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Handelsbanken's Interim Report

JANUARY – SEPTEMBER 2018

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

- Growth in all home markets.
- The earlier communicated strategic initiatives imply measures generating improved efficiency corresponding to at least 1,600 full time equivalents up to the end of 2022.
- Return on equity rose to 13.2% (12.7).
- Operating profit went up by 4% to SEK 16,725m (16,028).
- The period's profit after tax grew by 8% to SEK 13,341m (12,340).
- Earnings per share increased to SEK 6.86 (6.35).
- Income grew by 7% to SEK 32,687m (30,522). Adjusted for non-recurring items, income grew by 4%.
- Net interest income increased by 6% to SEK 23,414m (21,989).
- Net fee and commission income grew by 6% to SEK 7,636m (7,217).
- Total assets under management increased by 12% to an all-time high of SEK 670bn (599).
- The C/I ratio rose to 47.0% (45.6).
- The loan loss ratio pursuant to IFRS 9 was 0.04% (IAS 39: 0.04).
- The common equity tier 1 ratio decreased to 21.7% (23.6) and the total capital ratio was 27.1% (28.5).
- Handelsbanken had the highest customer satisfaction of Swedish major banks according to Swedish Quality Index. The gap to the other major banks grew. On other home markets, the Bank had more satisfied customers, both private and corporate, than the sector average.

Summary of Q3 2018, compared with Q2 2018

- Operating profit went down by 14% to SEK 5,344m (6,220). Adjusted for non-recurring items, the decrease was 1%.
- The period's profit after tax declined by 22% to SEK 4,106m (5,231), and earnings per share fell to SEK 2.11 (2.69) Adjusted for non-recurring items, profit rose by 5%.
- Return on equity decreased to 12.1% (16.0).
- Income went down by 8% till SEK 10,728m (11,635), but adjusted for non-recurring items, the decrease was just under 1%.
- Net interest income went down by 1% to SEK 7,862m (7,904).
- The C/I ratio rose to 48.1% (44.7).
- The loan loss ratio was 0.04% (0.05).

Handelsbanken

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

Handelsbanken Group – Overview

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Summary income statement									
Net interest income	7,862	7,904	-1%	7,587	4%	23,414	21,989	6%	29,766
Net fee and commission income	2,624	2,551	3%	2,355	11%	7,636	7,217	6%	9,718
Net gains/losses on financial transactions	186	290	-36%	243	-23%	605	1,107	-45%	1,271
Risk result - insurance	10	15	-33%	19	-47%	66	108	-39%	142
Other dividend income	3	12	-75%	2	50%	17	15	13%	591
Share of profit of associates	10	2	400%	14	-29%	3	-16		14
Other income	33	861	-96%	28	18%	946	102		172
Total income	**10,728**	**11,635**	**-8%**	**10,248**	**5%**	**32,687**	**30,522**	**7%**	**41,674**
Staff costs	-3,421	-3,363	2%	-3,134	9%	-10,001	-9,294	8%	-12,472
Other expenses	-1,554	-1,644	-5%	-1,337	16%	-4,823	-4,177	15%	-5,889
Depreciation, amortisation and impairment of property, equipment and intangible assets	-181	-189	-4%	-140	29%	-542	-435	25%	-619
Total expenses	**-5,156**	**-5,196**	**-1%**	**-4,611**	**12%**	**-15,366**	**-13,906**	**10%**	**-18,980**
Profit before loan losses	**5,572**	**6,439**	**-13%**	**5,637**	**-1%**	**17,321**	**16,616**	**4%**	**22,694**
Net loan losses	-230	-222	4%	-217	6%	-605	-599	1%	-1,683
Gains/losses on disposal of property, equipment and intangible assets	2	3	-33%	4	-50%	9	11	-18%	14
Operating profit	**5,344**	**6,220**	**-14%**	**5,424**	**-1%**	**16,725**	**16,028**	**4%**	**21,025**
Taxes	-1,238	-989	25%	-1,251	-1%	-3,384	-3,688	-8%	-4,923
Profit for the period	**4,106**	**5,231**	**-22%**	**4,173**	**-2%**	**13,341**	**12,340**	**8%**	**16,102**
Summary balance sheet									
Loans to the public	2,193,712	2,194,038	0%	2,040,589	8%	2,193,712	2,040,589	8%	2,065,761
of which mortgage loans	*1,282,952*	*1,272,761*	*1%*	*1,202,314*	*7%*	*1,282,952*	*1,202,314*	*7%*	*1,222,436*
of which other loans	*910,760*	*921,277*	*-1%*	*838,275*	*9%*	*910,760*	*838,275*	*9%*	*843,325*
Deposits and borrowing from the public	1,099,384	1,126,480	-2%	1,112,138	-1%	1,099,384	1,112,138	-1%	941,967
of which households	*484,770*	*481,242*	*1%*	*442,778*	*9%*	*484,770*	*442,778*	*9%*	*444,942*
Total equity	141,210	138,279	2%	138,951	2%	141,210	138,951	2%	141,604
Total assets	3,087,236	3,134,353	-2%	2,981,055	4%	3,087,236	2,981,055	4%	2,766,977
Summary of key figures									
Return on equity	12.1%	16.0%		12.9%		13.2%	12.7%		12.3%
C/I ratio	48.1%	44.7%		45.0%		47.0%	45.6%		45.5%
Earnings per share, SEK	2.11	2.69		2.15		6.86	6.35		8.28
- after dilution	2.09	2.66		2.13		6.80	6.29		8.20
Common equity tier 1 ratio, CRR	21.7%	21.4%		23.6%		21.7%	23.6%		22.7%
Total capital ratio, CRR	27.1%	28.3%		28.5%		27.1%	28.5%		28.3%

Group performance

STRATEGIC INITIATIVES FOR BUSINESS DEVELOPMENT AND EFFICIENCY IMPROVEMENT

Background

Handelsbanken's business model remains in place. The business model continues to be 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. The local presence offers the Bank valuable knowledge of every local market and its business community. 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. Accordingly, the Bank is implementing strategic initiatives for business development and efficiency improvement.

Within the framework of these initiatives, work is also ongoing to offer new forms of customer meeting place, such as remote advisory services from branches, as well as the development of customer interfaces that can be used in several different countries. Advisory services that cover a customer's total financial situation are also making new requirements of systems, in terms of being able to present and simulate wide-ranging scenarios.

Another area where substantial investments are being made is infrastructure, in order to manage large amounts of data. Ensuring good access to data, managed with the highest possible security, is a key element of the Bank's business development, and also an adaptation to new regulatory requirements.

Efficiency improvements

Measures to improve operating efficiency are a natural and constantly ongoing process at Handelsbanken. Digitalisation now provides opportunities to enhance this work. The current project portfolio implies measures that generate improved efficiency equivalent to at least 1,600 full time equivalents This is expected to take place at a more or less steady pace over the next four years At the same time, the Bank's ambition is to increase business volumes in the home markets which may require increased resources. This is particularly the case in the UK and Netherlands.

Business development

At the same time, there will be strategic initiatives for business development, meaning that the Bank will continue to integrate digital solutions for customers with the Bank's local presence and ability to offer personal service. The objective is for the Bank's private and corporate customers to be offered full advisory services regarding their total financial situation, with the aid of digital support. An initiative such as this has already been successfully implemented within investment advisory services in Sweden and Finland, where further development is now taking place. The next step will be to also cover advisory services in the pensions area in connection with investment advisory tools. After this, the advisory services tool will be launched in Norway. The number of investment advisory meetings at branches in Sweden has increased by 70% in 2018. At the same time, the administration time required for such meetings has decreased, due to the new digital tools available to branches and customers. Partly as a result of the advisory meetings, there has been a positive trend for business inflow in the Bank's mutual fund products, and thus these meetings are helping to further increase the Bank's earnings from its savings business.

Work with increasing digitalisation, focusing on full advisory services, is now also continuing within the mortgage loan business in Sweden, and in the broader corporate business. The Bank's business model remains very much appreciated in all home markets, among private and corporate customers alike. In addition, various customer satisfaction surveys, including SKI/EPSI, show that in several cases, the gap between Handelsbanken and its competitors is widening further. Given this starting-point, and the business development initiatives being pursued, the Bank sees good opportunities for good leverage within both its mortgage loan business and the broader corporate business.

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

The Group's operating profit increased by 4% to SEK 16,725m (16,028). Adjusted for non-recurring items, operating profit fell by SEK -42m. Return on equity rose to 13.2% (12.7). The period's profit after tax grew by 8% to SEK 13,341m (12,340) and earnings per share amounted to SEK 6.86 (6.35). The C/I ratio rose to 47.0% (45.6).

The common equity tier 1 ratio was 21.7% (23.6).

Non-recurring items and special items in the operating profit

SEK m	Jan-Sep 2018	Jan-Sep 2017	Change
Special items			
Benchmark effect in Stadshypotek	-9	5	
Oktogonen (the Bank's profit-sharing system)	-641	-635	1%
Performance-related remuneration	-47	-54	-13%
Total Special items	**-697**	**-684**	**2%**
Non-recurring items			
Changes in the pension plan in the UK operations	141	-	
Capital gains from the sale of shares in UC AB	837	-	
Transition to a defined contribution pension plan in the Norwegian operations	-	239	
Total non recurring items	**978**	**239**	
Total	**281**	**-445**	

Income

SEK m	Jan-Sep 2018	Jan-Sep 2017	Change
Net interest income	23,414	21,989	6%
of which state fees	*-2,102*	*-1,520*	*38%*
Net fee and commission income	7,636	7,217	6%
Net gains/losses on financial trans.	605	1,107	-45%
Other	1,032	209	394%
Total income	**32,687**	**30,522**	**7%**

Income grew by 7% to SEK 32,687m (30,522). 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 594m.

Net interest income increased by 6% to SEK 23,414m (21,989). Adjusted for the raised resolution fee for 2018, net interest income grew by 9%.

SEK 1,115m of the net interest income improvement of SEK 1,425m was attributable to higher lending volumes. Lower lending margins in branch operations reduced net interest income by SEK -181m. Deposits had a SEK 431m positive impact on net interest income, due to both increasing deposit volumes and improving margins. Exchange rate movements had a positive impact of SEK 449m.

The fee to the Resolution Fund amounted to SEK -1,868m (-1,300). 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 -582m to SEK -2,102m (-1,520). The benchmark effect in Stadshypotek had a negative impact on net interest income, reducing it by SEK 14m to SEK -9m (5).

The average volume of loans to the public grew by 8%, or SEK 154bn, to SEK 2,162bn (2,008), of which SEK 37bn was due to exchange rate movements. Household lending increased by 7% to SEK 1,132bn (1,054), while corporate lending grew by 8% to SEK 1,030bn (954).

The average volume of deposits and borrowing rose by 6% to SEK 1,078bn (1,020). Exchange rate effects had a positive effect of SEK 20bn on average volumes. The average volume of household deposits went up by 11% to SEK 461bn (417), while deposits from companies increased by 2% to SEK 617bn (603).

Net fee and commission income increased by 6% to SEK 7,636m (7,217). Fund management, custody management, and other asset management commissions rose by SEK 421m, or 13%, to SEK 3,556m (3,135), while brokerage income decreased by SEK 157m, or 23%, to SEK 522m (679). Lending and deposit commissions rose by 9% to SEK 996m (910), while net payment commissions increased by 5% to SEK 1,455m (1,386). Net fee and commission income from card operations grew by 4% to SEK 922m (889). Exchange rate movements positively affected net fee and commission income by SEK 112m.

Net gains/losses on financial transactions went down to SEK 605m (1,107), 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 1,032m (209); 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-Sep 2018	Jan-Sep 2017	Change
Staff costs	-10,001	-9,294	8%
of which Oktogonen	*-641*	*-635*	*1%*
of which Norwegian pension plan	*-*	*239*	
of which UK pension plan	*141*	*-*	
Other expenses	-4,823	-4,177	15%
Depreciation and amortisation	-542	-435	25%
Total expenses	**-15,366**	**-13,906**	**10%**

SEK m	Jan-Sep 2018	Jan-Sep 2017	Change
UK and the Netherlands*	-2,913	-2,535	15%
Company formation	-218	-21	
Changed pension plan in Norway & UK	141	239	-41%
Development costs	-1,482	-1,222	21%
Foreign currency effect	-308		
Other recurring costs	-10,586	-10,367	2%
Total expenses	**-15,366**	**-13,906**	**10%**

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

Development costs

SEK m	Jan-Sep 2018	Jan-Sep 2017	Change
Investments in development	-1,832	-1,559	18%
of which staff costs	*-803*	*-683*	*18%*
of which other costs	*-1,029*	*-876*	*17%*
Capitalised costs	546	486	12%
Investments in development after capitalised costs	**-1,286**	**-1,073**	**20%**
Amortisation and depreciation	-196	-149	32%
Development costs	**-1,482**	**-1,222**	**21%**

Total expenses rose by 10% to SEK -15,366m (-13,906). Exchange rate effects increased expenses by SEK -308m. 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.

Development costs including depreciation amounted to SEK -1,482m (-1,222). For 2019, the Bank expects development costs to be around SEK 2,100 – 2,200m.

Staff costs rose by 8% to SEK -10,001m (-9,294). 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 6%. The provision to the Oktogonen profit-sharing foundation was SEK -641m (-635). Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -47m (-54). Staff costs relating to the Bank's development totalled SEK -803m (-683).

Compared with the corresponding period of the previous year, the average number of employees grew by 498 to 12,289 (11,791). 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 control functions.

Other expenses rose by 15% to SEK -4,823m (-4,177), chiefly due to increased development, as well as the ongoing preparations for the formation of a subsidiary in the UK. Development investments within Other expenses amounted to SEK -1,029m (-876).

The Bank's costs for preparations for creating a UK subsidiary amounted to SEK -218m (-21). 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 and amortisation increased by 25% to SEK -542m (-435); SEK -196m of this total (-149) was linked to development.
Investments in the Bank's development totalled SEK -1,832m (-1,559). Capitalised costs grew to SEK 546m (486).

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. During the period, development investments linked to regulatory compliance decreased slightly compared with the same period in the previous year, whereas development investments for other purposes increased.

Development investments – by category

SEK m	Jan-Sep 2018	Jan-Sep 2017	Change
Regulatory compliance	-663	-680	-3%
Technical development	-618	-499	24%
Business development	-369	-304	21%
UK & Netherlands	-182	-75	143%
Other	-	-1	
Total investments in development	**-1,832**	**-1,559**	**18%**

Loan losses

SEK m	Jan-Sep 2018	Jan-Sep 2017	Change
Net loan losses	-605	-599	6
Loan loss ratio as % of loans (IFRS 9)	0.04		
Loan loss ratio as % of loans (IAS 39)		0.04	

Loan losses were more or less unchanged at SEK -605m (-599); SEK -605m of this total related to loans to the public. The loan loss ratio pursuant to IFRS 9 was 0.04% (Q1-3 2017 according to IAS 39: 0.04%).

Q3 2018 COMPARED WITH Q2 2018

Operating profit went down by 14% to SEK 5,344m (6,220). Adjusted for the one-off item relating to the sale of shares in UC AB, operating profit decreased by 1%. The period's profit after tax fell by 22% to SEK 4,106m (5,231). Tax in the comparison quarter was positively affected by a one-off item of SEK 285m. Earnings per share fell to SEK 2.11 (2.69) and return on equity declined to 12.1% (16.0).

The C/I ratio rose to 48.1% (44.7).

Non-recurring items and special items in the operating profit

SEK m	Kv 3 2018	Kv 2 2018	Change
Special items			
Benchmark effect in Stadshypotek	1	25	-96%
Oktogonen (the Bank's profit-sharing system)	-201	-207	-3%
Performance-related remuneration	-18	-20	-10%
Total Special items	**-218**	**-202**	**8%**
Non-recurring items			
Capital gains from the sale of shares in UC AB	-	837	
Total non recurring items	**-**	**837**	
Total	**-218**	**635**	

Income

SEK m	Q3 2018	Q2 2018	Change
Net interest income	7,862	7,904	-1%
of which state fees	*-701*	*-706*	*-1%*
Net fee and commission income	2,624	2,551	3%
Net gains/losses on financial trans.	186	290	-36%
Other	56	890	-94%
Total income	**10,728**	**11,635**	**-8%**

Income went down by 8% till SEK 10,728m (11,635). Adjusted for the one-off item relating to the sale of shares in UC AB, the decrease was just under 1%. Exchange rate effects had a slight positive impact of SEK 2m.

Net interest income went down somewhat to SEK 7,862m (7,904). Higher lending volumes contributed SEK 72m, while lending margins went down, reducing net interest income by SEK -42m. Net interest income from deposits grew by SEK 48m; this was attributable to higher volumes and improved margins. The fact that the third quarter had one more calendar day than the comparison quarter increased net interest income by SEK 37m.

The effect of exchange rate movements was marginal. Government fees decreased by SEK -5m to SEK -701m (-706). The benchmark effect in Stadshypotek had a negative impact on net interest income, reducing it by SEK -24m to SEK 1m (25). The remainder of the change in net interest income was mainly attributable to higher funding costs, coupled with higher activity in the funding market.

The average volume of loans to the public grew by 1%, or SEK 23bn, to SEK 2,199bn (2,176). Exchange rate effects were marginal, increasing average volumes by SEK 1bn. Household lending increased by 1% to SEK 1,151bn (1,136), and corporate lending also grew by 1% to SEK 1,049bn (1,040). Lending to large corporates can fluctuate over the quarters, and towards the end of the third quarter, volumes of lending to large corporates decreased, causing the end-of-quarter volume figure to be negatively affected. The total average volume of deposits and borrowing rose by 2% to SEK 1,094bn (1,075). Exchange rate effects had a positive effect of SEK 1bn on average volumes. Household deposits rose by 3%, and the average volume of corporate deposits grew by 1%.

Net fee and commission income increased by 3% to SEK 2,624m (2,551). Fund management, custody management, and other asset management commissions accounted for SEK 47m of the increase, growing by 4% to SEK 1,235m (1,188). Net payment commissions increased by SEK 71m to SEK 542m (471), with net card commissions amounting to SEK 356m (291).
Staff costs increased by 2% to SEK -3,421m (-3,363). The provision to the Oktogonen profit-sharing foundation was SEK -201m (-207). The period's provision for variable compensation was SEK -18m (-20). Staff costs relating to the Bank's development totalled SEK -228m (-290).

The average number of employees rose to 12,583 (12,219), due to increasing expansion in the UK and the Netherlands, as well as to the growing number of staff at the Group's IT Department and Financial Crime Prevention Department.

Brokerage income went down by SEK 13m to SEK 164m (177).

Net gains/losses on financial transactions totalled SEK 186m (290). This decrease was attributable partly to seasonal effects from lower customer activity during the holiday months, and partly to a higher deferred capital contribution to policyholders in Handelsbanken Liv.

Other income decreased to SEK 56m (890); this was mainly attributable to the sale of shares in UC AB in the preceding quarter.

Expenses

SEK m	Q3 2018	Q2 2018	Change
Staff costs	-3,421	-3,363	2%
of which Oktogonen	*-201*	*-207*	*-3%*
Other expenses	-1,554	-1,644	-5%
Depreciation and amortisation	-181	-189	-4%
Total expenses	**-5,156**	**-5,196**	**-1%**

SEK m	Q3 2018	Q2 2018	Change
UK and the Netherlands*	-1,043	-1,033	1%
Company formation in UK	-69	-70	-1%
Development costs	-444	-488	-9%
Other recurring costs	-3,600	-3,606	0%
Total expenses	**-5,156**	**-5,196**	**-1%**

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

Development costs

SEK m	Q3 2018	Q2 2018	Change
Investments in development	-521	-657	-21%
of which staff costs	*-228*	*-290*	*-21%*
of which other costs	*-293*	*-367*	*-20%*
Capitalised costs	147	234	-37%
Investments in development after capitalised costs	**-374**	**-423**	**-12%**
Amortisation and depreciation	-70	-65	8%
Development costs	**-444**	**-488**	**-9%**

Total expenses decreased by 1% to SEK -5,156m (-5,196). The effect of exchange rate movements was negligible. Development costs, including depreciation, declined to SEK -444m (-488).

