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Handelsbanken's Interim Report

JANUARY – JUNE 2018

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

- Continued good growth in all home markets.
- Strategic initiatives for business development and efficiency improvement.
- Return on equity rose to 13.8% (12.6).
- Operating profit increased by 7% to SEK 11,381m (10,604).
- The period's profit after tax grew by 13% to SEK 9,235m (8,167).
- Earnings per share increased to SEK 4.75 (4.20).
- Income rose by 8% to SEK 21,959m (20,274).
- Net interest income increased by 8% to SEK 15,552m (14,402). Adjusted for the raised resolution fee, net interest income climbed 10%.
- Net fee and commission income grew by 3% to SEK 5,012m (4,862).
- The C/I ratio rose to 46.5% (45.8).
- The loan loss ratio pursuant to IFRS 9 was 0.04% (IAS 39: 0.04).
- The common equity tier 1 ratio decreased to 21.4% (23.4) and the total capital ratio was 28.3% (29.0).

Summary of Q2 2018, compared with Q1 2018

- Operating profit increased by 21% to SEK 6,220m (5,161). Adjusted for non-recurring items, the increase was 7%.
- The period's profit after tax grew by 31% to SEK 5,231m (4,004) and earnings per share increased to SEK 2.69 (2.06).
- Return on equity increased to 16.0% (11.7).
- Income rose by 13% to SEK 11,635m (10,324). Adjusted for the sale of shares in UC AB, the increase in income was 5%.
- Net interest income increased by 3% to SEK 7,904m (7,648).
- The C/I ratio improved to 44.7% (48.6).
- The loan loss ratio was 0.05% (0.03).

Handelsbanken

Contents

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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Summary income statement									
Net interest income	7,904	7,648	3%	7,321	8%	15,552	14,402	8%	29,766
Net fee and commission income	2,551	2,461	4%	2,508	2%	5,012	4,862	3%	9,718
Net gains/losses on financial transactions	290	129	125%	317	-9%	419	864	-52%	1,271
Risk result - insurance	15	41	-63%	53	-72%	56	89	-37%	142
Other dividend income	12	2	500%	11	9%	14	13	8%	591
Share of profit of associates	2	-9		-3		-7	-30	77%	14
Other income	861	52		31		913	74		172
Total income	**11,635**	**10,324**	**13%**	**10,238**	**14%**	**21,959**	**20,274**	**8%**	**41,674**
Staff costs	-3,363	-3,217	5%	-3,242	4%	-6,580	-6,160	7%	-12,472
Other expenses	-1,644	-1,625	1%	-1,410	17%	-3,269	-2,840	15%	-5,889
Depreciation, amortisation and impairment of property, equipment and intangible assets	-189	-172	10%	-145	30%	-361	-295	22%	-619
Total expenses	**-5,196**	**-5,014**	**4%**	**-4,797**	**8%**	**-10,210**	**-9,295**	**10%**	**-18,980**
Profit before loan losses	**6,439**	**5,310**	**21%**	**5,441**	**18%**	**11,749**	**10,979**	**7%**	**22,694**
Net loan losses	-222	-153	45%	-186	19%	-375	-382	-2%	-1,683
Gains/losses on disposal of property, equipment and intangible assets	3	4	-25%	2	50%	7	7	0%	14
Operating profit	**6,220**	**5,161**	**21%**	**5,257**	**18%**	**11,381**	**10,604**	**7%**	**21,025**
Taxes	-989	-1,157	-15%	-1,201	-18%	-2,146	-2,437	-12%	-4,923
Profit for the period	**5,231**	**4,004**	**31%**	**4,056**	**29%**	**9,235**	**8,167**	**13%**	**16,102**
Summary balance sheet									
Loans to the public	2,194,038	2,143,107	2%	2,011,455	9%	2,194,038	2,011,455	9%	2,065,761
of which mortgage loans	*1,272,761*	*1,247,893*	*2%*	*1,182,790*	*8%*	*1,272,761*	*1,182,790*	*8%*	*1,222,436*
of which other loans	*921,277*	*895,214*	*3%*	*828,665*	*11%*	*921,277*	*828,665*	*11%*	*843,325*
Deposits and borrowing from the public	1,126,480	1,065,678	6%	1,120,291	1%	1,126,480	1,120,291	1%	941,967
of which households	*481,242*	*459,328*	*5%*	*429,725*	*12%*	*481,242*	*429,725*	*12%*	*444,942*
Total equity	138,279	131,613	5%	134,900	3%	138,279	134,900	3%	141,604
Total assets	3,134,353	2,963,576	6%	2,961,094	6%	3,134,353	2,961,094	6%	2,766,977
Summary of key figures									
Return on equity	16.0%	11.7%		12.9%		13.8%	12.6%		12.3%
C/I ratio	44.7%	48.6%		46.9%		46.5%	45.8%		45.5%
Earnings per share, SEK	2.69	2.06		2.09		4.75	4.20		8.28
- after dilution	2.66	2.04		2.06		4.70	4.16		8.20
Common equity tier 1 ratio, CRR	21.4%	21.6%		23.4%		21.4%	23.4%		22.7%
Total capital ratio, CRR	28.3%	28.3%		29.0%		28.3%	29.0%		28.3%

Group performance

STRATEGIC INITIATIVES FOR BUSINESS DEVELOPMENT AND EFFICIENCY IMPROVEMENT

Background

Handelsbanken's business model remains unchanged. The business model is based on decentralisation, whereby the local branch has customer and credit responsibility, close to its customers, and the customers are offered personal service when they so wish. A strict risk culture is a cornerstone of the business model.

While the fundamental principles of the Bank's business model remain in place, the ongoing digitalisation offers opportunities for increased operating efficiency and an improved customer offering. The Bank is therefore implementing strategic initiatives for business development and efficiency improvement.

Efficiency improvements

The Bank's business model means that a high proportion of the administration relating to customers and transactions is carried out at the respective branches, rather than at a central back-office. This is advantageous, particularly for customers' perception of the service they have received. At the branches, a significant proportion of working hours are currently taken up by this type of administration. Technical advances will mean that, over time, most of this administration can be digitalised. The Bank is carrying out a strategic initiative for improving efficiency, and will gradually implement this. Many of the efficiency-enhancing measures will result in cost savings. The Bank intends to quantify the effects of the efficiency measures in its interim report for Q3 2018.

An important part of this work is the project to digitalise the Swedish mortgage loan process that has been initiated. Customers who do not ask for advisory services or a special analysis will be able to manage their mortgage loan transaction digitally when the work has been fully implemented in 2020. At the same time, customers who require advisory services or demand a special analysis will be able to have personal contact at their local branch, just as before.

Business development

The rapid technical advances also mean that the Bank sees major opportunities to strengthen its business offering by continuing to integrate digital solutions for customers with local presence and the option of personal service. Much of this integration has already been carried out in the savings area in Sweden. Digitalised advisory support, which continues to be developed, has been introduced at the branches. The effect of this is that advisors at the branches now have much better opportunities to provide customers with high-quality advisory services and to handle matters that can only be dealt with through personal contact, locally or digitally. This has materialised in the form of a significant increase in the number of advisory meetings at the branch operations in Sweden.

In its IT investments over the next few years, the Bank will carry out a similar integration within both its mortgage loan business and its broader corporate business. The objective is for the Bank's private and corporate customers to be offered full advisory services for all relevant areas of the customer's finances, with digital tools being integrated into personal service.

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

The Group's operating profit increased by 7% to SEK 11,381m (10,604). Return on equity rose to 13.8% (12.6). The period's profit after tax grew by 13% to SEK 9,235m (8,167) and earnings per share amounted to SEK 4.75 (4.20). The C/I ratio rose to 46.5% (45.8).

The common equity tier 1 ratio was 21.4% (23.4).

Income

SEK m	Jan-Jun 2018	Jan-Jun 2017	Change
Net interest income	15,552	14,402	8%
of which state fees	*-1,401*	*-1,043*	*34%*
Net fee and commission income	5,012	4,862	3%
Net gains/losses on financial trans.	419	864	-52%
Other	976	146	
Total income	**21,959**	**20,274**	**8%**

Income grew by 8% to SEK 21,959m (20,274). During the second quarter, the Bank sold its shares in UC AB, with the impact on earnings being SEK 837m. Adjusted for this non-recurring item, income increased by 4%. Exchange rate movements had a positive effect on income amounting to SEK 261m.

Net interest income increased by 8% to SEK 15,552m (14,402). Adjusted for the raised resolution fee for 2018, net interest income grew by 10%.

SEK 745m of the net interest income improvement of SEK 1,150m was attributable to higher lending volumes. Slightly lower lending margins in branch operations reduced net interest income by SEK -79m. Deposits had a SEK 251m positive impact on net interest income, due to both increasing deposit volumes and improving margins.

The fee to the Resolution Fund amounted to SEK -1,245m (-865). 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 -358m to SEK -1,401m (-1,043). The benchmark effect in Stadshypotek amounted to SEK -10m (-39), and exchange rate movements had a positive effect of SEK 191m. The remainder of the change in net interest income was mainly due to lower total funding costs.

The average volume of loans to the public grew by 7%, or SEK 141bn, to SEK 2,143bn (2,002), of which SEK 25bn was due to exchange rate movements. Household lending increased by 7% to SEK 1,122bn (1,047), and corporate lending also grew by 7% to SEK 1,020bn (955).

The average volume of deposits and borrowing rose by 7% to SEK 1,069bn (1,000). Exchange rate effects had a positive effect of SEK 11bn on average volumes. The average volume of household deposits went up by 11% to SEK 454bn (410), while deposits from companies increased by 5% to SEK 616bn (589).

Net fee and commission income went up by 3%, or SEK 150m, to SEK 5,012m (4,862). Fund management, custody management, and other asset management commissions rose by SEK 243m, or 12%, to SEK 2,320m (2,077), while brokerage income decreased by SEK 149m, or 29%, to SEK 358m (507). Lending and deposit commissions rose by 9% to SEK 666m (609), while net payment commissions increased by SEK 6m to SEK 914m (908). Net fee and commission income from card operations fell by 1% to SEK 566m (572).

Net gains/losses on financial transactions went down to SEK 419m (864), 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 913m (74); this was mainly attributable to the Bank's Q2 sale of its shares in UC AB, which had a positive earnings impact of SEK 837m.

Expenses

SEK m	Jan-Jun 2018	Jan-Jun 2017	Change
Staff costs	-6,580	-6,160	7%
of which Oktogonen	*-440*	*-486*	*-9%*
of which Norwegian pension plan	*-*	*239*	
of which UK pension plan	*141*	*-*	
Other expenses	-3,269	-2,840	15%
Depreciation and amortisation	-361	-295	22%
Total expenses	**-10,210**	**-9,295**	**10%**

SEKm	Jan-Jun 2018	Jan-Jun 2017	Change
UK and the Netherlands*	-1,956	-1,705	15%
Subsidiarisation in UK	-150	-10	
Changed pension plan in Norway & UK	141	239	-41%
Development costs	-1,038	-843	23%
Foreign currency effect	-139	-	
Other recurring costs	-7,068	-6,976	1%
Total expenses	**-10,210**	**-9,295**	**10%**

* Adjusted for company formation, currency, and changed pension plan

Investments in development

SEK m	Jan-Jun 2018	Jan-Jun 2017	Change
Investments in development	-1,311	-1,096	20%
of which staff costs	*-575*	*-482*	*19%*
of which other costs	*-736*	*-614*	*20%*
Capitalised costs	399	355	12%
Investments in development after capitalisation	**-912**	**-741**	**23%**
Amortisation and depreciation	-126	-102	24%
Development costs	**-1,038**	**-843**	**23%**

Total expenses rose by 10% to SEK -10,210m (-9,295). Exchange rate effects increased expenses by SEK -139m. The growth in total expenses is chiefly attributable to increased development, higher investments in the UK and the Netherlands, and preparations for the formation of a subsidiary in the UK. In addition, the Bank has continued to strengthen its control functions.

In 2017, the Bank decided to increase its development, to make the most of the opportunities offered by rapid technical advances in various ways. Development costs, including depreciation, amounted to SEK -1,038m (-843).

Staff costs increased by 7% to SEK -6,580m (- 6,160). During the first quarter, a change was made to the pension plan in the UK, which caused a one-off positive effect that reduced 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 5%. The provision to the Oktogonen profit-sharing foundation was SEK -440m (-486). Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -29m (-47). Staff costs related to the Bank's development totalled SEK -575m (-482).

In the first half of the year, the average number of employees grew by 507, or 4%, compared with the corresponding period of the previous year, to 12,143 (11,636). This rise was due to continuing expansion in the UK and the Netherlands, and to the Bank's increasing focus on development, as well as the continuing build-up of the Bank's control functions.

Other expenses rose by 15% to SEK -3,269m (-2,840), chiefly due to higher costs for development, as well as the ongoing preparations for the formation of a subsidiary in the UK. Other costs related to development totalled SEK -736m (-614).

The Bank's costs for preparations for creating a UK subsidiary amounted to SEK -150m (-10). The assessment made previously of a cost level of SEK -300m for work during 2018 on creating the subsidiary still stands. In addition to this, the Bank continues to invest in development in the UK.

Depreciation increased by 22% to SEK -361m (-295), of which SEK -126m (-102) was related to development.

Investments in the Bank's development totalled SEK -1,311m (-1,096). Capitalised costs rose to SEK 399m (355).

Total investments in development can be divided into four main categories: regulatory compliance, business development, technical development and development in the Bank's growth markets. The breakdown of investments is set out in the table below. The largest increases in the first half of 2018 compared with the same period of the previous year were in business development, as well as development in the UK and the Netherlands.

Development investment – by category

SEK m	Jan-Jun 2018	Jan-Jun 2017	Change
Regulatory compliance	-500	-471	6%
Technical development	-408	-360	13%
Business development	-269	-212	27%
UK & Netherlands	-123	-52	137%
Other	-11	-1	
Total investments in development	**-1,311**	**-1,096**	**20%**

Loan losses

SEK m	Jan-Jun 2018	Jan-Jun 2017	Change
Net loan losses	-375	-382	-7
Loan loss ratio as % of loans (IFRS 9)	0.04		
Loan loss ratio as % of loans (IAS 39)		0.04	

Loan losses decreased to SEK -375m (-382), of which SEK -376m derived from loans to the public.
The loan loss ratio pursuant to IFRS 9 was 0.04% (Jan-June 2017 IAS 39: 0.04%).

Q2 2018 COMPARED WITH Q1 2018

Operating profit increased by 21% to SEK 6,220m (5,161). Adjusted for non-recurring items, the increase was 7%. The period's profit after tax grew by 31% to SEK 5,231m (4,004). Earnings per share rose to SEK 2.69 (2.06) and return on equity increased to 16.0% (11.7).

The C/I ratio improved to 44.7% (48.6).

Income

SEK m	Q2 2018	Q1 2018	Change
Net interest income	7,904	7,648	3%
of which state fees	*-706*	*-695*	*2%*
Net fee and commission income	2,551	2,461	4%
Net gains/losses on financial trans.	290	129	125%
Other	890	86	
Total income	**11,635**	**10,324**	**13%**

Income grew by 13% to SEK 11,635m (10,324). Adjusted for the one-off time relating to the sale of shares in UC AB, the increase in income was 5%. Exchange rate movements increased income by SEK 179m.

Net interest income rose by 3%, or SEK 256m, to SEK 7,904m (7,648). Higher lending volumes contributed SEK 103m, while lending margins in the branch operations outside Sweden reduced net interest income by SEK -37m. In Sweden, lending margins were stable. Net interest income from deposits grew by SEK 45m; this was chiefly attributable to improved margins. The fact that the second quarter had one more calendar day than the comparison quarter increased net interest income by SEK 37m.

Exchange rate effects had a SEK 142m positive impact on net interest income. Government fees increased by SEK -11m to SEK -706m (-695). The benchmark effect in Stadshypotek increased net interest income by SEK 60m to SEK 25m (-35). The average volume of loans to the public grew by 3%, or SEK 66bn, to SEK 2,176bn (2,110).

Exchange rate effects increased average volumes by SEK 32bn. Household lending increased by 2% to SEK 1,136bn (1,109), while corporate lending grew by 4% to SEK 1,040bn (1,001). The total average volume of deposits and borrowing rose by 1% to SEK 1,075bn (1,063). Exchange rate effects had a positive effect of SEK 16bn on average volumes. Household deposits rose by 4%, while the average volume of corporate deposits decreased by 1%.

Net fee and commission income went up by 4%, or SEK 90m, to SEK 2,551m (2,461). Mutual fund commissions accounted for SEK 52m of the increase, growing by 6% to SEK 941m (889). Net payment commissions increased by SEK 29m to SEK 471m (442), with net card commissions amounting to SEK 291m (275). Brokerage income went down by 2% to SEK 177m (181).

Net gains/losses on financial transactions amounted to SEK 290m (129), mainly as a result of negative valuation effects in derivatives for the Bank's funding during the quarter of comparison.

Other income increased to SEK 890m (86), deriving mainly from the sale of shares in UC AB.

Expenses

SEK m	Q2 2018	Q1 2018	Change
Staff costs	-3,363	-3,217	5%
of which Oktogonen	*-207*	*-233*	*-11%*
of which UK pension plan	*-*	*141*	
Other expenses	-1,644	-1,625	1%
Depreciation and amortisation	-189	-172	10%
Total expenses	**-5,196**	**-5,014**	**4%**

SEK m	Q2 2018	Q1 2018	Change
UK and the Netherlands*	-972	-987	-1%
Subsidiarisation in UK	-71	-79	-10%
Changed pension plan in Norway & UK	-	141	
Development costs	-488	-550	-11%
Foreign currency effect	-116	-	
Other recurring costs	-3,549	-3,539	0%
Total expenses	**-5,196**	**-5,014**	**4%**

* Adjusted for company formation, currency, and changed pension plan

Investments in development

SEK m	Q2 2018	Q1 2018	Change
Investments in development	-657	-654	0%
of which staff costs	*-290*	*-285*	*2%*
of which other costs	*-367*	*-369*	*-1%*
Capitalised costs	234	165	42%
Investments in development after capitalised costs	**-423**	**-489**	**-13%**
Amortisation and depreciation	-65	-61	7%
Development costs	**-488**	**-550**	**-11%**

Total expenses increased by 4% to SEK -5,196m (-5,014). Exchange rate effects increased expenses by SEK 116m. Adjusted for the exchange rate effects and the positive one-off effect of a changed pension plan in the UK in the quarter of comparison, total expenses fell by 1%. Development costs, including depreciation, went down to SEK -488m (-550).

Staff costs rose by 5%, or SEK 145m, to SEK -3,363m (-3,217). Adjusted for the positive one-off effect in the quarter of comparison, staff costs were virtually unchanged. Exchange rate movements increased staff costs by SEK 76m, and expressed in local currency, staff costs thus fell by 2%. The provision to the Oktogonen profit-sharing foundation was SEK -207m (-233). The period's provision for variable compensation was SEK -20m (-9). Staff costs related to the Bank's development totalled SEK -290m (-285).

The average number of employees rose to 12,219 (12,066), chiefly due to continued expansion, the preparations for the formation of a subsidiary in the UK, and a further increase in the number of employees in the Bank's control functions.

