taxation of conversion effects are highly complex, and therefore subject to different interpretations. Therefore, it cannot be ruled out that conversion effects may need to be reported for taxation at an earlier stage than when a divestment/closedown takes place.

During the period January to March 2018, convertibles for a nominal value of SEK -m (1) relating to subordinated convertible bonds were converted into - class A shares (22,151). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

CONDENSED STATEMENT OF CASH FLOWS – GROUP

SEK m	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
Operating profit, total operations	5,161	5,347	21,025
Adjustment for non-cash items in profit/loss	287	978	3,398
Paid income tax	-2,575	-1,426	-5,723
Changes in the assets and liabilities of operating activities	43,857	184,127	21,191
Cash flow from operating activities	46,730	189,026	39,891
Aquisition / disposal of subsidiaries	-	-	-
Change in shares	7	3	-62
Change in interest-bearing securities	-	-	-
Change in property and equipment	-113	-72	-451
Change in intangible assets	-165	-167	-701
Cash flow from investing activities	-271	-236	-1,214
Repayment of subordinated loans	-	-	-
Issued subordinated loans	7,713	-	-
Dividend paid	-14,581	-	-9,721
Cash flow from financing activities	-6,868	-	-9,721
Liquid funds at beginning of the period	226,314	199,362	199,362
Cash flow for the period	39,591	188,790	28,956
Exchange rate difference on liquid funds	11,094	-1,060	-2,004
Liquid funds at end of the period*	276,999	387,092	226,314

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

NOTES

Note 1 Accounting policies

Accounting policies

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

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

On 1 January 2018, IFRS 9, Financial Instruments, which replaces IAS 39, came into effect for application within the EU. Since 1 January 2018, Handelsbanken has applied the new rules for classification and measurement and for impairment. Handelsbanken has decided to continue applying the hedge accounting rules in IAS 39 in accordance with the transitional rules in IFRS 9.

The new rules for classification and measurement have resulted in changed classification rules and new measurement categories for financial assets and liabilities. The new rules for impairment mean that the model based on incurred loan losses is replaced by a model based on expected loan losses. Information about accounting policies for the areas affected by IFRS 9 is shown in Handelsbanken's Annual Report for 2017. Handelsbanken has not restated the comparison figures for previous periods at the transition date. Instead, adjustments to the carrying amounts of financial assets at the transition date, 1 January 2018, have been recognised in retained earnings in equity.

The Group's opening retained earnings decreased by SEK 640m before tax due to the transition to IFRS 9, of which SEK 24m is due to the new rules for classification and measurement and SEK 616m to the new rules for impairment. Handelsbanken does not apply the transitional regulations which have been decided for capital adequacy. The relevant capital ratios are not affected by the transition. Handelsbanken shows the transition to IFRS 9 in a table, on page 33 for the Group and on page 67 for the parent company.

IFRS 15 Revenue from Contracts with Customers also came into effect on 1 January 2018. IFRS 15 introduces a five-stage model to establish how and when revenue must be recognised. The standard does not apply to financial instruments, insurance contracts and leases. Handelsbanken is applying the standard as of 1 January 2018. The transition to IFRS 15 has not had any impact on Handelsbanken's financial reports, capital adequacy or large exposures. Information about accounting policies for revenue is shown in Handelsbanken's Annual Report for 2017.

In other respects, the interim report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the Annual report for 2017.

Future regulatory changes

IFRS 16 Leases

IFRS 16 Leases has been published by the IASB and adopted by the EU for application 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 lease liability. There are also disclosure requirements. For lessors, the requirements are largely unchanged. 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 operating regulations.

Transition to IFRS 9 – Group

The table below shows reclassification of assets and liabilities due to the transition to IFRS 9 and the initial effect on equity at 1 January 2018.

SEK m	IAS 39 Classification 31 Dec 2017	IFRS 9 Classification 1 Jan 2018	IAS 39 Carrying amount 31 Dec 2017	IFRS 9 Carrying amount 1 Jan 2018	Effect on equity 1 Jan 2018	of which remeasurements due to new rules for classification and measurement	of which remeasurements due to new rules for impairment
Financial assets							
Cash and balances with central banks	Loans and receivables	Amortised cost	226,314	226,314			
Other loans to central banks	Loans and receivables	Amortised cost	38,920	38,920			
Interest-bearing securities eligible as collateral with central banks	Fair value in IS, trading	Fair value through PnL, mandatory	7,349	7,349			
Interest-bearing securities eligible as collateral with central banks	Fair value in IS, other	Fair value through PnL, fair value option	120,683	120,683			
Interest-bearing securities eligible as collateral with central banks	Financial assets available for sale	Fair value through OCI	201	201			
Interest-bearing securities eligible as collateral with central banks	1) Financial assets available for sale	Amortised cost	773	773			
Loans to other credit institutions	2) Loans and receivables	Amortised cost	20,250	20,245	-5		-5
Loans to the public	3) Fair value in IS, other	Amortised cost	377	353	-24	-24	
Loans to the public	2) Loans and receivables	Amortised cost	2,065,384	2,064,875	-509		-509
Value change of interest-hedged item in portfolio hedge	Loans and receivables	Amortised cost	36	36			
Bonds and other interest-bearing securities	Fair value in IS, trading	Fair value through PnL, mandatory	13,261	13,261			
Bonds and other interest-bearing securities	Fair value in IS, other	Fair value through PnL, fair value option	30,948	30,948			
Bonds and other interest-bearing securities	Financial assets available for sale	Fair value through OCI	5,392	5,392			
Shares	Fair value in IS, trading	Fair value through PnL, mandatory	11,914	11,914			
Shares	4) Fair value in IS, other	Fair value through PnL, mandatory	964	964			
Shares	5) Financial assets available for sale	Fair value through OCI	1,174	1,174			
Assets where the customer bears the value change risk	4) Fair value in IS, other	Fair value through PnL, mandatory	135,563	135,563			
Assets where the customer bears the value change risk	Loans and receivables	Amortised cost	54	54			
Derivative instruments	Fair value in IS, trading	Fair value through PnL, mandatory	12,572	12,572			
Derivative instruments	Derivatives identified as hedge instruments	Derivatives identified as hedge instruments	43,498	43,498			
Other assets	Fair value in IS, trading	Fair value through PnL, mandatory	16	16			
Other assets	Loans and receivables	Amortised cost	10,699	10,699			
Prepaid expenses and accrued income	Fair value in IS, trading	Fair value through PnL, mandatory	102	102			
Prepaid expenses and accrued income	Fair value in IS, other	Fair value through PnL, fair value option	490	490			
Prepaid expenses and accrued income	Loans and receivables	Amortised cost	5,749	5,749			
Prepaid expenses and accrued income	Financial assets available for sale	Fair value through OCI	4	4			
Total financial assets			2,752,687	2,752,149	-538	-24	-514
Non-financial assets	6)		14,290	14,429	139	4	135
Total assets			2,766,977	2,766,578	-399	-20	-379
Financial liabilities							
Due to credit institutions	Other financial liabilities	Amortised cost	174,820	174,820			
Deposits and borrowing from the public	Other financial liabilities	Amortised cost	941,967	941,967			
Liabilities where the customer bears the value change risk	Fair value in IS, other	Fair value through PnL, fair value option	135,556	135,556			
Liabilities where the customer bears the value change risk	Other financial liabilities	Amortised cost	61	61			
Issued securities	Fair value in IS, trading	Fair value through PnL, mandatory	4,625	4,625			
Issued securities	Other financial liabilities	Amortised cost	1,271,970	1,271,970			
Derivative instruments	Fair value in IS, trading	Fair value through PnL, mandatory	15,204	15,204			
Derivative instruments	Derivatives identified as hedge instruments	Derivatives identified as hedge instruments	9,672	9,672			
Short positions	Fair value in IS, trading	Fair value through PnL, mandatory	2,072	2,072			
Other liabilities	Fair value in IS, trading	Fair value through PnL, mandatory	12	12			
Other liabilities	Other financial liabilities	Amortised cost	15,851	15,851			
Accrued expenses and deferred income	Fair value in IS, trading	Fair value through PnL, mandatory	13	13			
Accrued expenses and deferred income	Other financial liabilities	Amortised cost	12,705	12,705			
Subordinated liabilities	Other financial liabilities	Amortised cost	32,896	32,896			
Total financial liabilities	7)		2,617,424	2,617,424			
Provisions	8)		153	254	101		101
Other non-financial liabilities			7,796	7,796			
Total liabilities			2,625,373	2,625,474	101		101
Minority interest			11	11			
Share capital			3,013	3,013			
Share premium reserve			5,629	5,629			
Reserves	9)		8,106	8,107	1		1
Retained earnings	10)		108,746	108,245	-501	-20	-481
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB			16,099	16,099			
Total equity			141,604	141,104	-500	-20	-480
Total liabilities and equity			2,766,977	2,766,578	-399	-20	-379

The table below shows the transition from the model for incurred loan losses in IAS 39 to the model for expected loan losses in IFRS 9 at the transition to IFRS 9 at 1 January 2018.

Specification of transition to IFRS 9, new rules for impairment

SEK m	IAS 39 Incurred loan losses 31 Dec 2017	IFRS 9 Expected loan losses 1 Jan 2018	<i>Effect on equity due to new rules for impairment</i>
IAS 39			
Incurred loan losses 31 Dec 2017			
Collective provision for individually assessed loans	-463		463
Collective provision for off-balance-sheet items	-95		95
Specific provision for individually assessed loans	-4,578		4,578
Provisions for collectively assessed homogeneous groups of loans with limited value	-118		118
IFRS 9			
Expected loan losses 1 Jan 2018			
Expected loan losses Stage 1, assets at amortised cost		-401	-401
Expected loan losses Stage 2, assets at amortised cost		-576	-576
Expected loan losses Stage 3, assets at amortised cost		-4,696	-4,696
Expected loan losses off-balance-sheet items Stage 1		-110	-110
Expected loan losses off-balance-sheet items Stage 2		-86	-86
Expected loan losses off-balance-sheet items Stage 3		0	0
Expected loan losses on debt instruments at fair value through OCI Stage 1		-1	-1
Tax effect due to transition to IFRS 9		135	135
Total	-5,254	-5,735	-481

1) According to IAS 39, certain bonds held for liquidity purposes were designated as assets available for sale. According to IFRS 9, these are designated at amortised cost because the business model for these holdings is for collection of contractual cash flows, and the cash flows solely represent payments of principal and interest.

2) As a result of the IFRS 9 regulations for impairment, the provision for loan losses for assets measured at amortised cost has increased.