Other expenses fell by 5% to SEK -1,554m (-1,644), and within development investments they fell to SEK -293m (-367).

Depreciation and amortisation decreased to SEK -181m (-189), with SEK -70m of this total (-65) being linked to development.

Total investments in the Bank's development fell to SEK -521m (-657). Capitalised costs decreased to SEK 147m (234). The capitalisation rate can vary between quarters, due to the nature of the projects to which the development relates.

Loan losses

SEK m	Q3 2018	Q2 2018	Change
Net loan losses	-230	-222	8
Loan loss ratio as % of loans (IFRS 9)	0.04	0.05	

Loan losses totalled SEK -230m (-222), of which SEK -229m (-242) derived from loans to the public. The loan loss ratio was 0.04% (0.05). The underlying credit quality remained stable.

Taxes

The tax rate in the third quarter was 23.2% (15.9). During the comparison quarter, the corporate tax cut passed by the Swedish Parliament had a positive one-off effect of 4.6 percentage points on the tax rate, as a result of the revaluation of deferred tax assets and tax liabilities.

HANDELSBANKEN'S UK SUBSIDIARY

The process of migrating the business operations of Handelsbanken UK to the newly formed subsidiary Handelsbanken plc is progressing according to plan. The goal is to migrate the operations to Handelsbanken plc as soon as possible after the requisite authorisation is granted by the public authorities, although no later than 29 March 2019. Handelsbanken plc will pursue its operations for the Bank's UK customers according to the same principles as the Bank does today. The Bank believes that the investments now being made in the UK will pave the way for operational performance there to remain profitable in the long term, with greater efficiency than is possible today.

HANDELSBANKEN IN THE BALTIC COUNTRIES

Handelsbanken has one branch in each of Tallinn, Riga and Vilnius, which were opened in 2006, 2008 and 2009 respectively. Most of the Bank's Baltic operations are in Tallinn. With the exception of a few state-owned companies, the branches only serve home market customers with operations in the Baltic countries. The Bank has no 'non-domiciled' customers in the Baltic countries. The total balance sheet for the operations in the three Baltic countries is approximately SEK 2bn, and the total number of employees is around 30.

FUNDING AND LIQUIDITY

During the year, the international funding markets have gradually become affected by somewhat greater uncertainty. In view of this, the Bank has elected to maintain relatively high issuing activity, and has extended the maturity of its funding somewhat. In the first nine months, the volume of issued bonds increased to SEK 196bn (109), of which SEK 125bn (87) was in covered bonds, SEK 55bn (22) in senior bonds, and SEK 16bn (0) in dated subordinated loans. During the third quarter, the Bank issued a 10½-year subordinated loan in EUR, with the first repayment after 5½ years.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered and therefore represent protection for the Bank's senior lenders. At the end of the period, the ratio of non-encumbered assets to all unsecured market funding was 227% (224 at year-end 2017).

The Bank has a strong liquidity position. Cash funds and liquid assets deposited with central banks amounted to SEK 406bn (489), while the volume of liquid bonds and other liquid assets totalled SEK 188bn (163).

At the end of the quarter, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated act, was 161% (146). At the end of the quarter, the net stable funding ratio (NSFR) was 103% (103).

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 third quarter, the common equity tier 1 ratio was 21.7%. In the Bank's assessment, the Supervisory Authority's common equity tier 1 capital requirement at the same date was 19.6%. The Bank's capitalisation was thus within the target range.

Starting from 31 December 2018, the Swedish Financial Supervisory Authority has decided to introduce a risk weight floor in Pillar 1 of 25% for Swedish mortgage loan exposures. The equivalent risk weight floor is currently a buffer requirement in Pillar 2. The nominal capital requirements that the Supervisory Authority makes of the Bank will only be marginally changed as a result of this decision. However, the risk exposure amount will increase, and the various capital ratios relating to the capital situation and capital requirements will decrease as a result of this. Based on the third-quarter balance sheet, this means that the Bank's common equity tier 1 ratio would be 16.7% with the risk weight floor introduced in Pillar 1. The Bank's assessment of the common equity tier 1 capital requirement is that it would be 15.1%.

The Supervisory Authority has also decided to raise the Swedish countercyclical buffer from 2.0% to 2.5%. This increase will become effective on 19 September 2019. Together with the announced increases in the counter-cyclical buffers in Denmark, the UK, etc., this means that the Bank's overall common equity tier 1 capital requirement will rise by just over 0.3 percentage points from Q3 2019.

Capital situation 30 September 2018 compared with 30 September 2017

SEK m	30 Sep 2018	30 Sep 2017	Change
Common equity tier 1 ratio, CRR	21.7%	23.6%	-1.9
Total capital ratio, CRR	27.1%	28.5%	-1.4
Risk exposure amount, CRR	547,977	507,413	8%
Common equity tier 1 capital	118,784	119,511	-1%
Total own funds	148,669	144,569	3%
Capital requirement, Basel I floor		101,996	
Total own funds, Basel I floor		146,815	

Own funds were SEK 149bn (145), and the Bank's total capital ratio amounted to 27.1% (28.5).

The common equity tier 1 capital was SEK 119bn (120), while the common equity tier 1 ratio was 21.7% (23.6).

The period's earnings, after deducted and generated dividend, reduced the common equity tier 1 ratio by -0.5 percentage points. This was a result of the dividend ratio of 91% for 2017 being used for the deduction of dividends generated for the first nine months of 2018.

Higher lending volumes reduced the common equity tier 1 ratio by -0.2 percentage points. Customer migration in the loan portfolio had an impact of -0.4 percentage points. The net effect of various risk levels on inflows and outflows in the lending portfolio – "volume migration" – caused the common equity tier 1 ratio to increase by 0.2 percentage points.

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

Exchange rate effects had no impact on the common equity tier 1 ratio. The change in net pensions had a negative impact of -0.1 percentage point as a result of the discount rate for Swedish pension obligations being lowered to 2.0% (2.3). Other effects, net, were -0.5 percentage points.

Capital situation 30 September 2018 compared with 30 June 2018

SEK m	30 Sep 2018	30 Jun 2018	Change
Common equity tier 1 ratio, CRR	21.7%	21.4%	0.3
Total capital ratio, CRR	27.1%	28.3%	-1.2
Risk exposure amount, CRR	547,977	553,762	-1%
Common equity tier 1 capital	118,784	118,404	0%
Total own funds	148,669	156,455	-5%

Own funds amounted to SEK 149bn (156) and the total capital ratio was 27.1% (28.3). The common equity tier 1 capital was SEK 119bn (118), while the common equity tier 1 ratio was 21.7% (21.4). The period's earnings, after deduction for the dividend generated, had no impact on the common equity tier 1 ratio. This was a result of the dividend ratio for 2017 of 91% being used for the deduction of dividends generated.

The net effect of customer and volume migration had a positive effect of 0.1 percentage point. The change in net pensions increased the common equity tier 1 ratio by 0.3 percentage points; this was chiefly due to the increased value of pension assets, while the discount rate for Swedish pension obligations was unchanged.

Exchange rate movements were neutral, and the net effect of other factors reduced 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 third quarter, Group EC totalled SEK 63.2bn, while AFR was SEK 174.8bn. Thus, the ratio between AFR and EC was 277%. For the consolidated situation, EC totalled SEK 35.8bn, and AFR was SEK 172.4bn.

Rating

During the quarter, Handelsbanken's long-term and short-term senior ratings with the rating agencies which monitor the Bank were unchanged (see table below). Moody's downgraded the Bank's AT1 instruments to Baa3 as a result of the new common equity tier 1 capital ratios that apply from the end of this year. A rating of Baa3 still means Investment Grade for the Bank's AT1 instruments.

	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)		

EVENTS AFTER THE END OF THE REPORTING PERIOD

Anders Bouvin has informed Handelsbanken's Board of his wish to retire on 31 August 2019, thereby leaving his position as President and Group Chief Executive of the Bank. The Board has on 23 October accepted his resignation.

The process of recruiting a new President and Group Chief Executive for Svenska Handelsbanken AB (publ) will be instigated immediately.

Handelsbanken Group – Business segments

January - September 2018	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether-lands	Capital Markets	Other	Adj. & elim.	Group Jan-Sep 2018
Net interest income	12,749	4,089	1,290	981	2,860	499	341	605		23,414
Net fee and commission income	3,003	520	349	370	307	121	2,941	25		7,636
Net gains/losses on financial transactions	503	156	79	39	74	12	604	-862		605
Risk result - insurance							66			66
Share of profit of associates								3		3
Other income	42	0	8	13	5	1	14	880		963
Total income	**16,297**	**4,765**	**1,726**	**1,403**	**3,246**	**633**	**3,966**	**651**		**32,687**
Staff costs	-2,667	-1,424	-548	-322	-627	-264	-1,708	-2,386	-55	-10,001
Other expenses	-821	-625	-135	-138	-189	-68	-714	-2,133		-4,823
Internal purchased and sold services	-2,552	-579	-269	-268	-339	-86	43	4,050		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-50	-54	-7	-16	-12	-12	-93	-298		-542
Total expenses	**-6,090**	**-2,682**	**-959**	**-744**	**-1,167**	**-430**	**-2,472**	**-767**	**-55**	**-15,366**
Profit before loan losses	**10,207**	**2,083**	**767**	**659**	**2,079**	**203**	**1,494**	**-116**	**-55**	**17,321**
Net loan losses	-141	-95	7	-100	-301	13	12	0		-605
Gains/losses on disposal of property, equipment and intangible assets	4	-1	3	0	3	-	0	0		9
Operating profit	**10,070**	**1,987**	**777**	**559**	**1,781**	**216**	**1,506**	**-116**	**-55**	**16,725**
Profit allocation	1,421	24	54	143	88	2	-1,732	-		
Operating profit after profit allocation	**11,491**	**2,011**	**831**	**702**	**1,869**	**218**	**-226**	**-116**	**-55**	**16,725**
Internal income*	-396	-953	-233	-212	-2,088	-245	-2,147	6,274		

January - September 2017	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	Nether-lands	Capital Markets	Other	Adj. & elim.	Group Jan-Sep 2017
Net interest income	12,323	3,414	1,275	884	2,713	402	356	622		21,989
Net fee and commission income	3,288	437	318	344	306	100	2,385	39		7,217
Net gains/losses on financial transactions	496	140	71	34	69	7	784	-494		1,107
Risk result - insurance							108			108
Share of profit of associates						2		-18		-16
Other income	34	1	12	14	11	1	12	32		117
Total income	**16,141**	**3,992**	**1,676**	**1,276**	**3,099**	**512**	**3,645**	**181**		**30,522**
Staff costs	-2,580	-1,366	-495	-289	-378	-213	-1,673	-2,144	-156	-9,294
Other expenses	-826	-355	-108	-132	-161	-58	-649	-1,888		-4,177
Internal purchased and sold services	-2,297	-440	-247	-223	-306	-69	29	3,553		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-62	-47	-10	-13	-11	-8	-61	-184	-39	-435
Total expenses	**-5,765**	**-2,208**	**-860**	**-657**	**-856**	**-348**	**-2,354**	**-663**	**-195**	**-13,906**
Profit before loan losses	**10,376**	**1,784**	**816**	**619**	**2,243**	**164**	**1,291**	**-482**	**-195**	**16,616**
Net loan losses	-141	-183	-94	-6	-121	1	-55			-599
Gains/losses on disposal of property, equipment and intangible assets	0	-1	11	0	1	-	0	0		11
Operating profit	**10,235**	**1,600**	**733**	**613**	**2,123**	**165**	**1,236**	**-482**	**-195**	**16,028**
Profit allocation	946	24	69	107	64	2	-1,212	-		
Operating profit after profit allocation	**11,181**	**1,624**	**802**	**720**	**2,187**	**167**	**24**	**-482**	**-195**	**16,028**
Internal income*	385	-809	-244	-255	-1,834	-182	-2,065	5,004		

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

INCOME STATEMENT

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	4,232	4,276	-1%	4,301	-2%	12,749	12,323	3%	16,694
Net fee and commission income	1,055	989	7%	1,113	-5%	3,003	3,288	-9%	4,434
Net gains/losses on financial transactions	164	190	-14%	173	-5%	503	496	1%	663
Other income	6	4	50%	7	-14%	42	34	24%	49
Total income	**5,457**	**5,459**	**0%**	**5,594**	**-2%**	**16,297**	**16,141**	**1%**	**21,840**
Staff costs	-887	-879	1%	-876	1%	-2,667	-2,580	3%	-3,465
Other expenses	-260	-288	-10%	-268	-3%	-821	-826	-1%	-1,180
Internal purchased and sold services	-819	-865	-5%	-732	12%	-2,552	-2,297	11%	-3,168
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-16	6%	-18	-6%	-50	-62	-19%	-79
Total expenses	**-1,983**	**-2,048**	**-3%**	**-1,894**	**5%**	**-6,090**	**-5,765**	**6%**	**-7,892**
Profit before loan losses	**3,474**	**3,411**	**2%**	**3,700**	**-6%**	**10,207**	**10,376**	**-2%**	**13,948**
Net loan losses	5	-31		-42		-141	-141	0%	-210
Gains/losses on disposal of property, equipment and intangible assets	1	2	-50%	0		4	0		2
Operating profit	**3,480**	**3,382**	**3%**	**3,658**	**-5%**	**10,070**	**10,235**	**-2%**	**13,740**
Profit allocation	491	487	1%	322	52%	1,421	946	50%	1,257
Operating profit after profit allocation	**3,971**	**3,869**	**3%**	**3,980**	**0%**	**11,491**	**11,181**	**3%**	**14,997**
Internal income	-29	-305	90%	219		-396	385		601
Cost/income ratio, %	33.3	34.4		32.0		34.4	33.7		34.2
Loan loss ratio (IAS 39), %				0.01			0.02		0.02
Loan loss ratio (IFRS 9), %	0.00	0.01				0.02			
Allocated capital	79,011	75,137	5%	78,083	1%	79,011	78,083	1%	79,964
Return on allocated capital, %	15.7	16.1		15.9		15.4	15.4		15.3
Average number of employees	4,229	4,031	5%	4,232	0%	4,106	4,076	1%	4,078
Number of branches	402	407	-1%	422	-5%	402	422	-5%	420

BUSINESS VOLUMES

Average volumes, SEK bn	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Loans to the public*									
Household	832	824	1%	788	6%	823	776	6%	782
of which mortgage loans	785	776	1%	738	6%	775	726	7%	732
Corporate	515	509	1%	491	5%	509	485	5%	488
of which mortgage loans	303	298	2%	285	6%	298	280	6%	283
Total	**1,347**	**1,333**	**1%**	**1,279**	**5%**	**1,332**	**1,261**	**6%**	**1,270**
Deposits and borrowing from the public									
Household	351	343	2%	325	8%	343	316	9%	321
Corporate	242	243	0%	232	4%	243	226	8%	229
Total	**593**	**586**	**1%**	**557**	**6%**	**586**	**542**	**8%**	**550**

* Excluding loans to the National Debt Office.

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Financial performance

Operating profit declined by SEK 165m to SEK 10,070m (10,235) and the return on equity was 15.4% (15.4).

Net interest income rose by 3%, or SEK 426m, to SEK 12,749m (12,323). Higher lending volumes increased net interest income by SEK 606m, while lending margins had a negative impact of SEK -63m. Net interest income from deposits improved by SEK 114m, chiefly attributable to higher volumes. Government fees in-creased by SEK 261m to SEK -1,039m (-778), of which fees to the Swedish Resolution Fund rose to SEK -859m (-609).

Net fee and commission income declined by 9% or SEK 285m to SEK 3,003m (3,288), while mutual fund commissions decreased by SEK 247m to SEK 655m (902). 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 366m 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 rose by 13%. Brokerage income from discretionary management was also lower due to MiFID 2.

Net gains/losses on financial transactions totalled SEK 503m (496).

Total expenses rose by 6% to SEK -6,090m (-5,765). Staff costs went up by 3% to SEK -2,667m (-2,580). The average number of employees rose by 1% to 4,106 (4,076).

Progress is being made in the work to increase efficiency and to digitalise administration and routine work. The Bank has initiated an effort to use artificial intelligence (AI) in the extensive re-examination of investment advisory services. Digital support for investment advisory services has also been improved. Together, these measures have resulted in a decrease in the total number of working hours per advisory session. At the same time, the number of advisory sessions has increased by 70% compared to the previous year, and business volumes have also increased.

Expenses for services bought and sold internally increased by 11% to SEK -2,552m (-2,297), mainly due to higher development costs. The C/I ratio was 34.4% (33.7).

Loan losses were SEK -141m (-141), and the loan loss ratio was 0.02% pursuant to IFRS 9 (IAS 39: 0.02).

Business development

Just as in previous years, the major Swedish Quality Index (SKI) survey found that Handelsbanken is “Best among the major banks”. The survey asserts that “those businesses that succeed in combining a digital presence with a personal touch are rewarded with more satisfied customers”. Among private customers, Handelsbanken earned a score of 72.3, meaning that the gap between the Bank and the sector average, as well as between the Bank and the other three major banks, has grown since the previous year. The other major banks recorded scores in the 58.5 – 65.7 range. For corporate customers, Handelsbanken’s index value was 67.7, as compared with the other major banks, all of which recorded scores in the 56.6 – 61.9 range.

In Finansbarometern’s annual survey, Handelsbanken has once again been voted Business Bank of the Year – for the eighth year running – and Sweden’s Small Enterprise Bank – for the seventh year running. The year’s survey once again provided evidence that corporate customers appreciate Handelsbanken’s unique business model.

Handelsbanken continues to have major inflows of new business volumes in Sweden – in terms of both savings and lending. New savings in the Bank’s mutual funds in Sweden totalled SEK 13.5bn (16.1), corresponding to a market share of 35%. At the same time, deposits increased. Statistics – which are available up until the end of August – showed that during the first eight months of the year, 23% 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 775bn (726), while deposits from households grew by 9% to SEK 343bn (316). The average volume of corporate lending went up by 5% to SEK 509bn (485), while corporate deposits increased by 8% to SEK 243bn (226).

Two new branches were opened during the third quarter, while seven branches were merged with nearby larger branches. As a result, Handelsbanken had 391 branches and eleven meeting places in Sweden, meaning a combined total of 402 branches and meeting places (422).

Q3 2018 COMPARED WITH Q2 2018

Operating profit went up by 3% to SEK 3,480m (3,382), and return on allocated capital was 15.7% (16.1).

Net interest income went down by 1% to SEK 4,232m (4,276). Increased lending volumes made a positive contribution of SEK 40m, while lending margins decreased by SEK 18m. Net interest income from deposits rose by SEK 9m. Government fees burdened net interest income by SEK -346m (-349). The benchmark effect in Stadshypotek had a negative impact on net interest income, reducing it by SEK -24m to SEK 1m (25). The gross margin on the mortgage portfolio – before advisory and administration expenses – declined slightly to 1.05% (1.06).

Both deposit and lending volumes rose by 1%.

Net fee and commission income grew by 7% to SEK 1,055m (989), chiefly due to higher payment income.

Net gains/losses on financial transactions totalled SEK 164m (190).

Expenses fell by 3% to SEK -1,983m (-2,048). Staff costs increased by 1%, due to a rise in the average number of employees from temporary staff over the holiday period.

Loan losses consisted of net recoveries and totalled SEK 5m (-31).