Other expenses increased by 1% to SEK -1,644m (-1,625). Exchange rate movements affected other expenses negatively to SEK -36m and adjusted for this, other expenses fell slightly. Other costs related to development totalled SEK -367m (-369).

Depreciation increased to SEK -189m (-172), of which SEK -65m (-61) was related to development.

Total investments in the Bank's development were SEK -657m (-654). Capitalised costs grew to SEK 234m (165).

Loan losses

SEK m	Q2 2018	Q1 2018	Change
Net loan losses	-222	-153	69
Loan loss ratio as % of loans (IFRS 9)	0.05	0.03	

Loan losses increased to SEK -222m (-153), of which SEK -242m were attributable to loans to the public. The loan loss ratio was 0.05% (0.03). The underlying credit quality remained stable.

Taxes

The tax rate in the second quarter was 15.9% (22.4). A normal tax rate for the Group in 2018 is 22-23%. The lower tax rate in the second quarter was mainly attributable to two non-recurring items:

The sale of business-related shares in UC AB had an impact on profits of SEK 837m.

In June 2018, the Swedish parliament took the decision to lower corporate tax in Sweden from 22% in two stages; in 2019-2020, corporate tax will be 21.4%, before it is lowered further to 20.6% as of 2021. This means that deferred tax assets and tax liabilities in the Group were revalued during the second quarter, giving a positive one-off item of SEK 285m.

HANDELSBANKEN'S UK SUBSIDIARY

During the second quarter, the Bank formed a wholly owned UK subsidiary, Handelsbanken plc. The assets and commitments currently in the UK branch will be transferred to the subsidiary by 29 March 2019 at the latest. Preparatory work for the transfer is progressing according to plan. The major investments that the Bank is making in its UK operations as part of these preparations are expected to contribute to improved efficiency in UK branch operations. These investments include expanded systems support for further regulatory compliance. Long-term funding for the UK subsidiary will be managed by Group Treasury in Stockholm.

FUNDING AND LIQUIDITY

Handelsbanken's bond issues during the first six months increased to SEK 137bn (75), consisting of SEK 86bn (65) in covered bonds, SEK 43bn (10) in senior bonds and SEK 8bn (0) in dated subordinated loans. In the second quarter, the Bank issued a 5-year green senior bond for EUR 500m, within the Green Framework established during the quarter.

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

The Bank has a strong liquidity position. Cash funds and liquid assets deposited with central banks amounted to SEK 436bn (377), while the volume of liquid bonds and other liquid assets totalled SEK 196bn (150).

At the end of the quarter, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated act, was 146% (142). At the end of the quarter, the net stable funding ratio (NSFR) was 103% (102).

CAPITAL

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

At the end of the second quarter, the common equity tier 1 ratio was 21.4%. In the Bank's assessment, the Supervisory Authority's common equity tier 1 capital requirement at the end of the second quarter was 19.6%. The Bank's capitalisation was thus within the target range.

Capital situation 30 June 2018 compared with 30 June 2017

SEK m	30 Jun 2018	30 Jun 2017	Change
Common equity tier 1 ratio, CRR	21.4%	23.4%	-2.0
Total capital ratio, CRR	28.3%	29.0%	-0.7
Risk exposure amount, CRR	553,761	504,199	10%
Common equity tier 1 capital	118,404	117,851	0%
Total own funds	156,455	146,164	7%
Capital requirement, Basel I floor		100,575	
Total own funds, Basel I floor		148,436	

Own funds were SEK 156bn (146) and the Bank's total capital ratio amounted to 28.3% (29.0).

The common equity tier 1 capital was SEK 118bn (118), while the common equity tier 1 ratio was 21.4% (23.4).

The period's earnings, after a deduction for the dividend, reduced the common equity tier 1 ratio by -0.3 percentage points. Higher lending volumes reduced the common equity tier 1 ratio by -0.7 percentage points. Customer migration in the loan portfolio had an impact of -0.5 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 0.1 percentage point.

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.

Exchange rate effects increased the common equity tier 1 capital ratio by 0.2 percentage points, and the change in net pensions had a negative impact of -0.3 percentage points as a result of the discount rate for Swedish pension obligations being lowered to 2.0% (2.3). Other effects, net, were 0.1 percentage point.

Capital situation 30 June 2018 compared with 31 March 2018

SEK m	30 Jun 2018	31 Mar 2018	Change
Common equity tier 1 ratio, CRR	21.4%	21.6%	-0.2
Total capital ratio, CRR	28.3%	28.3%	0.0
Risk exposure amount, CRR	553,761	545,898	1%
Common equity tier 1 capital	118,404	117,691	1%
Total own funds	156,455	154,629	1%

Own funds amounted to SEK 156bn (155) and the total capital ratio was 28.3% (28.3). The common equity tier 1 capital was SEK 118bn (118), while the common equity tier 1 ratio was 21.4% (21.6). The period's earnings, after a deduction for the accrued dividend, had no impact on the common equity tier 1 ratio. The reason is that the dividend ratio for 2017 is applied when making the deduction for the dividend accrued.

Rising lending volumes reduced the common equity tier 1 ratio by -0.3 percentage points. The net effect of customer and volume migration had a positive effect of 0.1 percentage point. The change in net pensions reduced the common equity tier 1 ratio by -0.1 percentage point, chiefly because the discount rate for Swedish pension obligations was lowered to 2.0% (2.1).

Exchange rate movements were neutral, and the net effect of other factors increased the common equity tier 1 ratio by 0.1 percentage point.

Economic capital and available financial resources

The Bank'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). This 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 second quarter, Group EC totalled SEK 61.0bn, while AFR was SEK 171.9bn. Thus, the ratio between AFR and EC was 282%. For the consolidated situation, EC totalled SEK 34.6bn, and AFR was SEK 169.6bn.

Rating

During the quarter, Handelsbanken's long-term and short-term ratings with the rating agencies which monitor the Bank were unchanged, as shown in the table below. During the quarter, Fitch set an expected rating for Handelsbanken plc, Handelsbanken's newly formed UK subsidiary, of AA and F1+. Both of them have stable outlooks.

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

Handelsbanken Group – Business segments

January - June 2018 SEK m	Home markets Sweden	UK	Denmark	Finland	Norway	Nether-lands	Capital Markets	Other	Adj. & elim.	Group Jan-Jun 2018
Net interest income	8,517	2,670	853	645	1,891	325	229	422		15,552
Net fee and commission income	1,948	341	232	246	198	82	1,949	16		5,012
Net gains/losses on financial transactions	339	104	56	30	48	6	474	-638		419
Risk result - insurance							56			56
Share of profit of associates								-7		-7
Other income	36	0	6	7	4	1	2	871		927
Total income	**10,840**	**3,115**	**1,147**	**928**	**2,141**	**414**	**2,710**	**664**		**21,959**
Staff costs	-1,780	-891	-360	-212	-406	-174	-1,149	-1,569	-39	-6,580
Other expenses	-561	-421	-91	-97	-115	-45	-478	-1,461		-3,269
Internal purchased and sold services	-1,733	-375	-180	-176	-216	-58	18	2,720		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-33	-37	-5	-10	-8	-8	-58	-174	-28	-361
Total expenses	**-4,107**	**-1,724**	**-636**	**-495**	**-745**	**-285**	**-1,667**	**-484**	**-67**	**-10,210**
Profit before loan losses	**6,733**	**1,391**	**511**	**433**	**1,396**	**129**	**1,043**	**180**	**-67**	**11,749**
Net loan losses	-146	-53	3	-75	-129	12	13	0		-375
Gains/losses on disposal of property, equipment and intangible assets	3	-1	2	0	3	-	0	0		7
Operating profit	**6,590**	**1,337**	**516**	**358**	**1,270**	**141**	**1,056**	**180**	**-67**	**11,381**
Profit allocation	930	15	35	96	60	1	-1,137	-		
Operating profit after profit allocation	**7,520**	**1,352**	**551**	**454**	**1,330**	**142**	**-81**	**180**	**-67**	**11,381**
Internal income*	-367	-615	-152	-140	-1,328	-158	-1,435	4,195		

January - June 2017 SEK m	Home markets Sweden	UK	Denmark	Finland	Norway	Nether-lands	Capital Markets	Other	Adj. & elim.	Group Jan-Jun 2017
Net interest income	8,022	2,257	842	583	1,783	260	236	419		14,402
Net fee and commission income	2,175	290	229	234	205	65	1,641	23		4,862
Net gains/losses on financial transactions	323	94	53	27	46	5	627	-311		864
Risk result - insurance							89			89
Share of profit of associates						2		-32		-30
Other income	27	0	8	10	10	0	10	22		87
Total income	**10,547**	**2,641**	**1,132**	**854**	**2,044**	**332**	**2,603**	**121**		**20,274**
Staff costs	-1,704	-914	-329	-194	-177	-141	-1,132	-1,461	-108	-6,160
Other expenses	-558	-238	-75	-86	-107	-38	-448	-1,290		-2,840
Internal purchased and sold services	-1,565	-301	-163	-151	-200	-46	23	2,403		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-44	-32	-7	-9	-7	-5	-40	-125	-26	-295
Total expenses	**-3,871**	**-1,485**	**-574**	**-440**	**-491**	**-230**	**-1,597**	**-473**	**-134**	**-9,295**
Profit before loan losses	**6,676**	**1,156**	**558**	**414**	**1,553**	**102**	**1,006**	**-352**	**-134**	**10,979**
Net loan losses	-99	-35	-70	-12	-102	0	-64			-382
Gains/losses on disposal of property, equipment and intangible assets	0	-1	8	0	0	-	0	0		7
Operating profit	**6,577**	**1,120**	**496**	**402**	**1,451**	**102**	**942**	**-352**	**-134**	**10,604**
Profit allocation	624	15	48	70	44	2	-803			
Operating profit after profit allocation	**7,201**	**1,135**	**544**	**472**	**1,495**	**104**	**139**	**-352**	**-134**	**10,604**
Internal income*	166	-584	-174	-174	-1,284	-122	-1,449	3,621		

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

INCOME STATEMENT

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	4,276	4,241	1%	4,076	5%	8,517	8,022	6%	16,694
Net fee and commission income	989	959	3%	1,117	-11%	1,948	2,175	-10%	4,434
Net gains/losses on financial transactions	190	149	28%	176	8%	339	323	5%	663
Other income	4	32	-88%	16	-75%	36	27	33%	49
Total income	**5,459**	**5,381**	**1%**	**5,385**	**1%**	**10,840**	**10,547**	**3%**	**21,840**
Staff costs	-879	-901	-2%	-848	4%	-1,780	-1,704	4%	-3,465
Other expenses	-288	-273	5%	-279	3%	-561	-558	1%	-1,180
Internal purchased and sold services	-865	-868	0%	-773	12%	-1,733	-1,565	11%	-3,168
Depreciation, amortisation and impairments of property, equipment and intangible assets	-16	-17	-6%	-17	-6%	-33	-44	-25%	-79
Total expenses	**-2,048**	**-2,059**	**-1%**	**-1,917**	**7%**	**-4,107**	**-3,871**	**6%**	**-7,892**
Profit before loan losses	**3,411**	**3,322**	**3%**	**3,468**	**-2%**	**6,733**	**6,676**	**1%**	**13,948**
Net loan losses	-31	-115	-73%	-39	-21%	-146	-99	47%	-210
Gains/losses on disposal of property, equipment and intangible assets	2	1	100%	0		3	0		2
Operating profit	**3,382**	**3,208**	**5%**	**3,429**	**-1%**	**6,590**	**6,577**	**0%**	**13,740**
Profit allocation	487	443	10%	330	48%	930	624	49%	1,257
Operating profit after profit allocation	**3,869**	**3,651**	**6%**	**3,759**	**3%**	**7,520**	**7,201**	**4%**	**14,997**
Internal income	-305	-62	-392%	182		-367	166		601
Cost/income ratio, %	34.4	35.4		33.5		34.9	34.7		34.2
Loan loss ratio (IAS 39), %				0.01			0.02		0.02
Loan loss ratio (IFRS 9), %	0.01	0.04				0.03			
Allocated capital	75,137	82,804	-9%	74,464	1%	75,137	74,464	1%	79,964
Return on allocated capital, %	16.1	13.8		15.7		14.9	14.7		15.3
Average number of employees	4,031	4,057	-1%	3,990	1%	4,045	3,998	1%	4,078
Number of branches	407	415	-2%	423	-4%	407	423	-4%	420

BUSINESS VOLUMES

Average volumes, SEK bn	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Loans to the public*									
Household	824	812	1%	775	6%	818	770	6%	782
of which mortgage loans	776	764	2%	725	7%	770	719	7%	732
Corporate	509	502	1%	486	5%	506	482	5%	488
of which mortgage loans	298	293	2%	280	6%	296	278	6%	283
Total	**1,333**	**1,314**	**1%**	**1,261**	**6%**	**1,324**	**1,252**	**6%**	**1,270**
Deposits and borrowing from the public									
Household	343	334	3%	316	9%	338	312	8%	321
Corporate	243	243	0%	229	6%	244	223	9%	229
Total	**586**	**577**	**2%**	**545**	**8%**	**582**	**535**	**9%**	**550**

* Excluding loans to the National Debt Office.

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Financial performance

Operating profit increased by SEK 13m to SEK 6,590m (6,577) and the return on allocated capital was 14.9% (14.7).

Net interest income rose by 6%, or SEK 495m, to SEK 8,517m (8,022). Higher lending volumes increased net interest income by SEK 409m, while lower lending margins had a negative impact on net interest income of SEK -32m. Net interest income from deposits improved by SEK 72m, which was chiefly attributable to higher volumes. Fees to the Resolution Fund increased to SEK -573m (-406), and together with the deposit guarantee, government fees rose by SEK 149m to SEK -693m (-544). The remainder of the increase in net interest income was due to lower funding costs.

Net fee and commission income declined by 10% or SEK 227m to SEK 1,948m (2,175), while mutual fund commissions decreased by 28% to SEK 431m (597). As of 2018, commissions are reported in accordance with the new securities market regulations – MiFID 2. Consequently, the mutual fund commissions that the branches receive as distribution remuneration from the fund management company were SEK 207m 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 change in the model, mutual fund commissions went up by 7%. Brokerage income from discretionary management was also lower as a result of MiFID 2.

Net gains/losses on financial transactions totalled SEK 339m (323).

Total expenses rose by 6% to SEK -4,107m (-3,871). Staff costs increased by 4% to SEK -1,780m (-1,704). The average number of employees went up by 1% to 4,045 (3,998).

An initiative is under way to increase efficiency and digitalise administration and routine work. This includes increased automation and other efficiency measures in internal processes. The Bank has initiated an effort to use artificial intelligence (AI) in the extensive re-examination of investment advisory services. Work on digitalising the mortgage business has also begun. The objective is to maximally leverage the capabilities offered by the new technology in every aspect of the mortgage process – both for customers and for the Bank. An example of a step in the process that previously required substantial manual administration for the branches is the checking of property valuations. For some time now, elements of this work have been automated.

In recent years, several of the Bank's branches have relocated to premises that are less expensive, but more suited to providing advisory services. Meanwhile, a number of branches have merged with neighbouring branches nearby.

Expenses for services bought and sold internally increased by 11% to SEK -1,733m (-1,565), mainly due to higher development costs.

The C/I ratio was 34.9% (34.7).

Loan losses were SEK -146m (-99), and the loan loss ratio was 0.03% pursuant to IFRS 9 (IAS 39: 0.02).

Business development

Handelsbanken continues to have major inflows of new business volumes in Sweden – both in terms of savings and lending. New savings in the Bank's mutual funds in Sweden totalled SEK 7.4bn (10.8), corresponding to a market share of 35%. At the same time, deposits increased. Statistics – which are available up through May – showed that during the first five months of the year, 31% of the net increase in household deposits in Sweden went into accounts at Handelsbanken.

The average volume of mortgage loans to private individuals rose by 7% to SEK 770bn (719), while deposits from households grew by 8% to SEK 338bn (312). The average volume of corporate lending went up by 5% to SEK 506bn (482), while corporate deposits increased by 9% to SEK 244bn (223).

Handelsbanken had a total of 407 (423) branches and meeting places in Sweden.

Q2 2018 COMPARED WITH Q1 2018

Operating profit rose by 5% to SEK 3,382m (3,208), and return on allocated capital rose to 16.1% (13.8).

Net interest income improved by 1%, or SEK 35m, to SEK -4,276m (4,241). Increased lending volumes made a positive contribution of SEK 52m, while lending margins were stable. Net interest income from deposit operations increased by SEK 16m. Government fees totalled SEK -349m (-344). The benchmark effect in Stadshypotek had a positive impact on net interest income, increasing it by SEK 60m to SEK 25m (-35). The gross margin on the mortgage portfolio – before advisory and administration expenses – remained unchanged at 1.06% (1.06).

The average volume of lending to households increased by 1% to SEK 824bn (812). The average volume of corporate lending also rose by 1% to SEK 509bn (502).

Net fee and commission income increased by 3% to SEK 989m (959), primarily due to improved net fee and commission income from the card business, though mutual fund commissions also grew.

Net gains/losses on financial transactions rose to SEK 190m (149), as a result of higher earnings from currency-related business.

Expenses fell by 1% to SEK -2,048m (-2,059). Staff costs declined by 2% as the average number of staff decreased by 2% to 4,031 employees (4,057).

Loan losses amounted to SEK -31m (-115), corresponding to a loan loss ratio of 0.01% pursuant to IFRS 9 (0.04).