3) According to IAS 39, certain loans were designated at fair value through profit or loss, using the fair value option. According to IFRS 9, these are designated at amortised cost because the business model for these holdings is for collection of contractual cash flows, and the cash flows solely represent payments of principal and interest.

4) According to IAS 39, shares held within the insurance business and assets where the customer bears the value change risk were designated at fair value through profit or loss using the fair value option, since these were managed and the result measured on the basis of the fair values. According to IFRS 9, it is mandatory to designate these assets at fair value through profit or loss.

5) Handelsbanken has chosen to categorise certain shareholdings that are not held for trading, at fair value through other comprehensive income. These shareholdings are long-term and of strategic importance to the banking operations in the Group. The holdings were previously classified as financial assets available for sale.

6) Tax effect due to transition to IFRS 9.

7) There were no remeasurements of financial liabilities due to changed classification to IFRS 9.

8) As a result of the IFRS 9 regulations for impairment, the provision for loan losses on off-balance-sheet items has increased.

9) As a result of the IFRS 9 regulations for impairment, a provision for loan losses on debt instruments measured at fair value through other comprehensive income has been recognised.

10) The total effect against retained earnings due to the transition to IFRS 9 is SEK -640m before tax, of which SEK -24m is due to the new rules for classification and measurement and SEK -616m to the new rules for impairment.

Note 2 Net interest income

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Interest income									
Loans to credit institutions and central banks	668	635	5%	347	93%	668	347	93%	2,140
Loans to the public	9,941	9,820	1%	9,695	3%	9,941	9,695	3%	38,919
Interest-bearing securities eligible as collateral with central banks	58	44	32%	57	2%	58	57	2%	188
Bonds and other interest-bearing securities	219	186	18%	176	24%	219	176	24%	676
Derivative instruments	-112	-120	7%	-326	66%	-112	-326	66%	-949
Other interest income	324	342	-5%	320	1%	324	320	1%	1,342
Total interest income	11,098	10,907	2%	10,269	8%	11,098	10,269	8%	42,316
<i>of which interest income reported in Net gains/losses on financial transactions</i>	-8	54		59		-8	59		224
Interest income according to income statement	11,106	10,853	2%	10,210	9%	11,106	10,210	9%	42,092
<i>of which interest income according to the effective interest method</i>	11,058	10,863	2%	10,425	6%	11,058	10,425	6%	42,606
Interest expense									
Due to credit institutions and central banks	-384	-335	15%	-299	28%	-384	-299	28%	-1,281
Deposits and borrowing from the general public	-369	-414	-11%	-294	26%	-369	-294	26%	-1,545
Issued securities	-3,991	-3,826	4%	-4,157	-4%	-3,991	-4,157	-4%	-15,732
Derivative instruments	2,277	2,294	-1%	2,432	-6%	2,277	2,432	-6%	9,378
Subordinated liabilities	-347	-344	1%	-360	-4%	-347	-360	-4%	-1,411
State fees	-695	-504	38%	-527	32%	-695	-527	32%	-2,024
Other interest expense	-73	-59	24%	-28	161%	-73	-28	161%	-106
Total interest expense	-3,582	-3,188	12%	-3,233	11%	-3,582	-3,233	11%	-12,721
<i>of which interest expense reported in Net gains/losses on financial transactions</i>	-124	-112	11%	-104	19%	-124	-104	19%	-395
Interest expense according to income statement	-3,458	-3,076	12%	-3,129	11%	-3,458	-3,129	11%	-12,326
Net interest income	7,648	7,777	-2%	7,081	8%	7,648	7,081	8%	29,766

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	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Brokerage and other securities commissions	181	207	-13%	261	-31%	181	261	-31%	886
Mutual funds	889	946	-6%	849	5%	889	849	5%	3,559
Custody and other asset management fees	245	200	23%	164	49%	245	164	49%	722
Advisory services	62	36	72%	56	11%	62	56	11%	234
Insurance	176	169	4%	160	10%	176	160	10%	664
Payments	826	895	-8%	760	9%	826	760	9%	3,359
Loans and deposits	330	328	1%	301	10%	330	301	10%	1,238
Guarantees	93	92	1%	97	-4%	93	97	-4%	381
Other	125	125	0%	124	1%	125	124	1%	496
Total fee and commission income	2,927	2,998	-2%	2,772	6%	2,927	2,772	6%	11,539
Securities	-59	-65	-9%	-72	-18%	-59	-72	-18%	-264
Payments	-384	-413	-7%	-331	16%	-384	-331	16%	-1,491
Other	-23	-19	21%	-15	53%	-23	-15	53%	-66
Total fee and commission expense	-466	-497	-6%	-418	11%	-466	-418	11%	-1,821
Net fee and commission income	2,461	2,501	-2%	2,354	5%	2,461	2,354	5%	9,718

Note 4 Net gains/losses on financial transactions

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Trading, derivatives, FX effect etc		347		706			706		1,814
Financial instruments at fair value through profit or loss, mandatory including FX effects	273					273			
Other financial instruments at fair value through profit/loss		-184		-139			-139		-553
<i>of which interest-bearing securities</i>		-182		-129			-129		-524
<i>of which loans</i>		-2		-10			-10		-29
Financial instruments at fair value through profit or loss, fair value option	-122					-122			
Financial instruments at amortised cost	33	53	-38%	13	154%	33	13	154%	156
<i>of which loans</i>	78	111	-30%	84	-7%	78	84	-7%	372
<i>of which interest-bearing securities</i>	-	-		-		-	-		-
<i>of which issued securities</i>	-45	-58	22%	-71	-37%	-45	-71	37%	-216
Financial instruments available for sale		2		2			2		8
Financial instrument at fair value through other comprehensive income	-					-			
Hedge accounting	-20	-14	-43%	-10	-100%	-20	-10	-100%	-29
<i>of which net gains/losses on fair value hedges</i>	4	-8		-6		4	-6		-7
<i>of which cash flow hedge ineffectiveness</i>	-24	-6	-300%	-4	-500%	-24	-4	-500%	-22
Gains/losses on unbundled insurance contracts	-35	-40	13%	-25	-40%	-35	-25	-40%	-125
Total	129	164	-21%	547	-76%	129	547	-76%	1,271

Note 5 Other expenses

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Property and premises	-314	-333	-6%	-318	-1%	-314	-318	-1%	-1,235
External IT costs	-563	-514	10%	-478	18%	-563	-478	18%	-1,935
Communication	-87	-79	10%	-84	4%	-87	-84	4%	-309
Travel and marketing	-69	-102	-32%	-68	1%	-69	-68	1%	-317
Purchased services	-411	-471	-13%	-318	29%	-411	-318	29%	-1,406
Supplies	-46	-52	-12%	-48	-4%	-46	-48	-4%	-178
Other administrative expenses	-135	-161	-16%	-116	16%	-135	-116	16%	-509
Other expenses	-1,625	-1,712	-5%	-1,430	14%	-1,625	-1,430	14%	-5,889

Note 6 Loan losses

Loan losses IFRS 9

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Provision Stage 3									
The period's provision Stage 3	-239					-239			
Reversal of Stage 3 provisions to Stage 1 or Stage 2	97					97			
Total	-142					-142			
Provision Stage 1 and Stage 2									
The period's net provision Stage 2	-16					-16			
The period's net provision Stage 1	30					30			
Total	14					14			
Provision off-balance-sheet items									
The period's net provision Stage 3	-36					-36			
The period's net provision Stage 2	7					7			
The period's net provision Stage 1	9					9			
Total	-20					-20			
Write-offs									
Actual loan losses for the period	-1,629					-1,629			
Utilised share of previous provision Stage 3	1,596					1,596			
Total	-33					-33			
Recoveries									
	28					28			
Net loan losses	-153					-153			
<i>of which loans to the public</i>	<i>-134</i>					<i>-134</i>			

Loan losses IAS 39

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Specific provision for individually assessed loans									
Provision for the period		-1,061		-301			-301		-1,811
Reversal of previous provisions		41		61			61		225
Total		-1,020		-240			-240		-1,586
Collective provisions									
Net provision for the period for individually assessed loans		-51		6			6		-120
Net provision for the period for homogeneous loans		-4		1			1		-10
Total		-55		7			7		-130
Off-balance-sheet items									
Losses on off-balance-sheet items		-3		-1			-1		-4
Reversal of previous losses on off-balance-sheet items		0		1			1		10
Change in collective provision for off-balance-sheet items		-32		12			12		-27
Total		-35		12			12		-21
Write-offs									
Actual loan losses for the period		-484		-410			-410		-1,253
Utilised share of previous provisions		422		396			396		1,102
Recoveries		88		40			40		205
Total		26		26			26		54
									-
Net loan losses		-1,084		-196			-196		-1,683

Loan losses IFRS 9 – Key figures

	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Loan loss ratio, % of loans to the public, acc	0.03				
Total loan loss reserve ratio loans to the public, %	0.20				
Loan loss reserve ratio Stage 1 loans to the public, %	0.02				
Loan loss reserve ratio Stage 2 loans to the public, %	1.22				
Loan loss reserve ratio Stage 3 loans to the public, %	40.19				
Proportion of loans to the public Stage 3, %	0.23				

Loan losses IAS 39 – Key figures

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Impaired loans		7,944	7,497	7,303	7,594
Specific provision for individually assessed loans		-4,578	-3,942	-3,840	-3,985
Provision for collectively assessed homogeneous groups of loans with limited value		-118	-112	-108	-105
Collective provisions for individually assessed loans		-463	-415	-403	-340
Impaired loans, net		2,785	3,028	2,952	3,164
Total impaired loans reserve ratio		64.9%	59.6%	59.6%	58.3%
Proportion of impaired loans		0.13%	0.15%	0.15%	0.16%
Impaired loans reserve ratio excl. collective provisions		59.1%	54.1%	54.1%	53.9%
Loan loss ratio as a % of loans, acc.		0.08%	0.04%	0.04%	0.04%
Loans past due > 60 days		5,371	5,518	4,067	3,925
Loans past due > 60 days, which are not impaired		968	1,060	1,116	946

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

Note 7 Loans

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Loans to the public	2,143,107	2,065,761	2,040,589	2,011,455	1,991,434
<i>of which reverse repos</i>	6,698	6,607	7,126	8,322	11,182
Loans to other credit institutions	35,475	20,250	30,742	33,526	34,542
<i>of which reverse repos</i>	11,032	1,338	5,738	11,175	10,805
Other loans to central banks	99,545	38,920	111,008	52,718	79,245
<i>of which reverse repos</i>	-	-	-	-	1,003