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	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	1,419	1,388	2%	1,157	23%	4,089	3,414	20%	4,659
Net fee and commission income	179	174	3%	147	22%	520	437	19%	602
Net gains/losses on financial transactions	52	50	4%	46	13%	156	140	11%	127
Other income	0	0	0%	1	-100%	0	1	-100%	3
Total income	**1,650**	**1,612**	**2%**	**1,351**	**22%**	**4,765**	**3,992**	**19%**	**5,391**
Staff costs	-533	-528	1%	-452	18%	-1,424	-1,366	4%	-1,828
Other expenses	-204	-213	-4%	-117	74%	-625	-355	76%	-549
Internal purchased and sold services	-204	-197	4%	-139	47%	-579	-440	32%	-595
Depreciation, amortisation and impairments of property, equipment and intangible assets	-17	-19	-11%	-15	13%	-54	-47	15%	-63
Total expenses	**-958**	**-957**	**0%**	**-723**	**33%**	**-2,682**	**-2,208**	**21%**	**-3,035**
Profit before loan losses	**692**	**655**	**6%**	**628**	**10%**	**2,083**	**1,784**	**17%**	**2,356**
Net loan losses	-42	-28	50%	-148	-72%	-95	-183	-48%	-739
Gains/losses on disposal of property, equipment and intangible assets	0	-1		0	0%	-1	-1	0%	-1
Operating profit	**650**	**626**	**4%**	**480**	**35%**	**1,987**	**1,600**	**24%**	**1,616**
Profit allocation	9	8	13%	9	0%	24	24	0%	35
Operating profit after profit allocation	**659**	**634**	**4%**	**489**	**35%**	**2,011**	**1,624**	**24%**	**1,651**
Internal income	-338	-331	-2%	-225	-50%	-953	-809	-18%	-935
Cost/income ratio, %	57.7	59.1		53.2		56.0	55.0		55.9
Loan loss ratio (IAS 39), %				0.30			0.12		0.38
Loan loss ratio (IFRS 9), %	0.08	0.05				0.06			
Allocated capital	13,469	13,286	1%	12,519	8%	13,469	12,519	8%	13,106
Return on allocated capital, %	15.3	14.9		12.2		15.8	13.5		10.2
Average number of employees	2,274	2,228	2%	2,073	10%	2,219	2,029	9%	2,045
Number of branches	208	208	0%	207	0%	208	207	0%	208

BUSINESS VOLUMES

Average volumes, GBP m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Loans to the public									
Household	6,606	6,501	2%	6,210	6%	6,508	6,066	7%	6,127
Corporate	13,870	13,610	2%	12,411	12%	13,576	12,060	13%	12,264
Total	**20,476**	**20,111**	**2%**	**18,621**	**10%**	**20,084**	**18,126**	**11%**	**18,391**
Deposits and borrowing from the public									
Household	4,726	4,519	5%	3,965	19%	4,527	3,622	25%	3,775
Corporate	9,091	8,971	1%	9,113	0%	8,971	8,481	6%	8,654
Total	**13,817**	**13,490**	**2%**	**13,078**	**6%**	**13,498**	**12,103**	**12%**	**12,429**

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Financial performance

Operating profit increased by 24%, or SEK 387m, to SEK 1,987m (1,600). Exchange rate effects had a positive impact on operating profit, which, expressed in local currency, increased by 18%. Return on allocated capital grew to 15.8% (13.5).

Income climbed by 19% to SEK 4,765m (3,992). Expressed in local currency, income rose by 13%.

Net interest income rose by 20%, or SEK 675m, to SEK 4,089m (3,414). Exchange rate effects increased net interest income by SEK 184m, and in local currency, net interest income grew by 14%. Higher lending volumes contributed SEK 262m and deposit volumes SEK 68m. Higher deposit margins increased net interest income by SEK 227m. The household lending margin declined by SEK 97m, while the corporate lending margin improved by SEK 35m. Government fees rose by SEK 45m and amounted to SEK -176m (-131).

Net fee and commission income increased by 19% to SEK 520m (437), due in part to higher payment and lending commissions. Asset management and advisory commissions at Heartwood Wealth Management rose by 17% to SEK 238m (203).

Staff costs went up by 4%, or SEK 58m. During the first quarter of 2018, a change was made 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 199m, or 15%. The weakening of the Swedish krona accounted for SEK 75m of this increase. The average number of employees grew by 9% to 2,219 (2,029).

Other expenses rose by SEK 416m to SEK -1,258m (-842). Exchange rate effects had an impact on other expenses in the amount of SEK -42m.

In the first nine months of the year, expenses of SEK -199m (-21) were charged to profit in Handelsbanken UK for development and other preparatory work related to the formation of a subsidiary.

Loan losses declined to SEK -95m (-183) and the loan loss ratio (under IFRS 9) was 0.06%, compared with 0.12% (under IAS 39) in the year-earlier period.

Establishment of Handelsbanken plc

The process of migrating the business of Handelsbanken UK to the newly formed subsidiary Handelsbanken plc is progressing according to plan. The goal is to migrate the business to Handelsbanken plc as soon as the requisite authorisation is granted by the regulators, and the transfer sanctioned by the court. The transfer will occur no later than 29 March 2019. The costs related to the formation of the subsidiary are expected to be slightly less in 2019 than in 2018. At the same time, costs in 2019 for the development of the operations in the UK will be at a higher level than normal. In the new subsidiary, eligible deposits from the public will be covered by the UK's Financial Services Compensation Scheme (FSCS).

Business development

EPSI's annual customer satisfaction survey showed that Handelsbanken again had the most satisfied customers of the British banks. Private customers gave the Bank an index value of 83.9, as compared to the sector average of 72.1. For corporate customers, the index value was 82.6, compared with the sector average of 70.0.

In August, the UK Competition and Markets Authority (CMA) published the results of its independent service quality survey for business banking in Great Britain. The survey looks at corporate customers' willingness to recommend their bank to other small and medium-sized enterprises. In four of the investigation's five criteria, including for overall quality of service, Handelsbanken was the highest rated out of 14 financial service providers.

Business volumes continued to grow. The average volume of deposits from households rose by 25%, while lending to households grew by 7% compared with the corresponding period of 2017. Overall, the average volume of lending increased by 11% to GBP 20.1bn, while total deposits went up by 12% to GBP 13.5bn. Assets managed in Heartwood Wealth Management totalled GBP 3.7bn, compared to GBP 3.3bn in the corresponding period of 2017. Net inflows for the first nine months of the year totalled GBP 183m (236).

At the end of Q3, Handelsbanken had a total of 208 (207) branches in the UK.

Q3 2018 COMPARED WITH Q2 2018

Operating profit rose to SEK 650m (626), as a result of higher income. Currency effects were SEK -8m. Return on allocated capital grew to 15.3% (14.9).

Income grew by 2% to SEK 1,650m (1,612), and was negatively impacted by currency effects of SEK 18m; expressed in local currency, income growth was 3%.

Net interest income rose by 2%, or SEK 31m, to SEK 1,419m (1,388). Exchange rate effects had a negative impact of SEK -15m on net interest income and, expressed in local currency, net interest income improved by 3%. Higher lending volumes improved net interest income by SEK 21m, and greater deposit volumes improved net interest income by SEK 7m. Improved deposit margins increased net interest income by SEK 18m. The margins on lending to households declined by SEK 4m, while the corporate lending margins improved by SEK 3m.

Net fee and commission income increased by 3% to SEK 179m (174). Net gains/losses on financial transactions totalled SEK 52m (50).

Expenses were mainly unchanged at SEK -958m (-957).

Loan losses amounted to SEK -42m (-28), and the loan loss ratio (IFRS 9) was thus 0.08% (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 56 branches throughout Denmark.

INCOME STATEMENT

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	437	438	0%	433	1%	1,290	1,275	1%	1,714
Net fee and commission income	117	114	3%	89	31%	349	318	10%	433
Net gains/losses on financial transactions	23	32	-28%	18	28%	79	71	11%	95
Other income	2	3	-33%	4	-50%	8	12	-33%	15
Total income	**579**	**587**	**-1%**	**544**	**6%**	**1,726**	**1,676**	**3%**	**2,257**
Staff costs	-188	-180	4%	-166	13%	-548	-495	11%	-669
Other expenses	-44	-49	-10%	-33	33%	-135	-108	25%	-159
Internal purchased and sold services	-89	-91	-2%	-84	6%	-269	-247	9%	-335
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-2	0%	-3	-33%	-7	-10	-30%	-13
Total expenses	**-323**	**-322**	**0%**	**-286**	**13%**	**-959**	**-860**	**12%**	**-1,176**
Profit before loan losses	**256**	**265**	**-3%**	**258**	**-1%**	**767**	**816**	**-6%**	**1,081**
Net loan losses	4	9	-56%	-24		7	-94		-466
Gains/losses on disposal of property, equipment and intangible assets	1	0		3	-67%	3	11	-73%	13
Operating profit	**261**	**274**	**-5%**	**237**	**10%**	**777**	**733**	**6%**	**628**
Profit allocation	19	17	12%	21	-10%	54	69	-22%	94
Operating profit after profit allocation	**280**	**291**	**-4%**	**258**	**9%**	**831**	**802**	**4%**	**722**
Internal income	-81	-78	-4%	-70	-16%	-233	-244	5%	-237
Cost/income ratio, %	54.0	53.3		50.6		53.9	49.3		50.0
Loan loss ratio (IAS 39), %				0.10			0.13		0.48
Loan loss ratio (IFRS 9), %	-0.02	-0.04				-0.01			
Allocated capital	6,088	5,841	4%	5,708	7%	6,088	5,708	7%	5,711
Return on allocated capital, %	14.4	15.6		14.0		14.6	14.2		9.7
Average number of employees	611	621	-2%	608	0%	616	608	1%	608
Number of branches	56	57	-2%	57	-2%	56	57	-2%	57

BUSINESS VOLUMES

Average volumes, DKK bn	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Loans to the public									
Household	46.5	46.2	1%	44.3	5%	46.2	43.8	5%	44.1
Corporate	29.4	29.5	0%	27.6	7%	29.3	28.7	2%	28.7
Total	**75.9**	**75.7**	**0%**	**71.9**	**6%**	**75.5**	**72.5**	**4%**	**72.8**
Deposits and borrowing from the public									
Household	14.1	13.8	2%	13.1	8%	13.7	12.7	8%	12.8
Corporate	21.5	18.5	16%	19.8	9%	20.5	19.0	8%	19.1
Total	**35.6**	**32.3**	**10%**	**32.9**	**8%**	**34.2**	**31.7**	**8%**	**31.9**

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Financial performance

Operating profit rose by 6% to SEK 777m (733), due to lower loan losses and exchange rate movements. The weakening of the Swedish krona had a positive effect of SEK 50m on operating profit. In local currency, profit before loan losses went down by 12%. Return on allocated capital was 14.6% (14.2).

Net interest income increased by SEK 15m to SEK 1,290m (1,275) and was positively affected by exchange rate movements in the amount of SEK 83m. In local currency, net interest income decreased by 5%. Government fees increased by SEK 27m, burdening net interest income by SEK -83m (-56), of which fees for the Swedish Resolution Fund increased by SEK 26m. Larger lending volumes improved net interest income by SEK 29m, while lower deposit margins had a negative impact of SEK -77m. Deposit margins, primarily corporate, increased net interest income by SEK 22m, while the impact of larger deposit volumes was SEK 3m.

Net fee and commission income increased by 10%, or SEK 31m, to SEK 349m (318), of which SEK 22m was attributable to exchange rate movements. Expressed in local currency, net fee and commission income improved by 3%.

Net gains/losses on financial transactions rose by 11% to SEK 79m (71). In local currency, the increase was 4%.

Expenses increased by 12% to SEK -959m (-860), of which the largest portion was attributable to the weakening of the Swedish krona. In local currency, expenses rose by 4%. Staff costs grew by 11% to SEK -548m (-495) but, expressed in local currency, the increase was 4%. The average number of employees grew by 1% to 616 (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 7m (-94), and the loan loss ratio was -0.01% pursuant to IFRS 9 (0.13 pursuant to IAS 39).

Business development

EPSI’s annual customer satisfaction survey showed that Handelsbanken once again had the most satisfied private customers of all banks in Denmark. Private customers gave the Bank a score of 77.8, compared to the sector average of 69.9. On the corporate side, the score was 71.8, compared to the sector average of 69.8.

The Bank continued to have a stable inflow of new volumes and customers. The average volume of lending to households increased by 5%, while deposits from households grew by 8%. Corporate lending increased by 2%, while corporate deposits were up by 8%. Overall, the average volume of lending grew by 4% to DKK 75.5bn (72.5), and deposits increased by 8% to DKK 34.2bn (31.7).

New savings in the Bank’s mutual funds in Denmark during the nine-month period totalled SEK 0.9bn (2.2).

At the end of Q3, Handelsbanken had a total of 56 (57) branches in Denmark.

Q3 2018 COMPARED WITH Q2 2018

Operating profit fell by 5% to SEK 261m (274). Expressed in local currency, operating profit was 6% lower.

Net interest income was largely unchanged at SEK 437m (438) but, adjusted for exchange rate movements, net interest income expressed in local currency declined by 1%. Lower lending margins, both corporate and household, negatively affected net interest income by SEK -10m. Higher deposit volumes made a positive contribution of SEK 2m. The fees for the Swedish Resolution Fund and the deposit guarantee were stable and amounted to SEK -28m (-28).

Net fee and commission income grew by 3% to SEK 117m (114).

Net gains/losses on financial transactions decreased to SEK 23m (32).

Expenses were largely unchanged, amounting to SEK -323m (-322). Staff costs increased by 4% to SEK -188m (-180), which was primarily attributable to contractual pay rises coming into effect from 1 July.

Loan losses consisted of net recoveries and totalled SEK 4m (9). The loan loss ratio was -0.02% (-0.04).

Handelsbanken Finland

Handelsbanken Finland consists of the branch operations in Finland, which are organised as a regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Finland. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 40 branches throughout Finland. Handelsbanken Finans offers finance company services and works through the Bank's branches.

INCOME STATEMENT

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	336	332	1%	301	12%	981	884	11%	1,203
Net fee and commission income	124	124	0%	110	13%	370	344	8%	462
Net gains/losses on financial transactions	9	17	-47%	7	29%	39	34	15%	52
Other income	6	3	100%	4	50%	13	14	-7%	18
Total income	**475**	**476**	**0%**	**422**	**13%**	**1,403**	**1,276**	**10%**	**1,735**
Staff costs	-110	-108	2%	-95	16%	-322	-289	11%	-396
Other expenses	-41	-52	-21%	-46	-11%	-138	-132	5%	-180
Internal purchased and sold services	-92	-87	6%	-72	28%	-268	-223	20%	-303
Depreciation, amortisation and impairments of property, equipment and intangible assets	-6	-5	20%	-4	50%	-16	-13	23%	-19
Total expenses	**-249**	**-252**	**-1%**	**-217**	**15%**	**-744**	**-657**	**13%**	**-898**
Profit before loan losses	**226**	**224**	**1%**	**205**	**10%**	**659**	**619**	**6%**	**837**
Net loan losses	-25	-81	-69%	6		-100	-6		-57
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
Operating profit	**201**	**143**	**41%**	**211**	**-5%**	**559**	**613**	**-9%**	**780**
Profit allocation	47	56	-16%	37	27%	143	107	34%	150
Operating profit after profit allocation	**248**	**199**	**25%**	**248**	**0%**	**702**	**720**	**-2%**	**930**
Internal income	-72	-73	1%	-81	11%	-212	-255	17%	-228
Cost/income ratio, %	47.7	47.4		47.3		48.1	47.5		47.6
Loan loss ratio (IAS 39), %				-0.02			0.01		0.05
Loan loss ratio (IFRS 9), %	0.08	0.28				0.08			
Allocated capital	6,104	6,036	1%	5,526	10%	6,104	5,526	10%	5,646
Return on allocated capital, %	12.7	10.3		14.0		11.8	13.2		12.8
Average number of employees	525	537	-2%	519	1%	528	502	5%	506
Number of branches	40	45	-11%	45	-11%	40	45	-11%	45

BUSINESS VOLUMES

Average volumes, EUR m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Loans to the public									
Household	4,215	4,083	3%	4,058	4%	4,168	4,045	3%	4,061
Corporate	9,274	9,066	2%	8,858	5%	9,095	8,947	2%	8,935
Total	**13,489**	**13,149**	**3%**	**12,916**	**4%**	**13,263**	**12,992**	**2%**	**12,996**
Deposits and borrowing from the public									
Household	1,611	1,569	3%	1,547	4%	1,564	1,605	-3%	1,596
Corporate	2,696	2,617	3%	2,658	1%	2,773	2,662	4%	2,671
Total	**4,307**	**4,186**	**3%**	**4,205**	**2%**	**4,337**	**4,267**	**2%**	**4,267**

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Financial performance

Operating profit decreased by 9% to SEK 559m (613) due to higher loan losses. Profit before loan losses grew by 6%, or SEK 40m, to SEK 659m (619), and was positively impacted by exchange rate effects of SEK 44m. Expressed in local currency, profit before loan losses was essentially unchanged. Return on allocated capital was 11.8% (13.2).

Income increased by 10% to SEK 1,403m (1,276) and was positively affected by exchange rate movements in the amount of SEK 88m. Expressed in local currency, income growth was 3%.

Net interest income rose by 11%, or SEK 97m, to SEK 981m (884). Exchange rate movements represented SEK 61m of this increase and, expressed in local currency, net interest income grew by 4%. Fees for the Swedish Resolution Fund increased by SEK 21m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -100m (-78). Larger business volumes made a positive contribution of SEK 20m. Lower margins on lending to households could largely be offset by higher margins on corporate lending. Improved deposit margins positively affected net interest income by SEK 4m.

Net fee and commission income rose by 8% to SEK 370m (344) but, adjusted for exchange rate movements, net fee and commission income improved 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 11m lower year-on-year. The corresponding commissions are instead recognised in the Capital Markets segment and in the Handelsbanken Finland segment in the profit allocation line.

Net gains/losses on financial transactions totalled SEK 39m (34).

Total expenses rose by 13% to SEK -744m (-657). Adjusted for exchange rate movements, expenses increased by 6% in local currency.

Staff costs rose by 11% to SEK -322m (-289) but, expressed in local currency, the increase was 4%. The average number of employees grew by 5% to 528 (502) due to a greater focus on corporate business, but also to more rigorous compliance requirements.

Loan losses were SEK -100m (-6), and the loan loss ratio was 0.08% pursuant to IFRS 9 (0.01 pursuant to IAS 39).

Business development

In the annual customer satisfaction survey in Finland, EPSI concluded that “Handelsbanken has the most satisfied corporate customers”. Customer satisfaction among private customers also increased compared to the previous year.
Private customers gave Handelsbanken a score of 80.1, compared to the sector average of 74.4. Corporate customers gave the Bank a score of 79.1, compared to the sector average of 72.7.

Both the average volume of lending and deposits, compared to the corresponding period of the previous year, increased by 2%. Lending to households increased by 3%, while deposits from households declined by 3%.

The average volume of corporate deposits increased by 4%, while corporate lending increased by 2% compared with the corresponding period of the previous year.

New savings in the Bank’s mutual funds increased to SEK 1.6bn (0.0).

The business operations of five branches were merged with nearby larger branches during the third quarter. At the end of the quarter, Handelsbanken thus had a total of 40 (45) branches in Finland.

Q3 2018 COMPARED WITH Q2 2018

Operating profit rose by 41% to SEK 201m (143) due to higher loan losses in the comparison quarter. Profit before loan losses grew by 1% to SEK 226m (224).

Net interest income rose by 1% to SEK 336m (332), primarily due to the positive impact on net interest income of higher lending volumes, amounting to SEK 4m.

Net fee and commission income was unchanged at SEK 124m (124).

Net gains/losses on financial transactions totalled SEK 9m (17).

Expenses fell by 1% to SEK -249m (-252). Staff costs grew by 2% to SEK 110m (108), due to vacation pay. The average number of employees fell by 2% to 525 employees.

Loan losses totalled SEK -25m (-81), and the loan loss ratio was 0.08% pursuant to IFRS 9 (0.28).