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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	1,388	1,282	8%	1,178	18%	2,670	2,257	18%	4,659
Net fee and commission income	174	167	4%	150	16%	341	290	18%	602
Net gains/losses on financial transactions	50	54	-7%	48	4%	104	94	11%	127
Other income	0	0	0%	0	0%	0	0	0%	3
Total income	**1,612**	**1,503**	**7%**	**1,376**	**17%**	**3,115**	**2,641**	**18%**	**5,391**
Staff costs	-528	-363	45%	-461	15%	-891	-914	-3%	-1,828
Other expenses	-213	-208	2%	-126	69%	-421	-238	77%	-549
Internal purchased and sold services	-197	-178	11%	-151	30%	-375	-301	25%	-595
Depreciation, amortisation and impairments of property, equipment and intangible assets	-19	-18	6%	-16	19%	-37	-32	16%	-63
Total expenses	**-957**	**-767**	**25%**	**-754**	**27%**	**-1,724**	**-1,485**	**16%**	**-3,035**
Profit before loan losses	**655**	**736**	**-11%**	**622**	**5%**	**1,391**	**1,156**	**20%**	**2,356**
Net loan losses	-28	-25	12%	-23	22%	-53	-35	51%	-739
Gains/losses on disposal of property, equipment and intangible assets	-1	0		0		-1	-1	0%	-1
Operating profit	**626**	**711**	**-12%**	**599**	**5%**	**1,337**	**1,120**	**19%**	**1,616**
Profit allocation	8	7	14%	7	14%	15	15	0%	35
Operating profit after profit allocation	**634**	**718**	**-12%**	**606**	**5%**	**1,352**	**1,135**	**19%**	**1,651**
Internal income	-331	-284	-17%	-286	-16%	-615	-584	-5%	-935
Cost/income ratio, %	59.1	50.8		54.5		55.1	55.9		55.9
Loan loss ratio (IAS 39), %				0.05			0.04		0.38
Loan loss ratio (IFRS 9), %	0.05	0.05				0.05			
Allocated capital	13,286	12,894	3%	12,144	9%	13,286	12,144	9%	13,106
Return on allocated capital, %	14.9	17.4		15.6		16.1	14.1		10.2
Average number of employees	2,228	2,155	3%	2,022	10%	2,191	2,006	9%	2,045
Number of branches	208	208	0%	207	0%	208	207	0%	208

BUSINESS VOLUMES

Average volumes, GBP m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Loans to the public									
Household	6,501	6,416	1%	6,073	7%	6,458	5,994	8%	6,127
Corporate	13,610	13,247	3%	12,050	13%	13,429	11,885	13%	12,264
Total	**20,111**	**19,663**	**2%**	**18,123**	**11%**	**19,887**	**17,879**	**11%**	**18,391**
Deposits and borrowing from the public									
Household	4,519	4,336	4%	3,603	25%	4,428	3,450	28%	3,775
Corporate	8,971	8,851	1%	8,490	6%	8,911	8,165	9%	8,654
Total	**13,490**	**13,187**	**2%**	**12,093**	**12%**	**13,339**	**11,615**	**15%**	**12,429**

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Financial performance

Operating profit increased by 19%, or SEK 217m, to SEK 1,337m (1,120). Exchange rate effects had a positive effect of SEK 39m on operating profit. Return on allocated capital improved to 16.1% (14.1).

Income grew by 18% to SEK 3,115m (2,641). Expressed in local currency, income rose by 14%.

Net interest income improved by 18%, or SEK 413m, to SEK 2,670m (2,257). Exchange rate effects increased net interest income by SEK 77m, and expressed in local currency, net interest income grew by 14%. Higher lending volumes contributed SEK 176m, and greater deposit volumes contributed SEK 55m. Improved deposit margins increased net interest income by SEK 128m. The margin on lending to households declined by SEK 59m, while the corporate lending margin improved by SEK 20m. Government fees rose by SEK 28m and amounted to SEK -118m (-90).

Net fee and commission income increased by 18% to SEK 341m (290), due in part to higher payment and lending commissions. Asset management and advisory commissions at Heartwood Wealth Management rose by 15% to SEK 154m (134).

Net gains/losses on financial transactions increased by 11% to SEK 104m (94).

Staff costs declined by 3%, or SEK 23m, which was attributable to a change made during the first quarter of 2018 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 118m, or 13%. The weakening of the Swedish krona accounted for SEK 32m of this increase. The average number of employees grew by 9% to 2,191 (2,006).

Other expenses rose by SEK 183m to SEK -421m (-238). Exchange rate effects had an impact on other expenses in the amount of SEK -18m.

During the first half year, expenses of SEK -132m (-10) were charged to profit in Handelsbanken UK for development and other preparatory work related to the formation of a subsidiary.

Loan losses were SEK -53m (-35) and the loan loss ratio (under IFRS 9) was 0.05%, compared with 0.04% (under IAS 39) in the year-earlier period.

Establishment of Handelsbanken plc

Preparatory work continued as planned for the formation of a subsidiary to which the operations of Handelsbanken UK will be transferred. This development work yields investments in improved IT support, which is expected to increase efficiency and create better conditions for branches to pursue continued profitable growth. One of the areas where investments are being made is systems support to manage new customers. Automation of a number of internal processes is also in progress. These efforts also include developing better digital solutions for customers. Customers with eligible deposits in the future subsidiary will be covered by the UK's Financial Services Compensation Scheme. The establishment of a subsidiary is a natural next step in the Bank's UK development, allowing the Bank to bring extra resource and expertise closer to its branches and the customers they serve.

Business development

Business volumes continued to grow. The average volume of deposits from households rose by 28%, while lending to households grew by 8% compared with the corresponding period of 2017. Overall, the average volume of lending increased by 11% to GBP 19.9bn, while total deposits went up by 15% to GBP 13.3bn. Therefore the loan-to-deposit ratio continued to decrease and was 149% at the end of Q2 2018, compared with 150% at the end of Q2 2017.

The assets managed in Heartwood Wealth Management totalled GBP 3.6bn, as compared to GBP 3.2bn in the corresponding period of 2017. Net inflows for the first half of the year totalled GBP 146m (172).

At the end of Q2, Handelsbanken had a total of 208 (207) branches in UK.

Q2 2018 COMPARED WITH Q1 2018

Operating profit declined to SEK 626m (711), which was attributable to a change made during the first quarter of 2018 to the pension plan in the UK, which caused a one-off positive effect of SEK 141m. Adjusted for this, operating profit grew by 10%. The weakening of the Swedish krona had a positive effect of SEK 10m on operating profit. Return on allocated capital was 14.9% (17.4).

Income grew by 7% to SEK 1,612m (1,503), and was positively impacted by currency effects of SEK 65m; expressed in local currency, income growth was 3%.

Net interest income rose by 8%, or SEK 106m, to SEK 1,388m (1,282), of which SEK 56m was attributable to exchange rate effects; expressed in local currency, net interest income improved by 4%. Higher lending volumes improved net interest income by SEK 24m, and greater deposit volumes improved net interest income by SEK 5m. Improved deposit margins increased net interest income by SEK 7m. The margins on lending to households declined by SEK 6m, while the corporate lending margins improved by SEK 2m.

Net fee and commission income increased by 4% to SEK 174m (167). Net gains/losses on financial transactions totalled SEK 50m (54).

Expenses increased by SEK 190m, of which the above-mentioned one-off cost represented SEK 141m in the comparison quarter. Adjusted for this, expenses increased by 5% to SEK -957m.

Loan losses amounted to SEK -28m (-25), and the loan loss ratio (IFRS 9) was thus 0.05% (0.05).

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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	438	415	6%	425	3%	853	842	1%	1,714
Net fee and commission income	114	118	-3%	121	-6%	232	229	1%	433
Net gains/losses on financial transactions	32	24	33%	29	10%	56	53	6%	95
Other income	3	3	0%	1	200%	6	8	-25%	15
Total income	**587**	**560**	**5%**	**576**	**2%**	**1,147**	**1,132**	**1%**	**2,257**
Staff costs	-180	-180	0%	-163	10%	-360	-329	9%	-669
Other expenses	-49	-42	17%	-36	36%	-91	-75	21%	-159
Internal purchased and sold services	-91	-89	2%	-83	10%	-180	-163	10%	-335
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-3	-33%	-4	-50%	-5	-7	-29%	-13
Total expenses	**-322**	**-314**	**3%**	**-286**	**13%**	**-636**	**-574**	**11%**	**-1,176**
Profit before loan losses	**265**	**246**	**8%**	**290**	**-9%**	**511**	**558**	**-8%**	**1,081**
Net loan losses	9	-6		-66		3	-70		-466
Gains/losses on disposal of property, equipment and intangible assets	0	2	-100%	2	-100%	2	8	-75%	13
Operating profit	**274**	**242**	**13%**	**226**	**21%**	**516**	**496**	**4%**	**628**
Profit allocation	17	18	-6%	24	-29%	35	48	-27%	94
Operating profit after profit allocation	**291**	**260**	**12%**	**250**	**16%**	**551**	**544**	**1%**	**722**
Internal income	-78	-74	-5%	-86	9%	-152	-174	13%	-237
Cost/income ratio, %	53.3	54.3		47.7		53.8	48.6		50.0
Loan loss ratio (IAS 39), %				0.27			0.14		0.48
Loan loss ratio (IFRS 9), %	-0.04	0.02				-0.01			
Allocated capital	5,841	5,794	1%	5,535	6%	5,841	5,535	6%	5,711
Return on allocated capital, %	15.6	14.0		14.1		14.8	14.3		9.7
Average number of employees	621	617	1%	605	3%	619	608	2%	608
Number of branches	57	57	0%	57	0%	57	57	0%	57

BUSINESS VOLUMES

Average volumes, DKK bn	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Loans to the public									
Household	46.2	46.0	0%	43.8	5%	46.1	43.6	6%	44.1
Corporate	29.5	28.9	2%	28.8	2%	29.2	29.2	0%	28.7
Total	**75.7**	**74.9**	**1%**	**72.6**	**4%**	**75.3**	**72.8**	**3%**	**72.8**
Deposits and borrowing from the public									
Household	13.8	13.2	5%	12.9	7%	13.5	12.5	8%	12.8
Corporate	18.5	21.4	-14%	18.6	-1%	20.0	18.6	8%	19.1
Total	**32.3**	**34.6**	**-7%**	**31.5**	**3%**	**33.5**	**31.1**	**8%**	**31.9**

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Financial performance

Operating profit grew by 4% to SEK 516m (496). The depreciation of the Swedish krona increased operating profit by SEK 28m, and expressed in local currency, operating profit declined by 1%. Profit before loan losses decreased by 8% to SEK 511m (558). In local currency, profit before loan losses went down by 13%. Return on allocated capital was 14.8% (14.3).

Net interest income rose to SEK 853m (842) and increased by SEK 47m due to exchange rate movements. Higher lending volumes improved net interest income by SEK 16m, while lower lending margins decreased net interest income by SEK 52m. Deposit margins were higher and increased net interest income by SEK 12m, while larger deposit volumes had an impact of SEK 2m. Fees for the Swedish Resolution Fund increased by SEK 17m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -55m (-38).

Net fee and commission income grew by 1% to SEK 232m (229).

Net gains/losses on financial transactions rose by 6% to SEK 56m (53).

Expenses increased by 11% to SEK -636m (-574). In local currency, expenses went up by 5%. Staff costs grew by 9% to SEK -360m (-329) but expressed in local currency, the increase was 4%. The average number of employees rose by 2% to 619 (608). An initiative is under way to increase efficiency and digitalise administration and routine work. This includes increased automation and other efficiency measures in internal processes.

Loan losses consisted of net recoveries and amounted to SEK 3m (-70), and the loan loss ratio was -0.01% pursuant to IFRS 9 (IAS 39: 0.14).

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 remained unchanged year on year, while corporate deposits rose by 8%. Overall, the average volume of lending grew by 3% to DKK 75.3bn (72.8), and deposits increased by 8% to DKK 33.5bn (31.1).

New savings in the Bank’s mutual funds in Denmark totalled SEK 0.8bn (2.1) in the first half-year.

At the end of Q2, Handelsbanken had a total of 57 (57) branches in Denmark.

Q2 2018 COMPARED WITH Q1 2018

Operating profit went up by 13% to SEK 274m (242). Profit before loan losses increased by 8% to SEK 265m (246). Expressed in local currency, profit before loan losses rose by 4%.

Net interest income grew by 6% to SEK 438m (415). Adjusted for the effects of exchange rate movements, net interest income rose by 2%. Higher margins on corporate deposits improved net interest income by SEK 6m, while continued pressure on lending margins had a negative impact of SEK -7m on net interest income. Greater lending volumes had a positive effect of SEK 5m. The fees for the Swedish Resolution Fund and the deposit guarantee were stable and amounted to SEK -28m (-27).

Net fee and commission income decreased by 3% to SEK 114m (118) chiefly due to lower brokerage and insurance commissions.

Net gains/losses on financial transactions rose to SEK 32m (24), which was attributable to higher early repayment charges and increased earnings from currency-related business.

Expenses rose by 3% to SEK -322m (-314). Adjusted for the movement in exchange rates, expenses fell by 1%.

Staff costs were unchanged, amounting to SEK -180m (-180). Adjusted for movement in exchange rates, staff costs decreased by 3%.

Loan losses consisted of net recoveries and totalled SEK 9m (-6). The loan loss ratio was -0.04% (0.02).

Handelsbanken Finland

Handelsbanken Finland consists of the branch operations in Finland, which are organised as a regional bank, as well as Handelsbanken Finans' 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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	332	313	6%	291	14%	645	583	11%	1,203
Net fee and commission income	124	122	2%	121	2%	246	234	5%	462
Net gains/losses on financial transactions	17	13	31%	13	31%	30	27	11%	52
Other income	3	4	-25%	6	-50%	7	10	-30%	18
Total income	**476**	**452**	**5%**	**431**	**10%**	**928**	**854**	**9%**	**1,735**
Staff costs	-108	-104	4%	-100	8%	-212	-194	9%	-396
Other expenses	-52	-45	16%	-44	18%	-97	-86	13%	-180
Internal purchased and sold services	-87	-89	-2%	-78	12%	-176	-151	17%	-303
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-5	0%	-5	0%	-10	-9	11%	-19
Total expenses	**-252**	**-243**	**4%**	**-227**	**11%**	**-495**	**-440**	**13%**	**-898**
Profit before loan losses	**224**	**209**	**7%**	**204**	**10%**	**433**	**414**	**5%**	**837**
Net loan losses	-81	6		-15	440%	-75	-12		-57
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
Operating profit	**143**	**215**	**-33%**	**189**	**-24%**	**358**	**402**	**-11%**	**780**
Profit allocation	56	40	40%	38	47%	96	70	37%	150
Operating profit after profit allocation	**199**	**255**	**-22%**	**227**	**-12%**	**454**	**472**	**-4%**	**930**
Internal income	-73	-67	-9%	-87	16%	-140	-174	20%	-228
Cost/income ratio, %	47.4	49.4		48.4		48.3	47.6		47.6
Loan loss ratio (IAS 39), %				0.05			0.02		0.05
Loan loss ratio (IFRS 9), %	0.28	-0.12				0.08			
Allocated capital	6,036	6,456	-7%	5,283	14%	6,036	5,283	14%	5,646
Return on allocated capital, %	10.3	12.3		13.4		11.4	12.9		12.8
Average number of employees	537	523	3%	505	6%	530	493	8%	506
Number of branches	45	45	0%	45	0%	45	45	0%	45

BUSINESS VOLUMES

Average volumes, EUR m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Loans to the public									
Household	4,083	4,125	-1%	4,053	1%	4,144	4,039	3%	4,061
Corporate	9,066	8,879	2%	9,061	0%	9,006	8,992	0%	8,935
Total	**13,149**	**13,004**	**1%**	**13,114**	**0%**	**13,150**	**13,031**	**1%**	**12,996**
Deposits and borrowing from the public									
Household	1,569	1,511	4%	1,642	-4%	1,540	1,633	-6%	1,596
Corporate	2,617	3,006	-13%	2,556	2%	2,812	2,663	6%	2,671
Total	**4,186**	**4,517**	**-7%**	**4,198**	**0%**	**4,352**	**4,296**	**1%**	**4,267**

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Financial performance

Operating profit decreased by 11% to SEK 358m (402) due to higher loan losses. Profit before loan losses grew by 5%, or SEK 19m, to SEK 433m (414), and were positively impacted by exchange rate effects of SEK 26m. In local currency, profit before loan losses decreased with 1%. Return on allocated capital was 11.4% (12.9).

Income rose by 9% to SEK 928m (854), and was positively impacted in the amount of SEK 50m by the movement in exchange rates. Expressed in local currency, income growth was 3%.

Net interest income rose by 11%, or SEK 62m, to SEK 645m (583). Exchange rate movements represented SEK 34m of this increase, and expressed in local currency, net interest income grew by 5%. Fees for the Swedish Resolution Fund increased by SEK 14m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -67m (-53). Larger business volumes made a positive contribution of SEK 9m. The net effect of the change in margins was slightly negative.

Net fee and commission income rose by 5% to SEK 246m (234), but adjusted for exchange rate movements net fee and commission income declined by 1%. 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 9m lower year-on-year. Corresponding commissions are instead recognised in the Capital Markets segment, and are reported in the Handelsbanken Finland segment on the profit allocation line.

Net gains/losses on financial transactions amounted to SEK 30m (27).

Total expenses rose by 13% to SEK -495m (-440). Adjusted for exchange rate movements, expenses increased by 6% in local currency.

Staff costs rose by 9% to SEK -212m (-194), but expressed in local currency, the increase was 3%. The average number of employees grew by 8% to 530 (493) due to a greater focus on corporate business, but also to more rigorous compliance requirements and impending development projects. Development is continuing of the digitalised advisory support which is also used in Sweden.

Loan losses were SEK -75m (-12), and the loan loss ratio was 0.08% pursuant to IFRS 9 (IAS 39: 0.02).

Business development

Both the average volume of lending and deposits, compared to the corresponding period of the previous year, increased by 1%. Lending to households increased by 3%, while deposits from households declined by 6%.

The average volume of corporate deposits increased by 6%, 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 0.6bn (-0.3).

At the end of Q2, Handelsbanken had a total of 45 (45) branches in Finland.

Q2 2018 COMPARED WITH Q1 2018

Operating profit decreased by 33% to SEK 143m (215) due to higher loan losses. Profit before loan losses grew by 7% to SEK 224m (209). Adjusted for the weakening of the Swedish krona, profit before loan losses rose by 3%.

Net interest income rose by 6% to SEK 332m (313), and was positively impacted in the amount of SEK 11m due to exchange rate effects.

Net fee and commission income rose by 2% to SEK 124m (122). Adjusted for exchange rate movements net fee and commission income declined by 2%.

Net gains/losses on financial transactions amounted to SEK 17m (13).

Expenses increased by 4% to SEK -252m (-243), but remained unchanged adjusted for exchange rate movements.

Loan losses increased to SEK -81m (6), and the loan loss ratio was 0.28% pursuant to IFRS 9 (-0.12).

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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	969	922	5%	898	8%	1,891	1,783	6%	3,666
Net fee and commission income	103	95	8%	102	1%	198	205	-3%	410
Net gains/losses on financial transactions	25	23	9%	19	32%	48	46	4%	90
Other income	3	1	200%	6	-50%	4	10	-60%	14
Total income	**1,100**	**1,041**	**6%**	**1,025**	**7%**	**2,141**	**2,044**	**5%**	**4,180**
Staff costs	-207	-199	4%	-192	8%	-406	-177	129%	-570
Other expenses	-63	-52	21%	-53	19%	-115	-107	7%	-223
Internal purchased and sold services	-102	-114	-11%	-103	-1%	-216	-200	8%	-424
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-4	0%	-3	33%	-8	-7	14%	-14
Total expenses	**-376**	**-369**	**2%**	**-351**	**7%**	**-745**	**-491**	**52%**	**-1,231**
Profit before loan losses	**724**	**672**	**8%**	**674**	**7%**	**1,396**	**1,553**	**-10%**	**2,949**
Net loan losses	-88	-41	115%	-56	57%	-129	-102	26%	-157
Gains/losses on disposal of property, equipment and intangible assets	2	1	100%	0		3	0		1
Operating profit	**638**	**632**	**1%**	**618**	**3%**	**1,270**	**1,451**	**-12%**	**2,793**
Profit allocation	33	27	22%	23	43%	60	44	36%	90
Operating profit after profit allocation	**671**	**659**	**2%**	**641**	**5%**	**1,330**	**1,495**	**-11%**	**2,883**
Internal income	-727	-601	-21%	-618	-18%	-1,328	-1,284	-3%	-2,196
Cost/income ratio, %	33.2	34.6		33.5		33.8	23.5		28.8
Loan loss ratio (IAS 39), %				0.09			0.08		0.06
Loan loss ratio (IFRS 9), %	0.14	0.07				0.11			
Allocated capital	15,047	15,680	-4%	15,521	-3%	15,047	15,521	-3%	15,837
Return on allocated capital, %	13.9	13.1		12.9		13.5	14.4		14.1
Average number of employees	689	683	1%	662	4%	686	662	4%	672
Number of branches	49	49	0%	49	0%	49	49	0%	49

BUSINESS VOLUMES

Average volumes, NOK bn	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Loans to the public									
Household	90.7	90.2	1%	88.4	3%	90.4	88.2	2%	88.7
Corporate	159.4	156.2	2%	148.7	7%	157.8	147.3	7%	149.1
Total	**250.1**	**246.4**	**2%**	**237.1**	**5%**	**248.2**	**235.5**	**5%**	**237.8**
Deposits and borrowing from the public									
Household	20.3	20.1	1%	19.7	3%	20.2	19.6	3%	19.9
Corporate	42.4	43.0	-1%	49.0	-13%	42.7	48.9	-13%	49.4
Total	**62.7**	**63.1**	**-1%**	**68.7**	**-9%**	**62.9**	**68.5**	**-8%**	**69.3**

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Financial performance

Operating profit decreased by 12% to SEK 1,270m (1,451). 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 2%. Exchange rate movements increased operating profit by SEK 15m, and expressed in local currency, operating profit rose by 1%.