Total loans that are subject to impairment testing in accordance with IFRS 9, net

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Cash and balances with central banks	276,999				
Other loans to central banks	99,545				
<i>of which reverse repos</i>	-				
Interest-bearing securities eligible as collateral with central banks	1,268				
Loans to other credit institutions	35,475				
<i>of which reverse repos</i>	11,032				
Loans to the public	2,143,107				
<i>of which reverse repos</i>	6,698				
Bonds and interest-bearing securities	5,586				
Total	2,561,980				

Total loans that are subject to impairment testing in accordance with IFRS 9, by stages

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Total loans, gross	2,566,289				
<i>of which Stage 1</i>	2,508,066				
<i>of which Stage 2</i>	49,965				
<i>of which Stage 3</i>	8,258				
Total provisions	-4,309				
<i>of which Stage 1</i>	-378				
<i>of which Stage 2</i>	-612				
<i>of which Stage 3</i>	-3,319				
Total loans, net	2,561,980				

Loans to the public that are subject to impairment testing in accordance with IFRS 9, by stages

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Loans to the public, gross	2,147,413				
<i>of which Stage 1</i>	2,089,295				
<i>of which Stage 2</i>	49,860				
<i>of which Stage 3</i>	8,258				
Total provisions	-4,306				
<i>of which Stage 1</i>	-377				
<i>of which Stage 2</i>	-610				
<i>of which Stage 3</i>	-3,319				
Loans to the public, net	2,143,107				

Total loans (IFRS 9) – Change in the provision for expected loan losses

31 March 2018				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	401	576	4,696	5,673
Increase due to origination and acquisition	69	30	11	110
Derecognised assets	-58	-48	-109	-215
Transfer to Stage 1	13	-22	-	-9
Transfer to Stage 2	-22	25	-1	2
Transfer to Stage 3	-12	-82	176	82
Write-offs	-	-	-1,596	-1,596
Remeasurements due to changes in credit risk	-23	111	62	150
Changes due to update in the methodology for estimation	-	-	0	0
Foreign exchange effect, etc	10	22	80	112
Provision at end of period	378	612	3,319	4,309

The transfer lines state the net change in the provision amounts of the contracts due to the movement of stages. The remaining change in provision due to changed credit risk is reported on the line "Remeasurement due to change in credit risk".

Loans to the public (IFRS 9) – Change in the provision for expected loan losses

31 March 2018				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	400	573	4,696	5,669
Increase due to origination and acquisition	67	29	11	107
Derecognised assets	-57	-47	-109	-213
Transfer to Stage 1	13	-22	-	-9
Transfer to Stage 2	-22	25	-1	2
Transfer to Stage 3	-12	-82	176	82
Write-offs	-	-	-1,596	-1,596
Changes due to changes in credit risk	-22	112	62	152
Changes due to update in the methodology for estimation	-	-	0	0
Foreign exchange effect, etc	10	22	80	112
Provision at end of period	377	610	3,319	4,306

The transfer lines state the net change in the provision amounts of the contracts due to the movement of stages. The remaining change in provision due to changed credit risk is reported on the line "Remeasurement due to change in credit risk".

Loans to the public (IAS 39) – By sector

31 March 2018 SEK m	Gross			Provisions			Net	Stage 2 volumes past due > 30 days
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
Private individuals	1,053,102	17,619	1,926	-133	-81	-737	1,071,696	438
<i>of which mortgage loans</i>	856,569	13,115	448	-44	-21	-34	870,033	229
<i>of which other loans with property mortgages</i>	134,768	2,697	423	-19	-11	-105	137,753	167
<i>of which other loans to private individuals</i>	61,765	1,807	1,055	-70	-49	-598	63,910	42
Housing co-operative associations	212,344	2,494	48	-14	-4	-17	214,851	94
<i>of which mortgage loans</i>	177,663	1,687	29	-10	-1	-11	179,357	50
Property management	574,921	15,457	2,076	-107	-118	-462	591,767	103
Manufacturing	24,102	3,411	383	-15	-94	-269	27,518	4
Retail	19,386	2,379	129	-18	-44	-196	21,636	6
Hotel and restaurant	8,638	264	17	-7	-8	-35	8,869	1
Passenger and goods transport by sea	6,676	1,079	808	-1	-91	-97	8,374	-
Other transport and communication	14,727	1,712	18	-8	-14	-26	16,409	1
Construction	20,469	1,139	705	-15	-46	-727	21,525	3
Electricity, gas and water	22,103	406	164	-2	-2	-129	22,540	-
Agriculture, hunting and forestry	12,940	659	37	-5	-9	-46	13,576	3
Other services	21,664	918	248	-15	-36	-218	22,561	2
Holding, investment and insurance companies, funds etc.	67,689	1,575	482	-11	-16	-260	69,459	7
Government and municipalities	12,560	2	-	-	-	-	12,562	-
Other corporate lending	17,974	746	1,217	-26	-47	-100	19,764	5
Total	2,089,295	49,860	8,258	-377	-610	-3,319	2,143,107	667

Specification of Loans to the public (IFRS 9) - Property management

31 March 2018 SEK m	Gross			Provisions			Net	Stage 2 volumes past due > 30 days
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
Loans in Sweden								
State-owned property companies	4,350	-	-	-	-	-	4,350	-
Municipal-owned property companies	8,648	-	-	-	-	-	8,648	-
Residential property companies	104,322	2,395	38	-14	-6	-19	106,716	4
<i>of which mortgage loans</i>	91,256	1,891	-	-12	-5	-	93,130	4
Other property management	123,338	2,431	224	-14	-13	-118	125,848	40
<i>of which mortgage loans</i>	51,580	1,051	8	-4	-5	-2	52,630	1
Total loans in Sweden	240,658	4,826	262	-28	-19	-137	245,562	44
Loans outside Sweden								
UK	132,740	2,774	1,358	-26	-31	-191	136,624	-
Norway	107,227	5,651	179	-34	-37	-72	112,914	46
Denmark	19,739	702	188	-8	-16	-5	20,600	-
Finland	38,972	1,477	61	-5	-13	-51	40,441	13
The Netherlands	30,037	25	-	-5	-2	-	30,055	-
Other countries	5,548	2	28	-1	-	-6	5,571	-
Total loans outside Sweden	334,263	10,631	1,814	-79	-99	-325	346,205	59
Total loans - Property management	574,921	15,457	2,076	-107	-118	-462	591,767	103

Loans to the public (IAS 39) - By sector

31 December 2017			
SEK m	Loans gross	Provisions	Loans net
Private individuals	1,040,638	-710	1,039,928
<i>of which mortgage loans</i>	850,962	-39	850,923
<i>of which other loans with property mortgages</i>	128,728	-133	128,595
<i>of which other loans to private individuals</i>	60,948	-538	60,410
Housing co-operative associations	205,984	-18	205,966
<i>of which mortgage loans</i>	172,264	-11	172,253
Property management	565,190	-523	564,667
Manufacturing	27,393	-471	26,922
Retail	21,282	-201	21,081
Hotels and restaurants	8,369	-35	8,334
Passenger and goods transport by sea	8,499	-1,325	7,174
Other transport and communication	16,088	-25	16,063
Construction	20,216	-697	19,519
Electricity, gas, water	22,040	-128	21,912
Agriculture, hunting and forestry	13,064	-46	13,018
Other services	22,208	-215	21,993
Holding, investment, insurance, funds, etc.	67,805	-249	67,556
Government and municipalities	13,611	-	13,611
Other corporate lending	18,533	-53	18,480
Total loans to the public, before collective provisions	2,070,920	-4,696	2,066,224
Collective provisions			-463
Total loans to the public			2,065,761

Specification of Loans to the public (IAS 39) – Property management

31 December 2017			
SEK m	Loans gross	Provisions	Loans net
Loans in Sweden			
State-owned property companies	4,329	-	4,329
Municipal-owned property companies	8,874	-	8,874
Residential property companies	106,014	-20	105,994
<i>of which mortgage loans</i>	92,260	-	92,260
Other property management	125,224	-126	125,098
<i>of which mortgage loans</i>	52,932	-2	52,930
Total loans in Sweden	244,441	-146	244,295
Loans outside Sweden			
Denmark	20,367	-70	20,297
Finland	37,302	-4	37,298
Norway	104,319	-100	104,219
UK	125,701	-197	125,504
The Netherlands	27,628	-	27,628
Other countries	5,432	-6	5,426
Total loans outside Sweden	320,749	-377	320,372
Total loans - Property management	565,190	-523	564,667

Note 8 Credit risk exposure

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Cash and balances with central banks	276,999	226,314	377,821	436,848	387,092
Other loans to central banks	99,545	38,920	111,008	52,718	79,245
Interest-bearing securities eligible as collateral with central banks	103,579	129,006	112,339	119,603	97,262
Loans to other credit institutions	35,475	20,250	30,742	33,526	34,542
<i>of which reverse repos</i>	11,032	1,338	5,738	11,175	10,805
Loans to the public	2,143,107	2,065,761	2,040,589	2,011,455	1,991,434
<i>of which reverse repos</i>	6,698	6,607	7,126	8,322	11,182
Bonds and other interest-bearing securities	59,175	49,601	61,996	61,243	65,436
Derivative instruments*	59,069	56,070	56,913	61,940	73,111
Contingent liabilities	88,634	75,666	75,666	75,293	80,481
<i>of which guarantees, credits</i>	9,729	10,177	9,936	10,088	9,839
<i>of which guarantees, other</i>	72,274	57,878	59,119	58,620	64,512
<i>of which letters of credit</i>	6,631	7,611	6,611	6,585	6,130
Other commitments	457,688	443,383	439,836	441,532	427,927
<i>of which unutilised part of granted overdraft facilities</i>	129,845	131,121	130,647	131,721	132,366
<i>of which loan commitments</i>	299,383	290,643	286,953	290,250	273,876
<i>of which other</i>	28,460	21,619	22,236	19,561	21,685
Total	3,323,271	3,104,971	3,306,910	3,294,158	3,236,530

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Positive market values					
Trading	33,049	31,242	33,701	35,432	37,290
Fair value hedges	55	65	91	133	96
Cash flow hedges	48,238	45,585	44,399	48,394	60,151
Amounts set off	-22,273	-20,822	-21,278	-22,019	-24,426
Total	59,069	56,070	56,913	61,940	73,111
Negative market values					
Trading	33,939	33,576	35,471	37,676	40,050
Fair value hedges	185	125	105	78	91
Cash flow hedges	12,417	11,086	14,840	15,651	8,512
Amounts set off	-20,639	-19,911	-20,269	-21,751	-24,356
Total	25,902	24,876	30,147	31,654	24,297
Nominal value					
Trading	4,598,181	4,054,918	3,925,126	3,610,265	3,665,721
Fair value hedges	82,129	79,318	69,628	59,903	53,248
Cash flow hedges	1,160,081	1,060,565	1,078,987	1,080,938	1,092,773
Amounts set off	-2,179,898	-2,071,229	-1,977,466	-1,621,005	-1,967,179
Total	3,660,493	3,123,572	3,096,275	3,130,101	2,844,563