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	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	969	969	0%	930	4%	2,860	2,713	5%	3,666
Net fee and commission income	109	103	6%	101	8%	307	306	0%	410
Net gains/losses on financial transactions	26	25	4%	23	13%	74	69	7%	90
Other income	1	3	-67%	1	0%	5	11	-55%	14
Total income	**1,105**	**1,100**	**0%**	**1,055**	**5%**	**3,246**	**3,099**	**5%**	**4,180**
Staff costs	-221	-207	7%	-201	10%	-627	-378	66%	-570
Other expenses	-74	-63	17%	-54	37%	-189	-161	17%	-223
Internal purchased and sold services	-123	-102	21%	-106	16%	-339	-306	11%	-424
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-4	0%	-4	0%	-12	-11	9%	-14
Total expenses	**-422**	**-376**	**12%**	**-365**	**16%**	**-1,167**	**-856**	**36%**	**-1,231**
Profit before loan losses	**683**	**724**	**-6%**	**690**	**-1%**	**2,079**	**2,243**	**-7%**	**2,949**
Net loan losses	-172	-88	95%	-19		-301	-121	149%	-157
Gains/losses on disposal of property, equipment and intangible assets	0	2	-100%	1	-100%	3	1		1
Operating profit	**511**	**638**	**-20%**	**672**	**-24%**	**1,781**	**2,123**	**-16%**	**2,793**
Profit allocation	28	33	-15%	20	40%	88	64	38%	90
Operating profit after profit allocation	**539**	**671**	**-20%**	**692**	**-22%**	**1,869**	**2,187**	**-15%**	**2,883**
Internal income	-760	-727	-5%	-550	-38%	-2,088	-1,834	-14%	-2,196
Cost/income ratio, %	37.2	33.2		34.0		35.0	27.1		28.8
Loan loss ratio (IAS 39), %				0.03			0.07		0.06
Loan loss ratio (IFRS 9), %	0.28	0.14				0.16			
Allocated capital	16,412	15,047	9%	15,407	7%	16,412	15,407	7%	15,837
Return on allocated capital, %	10.3	13.9		14.0		12.4	14.3		14.1
Average number of employees	719	689	4%	692	4%	697	672	4%	672
Number of branches	49	49	0%	49	0%	49	49	0%	49

BUSINESS VOLUMES

Average volumes, NOK bn	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Loans to the public									
Household	91.7	90.7	1%	88.8	3%	90.9	88.4	3%	88.7
Corporate	159.1	159.4	0%	149.7	6%	158.2	148.1	7%	149.1
Total	**250.8**	**250.1**	**0%**	**238.5**	**5%**	**249.1**	**236.5**	**5%**	**237.8**
Deposits and borrowing from the public									
Household	21.2	20.3	4%	20.3	4%	20.5	19.9	3%	19.9
Corporate	42.7	42.4	1%	51.4	-17%	42.7	49.7	-14%	49.4
Total	**63.9**	**62.7**	**2%**	**71.7**	**-11%**	**63.2**	**69.6**	**-9%**	**69.3**

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Financial performance

Operating profit went down by 16% to SEK 1,781m (2,123). However, 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 fell by 7%, which is attributable to higher loan losses. Exchange rate movements increased operating profit by SEK 56m and, expressed in local currency, operating profit declined by 18%.

Return on allocated capital was 12.4% (14.3).

Income grew by 5% to SEK 3,246m (3,099). Expressed in local currency, income rose by 2%.

Net interest income increased by SEK 147m, or 5%, to SEK 2,860m (2,713), of which SEK 44m was attributable to exchange rate movements. Greater lending volumes improved net interest income by SEK 117m, while higher lending margins contributed SEK 28m. The net amount of the deposit margins contributed SEK 6m. The change in the volume of deposits from households contributed SEK 4m, while the equivalent change in corporate deposits reduced net interest income by SEK 13m. Fees for the Swedish Resolution Fund increased by SEK 73m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -212m (-141).

Net fee and commission income grew marginally to SEK 307m (306). Expressed in local currency, net fee and commission income was 3% lower. Net fee and commission income was negatively affected by lower fund commissions and higher fee and commission expenses. 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 26m lower year-on-year. The corresponding commissions are instead recognised in the Capital Markets segment and in the Handelsbanken Norway segment in the profit allocation line.

Net gains/losses on financial transactions totalled SEK 74m (69).

Staff costs totalled SEK -627m (-378). Adjusted for the aforementioned non-recurring item during the period of comparison, staff costs increased by 7%. The average number of employees increased by 4% to 697 (672), partly due to an organisational change whereby the regional bank took over an asset management unit from Handelsbanken Capital Markets. 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 were SEK -301m (-121), and the loan loss ratio was 0.16% pursuant to IFRS 9 (0.07 pursuant to IAS 39).

Business development

EPSI’s annual customer satisfaction survey showed that Handelsbanken had customers that were more satisfied than the average for banks in Norway. Private customers gave Handelsbanken a score of 78.1, compared to the sector average of 71.6. Corporate customers gave the Bank a score of 71.5, compared to the sector average of 69.9.

The Bank continued to have a stable inflow of new customers. Both the average volume of lending to and deposits from households increased by 3%. Compared with the corresponding period of the previous year, corporate lending grew by 7%, while the average volume of corporate deposits decreased by 14%.

In total, the average volume of lending rose by 5% to NOK 249.1bn (236.5), while total deposits decreased by 9% to NOK 63.2bn (69.6).

New savings in the Bank’s mutual funds in Norway during the nine-month period totalled SEK 2.2bn (3.3).

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

Q3 2018 COMPARED WITH Q2 2018

Operating profit went down by 20% to SEK 511m (638). The effect of exchange rate movements was marginal.

Net interest income was unchanged at SEK 969m (969). Lower lending margins to households were compensated for by improved margins for both household and corporate deposits. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -71m (-72).

Net fee and commission income grew by 6% to SEK 109m (103), due in part to higher custody account and asset management income.

Net gains/losses on financial transactions totalled SEK 26m (25).

Expenses increased by 12% to SEK -422m (-376).

Staff costs increased by 7% to SEK -221m (-207), due in part to the new salary agreement entering into force on 1 July. The average number of employees increased by 30 people to 719 (689), which is attributable to temporary staff hired over the holiday period. Other expenses and costs for internal purchases and sales of services went up by 19%, with the increase largely due to increased development costs.

Loan losses totalled SEK -172m (-88), and the loan loss ratio was 0.28% pursuant to IFRS 9 (0.14).

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	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	174	168	4%	142	23%	499	402	24%	557
Net fee and commission income	39	43	-9%	35	11%	121	100	21%	155
Net gains/losses on financial transactions	6	5	20%	2	200%	12	7	71%	20
Share of profit of associates	-	-		0		-	2		2
Other income	-	1		1		1	1	0%	1
Total income	**219**	**217**	**1%**	**180**	**22%**	**633**	**512**	**24%**	**735**
Staff costs	-90	-90	0%	-72	25%	-264	-213	24%	-289
Other expenses	-23	-24	-4%	-20	15%	-68	-58	17%	-85
Internal purchased and sold services	-28	-26	8%	-23	22%	-86	-69	25%	-98
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-5	-20%	-3	33%	-12	-8	50%	-13
Total expenses	**-145**	**-145**	**0%**	**-118**	**23%**	**-430**	**-348**	**24%**	**-485**
Profit before loan losses	**74**	**72**	**3%**	**62**	**19%**	**203**	**164**	**24%**	**250**
Net loan losses	1	0		1		13	1		2
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	**75**	**72**	**4%**	**63**	**19%**	**216**	**165**	**31%**	**252**
Profit allocation	1	1	0%	0		2	2	0%	3
Operating profit after profit allocation	**76**	**73**	**4%**	**63**	**21%**	**218**	**167**	**31%**	**255**
Internal income	-87	-81	-7%	-60	-45%	-245	-182	-35%	-227
Cost/income ratio, %	65.9	66.5		65.6		67.7	67.7		65.7
Loan loss ratio (IAS 39), %				-0.01			0.00		-0.01
Loan loss ratio (IFRS 9), %	-0.01	0.00				-0.04			
Allocated capital	1,659	1,581	5%	1,443	15%	1,659	1,443	15%	1,465
Return on allocated capital, %	14.2	14.4		13.7		14.2	12.7		14.3
Average number of employees	305	298	2%	275	11%	298	269	11%	273
Number of branches	29	29	0%	27	7%	29	27	7%	28

BUSINESS VOLUMES

Average volumes, EUR m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Loans to the public									
Household	2,456	2,339	5%	2,027	21%	2,338	1,899	23%	1,959
Corporate	2,054	2,042	1%	1,697	21%	2,031	1,703	19%	1,728
Total	**4,510**	**4,381**	**3%**	**3,724**	**21%**	**4,369**	**3,602**	**21%**	**3,687**
Deposits and borrowing from the public									
Household	136	127	7%	92	48%	127	85	49%	91
Corporate	955	956	0%	710	35%	996	735	36%	739
Total	**1,091**	**1,083**	**1%**	**802**	**36%**	**1,123**	**820**	**37%**	**830**

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Financial performance

Operating profit improved by 31% to SEK 216m (165), mainly due to continuing growth in business volumes. Both income and expenses grew by 24%. Expressed in local currency, operating profit improved by 23%. Return on allocated capital grew to 14.2% (12.7).

Net interest income increased by 24% to SEK 499m (402). Of the SEK 97m increase, greater lending volumes accounted for SEK 84m. Exchange rate movements made a positive contribution of SEK 27m. Fees for the Swedish Resolution Fund increased by SEK 13m and, together with the deposit guarantee, government fees burdened net interest income in the amount of SEK -27m (-14).

Net fee and commission income increased by 21% to SEK 121m (100), which was primarily attributable to higher income from mutual funds, custody accounts and other asset management. The asset management company Optimix contributed SEK 108m (86).

Expenses grew by 24% to SEK -430m (-348), as a result of the continuing expansion. The average number of employees went up by 11% to 298 (269).

Loan losses consisted of net recoveries and totalled SEK 13m (1). The loan loss ratio was -0.04% pursuant to IFRS 9 (0.00 pursuant to IAS 39).

Business development

EPSI’s annual customer satisfaction survey showed that Handelsbanken had the most satisfied private customers of all banks in the Netherlands. Private customers gave the Bank a score of 78.0, compared to the sector average of 69.4. Corporate customers gave Handelsbanken a score of 73.5, compared to the sector average of 64.1. 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, while deposits grew by 37%. The average volume of lending to households rose by 23% to EUR 2,338m (1,899), while deposits from households increased by 49% to EUR 127m (85). Corporate lending climbed 19% to EUR 2,031m (1,703). The average volume of corporate deposits was up by 36% to EUR 996m (735).

Assets under management at Optimix totalled EUR 2.3bn (2.2) at the end of the quarter, including the company’s own funds.

At the end of the quarter, Handelsbanken had a total of 29 (27) branches in the Netherlands.

Q3 2018 COMPARED WITH Q2 2018

Operating profit increased by 4% to SEK 75m (72). Income grew by 1% to SEK 219m (217). The effect of exchange rate movements was marginal.

Net interest income grew by 4% to SEK 174m (168), primarily due to larger volumes.

Net fee and commission income declined by 9% to SEK 39m (43), which was mainly down to lower brokerage income.

Expenses remained unchanged, amounting to SEK -145m (-145). The average number of employees rose by 2% but, in spite of the increase, staff costs were unchanged at SEK -90m (-90).

Loan losses consisted of net recoveries of SEK 1m (0). The loan loss ratio was -0.01% pursuant to IFRS 9 (0.00).

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	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	112	119	-6%	120	-7%	341	356	-4%	472
Net fee and commission income	992	997	-1%	744	33%	2,941	2,385	23%	3,174
Net gains/losses on financial transactions	130	253	-49%	157	-17%	604	784	-23%	979
Risk result - insurance	10	15	-33%	19	-47%	66	108	-39%	142
Other income	12	-2		2	500%	14	12	17%	26
Total income	**1,256**	**1,382**	**-9%**	**1,042**	**21%**	**3,966**	**3,645**	**9%**	**4,793**
Staff costs	-559	-579	-3%	-541	3%	-1,708	-1,673	2%	-2,241
Other expenses	-236	-249	-5%	-201	17%	-714	-649	10%	-922
Internal purchased and sold services	25	6	317%	6	317%	43	29	48%	52
Depreciation, amortisation and impairments of property, equipment and intangible assets	-35	-30	17%	-21	67%	-93	-61	52%	-83
Total expenses	**-805**	**-852**	**-6%**	**-757**	**6%**	**-2,472**	**-2,354**	**5%**	**-3,194**
Profit before loan losses	**451**	**530**	**-15%**	**285**	**58%**	**1,494**	**1,291**	**16%**	**1,599**
Net loan losses	-1	-3		9		12	-55		-56
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		-1
Operating profit	**450**	**527**	**-15%**	**294**	**53%**	**1,506**	**1,236**	**22%**	**1,542**
Profit allocation	-595	-602	-1%	-409	45%	-1,732	-1,212	43%	-1,629
Operating profit after profit allocation	**-145**	**-75**	**-93%**	**-115**	**-26%**	**-226**	**24**		**-87**
Internal income	-712	-763	7%	-616	-16%	-2,147	-2,065	-4%	-2,735
Cost/income ratio, %	121.8	109.2		119.6		110.7	96.8		100.9
Loan loss ratio (IAS 39), %				-0.08			0.16		0.12
Loan loss ratio (IFRS 9), %	0.01	0.02				-0.01			
Allocated capital	4,482	4,170	7%	4,163	8%	4,482	4,163	8%	4,314
Return on allocated capital, %	-10.2	-5.6		-8.6		-5.4	0.6		-1.5
Average number of employees	1,601	1,585	1%	1,638	-2%	1,588	1,636	-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 – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Financial performance

Operating profit rose by 22% to SEK 1,506m (1,236), due to improved net fee and commission income, and lower loan losses. Total income rose by 9% to SEK 3,966m (3,645), while expenses increased by 5% to SEK -2,472m (-2,354). Profit before loan losses grew by 16% to SEK 1,494m (1,291).

Net fee and commission income increased by 23%, to SEK 2,941m (2,385), which was due to larger fund volumes and 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 SEK403m 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 604m (784). The decrease in profit was attributable to unusually high income in the comparison period due to market turmoil at the end of last year.

Staff costs increased by 2% to SEK -1,708m (-1,673), 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 1,588 (1,636).

Loan losses consisted of net recoveries, which amounted to SEK 12m (-55), and the loan loss ratio was -0.01% pursuant to IFRS 9 (0.16 pursuant to IAS 39).

Business development

Asset management operations continued to show a strong performance and net savings in Sweden in Handelsbanken's mutual funds during the first nine months of the year amounted to SEK 13.5bn (16.1), corresponding to a market share of 35%.

Net savings in the Bank's mutual funds elsewhere in the Nordic region showed strong growth, and were SEK 4.7bn in the same period. All the Nordic home markets reported their highest ever mutual fund volumes. Total net savings in the Group's funds amounted to SEK 18.2bn.

Xact Kapitalförvaltning remained the largest player as regards Nordic exchange-traded funds. The total fund volume, including exchange-traded funds, has increased since the third quarter of 2017 from SEK 485bn to SEK 554bn, up 14%. Total assets under management in the Group rose during the same period by 12% to SEK 670bn (599), the highest figure ever.

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

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 12% compared with the corresponding period in the previous year. The total net flow also performed strongly and rose by 25% to SEK 5.5bn (4.4). Since the year-end, assets under management by Handelsbanken Liv have grown by just over 11% to SEK 155bn (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 12 transactions during the first nine months of the year, with a total value of SEK 17.2bn. The Bank arranged a total of 92 bond issues during the same period, for a value of EUR 11.2bn.

The average volume of deposits in Handelsbanken International, i.e. the operations outside the Bank's home markets, rose by 7% totalling SEK 61.1bn (57.3). During the same period, lending decreased by 2% to SEK 31.9bn (32.4).

Q3 2018 COMPARED WITH Q2 2018

Operating profit decreased by 15% to SEK 450m (527) due to lower income.

Total income fell by 9% to SEK 1,256m (1,382), chiefly due to seasonal effects. Net fee and commission income declined by 1% to SEK 992m (997).
Net gains/losses on financial transactions declined to SEK 130m (253); this was chiefly attributable to seasonally lower customer activity during the summer vacation months of July and August.

A higher deferred capital contribution to the policyholders in Handelsbanken Liv also contributed to the decline. Deferred capital contributions reduce the Bank's earnings when the yield on traditional life insurance is lower than the guaranteed return.

Total expenses decreased by 6% to SEK -805m (-852). Staff costs decreased by 3% to SEK -559m (-579), mainly due to implemented reorganisational measures. The average number of employees increased by 1% to 1,601 (1,585), as a result of the employment of temporary staff hired over the holiday period.

Loan losses totalled SEK -1m (-3), and the loan loss ratio was 0.01% pursuant to IFRS 9 (0.02).

Other units not reported in the business segments

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

INCOME STATEMENT

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	183	214	-14%	203	-10%	605	622	-3%	801
Net fee and commission income	9	7	29%	16	-44%	25	39	-36%	48
Net gains/losses on financial transactions	-224	-282	21%	-183	-22%	-862	-494	-74%	-755
Share of profit of associates	10	2	400%	14	-29%	3	-18		12
Other income	9	861	-99%	10	-10%	880	32		637
Total income	**-13**	**802**		**60**		**651**	**181**	**260%**	**743**
Staff costs	-817	-773	6%	-683	20%	-2,386	-2,144	11%	-2,818
Other expenses	-672	-706	-5%	-598	12%	-2,133	-1,888	13%	-2,591
Internal purchased and sold services	1,330	1,362	-2%	1,150	16%	4,050	3,553	14%	4,871
Depreciation, amortisation and impairments of property, equipment and intangible assets	-124	-94	32%	-59	110%	-298	-184	62%	-282
Total expenses	**-283**	**-211**	**34%**	**-190**	**49%**	**-767**	**-663**	**16%**	**-820**
Profit before loan losses	**-296**	**591**		**-130**	**-128%**	**-116**	**-482**	**76%**	**-77**
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0		0
Operating profit	**-296**	**591**		**-130**	**-128%**	**-116**	**-482**	**76%**	**-77**
Profit allocation	-	-		-		-	-		-
Operating profit after profit allocation	**-296**	**591**		**-130**	**-128%**	**-116**	**-482**	**76%**	**-77**
Internal income	2,079	2,358	-12%	1,383	50%	6,274	5,004	25%	5,957
Average number of employees	2,319	2,231	4%	2,065	12%	2,237	1,999	12%	2,025

JANUARY – SEPTEMBER 2018 COMPARED WITH JANUARY – SEPTEMBER 2017

Operating profit in other units not reported in the business segments amounted to SEK -116m (-482).

Other income increased to SEK 651m (181); this was attributable to the Bank's sale of its shares in UC AB, which had a positive earnings impact of SEK 837m in the second quarter.

Net gains/losses on financial transactions were negatively affected by valuation effects in derivatives used for the Bank's funding, amounting to SEK -862m (-494).

The provision to the Oktogonen profit-sharing foundation was SEK -641m (-635).

The average number of employees totalled 2,237 (1,999). 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 1,621 (1,538). The increase was also attributable to the Bank's continuing build-up of its control functions as part of its adjustment to regulatory developments.

Q3 2018 COMPARED WITH Q2 2018

Operating profit was SEK -296m (591). The comparison 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 -201m (-207). The average number of employees totalled 2,319 (2,231); within this figure, the number of employees at the IT department increased by 39 to 1,659 (1,620). In addition, staff numbers continued to rise in certain control functions.