Return on allocated capital was 13.5% (14.4).

Income increased by 5% to SEK 2,141m (2,044) and was positively affected by exchange rate movements in the amount of SEK 21m. Expressed in local currency, income rose by 4%.

Net interest income increased by SEK 108m, or 6%, to SEK 1,891m (1,783), of which SEK 19m was attributable to exchange rate movements. Greater lending volumes improved net interest income by SEK 80m, while higher lending margins contributed SEK 48m. Deposit margins decreased by SEK 17m, and lower corporate deposit volumes reduced net interest income by SEK 7m. Fees for the Swedish Resolution Fund increased by SEK 48m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -143m (-97).

Net fee and commission income declined by 3% to SEK 198m (205). Adjusted for exchange rate movements, net fee and commission income went down by 4%, mainly 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 well as Norway 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 2m lower year-on-year. Corresponding commissions are instead recognised in the Capital Markets segment, and are reported in the Handelsbanken Norway segment on the profit allocation line.

Net gains/losses on financial transactions totalled SEK 48m (46).

Staff costs totalled SEK -406m (-177). Adjusted for the aforementioned non-recurring item during the period of comparison, staff costs increased by 6%, and expressed in local currency, by 5% . The average number of employees grew by 4% to 686 (662). An initiative is under way to increase efficiency and digitalise administration and routine work. This includes increased automation and other efficiency measures for internal processes.

Loan losses were SEK -129m (-102), and the loan loss ratio was 0.11% pursuant to IFRS 9 (IAS 39: 0.08).

Business development

The Bank continued to have a stable inflow of new customers. The average volume of lending to households increased by 2%, as well as deposits from households grew by 3%. Compared with the corresponding period for the previous year, corporate lending grew by 7%, while the average volume of corporate deposits decreased by 13%.

In total, the average volume of lending rose by 5% to NOK 248.2bn (235.5), while total deposits decreased by 8% to NOK 62.9bn (68.5).

New savings in the Bank's mutual funds in Norway amounted to SEK 1.1bn (2.8) in the first half of the year.

At the end of the first half-year, Handelsbanken had a total of 49 (49) branches in Norway.

Q2 2018 COMPARED WITH Q1 2018

Operating profit grew by 1% to SEK 638m (632), and increased by SEK 25m due to the weakening of the Swedish krona. Expressed in local currency, operating profit was 3% lower.

Net interest income rose by 5%, or SEK 47m, to SEK 969m (922), where exchange rate movements represented SEK 39m of the increase. Higher margins on deposits were unable to fully compensate for the decline in margins on lending to households. The margins on corporate lending were stable during the quarter. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -72m (-71).

Net fee and commission income rose by 8% to SEK 103m (95), partly due to improved net fee and commission income from payments and higher lending and securities commissions.

Net gains/losses on financial transactions totalled SEK 25m (23).

Expenses increased by 2% to SEK -376m (-369), but adjusted for exchange rate effects expenses decreased by 2%, expressed in local currency.

Staff costs increased by 4% to SEK -207m (-199), which was entirely due to the weakening of the Swedish krona and expressed in local currency, staff costs declined slightly. The average number of employees grew by 6 to 689 (683). Other expenses remained unchanged.

Loan losses totalled SEK -88m (-41), and the loan loss ratio was 0.14% pursuant to IFRS 9 (0.07).

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 29 branches throughout the Netherlands.

INCOME STATEMENT

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	168	157	7%	135	24%	325	260	25%	557
Net fee and commission income	43	39	10%	33	30%	82	65	26%	155
Net gains/losses on financial transactions	5	1	400%	3	67%	6	5	20%	20
Share of profit of associates	-	-		1		-	2		2
Other income	1	0		0		1	0		1
Total income	**217**	**197**	**10%**	**172**	**26%**	**414**	**332**	**25%**	**735**
Staff costs	-90	-84	7%	-74	22%	-174	-141	23%	-289
Other expenses	-24	-21	14%	-20	20%	-45	-38	18%	-85
Internal purchased and sold services	-26	-32	-19%	-24	8%	-58	-46	26%	-98
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-3	67%	-3	67%	-8	-5	60%	-13
Total expenses	**-145**	**-140**	**4%**	**-121**	**20%**	**-285**	**-230**	**24%**	**-485**
Profit before loan losses	**72**	**57**	**26%**	**51**	**41%**	**129**	**102**	**26%**	**250**
Net loan losses	0	12	-100%	2		12	0		2
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	**72**	**69**	**4%**	**53**	**36%**	**141**	**102**	**38%**	**252**
Profit allocation	1	0		2	-50%	1	2	-50%	3
Operating profit after profit allocation	**73**	**69**	**6%**	**55**	**33%**	**142**	**104**	**37%**	**255**
Internal income	-81	-77	-5%	-62	-31%	-158	-122	-30%	-227
Cost/income ratio, %	66.5	71.1		69.5		68.7	68.9		65.7
Loan loss ratio (IAS 39), %				-0.02			0.00		-0.01
Loan loss ratio (IFRS 9), %	0.00	-0.12				-0.06			
Allocated capital	1,581	1,558	1%	1,375	15%	1,581	1,375	15%	1,465
Return on allocated capital, %	14.4	13.9		12.4		14.2	12.2		14.3
Average number of employees	298	291	2%	274	9%	295	266	11%	273
Number of branches	29	28	4%	27	7%	29	27	7%	28

BUSINESS VOLUMES

Average volumes, EUR m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Loans to the public									
Household	2,339	2,218	5%	1,891	24%	2,278	1,836	24%	1,959
Corporate	2,042	1,997	2%	1,717	19%	2,020	1,706	18%	1,728
Total	**4,381**	**4,215**	**4%**	**3,608**	**21%**	**4,298**	**3,542**	**21%**	**3,687**
Deposits and borrowing from the public									
Household	127	118	8%	84	51%	122	81	51%	91
Corporate	956	1,077	-11%	727	31%	1,017	748	36%	739
Total	**1,083**	**1,195**	**-9%**	**811**	**34%**	**1,139**	**829**	**37%**	**830**

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Financial performance

Operating profit improved by 38% to SEK 141m (102), mainly due to continuing growth in business volumes. Income grew by 25%, as well as expenses went up by 24%. Adjusted for exchange rate movements, operating profit improved by 31% expressed in local currency. Return on allocated capital grew to 14.2% (12.2).

Net interest income increased by 25% to SEK 325m (260). Of the SEK 65m increase, greater lending volumes accounted for SEK 56m. Exchange rate movements made a positive contribution of SEK 15m. Fees for the Swedish Resolution Fund increased by SEK 9m and, together with the deposit guarantee, government fees burdened net interest income by SEK -18m (-9).

Net fee and commission income rose by 26% to SEK 82m (65). The asset management company Optimix contributed SEK 73m (56).

Expenses grew by 24% to SEK -285m (-230), as a result of the continuing expansion. The average number of employees went up by 11% to 295 (266).

Loan losses consisted of net recoveries, and totalled SEK 12m (0). The loan loss ratio was -0.06% pursuant to IFRS 9 (IAS 39: 0.00).

Business development

Business volumes continued to grow. The average volume of lending to the public increased by 21% compared to the corresponding period in the previous year, as well as deposits grew by 37%. The average volume of lending to households rose by 24% to EUR 2,278m (1,836), while deposits from households increased by 51% to EUR 122m (81). Corporate lending rose by 18% to EUR 2,020m (1,706). The average volume of corporate deposits was up by 36% to EUR 1,017m (748).

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

In the second quarter, the Bank opened the Amsterdam Amstel branch, bringing the total of Handelsbanken branches in the Netherlands to 29 (27).

Q2 2018 COMPARED WITH Q1 2018

Operating profit increased by 4% to SEK 72m (69). Income grew by 10% to SEK 217m (197).

Net interest income grew by 7% to SEK 168m (157), where the weakening of the Swedish krona accounted for SEK 6m of the increase.

Net fee and commission income was up by 10% to SEK 43m (39).

Expenses rose by 4% to SEK -145m (-140) and were attributable to the continued expansion. The average number of employees grew by 2% and contributed to staff costs increasing by 7% to SEK -90m (-84).

Loan losses totalled SEK 0m (12). The loan loss ratio was 0.00% pursuant to IFRS 9 (-0.12).

Handelsbanken Capital Markets

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

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

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

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

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

INCOME STATEMENT

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	119	110	8%	118	1%	229	236	-3%	472
Net fee and commission income	997	952	5%	859	16%	1,949	1,641	19%	3,174
Net gains/losses on financial transactions	253	221	14%	228	11%	474	627	-24%	979
Risk result - insurance	15	41	-63%	53	-72%	56	89	-37%	142
Other income	-2	4		3		2	10	-80%	26
Total income	**1,382**	**1,328**	**4%**	**1,261**	**10%**	**2,710**	**2,603**	**4%**	**4,793**
Staff costs	-579	-570	2%	-588	-2%	-1,149	-1,132	2%	-2,241
Other expenses	-249	-229	9%	-225	11%	-478	-448	7%	-922
Internal purchased and sold services	6	12	-50%	4	50%	18	23	-22%	52
Depreciation, amortisation and impairments of property, equipment and intangible assets	-30	-28	7%	-22	36%	-58	-40	45%	-83
Total expenses	**-852**	**-815**	**5%**	**-831**	**3%**	**-1,667**	**-1,597**	**4%**	**-3,194**
Profit before loan losses	**530**	**513**	**3%**	**430**	**23%**	**1,043**	**1,006**	**4%**	**1,599**
Net loan losses	-3	16		11		13	-64		-56
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		-1
Operating profit	**527**	**529**	**0%**	**441**	**20%**	**1,056**	**942**	**12%**	**1,542**
Profit allocation	-602	-535	13%	-424	42%	-1,137	-803	42%	-1,629
Operating profit after profit allocation	**-75**	**-6**		**17**		**-81**	**139**		**-87**
Internal income	-763	-672	-14%	-699	-9%	-1,435	-1,449	1%	-2,735
Cost/income ratio, %	109.2	102.8		99.3		106.0	88.7		100.9
Loan loss ratio (IAS 39), %				-0.10			0.28		0.12
Loan loss ratio (IFRS 9), %	0.02	-0.09				-0.03			
Allocated capital	4,170	4,342	-4%	4,478	-7%	4,170	4,478	-7%	4,314
Return on allocated capital, %	-5.6	-0.4		1.1		-3.0	4.6		-1.5
Average number of employees	1,585	1,577	1%	1,627	-3%	1,581	1,635	-3%	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 – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Financial performance

Operating profit rose by 12% to SEK 1,056m (942) due to higher income and lower loan losses. Profit before loan losses grew by 4% to SEK 1,043m (1,006).

Total income increased by 4% to SEK 2,710m (2,603), due to higher net fee and commission income. Net fee and commission income increased by 19%, to SEK 1,949m (1,641), which was partly attributable to new securities market regulations that are 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 233m 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 474m (627). The decrease in profit was attributable to unusually high income in the comparison period due to market turbulence at the previous year-end.

Total expenses rose by 4% to SEK -1,667m (-1597). Staff costs increased by 2% to SEK -1,149m (-1,132), 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 3% to 1,581 (1,635).

Loan losses consisted of net recoveries, which amounted to SEK 13m (-64), and the loan loss ratio was -0.03% pursuant to IFRS 9 (IAS 39: 0.28).

Business development

Asset management operations continued to show a strong performance and net savings in Sweden in Handelsbanken's mutual funds during the first half of the year amounted to SEK 7.4bn (10.8), corresponding to a market share of 35%.

Net savings in the Bank's mutual funds elsewhere in the Nordic region showed strong growth, amounting to SEK 2.5bn during the first half of the year. All of the Nordic home markets reported the highest ever mutual fund volumes. Total net savings in the Group's funds were SEK 10.0bn.

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

The total fund volume, including exchange-traded funds, has increased since the beginning of the year from SEK 498bn to SEK 534bn, up 7%. Total assets under management in the Group rose by 6% during the first half-year to SEK 651bn (612) – the highest level ever.

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

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.

The Pension & Life business area performed well and in the area of occupational pensions in Sweden, premiums paid in increased by 17% compared with the corresponding period in the previous year. The total net flow also performed strongly and rose by 51% to SEK 4.7bn (3.1). Since the year-end, assets under management by Handelsbanken Liv have grown by just over 8% to SEK 150bn (139).

The Bank's business volumes in the market for capital market funding performed well with continued major interest in green bonds, where the Bank arranged nine transactions during the first half of the year, with a total value of SEK 12.2bn. The Bank arranged a total of 66 bond issues during the first half of the year for a value of EUR 6.8bn.

The average volume of deposits in Handelsbanken International, i.e. the operations outside the Bank's home markets, rose by 28% totalling SEK 62.5bn (49.0). During the same period, lending decreased by 9% to SEK 32.1bn (35.3).

Q2 2018 COMPARED WITH Q1 2018

Operating profit was virtually unchanged at SEK 527m (529). Total income grew by 4% to SEK 1,382m (1,328).

Net fee and commission income grew by 5% to SEK 997m (952), mainly due to higher mutual fund commissions.

Net gains/losses on financial transactions grew by 14% to SEK 253m (221). This was primarily attributable to a higher overall level of activity during Q2.

Total expenses rose by 5% to SEK -852m (-815), chiefly due to higher costs for market data and consultants. The average number of employees grew by 1% to 1,585 (1,577).

Loan losses totalled SEK -3m (16), and the loan loss ratio was 0.02% pursuant to IFRS 9 (-0.09).

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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	214	208	3%	200	7%	422	419	1%	801
Net fee and commission income	7	9	-22%	5	40%	16	23	-30%	48
Net gains/losses on financial transactions	-282	-356	21%	-199	-42%	-638	-311	-105%	-755
Share of profit of associates	2	-9		-4		-7	-32	78%	12
Other income	861	10		10		871	22		637
Total income	**802**	**-138**		**12**		**664**	**121**	**449%**	**743**
Staff costs	-773	-796	-3%	-763	1%	-1,569	-1,461	7%	-2,818
Other expenses	-706	-755	-6%	-627	13%	-1,461	-1,290	13%	-2,591
Internal purchased and sold services	1,362	1,358	0%	1,208	13%	2,720	2,403	13%	4,871
Depreciation, amortisation and impairments of property, equipment and intangible assets	-94	-80	18%	-60	57%	-174	-125	39%	-282
Total expenses	**-211**	**-273**	**-23%**	**-242**	**-13%**	**-484**	**-473**	**2%**	**-820**
Profit before loan losses	**591**	**-411**		**-230**		**180**	**-352**		**-77**
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0		0
Operating profit	**591**	**-411**		**-230**		**180**	**-352**		**-77**
Profit allocation									
Operating profit after profit allocation	**591**	**-411**		**-230**		**180**	**-352**		**-77**
Internal income	2,358	1,837	28%	1,656	42%	4,195	3,621	16%	5,957
Average number of employees	2,231	2,163	3%	2,003	11%	2,197	1,966	12%	2,025

JANUARY – JUNE 2018 COMPARED WITH JANUARY – JUNE 2017

Operating profit in other units not reported in the business segments amounted to SEK 180m (-352).

Other income increased to SEK 871m (22); this was attributable to the Bank's sale of its shares in UC AB, which had a positive earnings impact of SEK 837m.

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

The provision to the Oktogonen profit-sharing foundation was SEK -440m (-486) and included a final reconciliation for 2017 of SEK -33m.

The average number of employees totalled 2,197 (1,966). The increase in the number of employees was partly attributable to an increase in IT development activity. The average number of employees in the IT department grew by 5% to 1,602 (1,521). The increase was also attributable to the Bank's continuing build-up of its control functions as part of its adjustment to regulatory developments.

Q2 2018 COMPARED WITH Q1 2018

Operating profit was SEK 591m (-411). The current quarter included an earnings impact of SEK 837m, as a result of the sale of shares in UC AB. The provision to the Oktogonen profit-sharing foundation was SEK -207m (-233). The average number of employees totalled 2,231 (2,163); within this figure, the number of employees at the IT department increased by 36 to 1,620 (1,584).