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 March 2018	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	81,342	8,484	89,826
Amounts set off	-22,273	-5,489	-27,762
Carrying amount on the balance sheet	59,069	2,995	62,064
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-18,437	-	-18,437
Financial assets received as collateral	-25,123	-20,724	-45,847
Total amounts not set off on the balance sheet	-43,560	-20,724	-64,284
Net amount	15,509	-17,729	-2,220
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	46,541	5,489	52,030
Amounts set off	-20,639	-5,489	-26,128
Carrying amount on the balance sheet	25,902	-	25,902
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-18,437	-	-18,437
Financial assets pledged as collateral	-2,983	-4,359	-7,342
Total amounts not set off on the balance sheet	-21,420	-4,359	-25,779
Net amount	4,482	-4,359	123

31 December 2017	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

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

The amount set off for derivative assets includes set-off cash collateral of SEK 4,039m (3,342) derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities include set-off cash collateral of SEK 2,405m (2,431), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Mar 2018	Jan-Mar 2017	Full year 2017	Jan-Mar 2018	Jan-Mar 2017	Full year 2017	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
Opening residual value	6,798	6,761	6,761	3,063	2,632	2,632	9,861	9,393	9,393
Additional during the period	-	-	7	165	167	694	165	167	701
The period's amortisation	-	-	-	-80	-63	-266	-80	-63	-266
The period's impairments	-	-	-	0	-9	-9	0	-9	-9
Foreign exchange effect	167	-23	30	48	-5	12	215	-28	42
Closing residual value	6,965	6,738	6,798	3,196	2,722	3,063	10,161	9,460	9,861

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

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Due to credit institutions	193,642	174,820	205,355	202,681	205,971
<i>of which repos</i>	157	126	-	-	1,003
Deposits and borrowing from the public	1,065,678	941,967	1,112,138	1,120,291	1,049,699
<i>of which repos</i>	4,202		286	332	4,861

Note 13 Issued securities

SEK m	Jan-Mar 2018	Jan-Mar 2017
Issued securities at beginning of year	1,276,595	1,261,765
Issued	297,334	340,619
Repurchased	-21,442	-16,658
Matured	-255,905	-281,381
Foreign exchange effect etc.	35,331	-8,677
Issued securities at end of period	1,331,913	1,295,668

Note 14 Pledged assets, contingent liabilities and other commitments

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Assets pledged for own debt	859,158	856,772	830,488	812,294	852,739
Other pledged assets	39,389	34,165	36,179	31,755	53,558
Contingent liabilities	88,634	75,666	75,666	75,293	80,481
Other commitments	457,688	443,383	439,836	441,532	427,927

Note 15 Classification of financial assets and liabilities

31 March 2018	Fair value through profit or loss			Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option	Derivatives identified as hedge instruments				
SEK m							
Assets							
Cash and balances with central banks					276,999	276,999	276,999
Other loans to central banks					99,545	99,545	99,545
Interest-bearing securities eligible as collateral with central banks	4,717	97,594		408	860	103,579	103,579
Loans to other credit institutions					35,475	35,475	35,384
Loans to the public					2,143,107	2,143,107	2,152,886
Value change of interest-hedged item in portfolio hedge					36	36	
Bonds and other interest-bearing securities	11,526	42,063		5,586		59,175	59,175
Shares	17,865			1,228		19,093	19,093
Assets where the customer bears the value change risk	138,385				57	138,442	138,442
Derivative instruments	13,266		45,803			59,069	59,069
Other assets	27				10,393	10,420	10,420
Total financial assets	185,786	139,657	45,803	7,222	2,566,472	2,944,940	2,954,592
Investments in associates						289	
Other non-financial assets						18,347	
Total assets						2,963,576	
Liabilities							
Due to credit institutions					193,642	193,642	195,462
Deposits and borrowing from the public					1,065,678	1,065,678	1,065,719
Liabilities where the customer bears the value change risk		138,385			63	138,448	138,938
Issued securities	11,764				1,320,149	1,331,913	1,343,674
Derivative instruments	14,406		11,496			25,902	25,902
Short positions	7,559					7,559	7,559
Other liabilities	38				13,753	13,791	13,791
Subordinated liabilities					41,621	41,621	41,621
Total financial liabilities	33,767	138,385	11,496		2,634,906	2,818,554	2,832,666
Other non-financial liabilities						13,409	
Total liabilities						2,831,963	

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	

Note 16 Fair value measurement of financial instruments

31 March 2018 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	99,970	2,749	-	102,719
Bonds and other interest-bearing securities	55,417	3,758	-	59,175
Shares	13,419	4,381	1,293	19,093
Assets where the customer bears the value change risk	137,900	-	485	138,385
Derivative instruments	789	58,382	-102	59,069
Total	307,495	69,270	1,676	378,441
Liabilities				
Liabilities where the customer bears the value change risk	137,900	-	485	138,385
Issued securities	-	11,764	-	11,764
Derivative instruments	612	25,394	-104	25,902
Short positions	7,378	181	-	7,559
Total	145,890	37,339	381	183,610
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	55,793	-87	56,070
Total	318,368	64,665	1,636	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	24,587	-88	24,876
Short positions	2,013	59	-	2,072
Total	137,482	29,271	376	167,129

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 2017), the instrument has been moved between the levels in the table. During January–March 2018, some of the volumes were 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 202m, shares worth SEK 427m and derivatives worth SEK 24m

were transferred from level 1 to level 2. Interest-bearing securities worth SEK 321m and shares worth SEK 70m were transferred from level 2 to level 1. On the liabilities side, derivatives to the value of SEK 212m were transferred from level 1 to level 2. The change in level 3 holdings during the period 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 generally 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 (before 1 January 2018) and at fair value through other comprehensive income (after 1 January 2018). Value changes for these holdings are thus reported in other comprehensive income.

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.

The derivatives component in some of the Bank's issued structured bonds and the related hedging derivatives were categorised in level 3. For these derivatives, internal assumptions have a material impact

on calculation of the fair value. 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 life of the financial instrument. Such differences occur when the applied valuation model does not fully capture all the components which affect the value of the instrument.

As a consequence of the application of this principle, SEK 46m (30) was recognised in net gains/losses on financial transactions during the January–March 2018 period. At the end of the period, non-recognised day 1 gains/losses amounted to SEK 651m; at year-end 2017, the corresponding figure was SEK 638m.

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 or loss to the extent that the overall effect exceeds non-recognised day 1 gains/losses.

Reconciliation of financial instruments in level 3

January – March 2018 SEK m	Shares	Derivative assets	Derivative 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 31 Dec 2017	1,246	-87	88	13	464	-464
Effect of transition to IFRS 9	-	-	-	-13	-	-
Carrying amount at beginning of year	1,246	-87	88	-	464	-464
Acquisitions	0	-	-	-	-	-
Repurchases/sales	-9	-2	-	-	-	-
Matured during the period	-	-	-	-	-	-
Unrealised value change in income statement	34	25	-22	-	21	-21
Unrealised value change in other comprehensive income	22	-	-	-	-	-
Transfer from level 1 or 2	-	-3	3	-	-	-
Transfer to level 1 or 2	-	-35	35	-	-	-
Carrying amount at end of period	1,293	-102	104	-	485	-485

January – December 2017 SEK m	Shares	Derivative assets	Derivative 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	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

Note 17 Assets and liabilities by currency

31 March 2018								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	37	116,111	5,062	3,584	60,421	90,896	888	276,999
Other loans to central banks	50,131	33	19,113	29,735	521	-	12	99,545
Loans to other credit institutions	2,920	7,107	606	151	690	22,555	1,446	35,475
Loans to the public	1,299,543	221,315	252,900	99,376	232,827	28,032	9,114	2,143,107
<i>of which corporates</i>	480,121	149,200	157,008	35,744	157,154	27,820	8,325	1,015,372
<i>of which households</i>	819,422	72,115	95,892	63,632	75,673	212	789	1,127,735
Interest-bearing securities eligible as collateral with central banks	75,822	7,136	43	12	-	19,733	833	103,579
Bonds and other interest-bearing securities	44,688	2,476	1,383	-	1,459	9,169	-	59,175
Other items not broken down by currency	245,696							245,696
Total assets	1,718,837	354,178	279,107	132,858	295,918	170,385	12,293	2,963,576
Liabilities								
Due to credit institutions	67,859	79,446	1,523	7,994	2,580	26,525	7,715	193,642
Deposits and borrowing from the public	592,035	121,698	61,988	37,844	156,362	90,395	5,356	1,065,678
<i>of which corporates</i>	246,240	102,049	40,386	19,672	105,352	87,861	4,789	606,349
<i>of which households</i>	345,795	19,649	21,602	18,172	51,010	2,534	567	459,329
Issued securities	452,822	320,534	26,161	424	89,363	411,827	30,782	1,331,913
Subordinated liabilities	8,554	23,102	-	-	-	9,965	-	41,621
Other items not broken down by currency, incl. equity	330,722							330,722
Total liabilities and equity	1,451,992	544,780	89,672	46,262	248,305	538,712	43,853	2,963,576
Other assets and liabilities broken down by currency (net)		190,721	-189,254	-86,476	-47,538	368,409	31,616	
Net foreign currency position		119	181	120	75	82	56	633