KEY FIGURES – GROUP

	Q3 2018	Q2 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017
Return on equity	12.1%	16.0%	12.9%	13.2%	12.7%
C/I ratio	48.1%	44.7%	45.0%	47.0%	45.6%
C/I ratio, incl. loan losses	50.2%	46.6%	47.1%	48.9%	47.5%
Earnings per share, SEK	2.11	2.69	2.15	6.86	6.35
- after dilution	2.09	2.66	2.13	6.80	6.29
Ordinary dividend, SEK					
Total dividend					
Adjusted equity per share, SEK	73.51	71.30	71.12	73.51	71.12
Common equity tier 1 ratio, CRR	21.7%	21.4%	23.6%	21.7%	23.6%
Total capital ratio, CRR	27.1%	28.3%	28.5%	27.1%	28.5%
Average number of employees, continuing operations	12,583	12,219	12,102	12,289	11,791
Number of branches, Sweden	402	407	422	402	422
Number of branches outside Sweden	393	400	398	393	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

	Q3 2018	Q2 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 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	1,944,175,160	1,944,173,551	1,944,175,160	1,944,173,551
Number of outstanding shares after dilution, end of period	1,976,024,661	1,976,962,335	1,974,776,264	1,976,024,661	1,974,776,264
Average number of shares converted during the period	1,609	831	22,151	819	20,690
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares	1,944,175,160	1,944,174,382	1,944,173,551	1,944,174,370	1,944,172,090
- after dilution	1,976,962,335	1,975,314,735	1,975,025,212	1,974,525,521	1,974,290,244
Share price SHB class A, end of period, SEK	112.25	99.56	122.90	112.25	122.90
Share price SHB class B, end of period, SEK	111.80	102.80	122.80	111.80	122.80
Market capitalisation, end of period, SEK bn	218	194	239	218	239

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change
Interest income		12,798	12,353	4%	10,631	20%	36,257	31,239	16%
Interest expense		-4,936	-4,449	11%	-3,044	62%	-12,843	-9,250	39%
Net interest income	Note 2	**7,862**	**7,904**	**-1%**	**7,587**	**4%**	**23,414**	**21,989**	**6%**
Net fee and commission income	Note 3	2,624	2,551	3%	2,355	11%	7,636	7,217	6%
Net gains/losses on financial transactions	Note 4	186	290	-36%	243	-23%	605	1,107	-45%
Risk result - insurance		10	15	-33%	19	-47%	66	108	-39%
Other dividend income		3	12	-75%	2	50%	17	15	13%
Share of profit of associates		10	2	400%	14	-29%	3	-16	
Other income		33	861	-96%	28	18%	946	102	
Total income		**10,728**	**11,635**	**-8%**	**10,248**	**5%**	**32,687**	**30,522**	**7%**
Staff costs		-3,421	-3,363	2%	-3,134	9%	-10,001	-9,294	8%
Other expenses	Note 5	-1,554	-1,644	-5%	-1,337	16%	-4,823	-4,177	15%
Depreciation, amortisation and impairment of property, equipment and intangible assets		-181	-189	-4%	-140	29%	-542	-435	25%
Total expenses		**-5,156**	**-5,196**	**-1%**	**-4,611**	**12%**	**-15,366**	**-13,906**	**10%**
Profit before loan losses		**5,572**	**6,439**	**-13%**	**5,637**	**-1%**	**17,321**	**16,616**	**4%**
Net loan losses	Note 6	-230	-222	4%	-217	6%	-605	-599	1%
Gains/losses on disposal of property, equipment and intangible assets		2	3	-33%	4	-50%	9	11	-18%
Operating profit		**5,344**	**6,220**	**-14%**	**5,424**	**-1%**	**16,725**	**16,028**	**4%**
Taxes		-1,238	-989	25%	-1,251	-1%	-3,384	-3,688	-8%
Profit for the period		**4,106**	**5,231**	**-22%**	**4,173**	**-2%**	**13,341**	**12,340**	**8%**
Attributable to									
Shareholders in Svenska Handelsbanken AB		4,105	5,231	-22%	4,172	-2%	13,339	12,339	8%
Minority interest		1	0		1		2	1	

EARNINGS PER SHARE – GROUP

	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,105	5,231	-22%	4,172	-2%	13,339	12,339	8%	16,099
- of which interest expense on convertible subordinated loan after tax	-27	-26	4%	-25	8%	-78	-74	5%	-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	1,977.0	1,975.3		1,975.0		1,974.5	1,974.3		1,974.3
Earnings per share, SEK	2.11	2.69	-22%	2.15	-2%	6.86	6.35	8%	8.28
- after dilution	2.09	2.66	-21%	2.13	-2%	6.80	6.29	8%	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	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Profit for the period	**4,106**	**5,231**	**-22%**	**4,173**	**-2%**	**13,341**	**12,340**	**8%**	**16,102**
Other comprehensive income									
Items that will not be reclassified to the income statement									
Defined benefit pension plans	1,645	-470		372	342%	-600	3,703		3,919
Instruments measured at fair value through other comprehensive income - equity instruments	31	56				126			
Tax on items that will not be reclassified to income statement	-363	101		-82	-343%	127	-816		-864
of which defined benefit pension plans	*-362*	*102*		*-82*	*-341%*	*129*	*-816*		*-864*
of which equity instruments measured at fair value through other comprehensive income	*-1*	*-1*				*-2*			
Total items that will not be reclassified to the income statement	**1,313**	**-313**		**290**	**353%**	**-347**	**2,887**		**3,055**
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	-1,709	699		-578	-196%	-2,064	-1,312	-57%	-2,350
Available-for-sale instruments				24			82		-470
Instruments measured at fair value through other comprehensive income - debt instruments	1	-2				0			
Translation differences for the period	-1,181	1,105		-76		3,157	-2,255		-2,241
of which hedging net investment in foreign operations	*-115*	*-465*	*75%*	*-304*	*62%*	*-672*	*-1,123*	*40%*	*-1,509*
Tax on items that may subsequently be reclassified to the income statement	401	-51		216	86%	602	545	10%	844
of which cash flow hedges	*376*	*-154*		*135*	*179%*	*454*	*289*	*57%*	*517*
of which available-for-sale instruments				*13*			*9*		*-5*
of which debt instruments measured at fair value through other comprehensive income	*0*	*0*				*0*			
of which hedging net investment in foreign operations	*25*	*103*	*-76%*	*68*	*-63%*	*148*	*247*	*-40%*	*332*
Total items that may subsequently be reclassified to the income statement	**-2,488**	**1,751**		**-414**		**1,695**	**-2,940**		**-4,217**
Total other comprehensive income for the period	**-1,175**	**1,438**		**-124**		**1,348**	**-53**		**-1,162**
Total comprehensive income for the period	**2,931**	**6,669**	**-56%**	**4,049**	**-28%**	**14,689**	**12,287**	**20%**	**14,940**
Attributable to									
Shareholders in Svenska Handelsbanken AB	2,930	6,668	-56%	4,049	-28%	14,687	12,287	20%	14,940
Minority interest	1	1	0%	0		2	0		0

From January to September 2018, other comprehensive income totalled SEK 1,348m (-53) 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.

During the January to September period, other comprehensive income was negatively affected in an amount of SEK -471m after tax, related to defined benefit pension plans, while in the period of comparison there was a positive effect of SEK 2,887m after tax. The main reason for the change in the period was the pension obligations increasing as a result of a decrease in the discount rate for the Swedish pension obligations, to 2.00% from 2.20%, since 31 December 2017. This has been counteracted somewhat by an increase in plan assets in the Swedish plan since the turn of the year.

Most of the Group's long-term funding is hedged using derivatives, where all cash flows are matched until maturity. Cash flow hedging manages the risk of variations in the cash flows related to changes in variable interest rates and currencies on lending and funding. The underlying funding and the asset which is being funded are measured at amortised cost, while the derivatives which are hedging these items are measured at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. Changes in the value of hedge derivatives in cash flow hedges had an effect on other comprehensive income of SEK -1,610m (-1,023) 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 -34m (-16) 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 through other comprehensive income had impacts of SEK 124m (61) and SEK 0m (30) after tax, respectively.

Unrealised exchange rate effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations have affected other comprehensive income by SEK 3,305m (-2,008) after tax during the year.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Interest income	12,798	12,353	11,106	10,853	10,631
Interest expense	-4,936	-4,449	-3,458	-3,076	-3,044
Net interest income	7,862	7,904	7,648	7,777	7,587
Net fee and commission income	2,624	2,551	2,461	2,501	2,355
Net gains/losses on financial transactions	186	290	129	164	243
Risk result - insurance	10	15	41	34	19
Other dividend income	3	12	2	576	2
Share of profit of associates	10	2	-9	30	14
Other income	33	861	52	70	28
Total income	**10,728**	**11,635**	**10,324**	**11,152**	**10,248**
Staff costs	-3,421	-3,363	-3,217	-3,178	-3,134
Other expenses	-1,554	-1,644	-1,625	-1,712	-1,337
Depreciation, amortisation and impairment of property, equipment and intangible assets	-181	-189	-172	-184	-140
Total expenses	**-5,156**	**-5,196**	**-5,014**	**-5,074**	**-4,611**
Profit before loan losses	**5,572**	**6,439**	**5,310**	**6,078**	**5,637**
Net loan losses	-230	-222	-153	-1,084	-217
Gains/losses on disposal of property, equipment and intangible assets	2	3	4	3	4
Operating profit	**5,344**	**6,220**	**5,161**	**4,997**	**5,424**
Taxes	-1,238	-989	-1,157	-1,235	-1,251
Profit for the period	**4,106**	**5,231**	**4,004**	**3,762**	**4,173**
Earnings per share, SEK	2.11	2.69	2.06	1.93	2.15
- after dilution	2.09	2.66	2.04	1.92	2.13

BALANCE SHEET – GROUP

SEK m		30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Assets						
Cash and balances with central banks		357,440	375,243	276,999	226,314	377,821
Other loans to central banks	Note 7	48,428	61,104	99,545	38,920	111,008
Interest-bearing securities eligible as collateral with central banks		145,589	141,828	103,579	129,006	112,339
Loans to other credit institutions	Note 7	35,722	36,985	35,475	20,250	30,742
Loans to the public	Note 7	2,193,712	2,194,038	2,143,107	2,065,761	2,040,589
Value change of interest-hedged item in portfolio hedge		31	37	36	36	36
Bonds and other interest-bearing securities		56,571	62,009	59,175	49,601	61,996
Shares		13,881	13,462	19,093	14,052	20,885
Investments in associates		263	254	289	297	217
Assets where the customer bears the value change risk		152,042	147,265	138,442	135,617	132,381
Derivative instruments	Note 9,10	52,615	67,016	59,069	56,070	56,913
Reinsurance assets		14	14	14	14	9
Intangible assets	Note 11	10,390	10,397	10,161	9,861	9,670
Property and equipment		2,243	2,289	2,252	2,238	2,404
Current tax assets		2,252	2,823	2,141	242	2,217
Deferred tax assets		376	445	355	399	394
Net pension assets		1,084	-	-	1,239	1,615
Assets held for sale		18	20	-	-	1
Other assets		11,416	15,334	10,420	10,715	13,565
Prepaid expenses and accrued income		3,149	3,790	3,424	6,345	6,253
Total assets		**3,087,236**	**3,134,353**	**2,963,576**	**2,766,977**	**2,981,055**
Liabilities and equity						
Due to credit institutions	Note 12	194,657	211,927	193,642	174,820	205,355
Deposits and borrowing from the public	Note 12	1,099,384	1,126,480	1,065,678	941,967	1,112,138
Liabilities where the customer bears the value change risk		152,040	147,264	138,448	135,617	132,488
Issued securities	Note 13	1,393,819	1,406,806	1,331,913	1,276,595	1,279,283
Derivative instruments	Note 9,10	19,137	21,960	25,902	24,876	30,147
Short positions		7,081	10,594	7,559	2,072	10,081
Insurance liabilities		546	552	1,165	549	554
Current tax liabilities		2,174	1,444	789	394	2,147
Deferred tax liabilities		5,959	5,942	6,247	6,853	7,560
Provisions		239	258	268	153	298
Net pension liabilities		-	525	11	-	-
Other liabilities		16,351	15,398	13,791	15,863	15,828
Accrued expenses and deferred income		3,812	3,777	4,929	12,718	13,665
Subordinated liabilities		50,827	43,147	41,621	32,896	32,560
Total liabilities		**2,946,026**	**2,996,074**	**2,831,963**	**2,625,373**	**2,842,104**
Minority interest		11	11	13	11	9
Share capital		3,013	3,013	3,013	3,013	3,013
Share premium		5,629	5,629	5,629	5,629	5,629
Reserves		9,455	10,629	9,192	8,106	9,215
Retained earnings		109,763	109,763	109,763	108,746	108,746
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		13,339	9,234	4,003	16,099	12,339
Total equity		**141,210**	**138,279**	**131,613**	**141,604**	**138,951**
Total liabilities and equity		**3,087,236**	**3,134,353**	**2,963,576**	**2,766,977**	**2,981,055**

Changed presentation accrued interest - Group

SEK m	Carrying amount 30 Sep 2018	Changed presentation of accrued interest	Amount without changed presentation of accrued interest
Assets			
Cash and balances with central banks	357,440	-14	357,454
Other loans to central banks	48,428	59	48,369
Interest-bearing securities eligible as collateral with central banks	145,589	389	145,200
Loans to other credit institutions	35,722	84	35,638
Loans to the public	2,193,712	3,519	2,190,193
Bonds and other interest-bearing securities	56,571	268	56,303
Prepaid expenses and accrued income	3,149	-4,305	7,454
Total	**2,840,611**	**-**	**2,840,611**
Liabilities			
Due to credit institutions	194,657	473	194,184
Deposits and borrowing from the public	1,099,384	1,113	1,098,271
Issued securities	1,393,819	7,406	1,386,413
Short positions	7,081	39	7,042
Subordinated liabilities	50,827	842	49,985
Accrued expenses and deferred income	3,812	-9,873	13,685
Total	**2,749,580**	**-**	**2,749,580**

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

The table above shows the effect on the affected balance sheet lines at 30 September 2018 if the changed presentation of accrued interest had not been implemented.

STATEMENT OF CHANGES IN EQUITY – GROUP

January – September 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							13,339	2	13,341
Other comprehensive income			-471	-1,610	124	3,305		0	1,348
Total comprehensive income for the period			**-471**	**-1,610**	**124**	**3,305**	**13,339**	**2**	**14,689**
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**	**4,240**	**-956**	**624**	**5,547**	**123,102**	**11**	**141,210**

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 – September 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							12,339	1	12,340
Other comprehensive income			2,887	-1,023	91	-2,008		0	-53
Total comprehensive income for the period			**2,887**	**-1,023**	**91**	**-2,008**	**12,339**	**1**	**12,287**
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**	**4,543**	**1,464**	**1,065**	**2,143**	**121,085**	**9**	**138,951**

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

During the period January to September 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-Sep 2018	Jan-Sep 2017	Full year 2017
Operating profit, total operations	16,725	16,028	21,025
Adjustment for non-cash items in profit/loss	1,663	1,532	3,398
Paid income tax	-3,843	-4,260	-5,723
Changes in the assets and liabilities of operating activities	99,976	187,214	21,191
Cash flow from operating activities	**114,521**	**200,514**	**39,891**
Acquisition / disposal of subsidiaries	-	-	-
Change in shares	241	12	-62
Change in interest-bearing securities	-	-	-
Change in property and equipment	-297	-296	-451
Change in intangible assets	-546	-492	-701
Cash flow from investing activities	**-602**	**-776**	**-1,214**
Repayment of subordinated loans	-	-	-
Issued subordinated loans	15,449	-	-
Dividend paid	-14,581	-9,721	-9,721
Cash flow from financing activities	**868**	**-9,721**	**-9,721**
Liquid funds at beginning of the period	**226,314**	**199,362**	**199,362**
Cash flow for the period	114,787	190,017	28,956
Exchange rate difference on liquid funds	16,339	-11,558	-2,004
Liquid funds at end of the period*	**357,440**	**377,821**	**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 35 for the Group and on page 69 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

<u>IFRS 16 Leases</u>

IFRS 16 Leases has been published by the IASB and adopted by the EU for application as of the 2019 financial year. The main change due to the new standard is that all lease contracts (with the exception of short-term contracts and contracts of minor value) must be recognised as an asset (right-of-use asset) and as a liability in the lessee's balance sheet. In the income statement, the straight-line expense for the operating lease is replaced by a charge for depreciation on the leased asset and an interest expense attributable to the 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.

<u>IFRS 17 Insurance contracts</u>

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.

<u>Others changes in IFRS</u>

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 identified as hedge instruments	Derivatives identified as hedge instruments	43,498	43,498			
Other assets		Fair value in IS, trading	Fair value through PnL, mandatory	16	16			
Other assets		Loans and receivables	Amortised cost	10,699	10,699			
Prepaid expenses and accrued income		Fair value in IS, trading	Fair value through PnL, mandatory	102	102			
Prepaid expenses and accrued income		Fair value in IS, other	Fair value through PnL, fair value option	490	490			
Prepaid expenses and accrued income		Loans and receivables	Amortised cost	5,749	5,749			
Prepaid expenses and accrued income		Financial assets available for sale	Fair value through OCI	4	4			
Total financial assets				**2,752,687**	**2,752,149**	**-538**	***-24***	***-514***
Non-financial assets	6)			14,290	14,429	139	*4*	*135*
Total assets				**2,766,977**	**2,766,578**	**-399**	***-20***	***-379***
Financial liabilities								
Due to credit institutions		Other financial liabilities	Amortised cost	174,820	174,820			
Deposits and borrowing from the public		Other financial liabilities	Amortised cost	941,967	941,967			
Liabilities where the customer bears the value change risk		Fair value in IS, other	Fair value through PnL, fair value option	135,556	135,556			
Liabilities where the customer bears the value change risk		Other financial liabilities	Amortised cost	61	61			
Issued securities		Fair value in IS, trading	Fair value through PnL, mandatory	4,625	4,625			
Issued securities		Other financial liabilities	Amortised cost	1,271,970	1,271,970			
Derivative instruments		Fair value in IS, trading	Fair value through PnL, mandatory	15,204	15,204			
Derivative instruments		Derivatives identified as hedge instruments	Derivatives identified as hedge instruments	9,672	9,672			
Short positions		Fair value in IS, trading	Fair value through PnL, mandatory	2,072	2,072			
Other liabilities		Fair value in IS, trading	Fair value through PnL, mandatory	12	12			
Other liabilities		Other financial liabilities	Amortised cost	15,851	15,851			
Accrued expenses and deferred income		Fair value in IS, trading	Fair value through PnL, mandatory	13	13			
Accrued expenses and deferred income		Other financial liabilities	Amortised cost	12,705	12,705			
Subordinated liabilities		Other financial liabilities	Amortised cost	32,896	32,896			
Total financial liabilities	**7)**			**2,617,424**	**2,617,424**			
Provisions	8)			153	254	101		*101*
Other non-financial liabilities				7,796	7,796			
Total liabilities				**2,625,373**	**2,625,474**	**101**		***101***
Minority interest				11	11			
Share capital				3,013	3,013			
Share premium reserve				5,629	5,629			
Reserves	9)			8,106	8,107	1		*1*
Retained earnings	10)			108,746	108,245	-501	*-20*	*-481*
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB				16,099	16,099			
Total equity				**141,604**	**141,104**	**-500**	***-20***	***-480***
Total liabilities and equity				**2,766,977**	**2,766,578**	**-399**	***-20***	***-379***