KEY FIGURES – GROUP

	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017
Return on equity	16.0%	11.7%	12.9%	13.8%	12.6%
C/I ratio	44.7%	48.6%	46.9%	46.5%	45.8%
C/I ratio, incl. loan losses	46.6%	50.0%	48.7%	48.2%	47.7%
Earnings per share, SEK	2.69	2.06	2.09	4.75	4.20
- after dilution	2.66	2.04	2.06	4.70	4.16
Ordinary dividend, SEK					
Total dividend					
Adjusted equity per share, SEK	71.30	68.23	68.82	71.30	68.82
Common equity tier 1 ratio, CRR	21.4%	21.6%	23.4%	21.4%	23.4%
Total capital ratio, CRR	28.3%	28.3%	29.0%	28.3%	29.0%
Average number of employees, continuing operations	12,219	12,066	11,687	12,143	11,636
Number of branches, Sweden	407	415	423	407	423
Number of branches outside Sweden	400	399	398	400	398

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

	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017
Number of converted shares	1,609	-	-	1,609	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	1,944,175,160	1,944,173,551	1,944,173,551	1,944,175,160	1,944,173,551
Number of outstanding shares after dilution, end of period	1,976,962,335	1,975,753,103	1,975,025,212	1,976,962,335	1,975,025,212
Average number of shares converted during the period	831	-	22,151	418	19,947
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares	1,944,174,382	1,944,151,400	1,944,173,551	1,944,173,969	1,944,171,347
- after dilution	1,975,314,735	1,974,503,370	1,975,278,248	1,974,525,521	1,974,290,244
Share price SHB class A, end of period, SEK	99.56	104.20	120.60	99.56	120.60
Share price SHB class B, end of period, SEK	102.80	110.00	119.20	102.80	119.20
Market capitalisation, end of period, SEK bn	194	203	234	194	234

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change
Interest income		12,353	11,106	11%	10,398	19%	23,459	20,608	14%
Interest expense		-4,449	-3,458	29%	-3,077	45%	-7,907	-6,206	27%
Net interest income	Note 2	**7,904**	**7,648**	**3%**	**7,321**	**8%**	**15,552**	**14,402**	**8%**
Net fee and commission income	Note 3	2,551	2,461	4%	2,508	2%	5,012	4,862	3%
Net gains/losses on financial transactions	Note 4	290	129	125%	317	-9%	419	864	-52%
Risk result - insurance		15	41	-63%	53	-72%	56	89	-37%
Other dividend income		12	2	500%	11	9%	14	13	8%
Share of profit of associates		2	-9		-3		-7	-30	77%
Other income		861	52		31		913	74	
Total income		**11,635**	**10,324**	**13%**	**10,238**	**14%**	**21,959**	**20,274**	**8%**
Staff costs		-3,363	-3,217	5%	-3,242	4%	-6,580	-6,160	7%
Other expenses	Note 5	-1,644	-1,625	1%	-1,410	17%	-3,269	-2,840	15%
Depreciation, amortisation and impairment of property, equipment and intangible assets		-189	-172	10%	-145	30%	-361	-295	22%
Total expenses		**-5,196**	**-5,014**	**4%**	**-4,797**	**8%**	**-10,210**	**-9,295**	**10%**
Profit before loan losses		**6,439**	**5,310**	**21%**	**5,441**	**18%**	**11,749**	**10,979**	**7%**
Net loan losses	Note 6	-222	-153	45%	-186	19%	-375	-382	-2%
Gains/losses on disposal of property, equipment and intangible assets		3	4	-25%	2	50%	7	7	0%
Operating profit		**6,220**	**5,161**	**21%**	**5,257**	**18%**	**11,381**	**10,604**	**7%**
Taxes		-989	-1,157	-15%	-1,201	-18%	-2,146	-2,437	-12%
Profit for the period		**5,231**	**4,004**	**31%**	**4,056**	**29%**	**9,235**	**8,167**	**13%**
Attributable to									
Shareholders in Svenska Handelsbanken AB		5,231	4,003	31%	4,056	29%	9,234	8,167	13%
Minority interest		0	1		0		1	0	

EARNINGS PER SHARE – GROUP

	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	5,231	4,003	31%	4,056	29%	9,234	8,167	13%	16,099
- of which interest expense on convertible subordinated loan after tax	-51	-25	104%	-18	183%	-76	-49	55%	-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	1,975.3	1,974.5		1,975.3		1,974.5	1,974.3		1,974.3
Earnings per share, SEK	2.69	2.06	31%	2.09	29%	4.75	4.20	13%	8.28
- after dilution	2.66	2.04	30%	2.06	29%	4.70	4.16	13%	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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Profit for the period	**5,231**	**4,004**	**31%**	**4,056**	**29%**	**9,235**	**8,167**	**13%**	**16,102**
Other comprehensive income									
Items that will not be reclassified to the income statement									
Defined benefit plans	-470	-1,775	74%	1,013		-2,245	3,331		3,919
Instruments measured at fair value through other comprehensive income - equity instruments	56	39				95			
Tax on items that will not be reclassified to income statement	101	389	-74%	-223		490	-734		-864
of which defined benefit pension plans	*102*	*389*	*-74%*	*-223*		*491*	*-734*		*-864*
of which equity instruments measured at fair value through other comprehensive income	*-1*	*0*				*-1*			
Total items that will not be reclassified to the income statement	**-313**	**-1,347**	**77%**	**790**		**-1,660**	**2,597**		**3,055**
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	699	-1,054		-1,070		-355	-734	52%	-2,350
Available-for-sale instruments				21			58		-470
Instruments measured at fair value through other comprehensive income - debt instruments	-2	1				-1			
Translation differences for the period	1,105	3,233	-66%	-869		4,338	-2,179		-2,241
of which hedging net investment in foreign operations	*-465*	*-92*	*-405%*	*-24*		*-557*	*-819*	*32%*	*-1,509*
Tax on items that may subsequently be reclassified to the income statement	-51	252		230		201	329	-39%	844
of which cash flow hedges	*-154*	*232*		*228*		*78*	*154*	*-49%*	*517*
of which available-for-sale instruments				*-2*			*-4*		*-5*
of which debt instruments measured at fair value through other comprehensive income	*0*	*0*				*0*			
of which hedging net investment in foreign operations	*103*	*20*	*415%*	*4*		*123*	*179*	*-31%*	*332*
Total items that may subsequently be reclassified to the income statement	**1,751**	**2,432**	**-28%**	**-1,688**		**4,183**	**-2,526**		**-4,217**
Total other comprehensive income for the period	**1,438**	**1,085**	**33%**	**-898**		**2,523**	**71**		**-1,162**
Total comprehensive income for the period	**6,669**	**5,089**	**31%**	**3,158**	**111%**	**11,758**	**8,238**	**43%**	**14,940**
Attributable to									
Shareholders in Svenska Handelsbanken AB	6,668	5,089	31%	3,158	111%	11,757	8,238	43%	14,940
Minority interest	1	0		0		1	0		0

In the first half of 2018, Other comprehensive income totalled SEK 2,523m (71) 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 the period, net pensions were a liability. During the January–June period, other comprehensive income was negatively affected by SEK -1,754m after tax, related to defined benefit pension plans, while in the period of comparison there was a positive effect of SEK 2,597 after tax. The main reason for the change in the period was the pension obligations increasing as a result of a lowering of the discount rate for the Swedish pension obligations, to 2.00% from 2.20%, since 31 December 2017.

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 -277m (-580) 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 -29m (-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 94m (41) and SEK -1m (13) 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 4,461m (-2,000) after tax during the period.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Interest income	12,353	11,106	10,853	10,631	10,398
Interest expense	-4,449	-3,458	-3,076	-3,044	-3,077
Net interest income	7,904	7,648	7,777	7,587	7,321
Net fee and commission income	2,551	2,461	2,501	2,355	2,508
Net gains/losses on financial transactions	290	129	164	243	317
Risk result - insurance	15	41	34	19	53
Other dividend income	12	2	576	2	11
Share of profit of associates	2	-9	30	14	-3
Other income	861	52	70	28	31
Total income	**11,635**	**10,324**	**11,152**	**10,248**	**10,238**
Staff costs	-3,363	-3,217	-3,178	-3,134	-3,242
Other expenses	-1,644	-1,625	-1,712	-1,337	-1,410
Depreciation, amortisation and impairment of property, equipment and intangible assets	-189	-172	-184	-140	-145
Total expenses	**-5,196**	**-5,014**	**-5,074**	**-4,611**	**-4,797**
Profit before loan losses	**6,439**	**5,310**	**6,078**	**5,637**	**5,441**
Net loan losses	-222	-153	-1,084	-217	-186
Gains/losses on disposal of property, equipment and intangible assets	3	4	3	4	2
Operating profit	**6,220**	**5,161**	**4,997**	**5,424**	**5,257**
Taxes	-989	-1,157	-1,235	-1,251	-1,201
Profit for the period	**5,231**	**4,004**	**3,762**	**4,173**	**4,056**
Earnings per share, SEK	2.69	2.06	1.93	2.15	2.09
- after dilution	2.66	2.04	1.92	2.13	2.06

BALANCE SHEET – GROUP

SEK m		30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Assets						
Cash and balances with central banks		375,243	276,999	226,314	377,821	436,848
Other loans to central banks	Note 7	61,104	99,545	38,920	111,008	52,718
Interest-bearing securities eligible as collateral with central banks		141,828	103,579	129,006	112,339	119,603
Loans to other credit institutions	Note 7	36,985	35,475	20,250	30,742	33,526
Loans to the public	Note 7	2,194,038	2,143,107	2,065,761	2,040,589	2,011,455
Value change of interest-hedged item in portfolio hedge		37	36	36	36	33
Bonds and other interest-bearing securities		62,009	59,175	49,601	61,996	61,243
Shares		13,462	19,093	14,052	20,885	21,353
Investments in associates		254	289	297	217	212
Assets where the customer bears the value change risk		147,265	138,442	135,617	132,381	128,870
Derivative instruments	Note 9,10	67,016	59,069	56,070	56,913	61,940
Reinsurance assets		14	14	14	9	9
Intangible assets	Note 11	10,397	10,161	9,861	9,670	9,579
Property and equipment		2,289	2,252	2,238	2,404	2,353
Current tax assets		2,823	2,141	242	2,217	1,379
Deferred tax assets		445	355	399	394	436
Net pension assets		-	-	1,239	1,615	1,368
Assets held for sale		20	-	-	1	3
Other assets		15,334	10,420	10,715	13,565	12,302
Prepaid expenses and accrued income		3,790	3,424	6,345	6,253	5,864
Total assets		**3,134,353**	**2,963,576**	**2,766,977**	**2,981,055**	**2,961,094**
Liabilities and equity						
Due to credit institutions	Note 12	211,927	193,642	174,820	205,355	202,681
Deposits and borrowing from the public	Note 12	1,126,480	1,065,678	941,967	1,112,138	1,120,291
Liabilities where the customer bears the value change risk		147,264	138,448	135,617	132,488	128,962
Issued securities	Note 13	1,406,806	1,331,913	1,276,595	1,279,283	1,264,536
Derivative instruments	Note 9,10	21,960	25,902	24,876	30,147	31,654
Short positions		10,594	7,559	2,072	10,081	7,876
Insurance liabilities		552	1,165	549	554	562
Current tax liabilities		1,444	789	394	2,147	1,388
Deferred tax liabilities		5,942	6,247	6,853	7,560	7,749
Provisions		258	268	153	298	426
Net pension liabilities		525	11	-	-	-
Other liabilities		15,398	13,791	15,863	15,828	13,851
Accrued expenses and deferred income		3,777	4,929	12,718	13,665	13,436
Subordinated liabilities		43,147	41,621	32,896	32,560	32,782
Total liabilities		**2,996,074**	**2,831,963**	**2,625,373**	**2,842,104**	**2,826,194**
Minority interest		11	13	11	9	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		10,629	9,192	8,106	9,215	9,339
Retained earnings		109,763	109,763	108,746	108,746	108,746
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		9,234	4,003	16,099	12,339	8,167
Total equity		**138,279**	**131,613**	**141,604**	**138,951**	**134,900**
Total liabilities and equity		**3,134,353**	**2,963,576**	**2,766,977**	**2,981,055**	**2,961,094**

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 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.

STATEMENT OF CHANGES IN EQUITY – GROUP

January – June 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							9,234	1	9,235
Other comprehensive income			-1,754	-277	93	4,460		1	2,523
Total comprehensive income for the period			**-1,754**	**-277**	**93**	**4,460**	**9,234**	**2**	**11,758**
Dividend							-14,581		-14,581
Effects of convertible subordinated loans	0	0							0
Change of minority interests							-	-2	-2
Closing equity	**3,013**	**5,629**	**2,957**	**377**	**593**	**6,702**	**118,997**	**11**	**138,279**

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 – June 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							8,167	0	8,167
Other comprehensive income			2,597	-580	54	-2,000		0	71
Total comprehensive income for the period			**2,597**	**-580**	**54**	**-2,000**	**8,167**	**0**	**8,238**
Dividend							-9,721		-9,721
Effects of convertible subordinated loans	0	1							1
Change of minority interests							1	0	1
Closing equity	**3,013**	**5,629**	**4,253**	**1,907**	**1,028**	**2,151**	**116,913**	**6**	**134,900**

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 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 June 2018, convertibles for a nominal value of SEK 0m (1) relating to subordinated convertible bonds were converted into 1,609 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-Jun 2018	Jan-Jun 2017	Full year 2017
Operating profit, total operations	11,381	10,604	21,025
Adjustment for non-cash items in profit/loss	321	1,300	3,398
Paid income tax	-3,944	-2,909	-5,723
Changes in the assets and liabilities of operating activities	124,035	252,433	21,191
Cash flow from operating activities	**131,793**	**261,428**	**39,891**
Aquisition / disposal of subsidiaries	-	-	-
Change in shares	242	7	-62
Change in interest-bearing securities	-	-	-
Change in property and equipment	-219	-164	-451
Change in intangible assets	-399	-355	-701
Cash flow from investing activities	**-376**	**-512**	**-1,214**
Repayment of subordinated loans	-	-	-
Issued subordinated loans	7,713	-	-
Dividend paid	-14,581	-9,721	-9,721
Cash flow from financing activities	**-6,868**	**-9,721**	**-9,721**
Liquid funds at beginning of the period	**226,314**	**199,362**	**199,362**
Cash flow for the period	124,549	251,195	28,956
Exchange rate difference on liquid funds	24,380	-13,709	-2,004
Liquid funds at end of the period*	**375,243**	**436,848**	**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 has been 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 66 for the parent company.

IFRS 15 Revenue from Contracts with Customers also came into effect on 1 January 2018. IFRS 15 introduces a five-step 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 arising from the new standard is that all leases (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 on the lessee's balance sheet. In the income statement, the straight-line expense for the operating lease is replaced by a charge for depreciation on the leased asset and an interest expense attributable to the liability. There are also new disclosure requirements. For lessors, the requirements are largely unchanged. The main impact on the Bank's accounts is expected to come from the reporting of rental contracts regarding premises. 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 standards issued for application are assessed to have a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

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 remeasure-ments 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 identifed as hedge instruments	Derivatives identifed 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 identifed as hedge instruments	Derivatives identifed 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	*Effect on retained earnings due to new rules for impairment*
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 financial 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) No financial liabilities have been subject to revaluation as a result of an amended classification in line with 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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Interest income									
Loans to credit institutions and central banks	661	668	-1%	522	27%	1,329	869	53%	2,140
Loans to the public	10,427	9,941	5%	9,750	7%	20,368	19,445	5%	38,919
Interest-bearing securities eligible as collateral with central banks	108	58	86%	43	151%	166	100	66%	188
Bonds and other interest-bearing securities	244	219	11%	164	49%	463	340	36%	676
Derivative instruments	535	-112		-380		423	-706		-949
Other interest income	341	324	5%	359	-5%	665	679	-2%	1,342
Total interest income	**12,316**	**11,098**	**11%**	**10,458**	**18%**	**23,414**	**20,727**	**13%**	**42,316**
of which interest income reported in Net gains/losses on financial transactions	*-37*	*-8*	*-363%*	*60*		*-45*	*119*		*224*
Interest income according to income statement	**12,353**	**11,106**	**11%**	**10,398**	**19%**	**23,459**	**20,608**	**14%**	**42,092**
of which interest income according to the effective interest method	*11,593*	*11,058*	*5%*	*10,679*	*9%*	*22,651*	*21,104*	*7%*	*42,606*
Interest expense									
Due to credit institutions and central banks	-377	-384	-2%	-309	22%	-761	-608	25%	-1,281
Deposits and borrowing from the general public	-455	-369	23%	-398	14%	-824	-692	19%	-1,545
Issued securities	-4,524	-3,991	13%	-4,023	12%	-8,515	-8,180	4%	-15,732
Derivative instruments	1,986	2,277	-13%	2,454	-19%	4,263	4,886	-13%	9,378
Subordinated liabilities	-393	-347	13%	-356	10%	-740	-716	3%	-1,411
State fees	-706	-695	2%	-516	37%	-1,401	-1,043	34%	-2,024
Other interest expense	-88	-73	21%	-19	363%	-161	-47	243%	-106
Total interest expense	**-4,557**	**-3,582**	**27%**	**-3,167**	**44%**	**-8,139**	**-6,400**	**27%**	**-12,721**
of which interest expense reported in Net gains/losses on financial transactions	*-108*	*-124*	*-13%*	*-90*	*20%*	*-232*	*-194*	*20%*	*-395*
Interest expense according to income statement	**-4,449**	**-3,458**	**29%**	**-3,077**	**45%**	**-7,907**	**-6,206**	**27%**	**-12,326**
Net interest income	**7,904**	**7,648**	**3%**	**7,321**	**8%**	**15,552**	**14,402**	**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	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Brokerage and other securities commissions	177	181	-2%	246	-28%	358	507	-29%	886
Mutual funds	941	889	6%	895	5%	1,830	1,744	5%	3,559
Custody and other asset management fees	246	245	0%	169	46%	491	333	47%	722
Advisory services	53	62	-15%	105	-50%	115	161	-29%	234
Insurance	178	176	1%	168	6%	354	328	8%	664
Payments	896	826	8%	847	6%	1,722	1,607	7%	3,359
Loans and deposits	336	330	2%	308	9%	666	609	9%	1,238
Guarantees	98	93	5%	99	-1%	191	196	-3%	381
Other	123	125	-2%	125	-2%	248	249	0%	496
Total fee and commission income	**3,048**	**2,927**	**4%**	**2,962**	**3%**	**5,975**	**5,734**	**4%**	**11,539**
Securities	-53	-59	-10%	-70	-24%	-112	-142	-21%	-264
Payments	-425	-384	11%	-368	15%	-809	-699	16%	-1,491
Other	-19	-23	-17%	-16	19%	-42	-31	35%	-66
Total fee and commission expense	**-497**	**-466**	**7%**	**-454**	**9%**	**-963**	**-872**	**10%**	**-1,821**
Net fee and commission income	**2,551**	**2,461**	**4%**	**2,508**	**2%**	**5,012**	**4,862**	**3%**	**9,718**

Note 4 Net gains/losses on financial transactions

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Trading, derivatives, FX effect etc				439			1,145		1,814
Financial instruments at fair value through profit or loss, mandatory including FX effects	138	273	-49%			411			
Other financial instruments at fair value through profit/loss				-132			-271		-553
of which interest-bearing securities				*-123*			*-252*		*-524*
of which loans				*-9*			*-19*		*-29*
Financial instruments at fair value through profit or loss, fair value option	116	-122				-6			
Financial instruments at amortised cost	50	33	52%	32	56%	83	45	84%	156
of which loans	*93*	*78*	*19%*	*86*	*8%*	*171*	*170*	*1%*	*372*
of which interest-bearing securities	-	-				-			
of which issued securities	*-43*	*-45*	4%	*-54*	*-20%*	*-88*	*-125*	30%	*-216*
Financial instruments available for sale				4			6		8
Financial instrument at fair value through other comprehensive income	-	-				-			
Hedge accounting	-1	-20	95%	3		-21	-7	-200%	-29
of which net gains/losses on fair value hedges	*4*	*4*	0%	*6*	*-33%*	*8*	-		*-7*
of which cash flow hedge ineffectiveness	*-5*	*-24*	*79%*	*-3*	*-67%*	*-29*	*-7*	*-314%*	*-22*
Gains/losses on unbundled insurance contracts	-13	-35	63%	-29	55%	-48	-54	11%	-125
Total	**290**	**129**	**125%**	**317**	**-9%**	**419**	**864**	**-52%**	**1,271**