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

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 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 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
TIER 1 CAPITAL					
Equity, Group	131,613	141,604	138,951	134,900	131,741
Accrued unpaid dividend previous year	-	-	-	-	-
Accrued dividend current year	-3,620	-14,581	-7,759	-5,127	-2,595
Adjustment of Group result	-210	-820	-629	-429	-195
Adjustment of Group equity	2,529	3,337	3,311	3,289	3,267
Minority interests	-13	-11	-9	-6	-6
Equity (consolidated entities)	130,299	129,529	133,865	132,627	132,212
Deducted items					
Goodwill and other intangible assets	-10,091	-9,787	-9,599	-9,513	-9,409
Value adjustments (fair value)	-386	-409	-426	-477	-633
Negative amounts resulting from the calculation of expected loss amounts	-1,748	-2,357	-2,246	-2,272	-2,270
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-551	-569	-619	-607	-622
Adjustments in accordance with stability filter					
Cash flow hedges	168	-654	-1,464	-1,907	-2,749
Unrealised accumulated gains, shares	-	-	-	-	-
Common equity tier 1 capital, gross	117,691	115,753	119,511	117,851	116,529
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	117,691	115,753	119,511	117,851	116,529
Additional tier 1 instruments	11,934	11,746	11,718	12,011	12,598
Total tier 1 capital	129,625	127,499	131,229	129,862	129,127
TIER 2 CAPITAL					
Subordinated loans	26,096	17,745	14,469	17,431	17,293
Positive amounts resulting from the calculation of expected loss amounts	37	-	-	-	-
Tier 2 contribution in unconsolidated financial entities	-1,129	-1,129	-1,129	-1,129	-1,129
Total tier 2 capital	25,004	16,616	13,340	16,302	16,164
Total own funds	154,629	144,115	144,569	146,164	145,291

Capital ratios and buffers

	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Common equity tier 1 ratio, CRR	21.6%	22.7%	23.6%	23.4%	23.8%
Tier 1 ratio, CRR	23.7%	25.0%	25.9%	25.8%	26.4%
Total capital ratio, CRR	28.3%	28.3%	28.5%	29.0%	29.7%
Risk exposure amount CRR	545,898	509,032	507,413	504,199	489,456
Own funds in relation to capital requirement according to Basel I floor		142%	144%	148%	149%
Institution-specific buffer requirements*	6.7%	6.7%	6.7%	6.6%	6.6%
<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%	1.1%
<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	17.1%	18.2%	19.1%	18.9%	19.3%

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

Capital requirement

	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
SEK m					
Credit risk according to standardised approach	7,080	6,707	6,579	6,609	6,330
Credit risk according to IRB Approach	30,049	27,871	27,630	27,560	26,334
Market risks	958	825	995	800	936
Credit valuation adjustment risk (CVA)	470	391	460	438	627
Operational risk	5,115	4,929	4,929	4,929	4,929
Total capital requirement	43,672	40,723	40,593	40,336	39,156
Adjustment according to Basel I floor		62,125	61,403	60,239	59,790
Capital requirement, Basel I floor		102,848	101,996	100,575	98,946
Total own funds, Basel I floor		146,472	146,815	148,436	147,561

As of 1 January 2018, capital requirements and reporting according to the Basel I floor ceased, as a result of Article 500(1) of the Capital Requirements Regulation (575/2013/EU).

Risk exposure amount

	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
SEK m					
Credit risk according to standardised approach	88,502	83,833	82,243	82,608	79,126
Credit risk according to IRB Approach	375,609	348,386	345,377	344,497	329,180
Market risk	11,978	10,310	12,437	10,004	11,705
Credit valuation adjustment risk (CVA)	5,877	4,890	5,743	5,477	7,832
Operational risk	63,932	61,613	61,613	61,613	61,613
Total risk exposure amount	545,898	509,032	507,413	504,199	489,456

Capital requirement credit risks, standardised approach**

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
	Sovereign and central banks	161	236	-	-	-	-	0.0
Municipalities	-	-	-	-	-	-	0.0	0.0
Multilateral development banks	655	568	-	-	-	-	0.0	0.0
International organisations	-	35	-	-	-	-	0.0	0.0
Institutions	7,859	7,290	592	506	47	40	7.5	6.9
Corporates	9,273	9,407	9,176	9,312	734	745	98.9	99.0
Households	17,644	16,824	13,195	12,580	1,056	1,006	74.8	74.8
Collateral in real estate	115,481	106,316	41,384	38,158	3,311	3,053	35.8	35.9
Past due items	658	654	736	748	59	60	111.8	114.4
Collective investment undertakings	-	86	-	86	-	7	0.0	100.0
Equities	6,254	6,813	15,636	16,143	1,251	1,291	250.0	236.9
Other items	8,199	6,780	7,783	6,300	622	505	94.9	92.9
Total	166,184	155,009	88,502	83,833	7,080	6,707	53.3	54.1

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

Credit risks IRB Approach

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec
	2018	2017	2018	2017	2018	2017	2018	2017
Sovereign and central banks	474,366	357,719	8,578	7,474	686	598	1.8	2.1
Corporate	894,483	852,845	257,520	237,107	20,601	18,969	28.8	27.8
Corporate lending	871,623	835,665	254,083	233,707	20,326	18,697	29.2	28.0
<i>of which other loans foundation approach *</i>	116,290	109,608	35,167	32,467	2,813	2,598	30.2	29.6
<i>of which other loans advanced approach *</i>	755,333	726,057	218,916	201,240	17,513	16,099	29.0	27.7
<i>of which large companies</i>	158,459	152,189	63,434	58,176	5,075	4,654	40.0	38.2
<i>of which medium-sized companies</i>	83,805	80,590	38,264	37,839	3,061	3,027	45.7	47.0
<i>of which property companies</i>	513,069	493,278	117,218	105,225	9,377	8,418	22.8	21.3
Counterparty risk	22,860	17,180	3,437	3,400	275	272	15.0	19.8
Housing co-operative associations	203,522	195,265	10,650	9,974	853	798	5.2	5.1
Retail	1,048,003	1,026,668	74,416	72,574	5,953	5,806	7.1	7.1
Private individuals	1,022,925	1,001,733	67,504	65,742	5,400	5,259	6.6	6.6
<i>of which property loans</i>	946,488	925,491	52,562	51,092	4,205	4,087	5.6	5.5
<i>of which other loans</i>	76,437	76,242	14,942	14,650	1,195	1,172	19.5	19.2
Small companies	25,078	24,935	6,912	6,832	553	547	27.6	27.4
<i>of which property loans</i>	7,006	6,929	1,756	1,707	140	137	25.1	24.6
<i>of which other loans</i>	18,072	18,006	5,156	5,125	413	410	28.5	28.5
Institutions	87,550	72,223	16,475	13,929	1,318	1,114	18.8	19.3
Lending to institutions	17,679	16,332	5,666	5,232	453	418	32.1	32.0
Counterparty risk	69,871	55,891	10,809	8,697	865	696	15.5	15.6
<i>of which repos and securities loans</i>	22,733	7,667	652	173	52	14	2.9	2.3
<i>of which derivatives</i>	47,138	48,224	10,157	8,524	813	682	21.5	17.7
Equity exposures	1,541	1,512	5,697	5,068	456	405	369.8	335.1
<i>of which listed shares</i>	4	661	12	1,916	1	153	290.0	290.0
<i>of which other shares</i>	1,537	851	5,685	3,152	455	252	370.0	370.0
Non credit-obligation assets	2,251	2,238	2,251	2,238	180	179	100.0	100.0
Securitisation positions	21	20	22	22	2	2	100.0	106.0
<i>of which Traditional securitisation</i>	21	20	22	22	2	2	106.0	106.0
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
Total IRB Approach	2,711,737	2,508,490	375,609	348,386	30,049	27,871	13.9	13.9

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

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

In the IRB Approach without own estimates of LGD and CCF, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set out in CRR rules. In the IRB Approach with own estimates of LGD and CCF, the Bank uses its own methods to calculate the loss 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 was stable during the quarter and amounted to 13.9% (13.9).

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

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

Capital requirement market risks

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Outright products					
Interest rate risk	937	808	973	784	916
<i>of which general risk</i>	698	572	649	497	616
<i>of which specific risk</i>	239	236	324	287	300
Equity price risk	9	9	6	6	6
<i>of which general risk</i>	3	3	1	1	2
<i>of which specific risk</i>	6	6	5	4	4
<i>of which mutual funds</i>	0	0	0	1	0
Exchange rate risk	-	-	-	-	-
Commodities risk	8	5	10	7	8
Options					
Scenario approach	4	3	6	3	6
<i>of which interest rate risk</i>	0	0	1	0	1
<i>of which equity risk</i>	4	3	5	3	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	958	825	995	800	936

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

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Balance sheet according to accounting regulations	2,963,576	2,766,977	2,981,055	2,961,094	2,922,929
Deduction for assets not included in the banking group	-133,567	-131,176	-128,302	-123,620	-120,443
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-16,503	-17,115	-17,943	-21,485	-26,092
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	5,077	2,176	4,104	3,342	3,860
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>523,691</i>	<i>501,292</i>	<i>498,940</i>	<i>500,667</i>	<i>485,559</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-334,267</i>	<i>-320,747</i>	<i>-319,972</i>	<i>-321,387</i>	<i>-312,461</i>
Assets reported off the balance sheet, net	189,424	180,545	178,968	179,280	173,098
Additional adjustment	-12,608	-13,775	-14,354	-14,775	-15,683
Assets on which the leverage ratio is calculated	2,995,399	2,787,632	3,003,528	2,983,836	2,937,669
Capital on which the leverage ratio can be calculated					
Tier 1 capital	129,625	127,499	131,229	129,862	129,127
Leverage ratio					
Leverage ratio calculated on tier 1 capital	4.3%	4.6%	4.4%	4.4%	4.4%

Information in this section relates to Handelsbanken's material risks and capital requirement 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 low 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 British 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.