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

Specification of transition to IFRS 9, new rules for impairment

SEK m	IAS 39 Incurred loan losses 31 December 2017	IFRS 9 Expected loan losses 1 January 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 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	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Interest income									
Loans to credit institutions and central banks	874	661	32%	636	37%	2,203	1,505	46%	2,140
Loans to the public	10,523	10,427	1%	9,654	9%	30,891	29,099	6%	38,919
Interest-bearing securities eligible as collateral with central banks	100	108	-7%	44	127%	266	144	85%	188
Bonds and other interest-bearing securities	200	244	-18%	150	33%	663	490	35%	676
Derivative instruments	703	535	31%	-123		1,126	-829		-949
Other interest income	333	341	-2%	321	4%	998	1,000	0%	1,342
Total interest income	**12,733**	**12,316**	**3%**	**10,682**	**19%**	**36,147**	**31,409**	**15%**	**42,316**
of which interest income reported in Net gains/losses on financial transactions	*-65*	*-37*	*-76%*	*51*		*-110*	*170*		*224*
Interest income according to income statement	**12,798**	**12,353**	**4%**	**10,631**	**20%**	**36,257**	**31,239**	**16%**	**42,092**
of which interest income according to the effective interest method	*11,856*	*11,593*	*2%*	*10,639*	*11%*	*34,507*	*31,743*	*9%*	*42,606*
Interest expense									
Due to credit institutions and central banks	-329	-377	-13%	-338	-3%	-1,090	-946	15%	-1,281
Deposits and borrowing from the public	-511	-455	12%	-439	16%	-1,335	-1,131	18%	-1,545
Issued securities	-4,846	-4,524	7%	-3,726	30%	-13,361	-11,906	12%	-15,732
Derivative instruments	1,836	1,986	-8%	2,198	-16%	6,099	7,084	-14%	9,378
Subordinated liabilities	-387	-393	-2%	-351	10%	-1,127	-1,067	6%	-1,411
State fees	-701	-706	-1%	-477	47%	-2,102	-1,520	38%	-2,024
Other interest expense	-21	-88	-76%	-		-182	-47	287%	-106
Total interest expense	**-4,959**	**-4,557**	**9%**	**-3,133**	**58%**	**-13,098**	**-9,533**	**37%**	**-12,721**
of which interest expense reported in Net gains/losses on financial transactions	*-23*	*-108*	*-79%*	*-89*	*-74%*	*-255*	*-283*	*-10%*	*-395*
Interest expense according to income statement	**-4,936**	**-4,449**	**11%**	**-3,044**	**62%**	**-12,843**	**-9,250**	**39%**	**-12,326**
Net interest income	**7,862**	**7,904**	**-1%**	**7,587**	**4%**	**23,414**	**21,989**	**6%**	**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	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Brokerage and other securities commissions	164	177	-7%	172	-5%	522	679	-23%	886
Mutual funds	956	941	2%	869	10%	2,786	2,613	7%	3,559
Custody and other asset management fees	279	246	13%	189	48%	770	522	48%	722
Advisory services	29	53	-45%	37	-22%	144	198	-27%	234
Insurance	182	178	2%	167	9%	536	495	8%	664
Payments	930	896	4%	857	9%	2,652	2,464	8%	3,359
Loans and deposits	330	336	-2%	301	10%	996	910	9%	1,238
Guarantees	99	98	1%	93	6%	290	289	0%	381
Other	115	123	-7%	122	-6%	363	371	-2%	496
Total fee and commission income	**3,084**	**3,048**	**1%**	**2,807**	**10%**	**9,059**	**8,541**	**6%**	**11,539**
Securities	-54	-53	2%	-57	-5%	-166	-199	-17%	-264
Payments	-388	-425	-9%	-379	2%	-1,197	-1,078	11%	-1,491
Other	-18	-19	-5%	-16	13%	-60	-47	28%	-66
Total fee and commission expense	**-460**	**-497**	**-7%**	**-452**	**2%**	**-1,423**	**-1,324**	**7%**	**-1,821**
Net fee and commission income	**2,624**	**2,551**	**3%**	**2,355**	**11%**	**7,636**	**7,217**	**6%**	**9,718**

Note 4 Net gains/losses on financial transactions

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Trading, derivatives, FX effect etc				322			1,467		1,814
Financial instruments at fair value through profit or loss, mandatory including FX effects	811	138	488%			1,222			
Other financial instruments at fair value through profit/loss				-98			-369		-553
of which interest-bearing securities				*-90*			*-342*		*-524*
of which loans				*-8*			*-27*		*-29*
Financial instruments at fair value through profit or loss, fair value option	-624	116				-630			
Financial instruments at amortised cost	48	50	-4%	58	-17%	131	103	27%	156
of which loans	*83*	*93*	*-11%*	*91*	*-9%*	*254*	*261*	*-3%*	*372*
of which interest-bearing securities	*0*	*-*				*0*			
of which issued securities	*-35*	*-43*	19%	*-33*	*6%*	*-123*	*-158*	22%	*-216*
Financial instruments available for sale				-			6		8
Financial instrument at fair value through other comprehensive income	0	-				0			
Hedge accounting	0	-1		-8		-21	-15	-40%	-29
of which net gains/losses on fair value hedges	*5*	*4*	25%	*1*	*400%*	*13*	*1*		*-7*
of which cash flow hedge ineffectiveness	*-5*	*-5*	*0%*	*-9*	*44%*	*-34*	*-16*	*-113%*	*-22*
Gains/losses on unbundled insurance contracts	-49	-13	-277%	-31	-58%	-97	-85	-14%	-125
Total	**186**	**290**	**-36%**	**243**	**-23%**	**605**	**1,107**	**-45%**	**1,271**

Note 5 Other expenses

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Property and premises	-326	-326	0%	-294	11%	-966	-902	7%	-1,235
External IT costs	-507	-524	-3%	-454	12%	-1,594	-1,421	12%	-1,935
Communication	-80	-90	-11%	-71	13%	-257	-230	12%	-309
Travel and marketing	-56	-85	-34%	-59	-5%	-210	-215	-2%	-317
Purchased services	-387	-438	-12%	-300	29%	-1,236	-935	32%	-1,406
Supplies	-36	-42	-14%	-40	-10%	-124	-126	-2%	-178
Other administrative expenses	-162	-139	17%	-119	36%	-436	-348	25%	-509
Other expenses	**-1,554**	**-1,644**	**-5%**	**-1,337**	**16%**	**-4,823**	**-4,177**	**15%**	**-5,889**

Note 6 Loan losses

Loan losses IFRS 9

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Expected credit losses on balance-sheet items									
The period's provision Stage 3	-382	-426	-10%			-1,047			
Reversal of Stage 3 provisions to Stage 1 or Stage 2	61	64	-5%			222			
Total expected credit losses Stage 3	**-321**	**-362**	**-11%**			**-825**			
The period's net provision Stage 2	45	34	32%			63			
The period's net provision Stage 1	44	23	91%			97			
Total expected credit losses in Stage 1 and Stage 2	**89**	**57**	**56%**			**160**			
Total expected credit losses on balance-sheet items	**-232**	**-305**	**-24%**			**-665**			
Expected credit lossses on off-balance-sheet items									
The period's net provision Stage 3	-1	-4	-75%			-41			
The period's net provision Stage 2	1	2	-50%			10			
The period's net provision Stage 1	0	22	-100%			31			
Total expected credit losses on off-balance-sheet items	**0**	**20**	**-100%**			**0**			
Write-offs									
Actual loan losses for the period	-136	-829	-84%			-2,594			
Utilised share of previous provision Stage 3	107	815	-87%			2,518			
Total write-offs	**-29**	**-14**	**107%**			**-76**			
Recoveries	**31**	**77**	**-60%**			**136**			
Net loan losses	**-230**	**-222**	**4%**			**-605**			
of which loans to the public	*-229*	*-242*	*-5%*			*-605*			

Loan losses IAS 39

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Specific provision for individually assessed loans									
Provision for the period				-284			-750		-1,811
Reversal of previous provisions				59			184		225
Total				**-225**			**-566**		**-1,586**
Collective provisions									
Net provision for the period for individually assessed loans				-8			-69		-120
Net provision for the period for homogeneous loans				-4			-6		-10
Total				**-12**			**-75**		**-130**
Off-balance-sheet items									
Losses on off-balance-sheet items				0			-1		-4
Reversal of previous losses on off-balance-sheet items				0			10		10
Change in collective provision for off-balance-sheet items				2			5		-27
Total				**2**			**14**		**-21**
Write-offs									
Actual loan losses for the period				-106			-769		-1,253
Utilised share of previous provisions				89			680		1,102
Recoveries				35			117		205
Total				**18**			**28**		**54**
Net loan losses				**-217**			**-599**		**-1,683**

Loan losses IFRS 9 – Key figure “Loans to the public”

	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Loan loss ratio, % of loans to the public, acc	0.04	0.04	0.03		
Total loan loss reserve ratio loans to the public, %	0.18	0.17	0.20		
Loan loss reserve ratio Stage 1 loans to the public, %	0.01	0.02	0.02		
Loan loss reserve ratio Stage 2 loans to the public, %	1.00	0.96	1.22		
Loan loss reserve ratio Stage 3 loans to the public, %	39.54	39.23	40.19		
Proportion of loans to the public Stage 3, %	0.22	0.21	0.23		

Loan losses IAS 39 – Key figures

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

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

Note 7 Loans

Loans and interest-bearing securities that are subject to impairment testing in accordance with IFRS 9, net

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Cash and balances with central banks	357,440	375,243	276,999		
Other loans to central banks	48,428	61,104	99,545		
Interest-bearing securities eligible as collateral with central banks	1,360	1,199	1,268		
Loans to other credit institutions	35,722	36,985	35,475		
of which reverse repos	*9,353*	*11,116*	*11,032*		
Loans to the public	2,193,712	2,194,038	2,143,107		
of which reverse repos	*8,645*	*8,726*	*6,698*		
Bonds and interest-bearing securities	5,996	6,021	5,586		
Total	**2,642,658**	**2,674,590**	**2,561,980**		

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

Loans and interest-bearing securities that are subject to impairment testing in accordance with IFRS 9, by stages

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Volume, gross	2,646,623	2,678,441	2,566,289		
of which Stage 1	*2,584,909*	*2,610,556*	*2,508,066*		
of which Stage 2	*53,838*	*60,469*	*49,965*		
of which Stage 3	*7,876*	*7,416*	*8,258*		
Provisions	-3,965	-3,851	-4,309		
of which Stage 1	*-314*	*-360*	*-378*		
of which Stage 2	*-537*	*-582*	*-612*		
of which Stage 3	*-3,114*	*-2,909*	*-3,319*		
Volume, net	**2,642,658**	**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 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Loans to the public, gross	2,197,670	2,197,882	2,147,413		
of which Stage 1	*2,136,226*	*2,130,147*	*2,089,295*		
of which Stage 2	*53,568*	*60,319*	*49,860*		
of which Stage 3	*7,876*	*7,416*	*8,258*		
Provisions	-3,958	-3,844	-4,306		
of which Stage 1	*-311*	*-357*	*-377*		
of which Stage 2	*-533*	*-578*	*-610*		
of which Stage 3	*-3,114*	*-2,909*	*-3,319*		
Loans to the public, net	**2,193,712**	**2,194,038**	**2,143,107**		

Change in provision for expected credit losses – Loans and interest-bearing securities (IFRS 9)

30 September 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	46	70	21	137
Derecognised assets	-39	-65	-125	-229
Transfer to Stage 1	19	-71	-2	-54
Transfer to Stage 2	-80	200	-2	118
Transfer to Stage 3	-113	-722	791	-44
Write-offs	0	0	-2,518	-2,518
Remeasurements due to changes in credit risk	96	640	199	935
Changes due to update in the methodology for estimation	-29	-156	-	-185
Foreign exchange effect, etc	13	65	54	132
Provision at end of period	**314**	**537**	**3,114**	**3,965**

The transfer rows present the net change in the reserved amount arising from the transfer of an agreement between stages. The remaining change in the reserve due to changed credit risk is reported on the line "Remeasurements due to changes in credit risk".

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

30 September 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	43	69	21	133
Derecognised assets	-38	-65	-125	-228
Transfer to Stage 1	25	-71	-2	-48
Transfer to Stage 2	-80	199	-2	117
Transfer to Stage 3	-113	-722	791	-44
Write-offs	0	0	-2,518	-2,518
Remeasurements due to changes in credit risk	89	640	199	928
Changes due to update in the methodology for estimation	-28	-155	-	-183
Foreign exchange effect, etc	13	65	54	132
Provision at end of period	**311**	**533**	**3,114**	**3,958**

The transfer rows present the net change in the reserved amount arising from the transfer of an agreement between stages. The remaining change in the reserve due to changed credit risk is reported on the line "Remeasurements due to changes in credit risk".

Loans to the public (IFRS 9) – by sector

30 September 2018	Gross			Provisions			Net	Stage 2 gross volumes past due > 30 days
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
Private individuals	1,076,264	*20,490*	*2,017*	*-119*	-126	-713	1,097,813	393
of which mortgage loans	*875,798*	*14,724*	*488*	*-37*	*-42*	*-28*	*890,903*	*254*
of which other loans with property mortgages	*147,537*	*3,875*	*441*	*-13*	*-24*	*-113*	*151,703*	*118*
of which other loans to private individuals	*52,929*	*1,891*	*1,088*	*-69*	*-60*	*-572*	*55,207*	*21*
Housing co-operative associations	225,673	525	68	-9	-1	-15	226,241	78
of which mortgage loans	*188,518*	*372*	*20*	*-4*	*-1*	*-10*	*188,895*	*78*
Property management	584,266	17,145	1,313	-85	-186	-374	602,079	151
Manufacturing	23,223	3,499	427	-10	-65	-204	26,870	3
Retail	20,706	2,300	157	-12	-29	-111	23,011	2
Hotel and restaurant	8,714	313	37	-6	-5	-25	9,028	0
Passenger and goods transport by sea	6,575	421	1,612	-1	-1	-387	8,219	-
Other transport and communication	13,495	1,287	106	-6	-10	-75	14,797	1
Construction	21,980	955	156	-15	-36	-109	22,931	5
Electricity, gas and water	20,745	1,046	154	-2	-11	-103	21,829	0
Agriculture, hunting and forestry	14,810	615	138	-6	-12	-83	15,462	10
Other services	22,477	991	258	-12	-27	-137	23,550	33
Holding, investment and insurance companies, funds etc.	70,863	3,058	538	-11	-12	-384	74,052	19
Government and municipalities	12,447	2	-	0	0	-	12,449	-
Other corporate lending	13,988	921	895	-17	-12	-394	15,381	3
Total	**2,136,226**	**53,568**	**7,876**	**-311**	**-533**	**-3,114**	**2,193,712**	**698**

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

30 September 2018	Gross			Provisions			Net	Stage 2 gross volumes past due > 30 days
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
Loans in Sweden								
State-owned property companies	4,045	-	-	0	-	-	4,045	-
Municipal-owned property companies	8,149	-	-	0	-	-	8,149	-
Residential property companies	106,241	1,828	39	-5	-5	-18	108,080	5
of which mortgage loans	*93,360*	*1,558*	-	*-4*	*-4*	-	*94,910*	*5*
Other property management	124,012	2,614	201	-10	-12	-118	126,687	18
of which mortgage loans	*53,676*	*1,104*	*2*	*-3*	*-5*	*-2*	*54,772*	*2*
Total loans in Sweden	**242,447**	**4,442**	**240**	**-15**	**-17**	**-136**	**246,961**	**23**
Loans outside Sweden								
UK	133,987	4,775	650	-29	-83	-152	139,148	-
Norway	112,047	5,695	227	-24	-39	-41	117,865	102
Denmark	20,095	559	96	-8	-18	-32	20,692	3
Finland	39,911	1,666	72	-3	-28	-7	41,611	23
The Netherlands	31,984	8	-	-5	-1	-	31,986	-
Other countries	3,795	0	28	-1	0	-6	3,816	0
Total loans outside Sweden	**341,819**	**12,703**	**1,073**	**-70**	**-169**	**-238**	**355,118**	**128**
Total loans - Property management	**584,266**	**17,145**	**1,313**	**-85**	**-186**	**-374**	**602,079**	**151**

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 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Cash and balances with central banks	357,440	375,243	276,999	226,314	377,821
Other loans to central banks	48,428	61,104	99,545	38,920	111,008
Interest-bearing securities eligible as collateral with central banks	145,589	141,828	103,579	129,006	112,339
Loans to other credit institutions	35,722	36,985	35,475	20,250	30,742
of which reverse repos	*9,353*	*11,116*	*11,032*	*1,338*	*5,738*
Loans to the public	2,193,712	2,194,038	2,143,107	2,065,761	2,040,589
of which reverse repos	*8,645*	*8,726*	*6,698*	*6,607*	*7,126*
Bonds and other interest-bearing securities	56,571	62,009	59,175	49,601	61,996
Derivative instruments*	52,615	67,016	59,069	56,070	56,913
Contingent liabilities	89,952	89,404	88,634	75,666	75,666
of which guarantees, credits	*10,248*	*10,079*	*9,729*	*10,177*	*9,936*
of which guarantees, other	*72,333*	*73,291*	*72,274*	*57,878*	*59,119*
of which letters of credit	*7,371*	*6,034*	*6,631*	*7,611*	*6,611*
Other commitments	463,080	459,482	457,688	443,383	439,836
of which unutilised part of granted overdraft facilities	*124,264*	*125,580*	*129,845*	*131,121*	*130,647*
of which loan commitments	*310,331*	*309,984*	*299,383*	*290,643*	*286,953*
of which other	*28,485*	*23,918*	*28,460*	*21,619*	*22,236*
Total	**3,443,109**	**3,487,109**	**3,323,271**	**3,104,971**	**3,306,910**

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Positive market values					
Trading	27,289	38,409	33,049	31,242	33,701
Fair value hedges	55	35	55	65	91
Cash flow hedges	45,082	51,579	48,238	45,585	44,399
Amounts set off	-19,811	-23,007	-22,273	-20,822	-21,278
Total	**52,615**	**67,016**	**59,069**	**56,070**	**56,913**
Negative market values					
Trading	29,438	34,633	33,939	33,576	35,471
Fair value hedges	150	305	185	125	105
Cash flow hedges	7,706	8,095	12,417	11,086	14,840
Amounts set off	-18,157	-21,073	-20,639	-19,911	-20,269
Total	**19,137**	**21,960**	**25,902**	**24,876**	**30,147**
Nominal value					
Trading	4,171,570	4,382,951	4,598,181	4,054,918	3,925,126
Fair value hedges	81,540	83,699	82,129	79,318	69,628
Cash flow hedges	1,022,442	1,042,608	1,160,081	1,060,565	1,078,987
Amounts set off	-2,107,319	-2,162,770	-2,179,898	-2,071,229	-1,977,466
Total	**3,168,233**	**3,346,488**	**3,660,493**	**3,123,572**	**3,096,275**

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 September 2018	Derivatives	Repurchase agreements, securities borrowing and similar agreements	**Total**
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	72,426	27,072	99,498
Amounts set off	-19,811	-7,486	-27,297
Carrying amount on the balance sheet	**52,615**	**19,586**	**72,201**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-13,075	-	-13,075
Financial assets received as collateral	-28,443	-19,586	-48,029
Total amounts not set off on the balance sheet	**-41,518**	**-19,586**	**-61,104**
Net amount	**11,097**	**-**	**11,097**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	37,294	15,778	53,072
Amounts set off	-18,157	-7,486	-25,643
Carrying amount on the balance sheet	**19,137**	**8,292**	**27,429**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-13,075	-	-13,075
Financial assets pledged as collateral	-1,231	-8,292	-9,523
Total amounts not set off on the balance sheet	**-14,306**	**-8,292**	**-22,598**
Net amount	**4,831**	**-**	**4,831**

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 3,899m (3,342) derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 2,246m (2,431), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			**Total**		
	Jan-Sep 2018	Jan-Sep 2017	Full year 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017	**Jan-Sep 2018**	**Jan-Sep 2017**	**Full year 2017**
Opening residual value	6,798	6,761	6,761	3,063	2,632	2,632	**9,861**	**9,393**	**9,393**
Additional during the period	-	7	7	546	486	694	**546**	**493**	**701**
The period's amortisation	-	-	-	-251	-196	-266	**-251**	**-196**	**-266**
The period's impairments	-	-	-	-	-9	-9	**-**	**-9**	**-9**
Foreign exchange effect	189	-6	30	45	-5	12	**234**	**-11**	**42**
Closing residual value	**6,987**	**6,762**	**6,798**	**3,403**	**2,908**	**3,063**	**10,390**	**9,670**	**9,861**

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

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Due to credit institutions	194,657	211,927	193,642	174,820	205,355
of which repos	*49*	-	*157*	*126*	
Deposits and borrowing from the public	1,099,384	1,126,480	1,065,678	941,967	1,112,138
of which repos	*8,243*	*13*	*4,202*		*286*

Note 13 Issued securities

SEK m	Jan-Sep 2018	Jan-Sep 2017
Issued securities at beginning of year	**1,276,595**	**1,261,765**
Issued	859,450	946,625
Repurchased	-43,578	-38,766
Matured	-754,036	-842,579
Foreign exchange effect etc.	55,388	-47,762
Issued securities at end of period	**1,393,819**	**1,279,283**

Note 14 Pledged assets, contingent liabilities and other commitments

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Assets pledged for own debt	902,214	868,092	859,158	856,772	830,488
Other pledged assets	35,036	31,853	39,389	34,165	36,179
Contingent liabilities	89,952	89,404	88,634	75,666	75,666
Other commitments	463,080	459,482	457,688	443,383	439,836