Note 5 Other expenses

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Property and premises	-326	-314	4%	-290	12%	-640	-608	5%	-1,235
External IT costs	-524	-563	-7%	-489	7%	-1,087	-967	12%	-1,935
Communication	-90	-87	3%	-75	20%	-177	-159	11%	-309
Travel and marketing	-85	-69	23%	-88	-3%	-154	-156	-1%	-317
Purchased services	-438	-411	7%	-317	38%	-849	-635	34%	-1,406
Supplies	-42	-46	-9%	-38	11%	-88	-86	2%	-178
Other administrative expenses	-139	-135	3%	-113	23%	-274	-229	20%	-509
Other expenses	**-1,644**	**-1,625**	**1%**	**-1,410**	**17%**	**-3,269**	**-2,840**	**15%**	**-5,889**

Note 6 Loan losses

Loan losses IFRS 9

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Provision Stage 3									
The period's provision Stage 3	-426	-239	78%			-665			
Reversal of Stage 3 provisions to Stage 1 or Stage 2	64	97	-34%			161			
Total	**-362**	**-142**	**155%**			**-504**			
Provision Stage 1 and Stage 2									
The period's net provision Stage 2	34	-16				18			
The period's net provision Stage 1	23	30	-23%			53			
Total	**57**	**14**	**307%**			**71**			
Provision off-balance-sheet items									
The period's net provision Stage 3	-4	-36	-89%			-40			
The period's net provision Stage 2	2	7	-71%			9			
The period's net provision Stage 1	22	9	144%			31			
Total	**20**	**-20**				**0**			
Write-offs									
Actual loan losses for the period	-829	-1,629	-49%			-2,458			
Utilised share of previous provision Stage 3	815	1,596	-49%			2,411			
Total	**-14**	**-33**	**-58%**			**-47**			
Recoveries	**77**	**28**	**175%**			**105**			
Net loan losses	**-222**	**-153**	**45%**			**-375**			
of which loans to the public	*-242*	*-134*	*81%*			*-376*			

Loan losses IAS 39

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Specific provision for individually assessed loans									
Provision for the period				-165			-466		-1,811
Reversal of previous provisions				64			125		225
Total				**-101**			**-341**		**-1,586**
Collective provisions									
Net provision for the period for individually assessed loans				-67			-61		-120
Net provision for the period for homogeneous loans				-3			-2		-10
Total				**-70**			**-63**		**-130**
Off-balance-sheet items									
Losses on off-balance-sheet items				0			-1		-4
Reversal of previous losses on off-balance-sheet items				9			10		10
Change in collective provision for off-balance-sheet items				-9			3		-27
Total				**0**			**12**		**-21**
Write-offs									
Actual loan losses for the period				-253			-663		-1,253
Utilised share of previous provisions				195			591		1,102
Recoveries				42			82		205
Total				**-16**			**10**		**54**
									-
Net loan losses				**-186**			**-382**		**-1,683**

Loan losses IFRS 9 – Key figures

	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Loan loss ratio, % of loans to the public, acc	0.04	0.03			
Total loan loss reserve ratio loans to the public, %	0.17	0.20			
Loan loss reserve ratio Stage 1 loans to the public, %	0.02	0.02			
Loan loss reserve ratio Stage 2 loans to the public, %	0.96	1.22			
Loan loss reserve ratio Stage 3 loans to the public, %	39.23	40.19			
Proportion of loans to the public Stage 3, %	0.21	0.23			

Loan losses IAS 39 – Key figures

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

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

Note 7 Loans

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

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Cash and balances with central banks	375,243	276,999			
Other loans to central banks	61,104	99,545			
of which reverse repos	-	-			
Interest-bearing securities eligible as collateral with central banks	1,199	1,268			
Loans to other credit institutions	36,985	35,475			
of which reverse repos	*11,116*	*11,032*			
Loans to the public	2,194,038	2,143,107			
of which reverse repos	*8,726*	*6,698*			
Bonds and interest-bearing securities	6,021	5,586			
Total	**2,674,590**	**2,561,980**			

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Loans to the public			2,065,761	2,040,589	2,011,455
of which reverse repos			*6,607*	*7,126*	*8,322*
Loans to other credit institutions			20,250	30,742	33,526
of which reverse repos			*1,338*	*5,738*	*11,175*
Other loans to central banks			38,920	111,008	52,718
of which reverse repos			-	-	-

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

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Total loans, gross	2,678,441	2,566,289			
of which Stage 1	*2,610,556*	*2,508,066*			
of which Stage 2	*60,469*	*49,965*			
of which Stage 3	*7,416*	*8,258*			
Total provisions	-3,851	-4,309			
of which Stage 1	*-360*	*-378*			
of which Stage 2	*-582*	*-612*			
of which Stage 3	*-2,909*	*-3,319*			
Total loans, net	**2,674,590**	**2,561,980**			

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

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Loans to the public, gross	2,197,882	2,147,413			
of which Stage 1	*2,130,147*	*2,089,295*			
of which Stage 2	*60,319*	*49,860*			
of which Stage 3	*7,416*	*8,258*			
Total provisions	-3,844	-4,306			
of which Stage 1	*-357*	*-377*			
of which Stage 2	*-578*	*-610*			
of which Stage 3	*-2,909*	*-3,319*			
Loans to the public, net	**2,194,038**	**2,143,107**			

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

30 June 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	31	20	14	**65**
Derecognised assets	-25	-53	-107	**-185**
Transfer to Stage 1	27	-40	-1	**-14**
Transfer to Stage 2	-49	135	-1	**85**
Transfer to Stage 3	-80	-386	432	**-34**
Write-offs	0	0	-2,411	**-2,411**
Remeasurements due to changes in credit risk	61	406	214	**681**
Changes due to update in the methodology for estimation	-20	-132	-	**-152**
Foreign exchange effect, etc	14	56	73	**143**
Provision at end of period	**360**	**582**	**2,909**	**3,851**

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 changes in credit risk”.

Loans to the public (IFRS 9) - Change in the reserve for expected loan losses

30 June 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	30	19	14	**63**
Derecognised assets	-25	-53	-107	**-185**
Transfer to Stage 1	27	-40	-1	**-14**
Transfer to Stage 2	-49	135	-1	**85**
Transfer to Stage 3	-80	-386	432	**-34**
Write-offs	0	0	-2,411	**-2,411**
Changes due to changes in credit risk	60	405	215	**680**
Changes due to update in the methodology for estimation	-20	-131	-	**-151**
Foreign exchange effect, etc	14	56	72	**142**
Provision at end of period	**357**	**578**	**2,909**	**3,844**

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 changes in credit risk”.

Loans to the public (IFRS 9) – by sector

30 June 2018	Gross			Provisions			Net	
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		Stage 2 volumes past due > 30 days
Private individuals	1,071,965	19,539	2,034	-149	-96	-694	1,092,599	389
of which mortgage loans	*869,468*	*14,963*	*495*	*-46*	-27	-35	884,818	247
of which other loans with property mortgages	*148,571*	*2,812*	*504*	*-28*	-16	-116	151,727	92
of which other loans to private individuals	*53,926*	*1,764*	*1,035*	*-75*	-53	-543	56,054	50
Housing co-operative associations	220,200	3,244	58	-13	-1	-15	223,473	64
of which mortgage loans	*183,632*	*2,492*	*29*	*-8*	-1	-11	186,133	34
Property management	584,084	19,194	1,529	-95	-138	-396	604,178	105
Manufacturing	25,947	6,290	414	-13	-54	-265	32,319	11
Retail	20,671	1,689	146	-12	-24	-138	22,332	2
Hotel and restaurant	8,374	357	44	-6	-6	-34	8,729	-
Passenger and goods transport by sea	7,166	1,128	842	-1	-122	-99	8,914	-
Other transport and communication	14,055	1,264	99	-6	-7	-23	15,382	-
Construction	21,762	1,752	171	-16	-45	-140	23,484	3
Electricity, gas and water	21,535	972	193	-2	-10	-141	22,547	-
Agriculture, hunting and forestry	13,855	879	102	-6	-9	-85	14,736	-
Other services	22,437	988	230	-12	-23	-223	23,397	2
Holding, investment and insurance companies, funds etc.	65,415	1,928	548	-10	-14	-416	67,451	-
Government and municipalities	11,782	25	-	-	-	-	11,807	-
Other corporate lending	20,899	1,070	1,006	-16	-29	-240	22,690	9
Total	**2,130,147**	**60,319**	**7,416**	**-357**	**-578**	**-2,909**	**2,194,038**	**585**

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

30 June 2018	Gross			Provisions			Net	
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		Stage 2 volumes past due > 30 days
Loans in Sweden								
State-owned property companies	4,045	-	-	-	-	-	4,045	-
Municipal-owned property companies	8,450	-	-	-	-	-	8,450	-
Residential property companies	104,724	2,874	*38*	*-7*	-7	-19	107,603	9
of which mortgage loans	*91,744*	*2,463*	-	*-6*	-6	-	94,195	8
Other property management	124,320	2,764	195	-14	-15	-121	127,129	5
of which mortgage loans	*52,012*	*1,543*	*8*	*-6*	*-5*	*-2*	*53,552*	*4*
Total loans in Sweden	**241,539**	**5,638**	**233**	**-21**	**-22**	**-140**	**247,227**	**14**
Loans outside Sweden								-
UK	136,052	2,786	929	-29	-42	-161	139,535	1
Norway	111,030	7,758	201	-29	-39	-42	118,879	61
Denmark	19,821	1,313	84	-7	-16	-5	21,190	-
Finland	39,631	1,673	55	-3	-17	-42	41,297	29
The Netherlands	31,098	24	-	-5	-2	-	31,115	-
Other countries	4,913	2	27	-1	-	-6	4,935	-
Total loans outside Sweden	**342,545**	**13,556**	**1,296**	**-74**	**-116**	**-256**	**356,951**	**91**
Total loans - Property management	**584,084**	**19,194**	**1,529**	**-95**	**-138**	**-396**	**604,178**	**105**

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
of which mortgage loans	*850,962*	*-39*	*850,923*
of which other loans with property mortgages	*128,728*	*-133*	*128,595*
of which other loans to private individuals	*60,948*	*-538*	*60,410*
Housing co-operative associations	205,984	-18	205,966
of which mortgage loans	*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
of which mortgage loans	*92,260*	*-*	*92,260*
Other property management	125,224	-126	125,098
of which mortgage loans	*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	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Cash and balances with central banks	375,243	276,999	226,314	377,821	436,848
Other loans to central banks	61,104	99,545	38,920	111,008	52,718
Interest-bearing securities eligible as collateral with central banks	141,828	103,579	129,006	112,339	119,603
Loans to other credit institutions	36,985	35,475	20,250	30,742	33,526
of which reverse repos	*11,116*	*11,032*	*1,338*	*5,738*	*11,175*
Loans to the public	2,194,038	2,143,107	2,065,761	2,040,589	2,011,455
of which reverse repos	*8,726*	*6,698*	*6,607*	*7,126*	*8,322*
Bonds and other interest-bearing securities	62,009	59,175	49,601	61,996	61,243
Derivative instruments*	67,016	59,069	56,070	56,913	61,940
Contingent liabilities	89,404	88,634	75,666	75,666	75,293
of which guarantees, credits	*10,079*	*9,729*	*10,177*	*9,936*	*10,088*
of which guarantees, other	*73,291*	*72,274*	*57,878*	*59,119*	*58,620*
of which letters of credit	*6,034*	*6,631*	*7,611*	*6,611*	*6,585*
Other commitments	459,482	457,688	443,383	439,836	441,532
of which unutilised part of granted overdraft facilities	*125,580*	*129,845*	*131,121*	*130,647*	*131,721*
of which loan commitments	*309,984*	*299,383*	*290,643*	*286,953*	*290,250*
of which other	*23,918*	*28,460*	*21,619*	*22,236*	*19,561*
Total	**3,487,109**	**3,323,271**	**3,104,971**	**3,306,910**	**3,294,158**

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Positive market values					
Trading	38,409	33,049	31,242	33,701	35,432
Fair value hedges	35	55	65	91	133
Cash flow hedges	51,579	48,238	45,585	44,399	48,394
Amounts set off	-23,007	-22,273	-20,822	-21,278	-22,019
Total	**67,016**	**59,069**	**56,070**	**56,913**	**61,940**
Negative market values					
Trading	34,633	33,939	33,576	35,471	37,676
Fair value hedges	305	185	125	105	78
Cash flow hedges	8,095	12,417	11,086	14,840	15,651
Amounts set off	-21,073	-20,639	-19,911	-20,269	-21,751
Total	**21,960**	**25,902**	**24,876**	**30,147**	**31,654**
Nominal value					
Trading	4,382,951	4,598,181	4,054,918	3,925,126	3,610,265
Fair value hedges	83,699	82,129	79,318	69,628	59,903
Cash flow hedges	1,042,608	1,160,081	1,060,565	1,078,987	1,080,938
Amounts set off	-2,162,770	-2,179,898	-2,071,229	-1,977,466	-1,621,005
Total	**3,346,488**	**3,660,493**	**3,123,572**	**3,096,275**	**3,130,101**

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

30 June 2018	Derivatives	Repurchase agreements, securities borrowing and similar agreements	**Total**
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	90,023	10,898	100,921
Amounts set off	-23,007	-9,487	-32,494
Carrying amount on the balance sheet	**67,016**	**1,411**	**68,427**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16,179	-	-16,179
Financial assets received as collateral	-37,011	-21,253	-58,264
Total amounts not set off on the balance sheet	**-53,190**	**-21,253**	**-74,443**
Net amount	**13,826**	**-19,842**	**-6,016**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	43,033	9,487	52,520
Amounts set off	-21,073	-9,487	-30,560
Carrying amount on the balance sheet	**21,960**	**-**	**21,960**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16,179	-	-16,179
Financial assets pledged as collateral	-899	-13	-912
Total amounts not set off on the balance sheet	**-17,078**	**-13**	**-17,091**
Net amount	**4,882**	**-13**	**4,869**

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 4,597m (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 2,664m (2,431), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill Jan-Jun 2018	Goodwill Jan-Jun 2017	Goodwill Full year 2017	Other intangible assets Jan-Jun 2018	Other intangible assets Jan-Jun 2017	Other intangible assets Full year 2017	**Total Jan-Jun 2018**	**Total Jan-Jun 2017**	**Total 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	399	355	694	**399**	**355**	**701**
The period's amortisation	-	-	-	-164	-130	-266	**-164**	**-130**	**-266**
The period's impairments	-	-	-	-	-9	-9	**-**	**-9**	**-9**
Foreign exchange effect	240	-24	30	61	-6	12	**301**	**-30**	**42**
Closing residual value	**7,038**	**6,737**	**6,798**	**3,359**	**2,842**	**3,063**	**10,397**	**9,579**	**9,861**

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

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Due to credit institutions	211,927	193,642	174,820	205,355	202,681
of which repos	-	*157*	*126*	-	
Deposits and borrowing from the public	1,126,480	1,065,678	941,967	1,112,138	1,120,291
of which repos	*13*	*4,202*		*286*	*332*

Note 13 Issued securities

SEK m	Jan-Jun 2018	Jan-Jun 2017
Issued securities at beginning of year	**1,276,595**	**1,261,765**
Issued	569,353	641,229
Repurchased	-30,463	-34,557
Matured	-478,860	-566,205
Foreign exchange effect etc.	70,181	-37,696
Issued securities at end of period	**1,406,806**	**1,264,536**

Note 14 Pledged assets, contingent liabilities and other commitments

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Assets pledged for own debt	868,092	859,158	856,772	830,488	812,294
Other pledged assets	31,853	39,389	34,165	36,179	31,755
Contingent liabilities	89,404	88,634	75,666	75,666	75,293
Other commitments	459,482	457,688	443,383	439,836	441,532

Note 15 Classification of financial assets and liabilities

30 June 2018	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	**Total carrying amount**	Fair value
Assets							
Cash and balances with central banks					375,243	**375,243**	375,243
Other loans to central banks					61,104	**61,104**	61,104
Interest-bearing securities eligible as collateral with central banks	4,630	135,999		407	792	**141,828**	141,827
Loans to other credit institutions					36,985	**36,985**	36,924
Loans to the public					2,194,038	**2,194,038**	2,201,022
Value change of interest-hedged item in portfolio hedge					37	**37**	
Bonds and other interest-bearing securities	13,817	42,171		6,021		**62,009**	62,009
Shares	11,525			1,937		**13,462**	13,462
Assets where the customer bears the value change risk	147,207				58	**147,265**	147,265
Derivative instruments	17,892		49,124			**67,016**	67,016
Other assets	28				15,306	**15,334**	15,334
Total financial assets	**195,099**	**178,170**	**49,124**	**8,365**	**2,683,563**	**3,114,321**	**3,121,206**
Investments in associates						**254**	
Other non-financial assets						**19,778**	
Total assets						**3,134,353**	
Liabilities							
Due to credit institutions					211,927	**211,927**	215,590
Deposits and borrowing from the public					1,126,480	**1,126,480**	1,116,813
Liabilities where the customer bears the value change risk		147,199			65	**147,264**	147,264
Issued securities	3,321				1,403,485	**1,406,806**	1,419,221
Derivative instruments	14,667		7,293			**21,960**	21,960
Short positions	10,594					**10,594**	10,594
Other liabilities	37				15,361	**15,398**	15,398
Subordinated liabilities					43,147	**43,147**	44,122
Total financial liabilities	**28,619**	**147,199**	**7,293**		**2,800,465**	**2,983,576**	**2,990,962**
Other non-financial liabilities						**12,498**	
Total liabilities						**2,996,074**	

31 December 2017	At fair value in income statement divided into							
SEK m	Trading	Other	Derivatives identified as hedge instruments	Loans and other receivables	Financial assets available for sale	Other financial liabilities	**Total carrying amount**	Fair value
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

30 June 2018 SEK m	Level 1	Level 2	Level 3	**Total**
Assets				
Interest-bearing securities eligible as collateral with central banks	138,875	2,161	-	141,036
Bonds and other interest-bearing securities	58,142	3,867	-	62,009
Shares	9,658	2,431	1,373	13,462
Assets where the customer bears the value change risk	146,713	-	494	147,207
Derivative instruments	520	66,634	-138	67,016
Total	**353,908**	**75,093**	**1,729**	**430,730**
Liabilities				
Liabilities where the customer bears the value change risk	146,705	-	494	147,199
Issued securities	-	3,321	-	3,321
Derivative instruments	185	21,914	-139	21,960
Short positions	10,380	214	-	10,594
Total	**157,270**	**25,449**	**355**	**183,074**

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 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 the period January–June 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, shares worth SEK 344m and derivatives worth SEK 20m were transferred from level 1 to level 2.

Interest-bearing securities worth SEK 310m and shares worth SEK 72m were transferred from level 2 to level 1. On the liabilities side, derivatives to the value of SEK 249m 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, e.g. 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 82m (63) has been amortised in net gains/losses on financial transactions during the January–June 2018 period. At the end of the period, non-recognised day 1 gains/losses totalled SEK 655m; 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/loss to the extent that the overall effect exceeds non-recognised day 1 effects.