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 at 31 March 2018 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	8,436	86,756
ECP (Stadshypotek)*	EUR	4,000	-	-
French Commercial Paper	EUR	7,500	4,813	49,492
Swedish Commercial Paper	SEK	25,000	100	100
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	-	-
USCP	USD	15,000	2,301	19,233
AMTN	AUD	5,000	1,275	8,169
AMTCN (Stadshypotek)	AUD	5,000	-	-
EMTN*	USD	50,000	18,751	156,734
EMTCN (Stadshypotek)*	EUR	20,000	11,987	123,274
US 144A/3(a)(2)	USD	20,000	11,150	93,200
Stadshypotek US 144A	USD	15,000	5,000	41,793
Samurai	JPY	400,000	147,800	11,586
MTN*	SEK	100,000	9,235	9,235
General funding >1 Y*	USD	15,000	3,541	29,598
Extendible Notes	USD	15,000	-	-
Total				629,170
Total programme (or limited) amounts, SEK m		1,875,266		
Unutilised amount, SEK m		1,246,096		
Available amount		66%		

* 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 526bn as at 31 March 2018 (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 liquidity reserve

Market value					
SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Cash and balances with and other lending to central banks	376,513	265,234	488,559	489,210	465,038
Balances with banks and the National Debt Office, overnight	603	2,041	2,086	1,555	2,301
Securities issued by governments and public entities	101,672	132,385	114,761	123,699	99,652
Covered bonds	46,647	44,249	46,387	48,011	53,093
Securities issued by non-financial companies	302	141	262	934	287
Securities issued by financial companies	434	275	277	106	301
Total	526,171	444,325	652,332	663,515	620,672
<i>of which in SEK</i>	<i>152,986</i>	<i>142,452</i>	<i>197,104</i>	<i>135,228</i>	<i>151,277</i>
<i>of which in EUR</i>	<i>125,582</i>	<i>94,685</i>	<i>107,857</i>	<i>122,095</i>	<i>123,353</i>
<i>of which in USD</i>	<i>117,281</i>	<i>74,168</i>	<i>196,348</i>	<i>246,228</i>	<i>195,289</i>
<i>of which in other currencies</i>	<i>130,322</i>	<i>133,020</i>	<i>151,023</i>	<i>159,964</i>	<i>150,753</i>

31 March 2018					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	50,136	116,110	90,896	119,371	376,513
Balances with other banks and the National Debt Office, overnight	329	14	16	244	603
Securities issued by governments	65,569	7,135	21,339	-	94,043
Securities issued by municipalities and other public entities	2,557	-	5,030	42	7,629
Covered bonds, external issuers	33,488	1,851	-	7,289	42,628
Own covered bonds	668	36	-	3,315	4,019
Securities issued by non-financial companies	219	70	-	13	302
Securities issued by financial companies	20	366	-	48	434
Total	152,986	125,582	117,281	130,322	526,171

Maturities for financial assets and liabilities

31 March 2018	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	376,513	-	-	-	-	-	-	376,513
Interest-bearing securities eligible as collateral with central banks	103,271	-	-	-	-	-	-	103,271
Bonds and other interest-bearing securities	58,692	-	-	-	-	-	-	58,692
Loans to credit institutions	29,664	1,373	454	163	1,304	2,447	5	35,410
-of which reverse repos	11,032	-	-	-	-	-	-	11,032
Loans to the public	55,096	236,304	200,194	187,634	405,046	1,055,688	-	2,139,962
-of which reverse repos	6,698	-	-	-	-	-	-	6,698
Other	24,140	-	-	-	-	-	225,588	249,728
-of which shares and participating interests	19,093	-	-	-	-	-	-	19,093
-of which claims on investment banking settlements	5,047	-	-	-	-	-	-	5,047
Total	647,376	237,677	200,648	187,797	406,350	1,058,135	225,593	2,963,576
Liabilities								
Due to credit institutions	107,784	46,322	5,308	4,320	501	4,690	24,496	193,421
-of which repos	157	-	-	-	-	-	-	157
-of which deposits from central banks	53,727	14,224	-	-	-	-	2,964	70,915
Deposits and borrowing from the public	81,076	27,355	5,663	650	2,224	5,533	942,224	1,064,725
-of which repos	4,202	-	-	-	-	-	-	4,202
Issued securities	47,427	364,092	203,079	173,032	466,549	69,424	-	1,323,603
-of which covered bonds	-	31,019	81,005	118,519	318,744	65,483	-	614,770
-of which certificates and other securities with original maturity of less than one year	44,996	294,555	57,832	-	-	-	-	397,383
-of which senior bonds and other securities with original maturity of more than one year	2,431	38,518	64,242	54,513	147,805	3,941	-	311,450
Subordinated liabilities	-	-	17,694	3,175	20,597	-	-	41,466
Other	11,921	-	-	-	-	-	328,440	340,361
-of which short positions	7,559	-	-	-	-	-	-	7,559
-of which investment banking settlement debts	4,362	-	-	-	-	-	-	4,362
Total	248,208	437,769	231,744	181,177	489,871	79,647	1,295,160	2,963,576

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)

Liquidity coverage ratio (LCR) - sub-components, SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
High quality liquidity assets	514,470	432,958	645,659	652,715	609,895
Cash outflows	424,130	353,362	484,019	526,013	436,274
Deposits from the public and small enterprises	55,122	53,306	52,428	50,583	49,364
Unencumbered capital market financing	320,903	252,825	383,368	430,704	339,161
Encumbered capital market financing	11,825	9,119	10,597	8,568	8,743
Other cash outflows	36,280	38,112	37,626	36,158	39,006
Cash inflows	60,655	41,393	48,129	46,654	75,554
Inflows from fully performing exposures	30,171	28,292	25,204	18,970	28,466
Other cash inflows	30,484	13,101	22,925	27,684	47,088
Liquidity coverage ratio (LCR), %	142	139	148	136	169

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 the end of March, the Group's aggregated LCR according to the European Commission's delegated act was 142%, 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

the first quarter, the LCR, as an average of daily observations according to the same definition, was 134%.

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 March 2018		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	526	58%
Mortgage loans	580	122%
Other household lending	200	144%
Property company lending lowest risk class (1-3)	295	177%
Other corporate lending lowest risk class (1-3)	149	193%
Loans to credit institutions lowest risk class (1-3)	21	196%
Other corporate lending	265	225%
Other assets	26	228%
Total non-encumbered assets (NEA)	2,062	228%
Encumbered assets without underlying liabilities**	60	
Encumbered assets with underlying liabilities	839	
Total assets, Group	2,961	

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	

* 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 interim 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 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 8-22.

Note 22 Events after the balance sheet date

Information about significant events occurred after the balance sheet date is provided on page 7.

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Net interest income	4,173	4,125	1%	3,845	9%	4,173	3,845	9%	16,326
Dividends received	109	12,631	-99%	-3		109	-3		13,705
Net fee and commission income	1,544	1,655	-7%	1,620	-5%	1,544	1,620	-5%	6,592
Net gains/losses on financial transactions	149	239	-38%	602	-75%	149	602	-75%	1,339
Other operating income	439	465	-6%	394	11%	439	394	11%	1,690
Total income	6,414	19,115	-66%	6,458	-1%	6,414	6,458	-1%	39,652
Staff costs	-3,552	-2,353	51%	-2,631	35%	-3,552	-2,631	35%	-10,938
Other administrative expenses	-1,560	-1,650	-5%	-1,379	13%	-1,560	-1,379	13%	-5,702
Depreciation, amortisation and impairment of property, equipment and intangible assets	-298	-306	-3%	-270	10%	-298	-270	10%	-1,094
Total expenses before loan losses	-5,410	-4,309	26%	-4,280	26%	-5,410	-4,280	26%	-17,734
Profit before loan losses	1,004	14,806	-93%	2,178	-54%	1,004	2,178	-54%	21,918
Net loan losses	-133	-1,083	-88%	-188	-29%	-133	-188	-29%	-1,685
Impairment of financial assets	-	-	-	-	-	-	-	-	-
Operating profit	871	13,723	-94%	1,990	-56%	871	1,990	-56%	20,233
Appropriations	29	29	0%	28	4%	29	28	4%	115
Profit before tax	900	13,752	-93%	2,018	-55%	900	2,018	-55%	20,348
Taxes	-246	-3,181	-92%	-527	-53%	-246	-527	-53%	-4,662
Profit for the period	654	10,571	-94%	1,491	-56%	654	1,491	-56%	15,686

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q1 2018	Q4 2017	Change	Q1 2017	Change	Jan-Mar 2018	Jan-Mar 2017	Change	Full year 2017
Profit for the period	654	10,571	-94%	1,491	-56%	654	1,491	-56%	15,686
Other comprehensive income									
Items that will not be reclassified to the income statement									
Instruments measured at fair value through other comprehensive income - equity instruments	38					38			
Tax on items that will not be reclassified to income statement	0					0			
<i>of which equity instruments measured at fair value through other comprehensive income</i>	0					0			
Total items that will not be reclassified to the income statement	38					38			
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	-530	-424	-25%	1,010		-530	1,010		41
Available-for-sale instruments		-552		37			37		-470
Instruments measured at fair value through other comprehensive income - debt instruments	1					1			
Translation differences for the period	2,604	-44		-1,187		2,604	-1,187		-2,261
<i>of which hedging net investment in foreign operations</i>	-14	-353	96%	-802	98%	-14	-802	98%	-1,476
Tax on items that may subsequently be reclassified to the income statement	119	158	-25%	-48		119	-48		311
<i>of which cash flow hedges</i>	116	93	25%	-222		116	-222		-9
<i>of which available-for-sale instruments</i>		-13		-2			-2		-5
<i>of which debt instruments measured at fair value through other comprehensive income</i>	0					0			
<i>of which hedging net investment in foreign operations</i>	3	78	-96%	176	-98%	3	176	-98%	325
Total items that may subsequently be reclassified to the income statement	2,193	-862		-188		2,193	-188		-2,379
Total other comprehensive income for the period	2,231	-862		-188		2,231	-188		-2,379
Total comprehensive income for the period	2,885	9,709	-70%	1,303	121%	2,885	1,303	121%	13,307

Comment on results for parent company, January – March 2018 compared with January – March 2017

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 56% to SEK 871m (1,990), chiefly owing to lower net gains/losses on financial transactions and increased staff costs. Profit for the period decreased by 56% to SEK 654m (1,491). Net interest income rose by 9% to SEK 4,173m (3,845), and net fee and commission income decreased by 5% to SEK 1,544m (1,620). Since the year-end, the parent company's equity has decreased to SEK 108,220m (120,200).