Reconciliation of financial instruments in level 3

January – June 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	24	-3	-3	-	-	-
Repurchases/sales	-10	2	3	-	-	-
Matured during the period	-	-	-	-	-	-
Unrealised value change in income statement	14	-75	76	-	30	-30
Unrealised value change in other comprehensive income	99	-	-	-	-	-
Transfer from level 1 or 2	-	-	-	-	-	-
Transfer to level 1 or 2	-	25	-25	-	-	-
Carrying amount at end of period	**1,373**	**-138**	**139**	**-**	**494**	**-494**

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

30 June 2018 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	79	119,805	4,368	35	82,492	166,704	1,760	375,243
Other loans to central banks	16,955	-	10,980	32,265	825	79	0	61,104
Loans to other credit institutions	2,436	6,192	814	129	688	25,445	1,281	36,985
Loans to the public	1,316,807	229,738	267,479	101,885	240,266	29,075	8,788	2,194,038
of which corporates	*484,562*	*154,523*	*166,822*	*36,934*	*163,372*	*28,903*	*7,998*	*1,043,114*
of which households	*832,245*	*75,215*	*100,657*	*64,951*	*76,894*	*172*	*790*	*1,150,924*
Interest-bearing securities eligible as collateral with central banks	112,849	7,344	-	14	-	20,855	766	141,828
Bonds and other interest-bearing securities	47,009	2,524	1,683	-	582	10,211	0	62,009
Other items not broken down by currency	263,146							263,146
Total assets	**1,759,281**	**365,603**	**285,324**	**134,328**	**324,853**	**252,369**	**12,595**	**3,134,353**
Liabilities								
Due to credit institutions	70,250	81,002	5,573	6,702	14,393	25,782	8,225	211,927
Deposits and borrowing from the public	595,696	125,697	68,675	48,464	164,500	117,834	5,614	1,126,480
of which corporates	*236,919*	*104,781*	*44,763*	*29,049*	*109,216*	*115,461*	*5,049*	*645,238*
of which households	*358,777*	*20,916*	*23,912*	*19,415*	*55,284*	*2,373*	*565*	*481,242*
Issued securities	464,455	298,791	26,844	309	100,697	485,279	30,431	1,406,806
Subordinated liabilities	8,502	23,724	-	-	-	10,921	-	43,147
Other items not broken down by currency, incl. equity	345,993							345,993
Total liabilities and equity	**1,484,896**	**529,214**	**101,092**	**55,475**	**279,590**	**639,816**	**44,270**	**3,134,353**
Other assets and liabilities broken down by currency (net)		163,764	-184,168	-78,736	-45,207	387,320	31,694	
Net foreign currency position		**153**	**64**	**117**	**56**	**-127**	**19**	**282**

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
of which corporates	*481,250*	*133,080*	*145,245*	*33,661*	*143,347*	*27,955*	*6,324*	*970,862*
of which households	*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
of which corporates	*221,345*	*86,046*	*36,994*	*22,164*	*98,176*	*27,633*	*4,666*	*497,024*
of which households	*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	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
TIER 1 CAPITAL					
Equity, Group	138,279	131,613	141,604	138,951	134,900
Accrued unpaid dividend previous year	-	-	-	-	-
Accrued dividend current year	-8,389	-3,620	-14,581	-7,759	-5,127
Adjustment of Group result	-444	-210	-820	-629	-429
Adjustment of Group equity	2,549	2,529	3,337	3,311	3,289
Minority interests	-11	-13	-11	-9	-6
Equity (consolidated entities)	**131,984**	**130,299**	**129,529**	**133,865**	**132,627**
Deducted items					
Goodwill and other intangible assets	-10,328	-10,091	-9,787	-9,599	-9,513
Value adjustments (fair value)	-385	-386	-409	-426	-477
Negative amounts resulting from the calculation of expected loss amounts	-1,974	-1,748	-2,357	-2,246	-2,272
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-516	-551	-569	-619	-607
Adjustments in accordance with stability filter					
Cash flow hedges	-377	168	-654	-1,464	-1,907
Unrealised accumulated gains, shares	-	-	-	-	-
Common equity tier 1 capital, gross	**118,404**	**117,691**	**115,753**	**119,511**	**117,851**
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	**118,404**	**117,691**	**115,753**	**119,511**	**117,851**
Additional tier 1 instruments	12,685	11,934	11,746	11,718	12,011
Total tier 1 capital	**131,089**	**129,625**	**127,499**	**131,229**	**129,862**
TIER 2 CAPITAL					
Subordinated loans	26,495	26,096	17,745	14,469	17,431
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	**25,366**	**25,004**	**16,616**	**13,340**	**16,302**
Total own funds	**156,455**	**154,629**	**144,115**	**144,569**	**146,164**

Capital ratios and buffers

	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Common equity tier 1 ratio, CRR	21.4%	21.6%	22.7%	23.6%	23.4%
Tier 1 ratio, CRR	23.7%	23.7%	25.0%	25.9%	25.8%
Total capital ratio, CRR	28.3%	28.3%	28.3%	28.5%	29.0%
Risk exposure amount, CRR	553,761	545,898	509,032	507,413	504,199
Own funds in relation to capital requirement according to Basel I floor			142%	144%	148%
Institution-specific buffer requirements*	6.8%	6.7%	6.7%	6.7%	6.6%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which countercyclical capital buffer requirement	*1.3%*	*1.2%*	*1.2%*	*1.2%*	*1.1%*
of which systemic risk buffer requirement	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Common equity tier 1 capital available for use as a buffer	16.9%	17.1%	18.2%	19.1%	18.9%

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

Capital requirement

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Credit risk according to standardised approach	7,350	7,080	6,707	6,579	6,609
Credit risk according to IRB Approach	30,259	30,049	27,871	27,630	27,560
Market risks	1,112	958	825	995	800
Credit valuation adjustment risk (CVA)	465	470	391	460	438
Operational risk	5,115	5,115	4,929	4,929	4,929
Total capital requirement	**44,301**	**43,672**	**40,723**	**40,593**	**40,336**
Adjustment according to Basel I floor			62,125	61,403	60,239
Capital requirement, Basel I floor			**102,848**	**101,996**	**100,575**
Total own funds, Basel I floor			146,472	146,815	148,436

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

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Credit risk according to standardised approach	91,877	88,502	83,833	82,243	82,608
Credit risk according to IRB Approach	378,236	375,609	348,386	345,377	344,497
Market risk	13,906	11,978	10,310	12,437	10,004
Credit valuation adjustment risk (CVA)	5,811	5,877	4,890	5,743	5,477
Operational risk	63,932	63,932	61,613	61,613	61,613
Total risk exposure amount	**553,762**	**545,898**	**509,032**	**507,413**	**504,199**

Capital requirement credit risks, standardised approach**

	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Sovereign and central banks	140	236	-	-	-	-	0.0	0.0
Municipalities	7	-	-	-	-	-	0.0	0.0
Multilateral development banks	191	568	-	-	-	-	0.0	0.0
International organisations	-	35	-	-	-	-	0.0	0.0
Institutions	7,454	7,290	496	506	40	40	6.7	6.9
Corporates	11,040	9,407	10,941	9,312	875	745	99.1	99.0
Households	17,991	16,824	13,459	12,580	1,077	1,006	74.8	74.8
Collateral in real estate	118,833	106,316	42,608	38,158	3,409	3,053	35.9	35.9
Past due items	715	654	894	748	72	60	125.0	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	8,226	6,780	7,843	6,300	626	505	95.3	92.9
Total	**170,851**	**155,009**	**91,877**	**83,833**	**7,350**	**6,707**	**53.8**	**54.1**

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

Credit risks IRB Approach

	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Sovereign and central banks	**532,880**	**357,719**	**8,992**	**7,474**	**719**	**598**	**1.7**	**2.1**
Corporate	**920,459**	**852,845**	**258,984**	**237,107**	**20,719**	**18,969**	**28.1**	**27.8**
Corporate lending	898,228	835,665	255,474	233,707	20,438	18,697	28.4	28.0
*of which other loans foundation approach **	*122,266*	*109,608*	*37,014*	*32,467*	*2,961*	*2,598*	*30.3*	*29.6*
*of which other loans advanced approach **	*775,962*	*726,057*	*218,460*	*201,240*	*17,477*	*16,099*	*28.2*	*27.7*
of which large companies	*163,283*	*152,189*	*62,834*	*58,176*	*5,027*	*4,654*	*38.5*	*38.2*
of which medium-sized companies	*85,723*	*80,590*	*37,899*	*37,839*	*3,032*	*3,027*	*44.2*	*47.0*
of which property companies	*526,957*	*493,278*	*117,727*	*105,225*	*9,418*	*8,418*	*22.3*	*21.3*
Counterparty risk	22,231	17,180	3,510	3,400	281	272	15.8	19.8
Housing co-operative associations	**208,464**	**195,265**	**10,171**	**9,974**	**814**	**798**	**4.9**	**5.1**
Retail	**1,068,240**	**1,026,668**	**77,427**	**72,574**	**6,194**	**5,806**	**7.2**	**7.1**
Private individuals	1,043,446	1,001,733	70,122	65,742	5,610	5,259	6.7	6.6
of which property loans	*979,538*	*925,491*	*56,249*	*51,092*	*4,500*	*4,087*	*5.7*	*5.5*
of which other loans	*63,908*	*76,242*	*13,873*	*14,650*	*1,110*	*1,172*	*21.7*	*19.2*
Small companies	24,794	24,935	7,305	6,832	584	547	29.5	27.4
of which property loans	*6,747*	*6,929*	*1,563*	*1,707*	*125*	*137*	*23.2*	*24.6*
of which other loans	*18,047*	*18,006*	*5,742*	*5,125*	*459*	*410*	*31.8*	*28.5*
Institutions	**96,451**	**72,223**	**15,562**	**13,929**	**1,245**	**1,114**	**16.1**	**19.3**
Lending to institutions	19,319	16,332	6,102	5,232	488	418	31.6	32.0
Counterparty risk	77,132	55,891	9,460	8,697	757	696	12.3	15.6
of which repos and securities loans	*21,160*	*7,667*	*642*	*173*	*51*	*14*	*3.0*	*2.3*
of which derivatives	*55,972*	*48,224*	*8,818*	*8,524*	*705*	*682*	*15.8*	*17.7*
Equity exposures	**1,294**	**1,512**	**4,788**	**5,068**	**383**	**405**	**370.0**	**335.1**
of which listed shares	*-*	*661*	*-*	*1,916*	*-*	*153*	*-*	*290.0*
of which other shares	*1,294*	*851*	*4,788*	*3,152*	*383*	*252*	*370.0*	*370.0*
Non credit-obligation assets	**2,288**	**2,238**	**2,288**	**2,238**	**183**	**179**	**100.0**	**100.0**
Securitisation positions	**22**	**20**	**24**	**22**	**2**	**2**	**106.0**	**106.0**
of which Traditional securitisation	*22*	*20*	24	22	*2*	*2*	*106.0*	*106.0*
of which Synthetic securitisation	-	-	-	-	-	-	-	-
Total IRB Approach	**2,830,098**	**2,508,490**	**378,236**	**348,386**	**30,259**	**27,871**	**13.4**	**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 the CRR regulations. In the IRB Approach with own estimates of LGD and CCF, the Bank uses its own methods to calculate the loss given default (LGD) and the exposure amount.

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

The IRB Approach with own estimates of LGD and CCF is applied to the majority of exposures to large corporates, medium-sized companies, property companies and housing co-operative associations in branch operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, Ecster AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB, Ecster AB, and Rahoitus Oy.

At the end of the quarter, the IRB Approach was applied to 80% 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 13.4% (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 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	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Outright products					
Interest rate risk	1,086	937	808	973	784
of which general risk	*827*	*698*	*572*	*649*	*497*
of which specific risk	*259*	*239*	*236*	*324*	*287*
Equity price risk	10	9	9	6	6
of which general risk	*4*	*3*	*3*	*1*	*1*
of which specific risk	*6*	*6*	*6*	*5*	*4*
of which mutual funds	*0*	*0*	*0*	*0*	*1*
Exchange rate risk	-	-	-	-	-
Commodities risk	12	8	5	10	7
Options					
Scenario approach	4	4	3	6	3
of which interest rate risk	*0*	*0*	*0*	*1*	*0*
of which equity risk	*4*	*4*	*3*	*5*	*3*
of which foreign exchange risk	-	-	-	-	-
of which commodity risk	*0*	*0*	*0*	*0*	*0*
Securitisation (specific risk)	-	-	-	-	-
Settlement risk	0	0	0	-	0
Total capital requirement for market risks	**1,112**	**958**	**825**	**995**	**800**

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	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Balance sheet according to accounting regulations	3,134,353	2,963,576	2,766,977	2,981,055	2,961,094
Deduction for assets not included in the banking group	-142,185	-133,567	-131,176	-128,302	-123,620
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-21,830	-16,503	-17,115	-17,943	-21,485
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	5,534	5,077	2,176	4,104	3,342
Assets reported off the balance sheet, gross (before adjustment for conversion factor)	*531,614*	*523,691*	*501,292*	*498,940*	*500,667*
Deduction from assets off the balance sheet after application of conversion factor	*-336,998*	*-334,267*	*-320,747*	*-319,972*	*-321,387*
Assets reported off the balance sheet, net	194,616	189,424	180,545	178,968	179,280
Additional adjustment	-13,580	-12,608	-13,775	-14,354	-14,775
Assets on which the leverage ratio is calculated	**3,156,908**	**2,995,399**	**2,787,632**	**3,003,528**	**2,983,836**
Capital on which the leverage ratio can be calculated					
Tier 1 capital	131,089	129,625	127,499	131,229	129,862
Leverage ratio					
Leverage ratio calculated on tier 1 capital	4.2%	4.3%	4.6%	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 30 June 2018 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	7,912	82,757
ECP (Stadshypotek)*	EUR	4,000	-	-
French Commercial Paper	EUR	7,500	3,413	35,699
Swedish Commercial Paper	SEK	25,000	-	-
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	-	-
USCP	USD	15,000	2,883	25,900
AMTN	AUD	5,000	1,275	8,461
AMTCN (Stadshypotek)	AUD	5,000	-	-
EMTN*	USD	50,000	18,423	165,509
EMTCN (Stadshypotek)*	EUR	20,000	11,187	117,013
US 144A/3(a)(2)	USD	20,000	13,650	122,629
Stadshypotek US 144A	USD	15,000	3,750	33,689
Samurai	JPY	400,000	147,800	11,990
MTN*	SEK	100,000	6,937	6,937
General funding >1 Y*	USD	15,000	4,884	43,877
Extendible Notes	USD	15,000	-	-
Total				**654,461**
Total programme (or limited) amounts, SEK m	1,968,081			
Unutilised amount, SEK m	1,313,620			
Available amount	**67%**			

* 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 632bn as at 30 June 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	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Cash and balances with and other lending to central banks	436,279	376,513	265,234	488,559	489,210
Balances with banks and the National Debt Office, overnight	404	603	2,041	2,086	1,555
Securities issued by governments and public entities	139,314	101,672	132,385	114,761	123,699
Covered bonds	55,063	46,647	44,249	46,387	48,011
Securities issued by non-financial companies	483	302	141	262	934
Securities issued by financial companies	401	434	275	277	106
Total	**631,944**	**526,171**	**444,325**	**652,332**	**663,515**
of which in SEK	*165,423*	*152,986*	*142,452*	*197,104*	*135,228*
of which in EUR	*127,949*	*125,582*	*94,685*	*107,857*	*122,095*
of which in USD	*193,998*	*117,281*	*74,168*	*196,348*	*246,228*
of which in other currencies	*144,574*	*130,322*	*133,020*	*151,023*	*159,964*

30 June 2018 Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	17,040	119,820	166,704	132,715	436,279
Balances with other banks and the National Debt Office, overnight	160	18	21	205	404
Securities issued by governments	102,704	5,800	20,987	-	129,491
Securities issued by municipalities and other public entities	3,537	-	6,286	-	9,823
Covered bonds, external issuers	39,245	1,828	-	10,346	51,419
Own covered bonds	2,309	187	-	1,148	3,644
Securities issued by non-financial companies	270	70	-	143	483
Securities issued by financial companies	158	226	-	17	401
Total	**165,423**	**127,949**	**193,998**	**144,574**	**631,944**

Maturities for financial assets and liabilities

30 June 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	436,278	-	-	-	-	-	-	436,278
Interest-bearing securities eligible as collateral with central banks	141,550	-	-	-	-	-	-	141,550
Bonds and other interest-bearing securities	61,560	-	-	-	-	-	-	61,560
Loans to credit institutions	30,889	1,862	310	222	1,577	2,055	2	36,917
-of which reverse repos	*11,116*	-	-	-	-	-	-	*11,116*
Loans to the public	40,295	270,702	187,610	203,237	416,399	1,072,481	-	2,190,724
-of which reverse repos	*8,727*	-	-	-	-	-	-	*8,727*
Other	24,934	-	-	-	-	-	242,390	267,324
-of which shares and participating interests	*13,462*	-	-	-	-	-	-	*13,462*
-of which claims on investment banking settlements	*11,472*	-	-	-	-	-	-	*11,472*
Total	**735,506**	**272,564**	**187,920**	**203,459**	**417,976**	**1,074,536**	**242,392**	**3,134,353**
Liabilities								
Due to credit institutions	93,969	71,997	7,653	4,053	505	4,561	28,790	211,528
-of which repos	-	-	-	-	-	-	-	*0*
-of which deposits from central banks	*37,460*	*31,438*	-	-	-	-	*4,662*	*73,560*
Deposits and borrowing from the public	107,193	37,938	3,698	889	2,179	5,454	968,076	1,125,427
-of which repos	*13*	-	-	-	-	-	-	*13*
Issued securities	96,634	378,875	167,037	219,079	496,276	40,625	-	1,398,526
-of which covered bonds	-	*71,468*	*32,059*	*168,800*	*316,200*	*29,561*	-	*618,088*
-of which certificates and other securities with original maturity of less than one year	*83,412*	*279,660*	*43,220*	-	-	-	-	*406,292*
-of which senior bonds and other securities with original maturity of more than one year	*13,222*	*27,747*	*91,758*	*50,279*	*180,076*	*11,064*	-	*374,146*
Subordinated liabilities	-	-	21,081	-	21,567	-	-	42,648
Other	15,538	-	-	-	-	-	340,686	356,224
-of which short positions	*10,594*	-	-	-	-	-	-	*10,594*
-of which investment banking settlement debts	*4,944*	-	-	-	-	-	-	*4,944*
Total	**313,334**	**488,810**	**199,469**	**224,021**	**520,527**	**50,640**	**1,337,552**	**3,134,353**

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	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
High quality liquidity assets	**618,676**	**514,470**	**432,958**	**645,659**	**652,715**
Cash outflows	**493,932**	**424,130**	**353,362**	**484,019**	**526,013**
Deposits from the public and small enterprises	57,206	55,122	53,306	52,428	50,583
Unencumbered capital market financing	395,127	320,903	252,825	383,368	430,704
Encumbered capital market financing	5,800	11,825	9,119	10,597	8,568
Other cash outflows	35,799	36,280	38,112	37,626	36,158
Cash inflows	**70,593**	**60,655**	**41,393**	**48,129**	**46,654**
Inflows from fully performing exposures	25,094	30,171	28,292	25,204	18,970
Other cash inflows	45,499	30,484	13,101	22,925	27,684
Liquidity coverage ratio (LCR), %	**146**	**142**	**139**	**148**	**136**

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 regarding the 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 June, the Group's aggregated LCR was 146%, in accordance with the European Commission's delegated act, 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 half of the year, the LCR was 140%, as an average of daily observations according to the same definition.