BALANCE SHEET – PARENT COMPANY

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Assets					
Cash and balances with central banks	276,999	226,314	377,821	436,848	387,092
Interest-bearing securities eligible as collateral with central banks	100,428	125,887	109,219	116,399	94,096
Loans to credit institutions	787,818	664,018	751,645	692,429	670,211
Loans to the public	846,208	795,691	788,996	779,600	778,918
Bonds and other interest-bearing securities	55,755	46,220	58,614	57,779	61,788
Shares	18,199	13,073	19,865	20,400	22,363
Shares in subsidiaries and investments in associates	47,359	47,302	47,207	47,205	46,358
Assets where the customer bears the value change risk	5,264	5,005	4,285	4,079	3,969
Derivative instruments	62,279	59,767	61,914	66,804	77,322
Intangible assets	2,717	2,610	2,477	2,428	2,336
Property, equipment and leasing assets	2,987	2,822	2,982	2,911	2,914
Current tax assets	2,056	191	2,076	1,313	448
Deferred tax assets	214	283	269	310	365
Other assets	9,053	18,807	10,647	8,968	12,727
Prepaid expenses and accrued income	2,796	4,886	4,587	4,139	3,761
Total assets	2,220,132	2,012,876	2,242,604	2,241,612	2,164,668
Liabilities and equity					
Due to credit institutions	213,850	193,822	220,467	212,715	209,637
Deposits and borrowing from the public	1,065,837	941,401	1,110,978	1,118,658	1,048,659
Liabilities where the customer bears the value change risk	5,264	5,005	4,385	4,166	4,027
Issued securities	711,115	654,637	681,674	684,792	674,987
Derivative instruments	48,184	41,771	47,144	48,645	44,266
Short positions	7,559	2,072	10,081	7,876	11,753
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	363	582	759	932	1,066
Provisions	199	146	235	328	307
Other liabilities	13,165	12,746	15,446	12,909	20,939
Accrued expenses and deferred income	4,085	6,915	7,676	7,717	6,841
Subordinated liabilities	41,621	32,896	32,560	32,782	33,199
Total liabilities	2,111,242	1,891,993	2,131,405	2,131,520	2,055,681
Untaxed reserves	670	683	708	734	762
Share capital	3,013	3,013	3,013	3,013	3,013
Share premium	5,629	5,629	5,629	5,629	5,629
Other funds	9,670	7,320	8,025	8,218	9,156
Retained earnings	89,254	88,552	88,709	88,787	88,936
Profit for the period	654	15,686	5,115	3,711	1,491
Total equity	108,220	120,200	110,491	109,358	108,225
Total liabilities and equity	2,220,132	2,012,876	2,242,604	2,241,612	2,164,668

As of Q1 2018, Handelsbanken presents contractual accrued interest on financial assets and financial liabilities as part of the carrying amount for the asset or liability on the balance sheet. The size of the total balance sheet has not been affected. The presentation of historical comparison figures has not been changed. Previous periods contractual accrued interest on financial assets and financial liabilities will continue to be presented under Prepaid expenses and accrued income and Accrued expenses and deferred income on the balance sheet.

The table on the next page shows the effect of the changed presentation of accrued interest on the balance-sheet lines which are affected.

SEK m	Carrying amount 31 Mar 2018	Changed presentation of of accrued interest	Carrying amount 31 Mar 2018 adjusted for changed presentation of accrued interest
Assets			
Cash and balances with central banks	277,026	-27	276,999
Interest-bearing securities eligible as collateral with central banks	100,135	293	100,428
Loans to other credit institutions	787,022	796	787,818
Loans to the public	844,577	1,631	846,208
Bonds and other interest-bearing securities	55,315	440	55,755
Prepaid expenses and accrued income	5,929	-3,133	2,796
Assets	2,070,004	-	2,070,004
Liabilities			
Due to credit institutions	213,630	220	213,850
Deposits and borrowing from the public	1,064,883	954	1,065,837
Issued securities	708,834	2,281	711,115
Short positions	7,472	87	7,559
Subordinated liabilities	41,466	155	41,621
Accrued expenses and deferred income	7,782	-3,697	4,085
Liabilities	2,044,067	-	2,044,067

CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

January – March 2018 SEK m	Restricted equity			Unrestricted equity				Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *		
Closing equity 2017	3,013	2,682	2,223	5,629	-87	499	2,003	104,238	120,200
Effect of transition to IFRS 9						1		-366	-365
Tax effect due to transition to IFRS 9						0		81	81
Opening equity 2018	3,013	2,682	2,223	5,629	-87	500	2,003	103,953	119,916
Profit for the period								654	654
Other comprehensive income					-414	39	2,606		2,231
Total comprehensive income for the period					-414	39	2,606	654	2,885
Dividend								-14,581	-14,581
Effects of convertible subordinated loans	-			-					-
Fund for internally developed software			118					-118	
Closing equity	3,013	2,682	2,341	5,629	-501	539	4,609	89,908	108,220

January – December 2017 SEK m	Restricted equity			Unrestricted equity				Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *		
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 – March 2017 SEK m	Restricted equity			Unrestricted equity				Retained earnings incl. profit for the year	Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *		
Opening equity	3,013	2,682	1,766	5,628	-119	974	3,939	98,759	116,642
Profit for the period								1,491	1,491
Other comprehensive income					788	35	-1,011		-188
Total comprehensive income for the period					788	35	-1,011	1,491	1,303
Dividend								-9,721	-9,721
Effects of convertible subordinated loans	0			1					1
Fund for internally developed software			102					-102	
Closing equity	3,013	2,682	1,868	5,629	669	1,009	2,928	90,427	108,225

* Included in fair value fund.

During the period January to March 2018, convertibles for a nominal value of SEK -m (SEK 1m) relating to subordinated convertible bonds were converted into - class A shares (22,151). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

CONDENSED STATEMENT OF CASH FLOWS – PARENT COMPANY

SEK m	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
Operating profit	871	1,990	20,233
Adjustment for non-cash items in profit/loss	336	1,046	-8,032
Paid income tax	-2,143	-1,146	-5,064
Changes in the assets and liabilities of operating activities	36,096	174,987	21,738
Cash flow from operating activities	35,160	176,877	28,875
Acquisition / divestment of subsidiaries	-	-	-
Change in shares	7	3	-924
Change in interest-bearing securities	-	-	-
Change in property and equipment	-359	-158	-886
Change in intangible assets	-163	-152	-645
Cash flow from investing activities	-515	-307	-2,455
Repayment of subordinated loans	-	-	-
Issued subordinated loans	7,713	-	-
Dividend paid	-14,581	-	-9,721
Received group contributions	11,814	12,220	12,257
Cash flow from financing activities	4,946	12,220	2,536
Liquid funds at beginning of the year	226,314	199,362	199,362
Cash flow for the period	39,591	188,790	28,956
Exchange rate difference on liquid funds	11,094	-1,060	-2,004
Liquid funds at end of year	276,999	387,092	226,314

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

Own funds and capital ratios – Parent company

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Common equity tier 1 capital	102,457	100,782	101,971	101,639	101,698
Total tier 1 capital	114,391	112,528	113,689	113,650	114,296
Total tier 2 capital	25,004	16,616	13,340	16,302	16,164
Total own funds	139,395	129,144	127,029	129,952	130,460
Capital ratios and buffers					
Common equity tier 1 ratio, CRR	16.8%	21.4%	21.7%	21.8%	22.3%
Tier 1 ratio, CRR	18.7%	23.9%	24.2%	24.4%	25.0%
Total capital ratio, CRR	22.8%	27.5%	27.0%	27.9%	28.5%
Risk exposure amount, CRR	610,354	470,353	469,808	466,443	456,975
Own funds in relation to capital requirement according to transitional rules		249%	246%	255%	258%
Institution-specific buffer requirements	3.8%	3.7%	3.7%	3.7%	3.6%
<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>	1.3%	1.2%	1.2%	1.2%	1.1%
<i>of which systemic risk buffer requirement</i>	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	12.3%	16.9%	17.2%	17.3%	17.8%

Capital requirement – Parent company

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Credit risk according to standardised approach	8,777	11,496	11,354	11,367	11,136
Credit risk according to IRB Approach	35,210	21,524	21,383	21,317	20,466
Market risk	958	825	995	800	936
Credit valuation adjustment risk (CVA)	470	390	460	438	627
Operational risk	3,413	3,393	3,393	3,393	3,393
Total capital requirement	48,828	37,628	37,585	37,315	36,558
Adjustment according to Basel I floor		14,886	14,839	14,421	14,686
Capital requirement, Basel I floor		52,514	52,424	51,736	51,244
Total own funds, Basel I floor		130,967	128,839	131,739	132,262

Capital requirement credit risks, standardised approach * – Parent company

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Sovereign and central banks	-	-	-	0	14
Municipalities	-	-	-	0	2
Multilateral development banks	-	-	-	0	0
International organisations	-	-	-	0	0
Institutions	85	75	72	65	61
Corporates	734	740	766	903	771
Households	1,047	997	981	995	992
Collateral in real estate	3,311	3,053	2,920	2,808	2,762
Past due items	39	34	35	27	26
Equities	2,988	6,121	6,116	6,115	6,111
Other items	573	476	465	455	397
Total	8,777	11,496	11,355	11,367	11,136

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

Capital requirement credit risks, IRB Approach – Parent company

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Sovereign and central banks	521	428	606	587	
Corporates	18,755	17,061	16,468	16,429	15,875
Households	2,003	1,949	1,996	2,050	2,261
Private individuals	1,543	1,493	1,538	1,575	1,779
of which property loans	819	795	812	845	821
of which other loans	724	698	726	730	958
Small companies	461	456	458	475	482
Institutions	1,318	1,114	1,177	1,121	1,443
Equity exposures	12,530	891	1,041	1,038	794
of which listed shares	-	1	-	-	-
of which other shares	12,530	890	1,041	1,038	794
Non credit-obligation assets	80	79	93	90	91
Securitisation positions	2	2	2	2	2
Total IRB	35,209	21,524	21,383	21,317	20,466

Capital requirement market risks – Parent company

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Position risk in the trading book	950	820	985	793	928
Interest rate risk	937	808	974	784	917
of which positions in securitisation instruments	-	-	-	-	-
Equity price risk	13	12	11	9	11
Exchange rate risk	-	-	-	-	-
Commodities risk	8	5	10	7	8
Settlement risk	0	0	-	0	-
Total capital requirement for market risks	958	825	995	800	936

Leverage ratio – Parent company

SEK m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Balance sheet according to accounting regulations	2,220,132	2,012,876	2,242,604	2,241,612	2,164,668
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-16,750	-17,888	-20,230	-23,522	-24,891
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	5,349	2,199	4,106	3,342	3,856
Assets reported off the balance sheet, gross (before adjustment for conversion factor)	563,474	542,726	540,406	541,924	530,052
Deduction from assets off the balance sheet after application of conversion factor	-364,175	-351,822	-351,177	-352,673	-345,307
Assets reported off the balance sheet, net	199,299	190,904	189,229	189,251	184,745
Additional adjustment	-667,743	-631,185	-623,472	-619,930	-574,506
Assets on which the leverage ratio is calculated	1,740,287	1,556,906	1,792,237	1,790,753	1,753,872
Capital on which the leverage ratio can be calculated					
Tier 1 capital	114,391	112,528	113,689	113,650	114,296
Leverage ratio					
Leverage ratio calculated on tier 1 capital	6.6%	7.2%	6.3%	6.3%	6.5%

Transition to IFRS 9 - Parent company

The table below shows reclassification of assets and liabilities due to the transition to IFRS 9 and the initial effect on equity at 1 January 2018.

Further information concerning this transition can be found in note 1.

mkR	IAS 39 Classification 31 Dec 2017	IFRS 9 Classification 1 Jan 2018	IAS 39 Carrying amount 31 Dec 2017	IFRS 9 Carrying amount 1 Jan 2018	Effect on equity 1 Jan 2018	of which remeasurements due to new rules for class- ification and measurement	of which remeasurements due to new rules for impairment
Financial assets							
Cash and balances with central banks	Loans and receivables	Amortised cost	226,314	226,314			
Interest-bearing securities eligible as collateral with central banks	Fair value in IS, trading	Fair value through PnL, mandatory	7,349	7,349			
Interest-bearing securities eligible as collateral with central banks	Fair value in IS, other	Fair value through PnL, fair value option	117,575	117,575			
Interest-bearing securities eligible as collateral with central banks	Financial assets available for sale	Fair value through OCI	201	201			
Interest-bearing securities eligible as collateral with central banks	1) Financial assets available for sale	Amortised cost	762	762			
Loans to credit institutions	2) Loans and receivables	Amortised cost	642,300	642,295	-5		-5
Loans to credit institutions	3) Loans and receivables	Fair value through PnL, mandatory	21,718	21,755	37	37	
Loans to the public	4) Fair value in IS, other	Amortised cost	377	353	-24	-24	
Loans to the public	2) Loans and receivables	Amortised cost	795,314	794,986	-328		-328
Bonds and other interest-bearing securities	Fair value in IS, trading	Fair value through PnL, mandatory	13,261	13,261			
Bonds and other interest-bearing securities	Fair value in IS, other	Fair value through PnL, fair value option	27,566	27,566			
Bonds and other interest-bearing securities	Financial assets available for sale	Fair value through OCI	5,393	5,393			
Shares	Fair value in IS, trading	Fair value through PnL, mandatory	11,903	11,903			
Shares	6) Financial assets available for sale	Fair value through OCI	1,170	1,170			
Assets where the customer bears the value change risk	5) Fair value in IS, other	Fair value through PnL, mandatory	4,951	4,951			
Assets where the customer bears the value change risk	Loans and receivables	Amortised cost	54	54			
Derivative instruments	Fair value in IS, trading	Fair value through PnL, mandatory	33,163	33,163			
Derivative instruments	Derivatives identified as hedge instruments	Derivatives identified as hedge instruments	26,604	26,604			
Other assets	Fair value in IS, trading	Fair value through PnL, mandatory	16	16			
Other assets	Loans and receivables	Amortised cost	18,791	18,791			
Prepaid expenses and accrued income	Fair value in IS, trading	Fair value through PnL, mandatory	102	102			
Prepaid expenses and accrued income	Fair value in IS, other	Fair value through PnL, fair value option	450	450			
Prepaid expenses and accrued income	Loans and receivables	Amortised cost	4,330	4,330			
Prepaid expenses and accrued income	Financial assets available for sale	Fair value through OCI	4	4			
Total financial assets			1,959,668	1,959,348	-320	13	-333
Property, equipment and lease assets	2)		2,822	2,819	-3		-3
Other non-financial assets	7)		50,386	50,467	81	-3	84
Total assets			2,012,876	2,012,634	-242	10	-252
Financial liabilities							
Due to credit institutions	Other financial liabilities	Amortised cost	193,822	193,822			
Deposits and borrowing from the public	Other financial liabilities	Amortised cost	941,401	941,401			
Liabilities where the customer bears the value change risk	Fair value in IS, other	Fair value through PnL, fair value option	4,951	4,951			
Liabilities where the customer bears the value change risk	Other financial liabilities	Amortised cost	54	54			
Issued securities	Fair value in IS, trading	Fair value through PnL, mandatory	4,625	4,625			
Issued securities	Other financial liabilities	Amortised cost	650,012	650,012			
Derivative instruments	Fair value in IS, trading	Fair value through PnL, mandatory	35,796	35,796			
Derivative instruments	Derivatives identified as hedge instruments	Derivatives identified as hedge instruments	5,975	5,975			
Short positions	Fair value in IS, trading	Fair value through PnL, mandatory	2,072	2,072			
Other liabilities	Fair value in IS, trading	Fair value through PnL, mandatory	12	12			
Other liabilities	Other financial liabilities	Amortised cost	12,734	12,734			
Accrued expenses and deferred income	Fair value in IS, trading	Fair value through PnL, mandatory	13	13			
Accrued expenses and deferred income	Other financial liabilities	Amortised cost	6,902	6,902			
Subordinated liabilities	Other financial liabilities	Amortised cost	32,896	32,896			
Total financial liabilities	8)		1,891,265	1,891,265			
Provisions	9)		146	188	42		42
Other non-financial liabilities			582	582			
Total liabilities			1,891,993	1,892,035	42		42
Untaxed reserves							
Share capital			3,013	3,013			
Share premium			5,629	5,629			
Other funds	10)		7,320	7,321	1		1
Retained earnings	11)		88,552	88,267	-285	10	-295
Profit for the year			15,686	15,686			
Total equity			120,200	119,916	-284	10	-294
Total liabilities and equity			2,012,876	2,012,634	-242	10	-252

The table below shows the transition from the model for incurred loan losses in IAS 19 to the model for expected loan losses in IFRS 9 at the transition to IFRS 9 at 1 January 2018.

Specification of transition to IFRS 9, new rules for impairment

SEK m	IAS 39 Incurred loan losses 31 Dec 2017	IFRS 9 Expected loan losses 1 Jan 2018	<i>Effect on equity due to new rules for impairment</i>
IAS 39			
Incurred loan losses 31 Dec 2017			
Collective provision for individually assessed loans	-442		442
Collective provision for off-balance-sheet items	-95		95
Specific provision for individually assessed loans	-4,499		4,499
IFRS 9			
Expected loan losses 1 Jan 2018			
Expected loan losses Stage 1, assets at amortised cost		-258	-258
Expected loan losses Stage 2, assets at amortised cost		-519	-519
Expected loan losses Stage 3, assets at amortised cost		-4,499	-4,499
Expected loan losses off-balance-sheet items Stage 1		-67	-67
Expected loan losses off-balance-sheet items Stage 2		-71	-71
Expected loan losses off-balance-sheet items Stage 3		0	0
Expected loan losses on debt instruments at fair value through OCI Stage 1		-1	-1
Tax effect due to transition to IFRS 9		84	84
Total	-5,036	-5,331	-295

- 1) According to IAS 39, certain bonds held for liquidity purposes were designated as assets available for sale. According to IFRS 9, these are designated at amortised cost because the business model for these holdings is for collection of contractual cash flows, and the cash flows solely represent payments of principal and interest.
- 2) As a result of the IFRS 9 regulations for impairment, the provision for loan losses for assets measured at amortised cost has increased.
- 3) According to IAS 39, certain subordinated loans were designated at amortised cost. According to IFRS 9, it is mandatory to designate these at fair value through profit or loss, because the business model for these holdings is not for collection of contractual cash flows, and the cash flows are not solely payments of principal and interest.
- 4) According to IAS 39, certain loans were designated at fair value through profit or loss, using the fair value option. According to IFRS 9, these are designated at amortised cost because the business model for these holdings is for collection of contractual cash flows, and the cash flows solely represent payments of principal and interest.
- 5) According to IAS 39, assets where the customer bears the value change risk were classified as fair value through profit or loss, using the fair value option since these were managed and the result measured on the basis of fair values. According to IFRS 9, it is mandatory to designate these assets at fair value through profit or loss.
- 6) Handelsbanken has chosen to categorise certain shareholdings that are not held for trading, at fair value through other comprehensive income. These shareholdings are long-term and of strategic importance to the banking operations in the Group. The holdings were previously classified as financial assets available for sale.
- 7) Tax effect due to transition to IFRS 9.
- 8) There were no remeasurements of financial liabilities due to changed classification to IFRS 9.
- 9) As a result of the IFRS 9 regulations for impairment, the provision for loan losses on off-balance-sheet items has increased.
- 10) As a result of the IFRS 9 regulations for impairment, a provision for loan losses on debt instruments measured at fair value through other comprehensive income has been recognised.
- 11) The total effect against retained earnings due to the transition to IFRS 9 is SEK -366m before tax, of which SEK 13m is due to the new rules for classification and measurement and SEK -379m to the new rules for impairment.

SUBMISSION OF REPORT

I hereby submit this report.

Stockholm, 25 April 2018

Anders Bouvin
President and Group Chief Executive

PRESS AND TELEPHONE CONFERENCE

A press and analyst conference is being arranged at the Bank's head office at 8.30 a.m. (CET) on 25 April.

A phone conference will be held at 11.15 a.m. (CET) on 25 April.

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

The interim report for January–June 2018 will be published on 18 July 2018.

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Auditors' review report

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

INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 31 March 2018 and for the three-month period ending as at this date. The Board of Directors and the Group Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF THE REVIEW

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

less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Stockholm, 25 April 2018

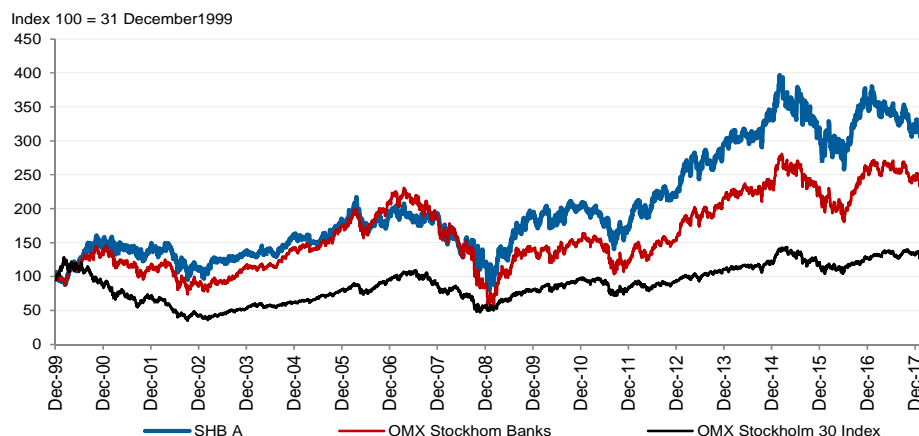
Ernst & Young AB
Jesper Nilsson, Authorised Public Accountant

PricewaterhouseCoopers AB
Johan Rippe, Authorised Public Accountant

Share price performance and other information

The Swedish stock market fell by 3% during the first quarter of the year. The Stockholm stock exchange's bank index, however, fell by 8%. Handelsbanken's class A shares closed at SEK 104.20, a decline of 7%, but including the dividend paid amounting to SEK 7.50, the total return was 0%. Since 1 January 2000, Handelsbanken's share price has increased by 192%, excluding dividends, while the Stockholm stock exchange has risen by 28%.

SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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