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

30 June 2018 SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	632	64%
Mortgage loans	612	125%
Other household lending	186	144%
Property company lending lowest risk class (1-3)	298	174%
Other corporate lending lowest risk class (1-3)	159	190%
Loans to credit institutions lowest risk class (1-3)	20	192%
Other corporate lending	278	220%
Other assets	49	224%
Total non-encumbered assets (NEA)	**2,234**	**224%**
Encumbered assets without underlying liabilities**	**61**	
Encumbered assets with underlying liabilities	839	
Total assets, Group	**3,134**	

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 9-23.

Note 22 Events after the balance sheet date

No significant events occurred after the balance sheet date.

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Net interest income	4,542	4,173	9%	4,131	10%	8,715	7,976	9%	16,326
Dividends received	165	109	51%	1,043	-84%	274	1,040	-74%	13,705
Net fee and commission income	1,545	1,544	0%	1,731	-11%	3,089	3,351	-8%	6,592
Net gains/losses on financial transactions	230	149	54%	263	-13%	379	865	-56%	1,339
Other operating income	1,317	439	200%	419	214%	1,756	813	116%	1,690
Total income	**7,799**	**6,414**	**22%**	**7,587**	**3%**	**14,213**	**14,045**	**1%**	**39,652**
Staff costs	-3,097	-3,552	-13%	-3,122	-1%	-6,649	-5,753	16%	-10,938
Other administrative expenses	-1,582	-1,560	1%	-1,372	15%	-3,142	-2,751	14%	-5,702
Depreciation, amortisation and impairment of property, equipment and intangible assets	-328	-298	10%	-261	26%	-626	-531	18%	-1,094
Total expenses before loan losses	**-5,007**	**-5,410**	**-7%**	**-4,755**	**5%**	**-10,417**	**-9,035**	**15%**	**-17,734**
Profit before loan losses	**2,792**	**1,004**	**178%**	**2,832**	**-1%**	**3,796**	**5,010**	**-24%**	**21,918**
Net loan losses	-240	-133	80%	-194	24%	-373	-382	-2%	-1,685
Impairment of financial assets	-	-		-		-	-		-
Operating profit	**2,552**	**871**	**193%**	**2,638**	**-3%**	**3,423**	**4,628**	**-26%**	**20,233**
Appropriations	31	29	7%	29	7%	60	57	5%	115
Profit before tax	**2,583**	**900**	**187%**	**2,667**	**-3%**	**3,483**	**4,685**	**-26%**	**20,348**
Taxes	-501	-246	104%	-447	12%	-747	-974	-23%	-4,662
Profit for the period	**2,082**	**654**	**218%**	**2,220**	**-6%**	**2,736**	**3,711**	**-26%**	**15,686**

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q2 2018	Q1 2018	Change	Q2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full year 2017
Profit for the period	**2,082**	**654**	**218%**	**2,220**	**-6%**	**2,736**	**3,711**	**-26%**	**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	57	38				95			
Tax on items that will not be reclassified to income statement	-1	0				-1			
of which equity instruments measured at fair value through other comprehensive income	*-1*	*0*				*-1*			
Total items that will not be reclassified to the income statement	**56**	**38**				**94**			
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	313	-530		-286		-217	724		41
Available-for-sale instruments				21			58		-470
Instruments measured at fair value through other comprehensive income - debt instruments	-2	1				-1			
Translation differences for the period	806	2,604	-69%	-850		3,410	-2,037		-2,261
of which hedging net investment in foreign operations	*-415*	*-14*		*-18*		*-429*	*-820*	*48%*	*-1,476*
Tax on items that may subsequently be reclassified to the income statement	23	119	-81%	57	-60%	142	9		311
of which cash flow hedges	*-68*	*116*		*55*		*48*	*-167*		*-9*
of which available-for-sale instruments				*-2*			*-4*		*-5*
of which debt instruments measured at fair value through other comprehensive income	*0*	*0*				*0*			
of which hedging net investment in foreign operations	*91*	*3*		*4*		*94*	*180*	*-48%*	*325*
Total items that may subsequently be reclassified to the income statement	**1,140**	**2,194**	**-48%**	**-1,058**		**3,334**	**-1,246**		**-2,379**
Total other comprehensive income for the period	**1,196**	**2,232**	**-46%**	**-1,058**		**3,428**	**-1,246**		**-2,379**
Total comprehensive income for the period	**3,278**	**2,886**	**14%**	**1,162**	**182%**	**6,164**	**2,465**	**150%**	**13,307**

Comment on results for parent company, January – June 2018 compared with January – June 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 26% to SEK 3,423m (4,628), chiefly owing to reduced dividends, as well increased staff costs. Profit for the period decreased by 26% to SEK 2,736m (3,711). Net interest income increased by 9% to SEK 8,715m (7,976), and net fee and commission income decreased by 8% to SEK 3,089m (3,351). Since the year-end, the parent company's equity has decreased to SEK 111,499m (120,200).

BALANCE SHEET – PARENT COMPANY

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Assets					
Cash and balances with central banks	375,243	276,999	226,314	377,821	436,848
Interest-bearing securities eligible as collateral with central banks	138,454	100,428	125,887	109,219	116,399
Loans to credit institutions	768,343	787,818	664,018	751,645	692,429
Loans to the public	872,776	846,208	795,691	788,996	779,600
Bonds and other interest-bearing securities	58,896	55,755	46,220	58,614	57,779
Shares	12,530	18,199	13,073	19,865	20,400
Shares in subsidiaries and investments in associates	48,670	47,359	47,302	47,207	47,205
Assets where the customer bears the value change risk	5,481	5,264	5,005	4,285	4,079
Derivative instruments	69,214	62,279	59,767	61,914	66,804
Intangible assets	2,863	2,717	2,610	2,477	2,428
Property, equipment and leasing assets	3,056	2,987	2,822	2,982	2,911
Current tax assets	2,733	2,056	191	2,076	1,313
Deferred tax assets	277	214	283	269	310
Other assets	13,243	9,053	18,807	10,647	8,968
Prepaid expenses and accrued income	2,607	2,796	4,886	4,587	4,139
Total assets	**2,374,386**	**2,220,132**	**2,012,876**	**2,242,604**	**2,241,612**
Liabilities and equity					
Due to credit institutions	231,285	213,850	193,822	220,467	212,715
Deposits and borrowing from the public	1,126,581	1,065,837	941,401	1,110,978	1,118,658
Liabilities where the customer bears the value change risk	5,481	5,264	5,005	4,385	4,166
Issued securities	783,254	711,115	654,637	681,674	684,792
Derivative instruments	43,535	48,184	41,771	47,144	48,645
Short positions	10,594	7,559	2,072	10,081	7,876
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	344	363	582	759	932
Provisions	187	199	146	235	328
Other liabilities	14,650	13,165	12,746	15,446	12,909
Accrued expenses and deferred income	3,183	4,085	6,915	7,676	7,717
Subordinated liabilities	43,147	41,621	32,896	32,560	32,782
Total liabilities	**2,262,241**	**2,111,242**	**1,891,993**	**2,131,405**	**2,131,520**
Untaxed reserves	**646**	**670**	**683**	**708**	**734**
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	11,042	9,670	7,320	8,025	8,218
Retained earnings	89,079	89,254	88,552	88,709	88,787
Profit for the period	2,736	654	15,686	5,115	3,711
Total equity	**111,499**	**108,220**	**120,200**	**110,491**	**109,358**
Total liabilities and equity	**2,374,386**	**2,220,132**	**2,012,876**	**2,242,604**	**2,241,612**

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 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.

CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

January – June 2018 SEK m	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for internally developed software	Unrestricted equity: Share premium	Unrestricted equity: Hedge reserve *	Unrestricted equity: Fair value reserve *	Unrestricted equity: Translation reserve *	Unrestricted equity: Retained earnings incl. profit for the year	Total
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								2,736	2,736
Other comprehensive income					-169	93	3,504		3,428
Total comprehensive income for the period					**-169**	**93**	**3,504**	**2,736**	**6,164**
Dividend								-14,581	-14,581
Effects of convertible subordinated loans	0			0					0
Fund for internally developed software			293					-293	
Closing equity	**3,013**	**2,682**	**2,516**	**5,629**	**-256**	**593**	**5,507**	**91,815**	**111,499**

January – December 2017 SEK m	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for internally developed software	Unrestricted equity: Share premium	Unrestricted equity: Hedge reserve *	Unrestricted equity: Fair value reserve *	Unrestricted equity: Translation reserve *	Unrestricted equity: Retained earnings incl. profit for the year	Total
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 – June 2017 SEK m	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for internally developed software	Unrestricted equity: Share premium	Unrestricted equity: Hedge reserve *	Unrestricted equity: Fair value reserve *	Unrestricted equity: Translation reserve *	Unrestricted equity: Retained earnings incl. profit for the year	Total
Opening equity	**3,013**	**2,682**	**1,766**	**5,628**	**-119**	**974**	**3,939**	**98,759**	**116,642**
Profit for the period								3,711	3,711
Other comprehensive income					557	54	-1,857		-1,246
Total comprehensive income for the period					**557**	**54**	**-1,857**	**3,711**	**2,465**
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			222					-222	
Closing equity	**3,013**	**2,682**	**1,988**	**5,629**	**438**	**1,028**	**2,082**	**92,498**	**109,358**

* Included in fair value fund.

During the period January to June 2018, convertibles for a nominal value of SEK 0m (1) relating to subordinated convertible bonds were converted into 1,609 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-Jun 2018	Jan-Jun 2017	Full year 2017
Operating profit	3,423	4,628	20,233
Adjustment for non-cash items in profit/loss	487	1,465	-8,032
Paid income tax	-3,379	-2,477	-5,064
Changes in the assets and liabilities of operating activities	121,160	246,605	21,738
Cash flow from operating activities	**121,691**	**250,221**	**28,875**
Acquisition / divestment of subsidiaries	-	-	-
Change in shares	-1,038	-843	-924
Change in interest-bearing securities	-	-	-
Change in property and equipment	-659	-363	-886
Change in intangible assets	-391	-319	-645
Cash flow from investing activities	**-2,088**	**-1,525**	**-2,455**
Repayment of subordinated loans	-	-	-
Issued subordinated loans	7,713	-	-
Dividend paid	-14,581	-9,721	-9,721
Received group contributions	11,814	12,220	12,257
Cash flow from financing activities	**4,946**	**2,499**	**2,536**
Liquid funds at beginning of the year	**226,314**	**199,362**	**199,362**
Cash flow for the period	124,549	251,195	28,956
Exchange rate difference on liquid funds	24,380	-13,709	-2,004
Liquid funds at end of year*	**375,243**	**436,848**	**226,314**

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

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

Own funds and capital ratios – Parent company

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Common equity tier 1 capital	103,093	102,457	100,782	101,971	101,639
Total tier 1 capital	115,778	114,391	112,528	113,689	113,650
Total tier 2 capital	25,366	25,004	16,616	13,340	16,302
Total own funds	141,144	139,395	129,144	127,029	129,952
Capital ratios and buffers					
Common equity tier 1 ratio, CRR	16.6%	16.8%	21.4%	21.7%	21.8%
Tier 1 ratio, CRR	18.6%	18.7%	23.9%	24.2%	24.4%
Total capital ratio, CRR	22.7%	22.8%	27.5%	27.0%	27.9%
Risk exposure amount, CRR	621,903	610,354	470,353	469,808	466,443
Own funds in relation to capital requirement according to transitional rules			249%	246%	255%
Institution-specific buffer requirements	3.9%	3.8%	3.7%	3.7%	3.7%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which countercyclical capital buffer requirement	*1.4%*	*1.3%*	*1.2%*	*1.2%*	*1.2%*
of which systemic risk buffer requirement	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	12.1%	12.3%	16.9%	17.2%	17.3%

Capital requirement – Parent company

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Credit risk according to standardised approach	9,003	8,777	11,496	11,354	11,367
Credit risk according to IRB Approach	35,759	35,210	21,524	21,383	21,317
Market risk	1,112	958	825	995	800
Credit valuation adjustment risk (CVA)	465	470	390	460	438
Operational risk	3,413	3,413	3,393	3,393	3,393
Total capital requirement	**49,752**	**48,828**	**37,628**	**37,585**	**37,315**
Adjustment according to Basel I floor			14,886	14,839	14,421
Capital requirement, Basel I floor		**48,828**	**52,514**	**52,424**	**51,736**
Total own funds, Basel I floor			130,967	128,839	131,739

Capital requirement credit risks, standardised approach * – Parent company

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Sovereign and central banks	-	-			0
Municipalities	-	-			0
Multilateral development banks	-	-			0
International organisations	-	-			0
Institutions	77	85	75	72	65
Corporates	875	734	740	766	903
Households	1,064	1,047	997	981	995
Collateral in real estate	3,409	3,311	3,053	2,920	2,808
Past due items	46	39	34	35	27
Equities	2,988	2,988	6,121	6,116	6,115
Other items	544	573	476	465	455
Total	**9,003**	**8,777**	**11,496**	**11,355**	**11,367**

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

Capital requirement credit risks, IRB Approach – Parent company

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Sovereign and central banks	560	521	428	606	587
Corporates	18,789	18,755	17,061	16,468	16,429
Households	2,148	2,003	1,949	1,996	2,050
Private individuals	1,652	1,543	1,493	1,538	1,575
of which property loans	*1,021*	*819*	*795*	*812*	*845*
of which other loans	*630*	*724*	*698*	*726*	*730*
Small companies	496	461	456	458	475
Institutions	1,245	1,318	1,114	1,177	1,121
Equity exposures	12,932	12,530	891	1,041	1,038
of which listed shares	-	-	*1*	-	-
of which other shares	*12,932*	*12,530*	*890*	*1,041*	*1,038*
Non credit-obligation assets	82	80	79	93	90
Securitisation positions	2	2	2	2	2
Total IRB	**35,758**	**35,209**	**21,524**	**21,383**	**21,317**

Capital requirement market risks – Parent company

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Position risk in the trading book	1,100	950	820	985	793
Interest rate risk	1,086	937	808	974	784
of which positions in securitisation instruments	-	-	-	-	-
Equity price risk	14	13	12	11	9
Exchange rate risk	-	-	-	-	-
Commodities risk	12	8	5	10	7
Settlement risk	0	0	0	-	0
Total capital requirement for market risks	**1,112**	**958**	**825**	**995**	**800**

Leverage ratio – Parent company

SEK m	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Balance sheet according to accounting regulations	2,374,386	2,220,132	2,012,876	2,242,604	2,241,612
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-21,363	-16,750	-17,888	-20,230	-23,522
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	5,549	5,349	2,199	4,106	3,342
Assets reported off the balance sheet, gross (before adjustment for conversion factor)	*571,106*	*563,474*	*542,726*	*540,406*	*541,924*
Deduction from assets off the balance sheet after application of conversion factor	*-366,800*	*-364,175*	*-351,822*	*-351,177*	*-352,673*
Assets reported off the balance sheet, net	204,306	199,299	190,904	189,229	189,251
Additional adjustment	-684,661	-667,743	-631,185	-623,472	-619,930
Assets on which the leverage ratio is calculated	**1,878,217**	**1,740,287**	**1,556,906**	**1,792,237**	**1,790,753**
Capital on which the leverage ratio can be calculated					
Tier 1 capital	115,778	114,391	112,528	113,689	113,650
Leverage ratio					
Leverage ratio calculated on tier 1 capital	6.2%	6.6%	7.2%	6.3%	6.3%

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 identifed as hedge instruments	Derivatives identifed 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 identifed as hedge instruments	Derivatives identifed 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				**683**	**683**			
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 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	*Effect on retained earnings due to new rules for impairment*
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 financial 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 at 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) No financial liabilities have been subject to revaluation as a result of an amended classification in line with 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

We hereby declare that this half-yearly report provides a true and fair view of the Bank's and the Group's operations, financial position and performance and describes material risks and uncertainty factors faced by the Bank and the companies that are part of the Group.

Stockholm, 18 July 2018

Pär Boman Chairman of the Board	Fredrik Lundberg Vice Chairman of the Board	Jon Fredrik Baksaas Board Member
Hans Biörck Board Member	Kerstin Hessius Board Member	Jan-Erik Höög Board Member
Ole Johansson Board Member	Lise Kaae Board Member	Benthe Rathe Board Member
Charlotte Skog Board Member	Anders Bouvin Group Chief Executive	

PRESS AND TELEPHONE CONFERENCE

A press and analyst conference is being arranged at the Bank's head office at 8.00 a.m. (CET) on 18 July.

A phone conference will be held at 10.30 a.m. (CET) on 18 July.

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

The interim report for January–September 2018 will be published on 24 October 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 30 June 2018 and for the six-month period ending as at this date. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

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 interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies regarding the Group, and in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies regarding the parent company.

Stockholm, 18 July 2018

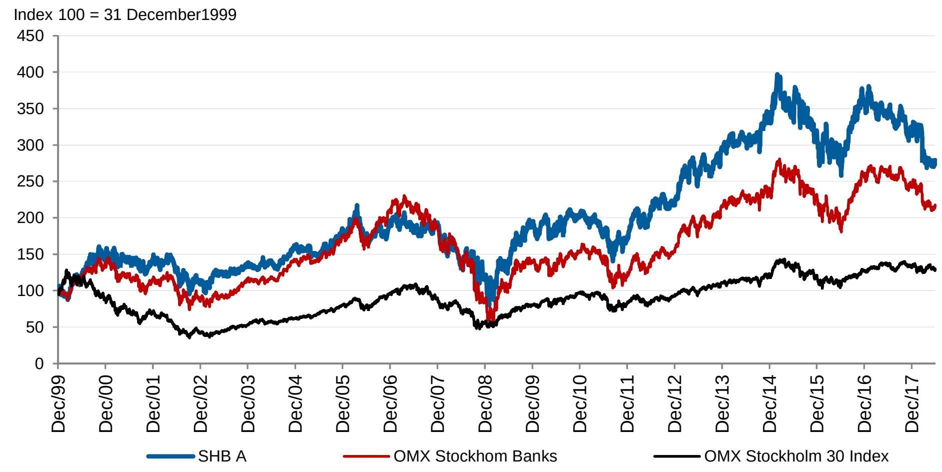
Ernst & Young AB
Jesper Nilsson, Authorised Public Accountant

PricewaterhouseCoopers AB
Johan Rippe, Authorised Public Accountant

Share price performance and other information

The Swedish stock market fell by 1% during the first half of the year. The Stockholm stock exchange's bank index fell by 10%. Handelsbanken's class A shares closed at SEK 99.56, a decline of 11%, but including the dividend paid, amounting to SEK 7.50, the total return was -5%. Since 1 January 2000, Handelsbanken's share price has increased by 179%, excluding dividends, while the Stockholm stock exchange has risen by 30%.

SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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