Note 15 Classification of financial assets and liabilities

30 September 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					357,440	**357,440**	357,440
Other loans to central banks					48,428	**48,428**	48,428
Interest-bearing securities eligible as collateral with central banks	8,103	136,127		406	953	**145,589**	145,589
Loans to other credit institutions					35,722	**35,722**	35,645
Loans to the public					2,193,712	**2,193,712**	2,201,729
Value change of interest-hedged item in portfolio hedge					31	**31**	
Bonds and other interest-bearing securities	12,488	38,086		5,997		**56,571**	56,571
Shares	11,923			1,958		**13,881**	13,881
Assets where the customer bears the value change risk	151,983				59	**152,042**	152,042
Derivative instruments	9,848		42,767			**52,615**	52,615
Other assets	15				11,401	**11,416**	11,416
Total	**194,360**	**174,213**	**42,767**	**8,361**	**2,647,746**	**3,067,447**	**3,075,356**
Investments in associates						**263**	
Non-financial assets						**19,526**	
Total assets						**3,087,236**	
Liabilities							
Due to credit institutions					194,657	**194,657**	196,380
Deposits and borrowing from the public					1,099,384	**1,099,384**	1,099,342
Liabilities where the customer bears the value change risk		151,975			65	**152,040**	152,040
Issued securities	2,784				1,391,035	**1,393,819**	1,401,556
Derivative instruments	12,487		6,650			**19,137**	19,137
Short positions	7,081					**7,081**	7,081
Other liabilities	23				16,328	**16,351**	16,351
Subordinated liabilities					50,827	**50,827**	52,046
Total	**22,375**	**151,975**	**6,650**		**2,752,296**	**2,933,296**	**2,943,933**
Non-financial liabilities						**12,730**	
Total liabilities						**2,946,026**	

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	**45,214**	**289,025**	**43,498**	**2,367,406**	**7,544**		**2,752,687**	**2,760,257**
Investments in associates							**297**	
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	**21,926**	**135,556**	**9,672**			**2,450,270**	**2,617,424**	**2,633,546**
Non-financial liabilities							**7,949**	
Total liabilities							**2,625,373**	

Note 16 Fair value measurement of financial instruments

30 September 2018 SEK m	Level 1	Level 2	Level 3	**Total**
Assets				
Interest-bearing securities eligible as collateral with central banks	142,006	2,630	-	144,636
Bonds and other interest-bearing securities	51,008	5,563	-	56,571
Shares	9,815	2,702	1,364	13,881
Assets where the customer bears the value change risk	150,355	1,141	487	151,983
Derivative instruments	421	52,240	-46	52,615
Total	**353,605**	**64,276**	**1,805**	**419,686**
Liabilities				
Liabilities where the customer bears the value change risk	150,347	1,141	487	151,975
Issued securities	-	2,784	-	2,784
Derivative instruments	265	18,919	-47	19,137
Short positions	6,852	229	-	7,081
Total	**157,464**	**23,073**	**440**	**180,977**

31 December 2017 SEK m	Level 1	Level 2	Level 3	**Total**
Assets				
Interest-bearing securities eligible as collateral with central banks	126,996	2,010	-	129,006
Loans to the public	-	364	13	377
Bonds and other interest-bearing securities	47,111	2,490	-	49,601
Shares	8,798	4,008	1,246	14,052
Assets where the customer bears the value change risk	135,099	-	464	135,563
Derivative instruments	364	55,793	-87	56,070
Total	**318,368**	**64,665**	**1,636**	**384,669**
Liabilities				
Liabilities where the customer bears the value change risk	135,092	-	464	135,556
Issued securities	-	4,625	-	4,625
Derivative instruments	377	24,587	-88	24,876
Short positions	2,013	59	-	2,072
Total	**137,482**	**29,271**	**376**	**167,129**

Valuation process

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

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

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

Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the degree of transparency regarding market data used in the valuation. The categorisation is shown as levels 1–3 in the tables.

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

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2017), the instrument has been moved between the levels in the table. During the period January–September 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, assets worth SEK 1,141m for which the customer bears the value change risk, interest-bearing securities worth SEK 573m, shares worth SEK 634m and derivatives worth SEK 13m were transferred from level 1 to level 2. Interest-bearing securities worth SEK 667m and shares worth SEK 67m were transferred from level 2 to level 1. On the liabilities side, liabilities worth SEK 1,141m for which the customer bears the value change risk and derivatives at a value of SEK 256m 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 are mainly comprised of participating interests in companies which provide supporting operations to the Bank. 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 at fair value through other comprehensive income after 1 January 2018, having been classified as available for sale before 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 117m (96) has been recognised in net gains/losses on financial transactions during the January–September 2018 period. At the end of the period, non-recognised day 1 gains/losses totalled SEK 625m; 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.

Change in holdings in level 3

January – September 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	-31	1	2	-	-	-
Matured during the period	-	-	-	-	-	-
Unrealised value change in income statement	14	-5	6	-	23	-23
Unrealised value change in other comprehensive income	111	-	-	-	-	-
Transfer from level 1 or 2	-	-	-	-	-	-
Transfer to level 1 or 2	-	48	-46	-	-	-
Carrying amount at end of period	**1,364**	**-46**	**47**	**-**	**487**	**-487**

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**

* Derivatives reported in level 3 are a sub-component of a main instrument. The classification of the main instrument determines whether the sub-component is classified as an asset or a liability. Sub-components with a negative fair value are classified as an asset if the fair value of the main instrument is positive in its entirety. Sub-components with a positive fair value are classified as a liability if the fair value of the main instrument is negative in its entirety.

Note 17 Assets and liabilities by currency

30 September 2018 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	61	115,071	5,780	703	86,690	147,895	1,240	357,440
Other loans to central banks	24,720	-	-	22,844	830	34	0	48,428
Loans to other credit institutions	1,988	7,270	826	35	669	23,658	1,276	35,722
Loans to the public	1,322,794	226,944	268,995	99,234	241,700	26,270	7,775	2,193,712
of which corporates	*483,466*	*150,555*	*169,528*	*34,936*	*165,503*	*26,093*	*6,317*	*1,036,398*
of which households	*839,327*	*76,389*	*99,467*	*64,298*	*76,197*	*177*	*1,459*	*1,157,314*
Interest-bearing securities eligible as collateral with central banks	116,820	7,150	52	14	-	20,618	935	145,589
Bonds and other interest-bearing securities	41,639	2,168	2,068	-	570	10,126	-	56,571
Other items not broken down by currency	249,774							249,774
Total assets	**1,757,796**	**358,603**	**277,721**	**122,830**	**330,459**	**228,601**	**11,226**	**3,087,236**
Liabilities								
Due to credit institutions	59,341	87,574	6,077	3,191	1,999	23,643	12,832	194,657
Deposits and borrowing from the public	613,266	113,532	68,139	41,598	160,479	92,330	10,040	1,099,384
of which corporates	*249,634*	*92,514*	*45,194*	*22,686*	*105,178*	*89,864*	*9,543*	*614,613*
of which households	*363,632*	*21,018*	*22,944*	*18,912*	*55,301*	*2,467*	*497*	*484,771*
Issued securities	478,660	292,158	26,650	250	101,853	460,069	34,179	1,393,819
Subordinated liabilities	8,605	31,248	-	-	-	10,974	-	50,827
Other items not broken down by currency, incl. equity	348,549							348,549
Total liabilities and equity	**1,508,421**	**524,512**	**100,866**	**45,039**	**264,331**	**587,016**	**57,051**	**3,087,236**
Other assets and liabilities broken down by currency (net)		165,869	-176,733	-77,621	-66,001	358,203	45,856	
Net foreign currency position		**-40**	**123**	**168**	**127**	**-210**	**31**	**199**

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 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
TIER 1 CAPITAL					
Equity, Group	141,210	138,279	131,613	141,604	138,951
Accrued unpaid dividend previous year	-	-	-	-	-
Accrued dividend current year	-12,104	-8,389	-3,620	-14,581	-7,759
Adjustment of Group result	-657	-444	-210	-820	-629
Adjustment of Group equity	2,582	2,549	2,529	3,337	3,311
Minority interests	-11	-11	-13	-11	-9
Equity (consolidated entities)	**131,020**	**131,984**	**130,299**	**129,529**	**133,865**
Deducted items					
Goodwill and other intangible assets	-10,323	-10,328	-10,091	-9,787	-9,599
Value adjustments (fair value)	-397	-385	-386	-409	-426
Negative amounts resulting from the calculation of expected loss amounts	-1,907	-1,974	-1,748	-2,357	-2,246
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-565	-516	-551	-569	-619
Adjustments in accordance with stability filter					
Cash flow hedges	956	-377	168	-654	-1,464
Unrealised accumulated gains, shares	-	-	-	-	-
Common equity tier 1 capital, gross	**118,784**	**118,404**	**117,691**	**115,753**	**119,511**
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	**118,784**	**118,404**	**117,691**	**115,753**	**119,511**
Additional tier 1 instruments	12,599	12,685	11,934	11,746	11,718
Total tier 1 capital	**131,383**	**131,089**	**129,625**	**127,499**	**131,229**
TIER 2 CAPITAL					
Subordinated loans	18,415	26,495	26,096	17,745	14,469
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	**17,286**	**25,366**	**25,004**	**16,616**	**13,340**
Total own funds	**148,669**	**156,455**	**154,629**	**144,115**	**144,569**

Capital ratios and buffers

	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Common equity tier 1 ratio, CRR	21.7%	21.4%	21.6%	22.7%	23.6%
Tier 1 ratio, CRR	24.0%	23.7%	23.7%	25.0%	25.9%
Total capital ratio, CRR	27.1%	28.3%	28.3%	28.3%	28.5%
Risk exposure amount, CRR	547,977	553,762	545,898	509,032	507,413
Own funds in relation to capital requirement according to Basel I floor				142%	144%
Institution-specific buffer requirements*	6.7%	6.8%	6.7%	6.7%	6.7%
of which capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
of which countercyclical capital buffer requirement	*1.2%*	*1.3%*	*1.2%*	*1.2%*	*1.2%*
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	17.2%	16.9%	17.1%	18.2%	19.1%

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

Capital requirement

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Credit risk according to standardised approach	7,208	7,350	7,080	6,707	6,579
Credit risk according to IRB Approach	30,147	30,259	30,049	27,871	27,630
Market risks	867	1,112	958	825	995
Credit valuation adjustment risk (CVA)	501	465	470	391	460
Operational risk	5,115	5,115	5,115	4,929	4,929
Total capital requirement	**43,838**	**44,301**	**43,672**	**40,723**	**40,593**
Adjustment according to Basel I floor				62,125	61,403
Capital requirement, Basel I floor				**102,848**	**101,996**
Total own funds, Basel I floor				146,472	146,815

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 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Credit risk according to standardised approach	90,106	91,877	88,502	83,833	82,243
Credit risk according to IRB Approach	376,834	378,236	375,609	348,386	345,377
Market risk	10,835	13,906	11,978	10,310	12,437
Credit valuation adjustment risk (CVA)	6,270	5,811	5,877	4,890	5,743
Operational risk	63,932	63,932	63,932	61,613	61,613
Total risk exposure amount	**547,977**	**553,762**	**545,898**	**509,032**	**507,413**

Capital requirement credit risks, standardised approach**

	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Sovereign and central banks	1,048	236	-	-	-	-	0.0	0.0
Municipalities	-	-	-	-	-	-	0.0	0.0
Multilateral development banks	199	568	-	-	-	-	0.0	0.0
International organisations	-	35	-	-	-	-	0.0	0.0
Institutions	10,592	7,290	1,182	506	95	40	11.2	6.9
Corporates	10,153	9,407	10,051	9,312	804	745	99.0	99.0
Households	15,863	16,824	11,867	12,580	949	1,006	74.8	74.8
Collateral in real estate	120,006	106,316	42,912	38,158	3,433	3,053	35.8	35.9
Past due items	702	654	876	748	70	60	124.8	114.4
Collective investment undertakings	63	86	63	86	5	7	100.0	100.0
Equities	6,254	6,813	15,636	16,143	1,251	1,291	250.0	236.9
Other items	7,809	6,780	7,519	6,300	601	505	95.3	92.9
Total	**172,689**	**155,009**	**90,106**	**83,833**	**7,208**	**6,707**	**52.2**	**54.1**

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

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Sovereign and central banks	**497,192**	**357,719**	**8,454**	**7,474**	**676**	**598**	**1.7**	**2.1**
Corporate	**912,003**	**852,845**	**252,880**	**237,107**	**20,230**	**18,969**	**27.7**	**27.8**
Corporate lending	891,885	835,665	250,027	233,707	20,002	18,697	28.0	28.0
*of which other loans foundation approach **	*125,052*	*109,608*	*36,863*	*32,467*	*2,949*	*2,598*	*29.5*	*29.6*
*of which other loans advanced approach **	*766,833*	*726,057*	*213,164*	*201,240*	*17,053*	*16,099*	*27.8*	*27.7*
of which large companies	*156,110*	*152,189*	*59,088*	*58,176*	*4,727*	*4,654*	*37.9*	*38.2*
of which medium-sized companies	*86,392*	*80,590*	*38,299*	*37,839*	*3,064*	*3,027*	*44.3*	*47.0*
of which property companies	*524,332*	*493,278*	*115,777*	*105,225*	*9,262*	*8,418*	*22.1*	*21.3*
Counterparty risk	20,118	17,180	2,853	3,400	228	272	14.2	19.8
Housing co-operative associations	**212,173**	**195,265**	**10,208**	**9,974**	**818**	**798**	**4.8**	**5.1**
Retail	**1,077,788**	**1,026,668**	**77,893**	**72,574**	**6,231**	**5,806**	**7.2**	**7.1**
Private individuals	1,052,545	1,001,733	70,514	65,742	5,641	5,259	6.7	6.6
of which property loans	*988,538*	*925,491*	*56,465*	*51,092*	*4,517*	*4,087*	*5.7*	*5.5*
of which other loans	*64,007*	*76,242*	*14,049*	*14,650*	*1,124*	*1,172*	*21.9*	*19.2*
Small companies	25,243	24,935	7,379	6,832	590	547	29.2	27.4
of which property loans	*7,485*	*6,929*	*1,762*	*1,707*	*141*	*137*	*23.5*	*24.6*
of which other loans	*17,758*	*18,006*	*5,617*	*5,125*	*449*	*410*	*31.6*	*28.5*
Institutions	**93,033**	**72,223**	**15,632**	**13,929**	**1,251**	**1,114**	**16.8**	**19.3**
Lending to institutions	16,620	16,332	4,810	5,232	385	418	28.9	32.0
Counterparty risk	76,413	55,891	10,822	8,697	866	696	14.2	15.6
of which repos and securities loans	*24,625*	*7,667*	*718*	*173*	*57*	*14*	*2.9*	*2.3*
of which derivatives	*51,788*	*48,224*	*10,105*	*8,524*	*809*	*682*	*19.5*	*17.7*
Equity exposures	**2,811**	**1,512**	**9,473**	**5,068**	**758**	**405**	**337.0**	**335.1**
of which listed shares	1,158	*661*	3,359	*1,916*	269	*153*	*290.0*	*290.0*
of which other shares	*1,653*	*851*	*6,114*	*3,152*	*489*	*252*	*370.0*	*370.0*
Non credit-obligation assets	**2,243**	**2,238**	**2,243**	**2,238**	**179**	**179**	**100.0**	**100.0**
Securitisation positions	**22**	**20**	**51**	**22**	**4**	**2**	**229.2**	**106.0**
of which Traditional securitisation	*22*	*20*	51	22	*4*	*2*	*229.2*	*106.0*
of which Synthetic securitisation	-	-	-	-	-	-	-	-
Total IRB Approach	**2,797,265**	**2,508,490**	**376,834**	**348,386**	**30,147**	**27,871**	**13.5**	**13.9**

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

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

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

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

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

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

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

The total average risk weight for exposures approved for the IRB Approach was stable during the quarter and amounted to 13.5% (13.4).

Credit quality is good. Of Handelsbanken's corporate exposures, 98% were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between 1 and 5 on the Bank's nine-point risk rating scale. The IRB Approach is based on historical losses from both the financial crisis of recent years and the Swedish banking crisis in the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low loan losses over a long period. The risk measurements applied contain margins of conservatism to ensure that the risk is not underestimated.

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

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

Capital requirement market risks

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Outright products					
Interest rate risk	846	1,086	937	808	973
of which general risk	*706*	*827*	*698*	*572*	*649*
of which specific risk	*140*	*259*	*239*	*236*	*324*
Equity price risk	8	10	9	9	6
of which general risk	*3*	*4*	*3*	*3*	*1*
of which specific risk	*5*	*6*	*6*	*6*	*5*
of which mutual funds	*0*	*0*	*0*	*0*	*0*
Exchange rate risk	-	-	-	-	-
Commodities risk	8	12	8	5	10
Options					
Scenario approach	5	4	4	3	6
of which interest rate risk	*0*	*0*	*0*	*0*	*1*
of which equity risk	*5*	*4*	*4*	*3*	*5*
of which foreign exchange risk	-	-	-	-	-
of which commodity risk	*0*	*0*	*0*	*0*	*0*
Securitisation (specific risk)	-	-	-	-	-
Settlement risk	-	0	0	0	-
Total capital requirement for market risks	**867**	**1,112**	**958**	**825**	**995**

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 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Balance sheet according to accounting regulations	3,087,236	3,134,353	2,963,576	2,766,977	2,981,055
Deduction for assets not included in the banking group	-146,782	-142,185	-133,567	-131,176	-128,302
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-13,807	-21,830	-16,503	-17,115	-17,943
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	5,125	5,534	5,077	2,176	4,104
Assets reported off the balance sheet, gross (before adjustment for conversion factor)	*529,010*	*531,614*	*523,691*	*501,292*	*498,940*
Deduction from assets off the balance sheet after application of conversion factor	*-336,752*	*-336,998*	*-334,267*	*-320,747*	*-319,972*
Assets reported off the balance sheet, net	192,258	194,616	189,424	180,545	178,968
Additional adjustment	-12,236	-13,580	-12,608	-13,775	-14,354
Assets on which the leverage ratio is calculated	**3,111,794**	**3,156,908**	**2,995,399**	**2,787,632**	**3,003,528**
Capital on which the leverage ratio can be calculated					
Tier 1 capital	131,383	131,089	129,625	127,499	131,229
Leverage ratio					
Leverage ratio calculated on tier 1 capital	4.2%	4.2%	4.3%	4.6%	4.4%

Information in this section relates to Handelsbanken's material risks and capital requirement as of the publication date of this report. 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. One aspect of this work has been to centralise liquidity management, with the aim of tightening control of the liquidity risks, and guaranteeing and optimising the Bank's funding in all scenarios.

Handelsbanken's funding program 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.

Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 594bn as at 30 September 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 the liquidity reserve

Market value SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Cash and balances with and other lending to central banks	405,823	436,279	376,513	265,234	488,559
Balances with banks and the National Debt Office, overnight	525	404	603	2,041	2,086
Securities issued by governments and public entities	136,971	139,314	101,672	132,385	114,761
Covered bonds	49,396	55,063	46,647	44,249	46,387
Securities issued by non-financial companies	748	483	302	141	262
Securities issued by financial companies	395	401	434	275	277
Total	**593,858**	**631,944**	**526,171**	**444,325**	**652,332**
of which in SEK	*165,373*	*165,423*	*152,986*	*142,452*	*197,104*
of which in EUR	*122,782*	*127,949*	*125,582*	*94,685*	*107,857*
of which in USD	*174,921*	*193,998*	*117,281*	*74,168*	*196,348*
of which in other currencies	*130,782*	*144,574*	*130,322*	*133,020*	*151,023*

30 September 2018 Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	24,788	115,085	147,896	118,054	405,823
Balances with other banks and the National Debt Office, overnight	365	18	21	121	525
Securities issued by governments	100,844	5,703	20,767	-	127,314
Securities issued by municipalities and other public entities	3,368	-	6,237	52	9,657
Covered bonds, external issuers	31,233	1,802	-	12,467	45,502
Own covered bonds	3,894	-	-	-	3,894
Securities issued by non-financial companies	715	33	-	-	748
Securities issued by financial companies	166	141	-	88	395
Total	**165,373**	**122,782**	**174,921**	**130,782**	**593,858**

Maturity periods for financial assets and liabilities

30 September 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	405,823	-	-	-	-	-	-	405,823
Interest-bearing securities eligible as collateral with central banks	145,200	-	-	-	-	-	-	145,200
Bonds and other interest-bearing securities	56,303	-	-	-	-	-	-	56,303
Loans to credit institutions	28,229	2,834	748	68	1,616	2,134	9	35,638
-of which reverse repos	*9,353*	-	-	-	-	-	-	*9,353*
Loans to the public	50,282	277,380	170,344	200,633	415,489	1,076,065	-	2,190,193
-of which reverse repos	*8,645*	-	-	-	-	-	-	*8,645*
Other	20,857	-	-	-	-	-	233,222	254,079
-of which shares and participating interests	*13,881*	-	-	-	-	-	-	*13,881*
-of which claims on investment banking settlements	*6,976*	-	-	-	-	-	-	*6,976*
Total	**706,694**	**280,214**	**171,092**	**200,701**	**417,105**	**1,078,199**	**233,231**	**3,087,236**
Liabilities								
Due to credit institutions	94,034	53,224	9,752	4,207	268	4,484	28,216	194,185
-of which repos	*49*	-	-	-	-	-	-	*49*
-of which deposits from central banks	*43,871*	*17,805*	-	-	-	-	*5,458*	*67,134*
Deposits and borrowing from the public	86,667	37,951	3,620	713	604	7,214	961,502	1,098,271
-of which repos	*8,243*	-	-	-	-	-	-	*8,243*
Issued securities	57,902	395,922	224,329	166,808	487,949	53,503	-	1,386,413
-of which covered bonds	-	*59,815*	*100,493*	*99,684*	*331,289*	*47,670*	-	*638,951*
-of which certificates and other securities with original maturity of less than one year	*48,141*	*279,442*	*59,300*	-	-	-	-	*386,883*
-of which senior bonds and other securities with original maturity of more than one year	*9,761*	*56,665*	*64,536*	*67,124*	*156,660*	*5,833*	-	*360,579*
Subordinated liabilities	-	17,698	3,153	-	21,451	7,683	-	49,985
Other	14,105	-	-	-	-	-	344,277	358,382
-of which short positions	*7,081*	-	-	-	-	-	-	*7,081*
-of which investment banking settlement debts	*7,024*	-	-	-	-	-	-	*7,024*
Total	**252,708**	**504,795**	**240,854**	**171,728**	**510,272**	**72,884**	**1,333,995**	**3,087,236**

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.

Liquidity coverage ratio (LCR)

Liquidity coverage ratio (LCR) - sub-components, SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
High quality liquidity assets	**584,187**	**618,676**	**514,470**	**432,958**	**645,659**
Cash outflows	**426,051**	**493,932**	**424,130**	**353,362**	**484,019**
Deposits from the public and small enterprises	57,537	57,206	55,122	53,306	52,428
Unencumbered capital market financing	321,409	395,127	320,903	252,825	383,368
Encumbered capital market financing	9,411	5,800	11,825	9,119	10,597
Other cash outflows	37,694	35,799	36,280	38,112	37,626
Cash inflows	**62,939**	**70,593**	**60,655**	**41,393**	**48,129**
Inflows from fully performing exposures	26,041	25,094	30,171	28,292	25,204
Other cash inflows	36,898	45,499	30,484	13,101	22,925
Liquidity coverage ratio (LCR), %	**161**	**146**	**142**	**139**	**148**

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

At the end of September, the Group's aggregated LCR was 161%, 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 nine months of the year, the LCR was 146%, 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 September 2018 SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	594	63%
Mortgage loans	599	126%
Other household lending	186	146%
Property company lending lowest risk class (1-3)	302	178%
Other corporate lending lowest risk class (1-3)	158	195%
Loans to credit institutions lowest risk class (1-3)	19	197%
Other corporate lending	271	225%
Other assets	21	227%
Total non-encumbered assets (NEA)	**2,150**	**227%**
Encumbered assets without underlying liabilities**	**63**	
Encumbered assets with underlying liabilities	874	
Total assets, Group	**3,087**	

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 10-24.

Note 22 Events after the balance sheet date

Information about significant events occurred after the balance sheet date is provided on page 9.

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Net interest income	4,478	4,542	-1%	4,225	6%	13,193	12,201	8%	16,326
Dividends received	72	165	-56%	34	112%	346	1,074	-68%	13,705
Net fee and commission income	1,600	1,545	4%	1,586	1%	4,689	4,937	-5%	6,592
Net gains/losses on financial transactions	250	230	9%	235	6%	629	1,100	-43%	1,339
Other operating income	469	1,317	-64%	412	14%	2,225	1,225	82%	1,690
Total income	**6,869**	**7,799**	**-12%**	**6,492**	**6%**	**21,082**	**20,537**	**3%**	**39,652**
Staff costs	-3,147	-3,097	2%	-2,832	11%	-9,796	-8,585	14%	-10,938
Other administrative expenses	-1,501	-1,582	-5%	-1,301	15%	-4,643	-4,052	15%	-5,702
Depreciation, amortisation and impairment of property, equipment and intangible assets	-317	-328	-3%	-257	23%	-943	-788	20%	-1,094
Total expenses before loan losses	**-4,965**	**-5,007**	**-1%**	**-4,390**	**13%**	**-15,382**	**-13,425**	**15%**	**-17,734**
Profit before loan losses	**1,904**	**2,792**	**-32%**	**2,102**	**-9%**	**5,700**	**7,112**	**-20%**	**21,918**
Net loan losses	-222	-240	-8%	-220	1%	-595	-602	-1%	-1,685
Impairment of financial assets	-	-		-		-	-		-
Operating profit	**1,682**	**2,552**	**-34%**	**1,882**	**-11%**	**5,105**	**6,510**	**-22%**	**20,233**
Appropriations	31	31	0%	29	7%	91	86	6%	115
Profit before tax	**1,713**	**2,583**	**-34%**	**1,911**	**-10%**	**5,196**	**6,596**	**-21%**	**20,348**
Taxes	-462	-501	-8%	-507	-9%	-1,209	-1,481	-18%	-4,662
Profit for the period	**1,251**	**2,082**	**-40%**	**1,404**	**-11%**	**3,987**	**5,115**	**-22%**	**15,686**

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q3 2018	Q2 2018	Change	Q3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Profit for the period	**1,251**	**2,082**	**-40%**	**1,404**	**-11%**	**3,987**	**5,115**	**-22%**	**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	31	57				126			
Tax on items that will not be reclassified to income statement	-1	-1				-2			
of which equity instruments measured at fair value through other comprehensive income	*-1*	*-1*				*-2*			
Total items that will not be reclassified to the income statement	**30**	**56**				**124**			
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	-600	313		-259	-132%	-817	465		41
Available-for-sale instruments				24			82		-470
Instruments measured at fair value through other comprehensive income - debt instruments	1	-2				0			
Translation differences for the period	-1,011	806		-180	-462%	2,399	-2,217		-2,261
of which hedging net investment in foreign operations	*-144*	*-415*	*65%*	*-303*	*52%*	*-573*	*-1,123*	*49%*	*-1,476*
Tax on items that may subsequently be reclassified to the income statement	164	23		144	14%	306	153	100%	311
of which cash flow hedges	*132*	*-68*		*65*	*103%*	*180*	*-102*		*-9*
of which available-for-sale instruments				*12*			*8*		*-5*
of which debt instruments measured at fair value through other comprehensive income	*0*	*0*				*0*			
of which hedging net investment in foreign operations	*32*	*91*	*-65%*	*67*	*-52%*	*126*	*247*	*-49%*	*325*
Total items that may subsequently be reclassified to the income statement	**-1,446**	**1,140**		**-271**	**-434%**	**1,888**	**-1,517**		**-2,379**
Total other comprehensive income for the period	**-1,416**	**1,196**		**-271**	**-423%**	**2,012**	**-1,517**		**-2,379**
Total comprehensive income for the period	**-165**	**3,278**		**1,133**		**5,999**	**3,598**	**67%**	**13,307**

Comment on results – Parent company January – September 2018 compared with January – September 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 22% to SEK 5,105m (6,510), chiefly owing to reduced dividends, as well as increased staff costs. Profit for the period decreased by 22% to SEK 3,987m (5,115). Net interest income increased by 8% to SEK 13,193m (12,201), and net fee and commission income decreased by 5% to SEK 4,689m (4,937). Since the year-end, the parent company's equity has decreased to SEK 111,334m (120,200).

BALANCE SHEET – PARENT COMPANY

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Assets					
Cash and balances with central banks	357,440	375,243	276,999	226,314	377,821
Interest-bearing securities eligible as collateral with central banks	142,218	138,454	100,428	125,887	109,219
Loans to credit institutions	736,921	768,343	787,818	664,018	751,645
Loans to the public	862,370	872,776	846,208	795,691	788,996
Bonds and other interest-bearing securities	53,599	58,896	55,755	46,220	58,614
Shares	12,905	12,530	18,199	13,073	19,865
Shares in subsidiaries and investments in associates	48,651	48,670	47,359	47,302	47,207
Assets where the customer bears the value change risk	5,531	5,481	5,264	5,005	4,285
Derivative instruments	54,284	69,214	62,279	59,767	61,914
Intangible assets	2,898	2,863	2,717	2,610	2,477
Property, equipment and leasing assets	2,927	3,056	2,987	2,822	2,982
Current tax assets	2,165	2,733	2,056	191	2,076
Deferred tax assets	215	277	214	283	269
Other assets	9,184	13,243	9,053	18,807	10,647
Prepaid expenses and accrued income	2,228	2,607	2,796	4,886	4,587
Total assets	**2,293,536**	**2,374,386**	**2,220,132**	**2,012,876**	**2,242,604**
Liabilities and equity					
Due to credit institutions	210,052	231,285	213,850	193,822	220,467
Deposits and borrowing from the public	1,100,088	1,126,581	1,065,837	941,401	1,110,978
Liabilities where the customer bears the value change risk	5,531	5,481	5,264	5,005	4,385
Issued securities	750,391	783,254	711,115	654,637	681,674
Derivative instruments	38,512	43,535	48,184	41,771	47,144
Short positions	7,081	10,594	7,559	2,072	10,081
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	257	344	363	582	759
Provisions	179	187	199	146	235
Other liabilities	15,487	14,650	13,165	12,746	15,446
Accrued expenses and deferred income	3,186	3,183	4,085	6,915	7,676
Subordinated liabilities	50,827	43,147	41,621	32,896	32,560
Total liabilities	**2,181,591**	**2,262,241**	**2,111,242**	**1,891,993**	**2,131,405**
Untaxed reserves	**611**	**646**	**670**	**683**	**708**
Share capital	3,013	3,013	3,013	3,013	3,013
Share premium	5,629	5,629	5,629	5,629	5,629
Other funds	9,698	11,042	9,670	7,320	8,025
Retained earnings	89,007	89,079	89,254	88,552	88,709
Profit for the period	3,987	2,736	654	15,686	5,115
Total equity	**111,334**	**111,499**	**108,220**	**120,200**	**110,491**
Total liabilities and equity	**2,293,536**	**2,374,386**	**2,220,132**	**2,012,876**	**2,242,604**

Changed presentation accrued interest - Parent company

SEK m	Carrying amount 30 Sep 2018	Changed presentation of accrued interest	Amount without changed presentation of accrued interest
Assets			
Cash and balances with central banks	357,440	-14	357,454
Interest-bearing securities eligible as collateral with central banks	142,218	368	141,850
Loans to credit institutions	736,921	142	736,779
Loans to the public	862,370	2,735	859,635
Bonds and other interest-bearing securities	53,599	251	53,348
Prepaid expenses and accrued income	2,228	-3,482	5,710
Total	**2,154,776**	**-**	**2,154,776**
Liabilities			
Due to credit institutions	210,052	473	209,579
Deposits and borrowing from the public	1,100,088	1,113	1,098,975
Issued securities	750,391	2,929	747,462
Short positions	7,081	39	7,042
Subordinated liabilities	50,827	842	49,985
Accrued expenses and deferred income	3,186	-5,396	8,582
Total	**2,121,625**	**-**	**2,121,625**

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

The table above shows the effect on the affected balance sheet lines at 30 September 2018 if the changed presentation of accrued interest had not been implemented.

CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

	Restricted equity			Unrestricted equity					
January – September 2018 SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	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								3,987	3,987
Other comprehensive income					-637	124	2,525		2,012
Total comprehensive income for the period					**-637**	**124**	**2,525**	**3,987**	**5,999**
Dividend								-14,581	-14,581
Effects of convertible subordinated loans	0			0					0
Fund for internally developed software			365					-365	
Closing equity	**3,013**	**2,682**	**2,588**	**5,629**	**-724**	**624**	**4,528**	**92,994**	**111,334**

	Restricted equity			Unrestricted equity					
January – December 2017 SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	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**

	Restricted equity			Unrestricted equity					
January – September 2017 SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	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								5,115	5,115
Other comprehensive income					363	90	-1,970		-1,517
Total comprehensive income for the period					**363**	**90**	**-1,970**	**5,115**	**3,598**
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			300					-300	
Closing equity	**3,013**	**2,682**	**2,066**	**5,629**	**244**	**1,064**	**1,969**	**93,824**	**110,491**

* Included in fair value fund.

During the period January to September 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-Sep 2018	Jan-Sep 2017	Full year 2017
Operating profit	5,105	6,510	20,233
Adjustment for non-cash items in profit/loss	1,906	1,807	-8,032
Paid income tax	-3,227	-3,748	-5,064
Changes in the assets and liabilities of operating activities	100,675	184,813	21,738
Cash flow from operating activities	**104,459**	**189,382**	**28,875**
Acquisition / divestment of subsidiaries	-	-	-
Change in shares	-1,038	-838	-924
Change in interest-bearing securities	-	-	-
Change in property and equipment	-785	-622	-886
Change in intangible assets	-531	-441	-645
Cash flow from investing activities	**-2,354**	**-1,901**	**-2,455**
Repayment of subordinated loans	-	-	-
Issued subordinated loans	15,449	-	-
Dividend paid	-14,581	-9,721	-9,721
Received group contributions	11,814	12,257	12,257
Cash flow from financing activities	**12,682**	**2,536**	**2,536**
Liquid funds at beginning of the year	**226,314**	**199,362**	**199,362**
Cash flow for the period	114,787	190,017	28,956
Exchange rate difference on liquid funds	16,339	-11,558	-2,004
Liquid funds at end of year*	**357,440**	**377,821**	**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 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Common equity tier 1 capital	102,197	103,093	102,457	100,782	101,971
Total tier 1 capital	114,796	115,778	114,391	112,528	113,689
Total tier 2 capital	17,286	25,366	25,004	16,616	13,340
Total own funds	132,082	141,144	139,395	129,144	127,029
Capital ratios and buffers					
Common equity tier 1 ratio, CRR	16.6%	16.6%	16.8%	21.4%	21.7%
Tier 1 ratio, CRR	18.7%	18.6%	18.7%	23.9%	24.2%
Total capital ratio, CRR	21.5%	22.7%	22.8%	27.5%	27.0%
Risk exposure amount, CRR	614,049	621,903	610,354	470,353	469,808
Own funds in relation to capital requirement according to transitional rules				249%	246%
Institution-specific buffer requirements	3.9%	3.9%	3.8%	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%*	*1.4%*	*1.3%*	*1.2%*	*1.2%*
of which systemic risk buffer requirement	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	12.1%	12.1%	12.3%	16.9%	17.2%

Capital requirement – Parent company

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Credit risk according to standardised approach	8,898	9,003	8,777	11,496	11,354
Credit risk according to IRB Approach	35,445	35,759	35,210	21,524	21,383
Market risk	867	1,112	958	825	995
Credit valuation adjustment risk (CVA)	501	465	470	390	460
Operational risk	3,413	3,413	3,413	3,393	3,393
Total capital requirement	**49,124**	**49,752**	**48,828**	**37,628**	**37,585**
Adjustment according to Basel I floor				14,886	14,839
Capital requirement, Basel I floor			**48,828**	**52,514**	**52,424**
Total own funds, Basel I floor				130,967	128,839

Capital requirement credit risks, standardised approach * – Parent company

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Sovereign and central banks	-	-			
Municipalities	-	-			
Multilateral development banks	-	-			
International organisations	-	-			
Institutions	134	77	85	75	72
Corporates	803	875	734	740	766
Households	940	1,064	1,047	997	981
Collateral in real estate	3,433	3,409	3,311	3,053	2,920
Past due items	45	46	39	34	35
Equities	2,988	2,988	2,988	6,121	6,116
Other items	555	544	573	476	465
Total	**8,898**	**9,003**	**8,777**	**11,496**	**11,355**

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

Capital requirement credit risks, IRB Approach – Parent company

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Sovereign and central banks	527	560	521	428	606
Corporates	18,366	18,789	18,755	17,061	16,468
Households	2,130	2,148	2,003	1,949	1,996
Private individuals	1,641	1,652	1,543	1,493	1,538
of which property loans	*1,015*	*1,021*	*819*	*795*	*812*
of which other loans	*626*	*630*	*724*	*698*	*726*
Small companies	489	496	461	456	458
Institutions	1,251	1,245	1,318	1,114	1,177
Equity exposures	13,089	12,932	12,530	891	1,041
of which listed shares	*145*	-	-	*1*	-
of which other shares	*12,944*	*12,932*	*12,530*	*890*	*1,041*
Non credit-obligation assets	78	82	80	79	93
Securitisation positions	4	2	2	2	2
Total IRB	**35,445**	**35,758**	**35,209**	**21,524**	**21,383**

Capital requirement market risks – Parent company

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Position risk in the trading book	859	1,100	950	820	985
Interest rate risk	846	1,086	937	808	974
of which positions in securitisation instruments	-	-	-	-	-
Equity price risk	13	14	13	12	11
Exchange rate risk	-	-	-	-	-
Commodities risk	8	12	8	5	10
Settlement risk	-	0	0	0	-
Total capital requirement for market risks	**867**	**1,112**	**958**	**825**	**995**

Leverage ratio – Parent company

SEK m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
Balance sheet according to accounting regulations	2,293,536	2,374,386	2,220,132	2,012,876	2,242,604
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-12,442	-21,363	-16,750	-17,888	-20,230
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	5,473	5,549	5,349	2,199	4,106
Assets reported off the balance sheet, gross (before adjustment for conversion factor)	*568,462*	*571,106*	*563,474*	*542,726*	*540,406*
Deduction from assets off the balance sheet after application of conversion factor	*-366,548*	*-366,800*	*-364,175*	*-351,822*	*-351,177*
Assets reported off the balance sheet, net	201,914	204,306	199,299	190,904	189,229
Additional adjustment	-666,519	-684,661	-667,743	-631,185	-623,472
Assets on which the leverage ratio is calculated	**1,821,962**	**1,878,217**	**1,740,287**	**1,556,906**	**1,792,237**
Capital on which the leverage ratio can be calculated					
Tier 1 capital	114,796	115,778	114,391	112,528	113,689
Leverage ratio					
Leverage ratio calculated on tier 1 capital	6.3%	6.2%	6.6%	7.2%	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.

SEK m		IAS 39 Classification 31 Dec 2017	IFRS 9 Classification 1 Jan 2018	IAS 39 Carrying amount 31 Dec 2017	IFRS 9 Carrying amount 1 Jan 2018	Effect on equity 1 Jan 2018	*of which remeasurements due to new rules for classification and measurement*	*of which remeasurements due to new rules for impairment*
Financial assets								
Cash and balances with central banks		Loans and receivables	Amortised cost	226,314	226,314			
Interest-bearing securities eligible as collateral with central banks		Fair value in IS, trading	Fair value through PnL, mandatory	7,349	7,349			
Interest-bearing securities eligible as collateral with central banks		Fair value in IS, other	Fair value through PnL, fair value option	117,575	117,575			
Interest-bearing securities eligible as collateral with central banks		Financial assets available for sale	Fair value through OCI	201	201			
Interest-bearing securities eligible as collateral with central banks	1)	Financial assets available for sale	Amortised cost	762	762			
Loans to credit institutions	2)	Loans and receivables	Amortised cost	642,300	642,295	-5		*-5*
Loans to credit institutions	3)	Loans and receivables	Fair value through PnL, mandatory	21,718	21,755	37	*37*	
Loans to the public	4)	Fair value in IS, other	Amortised cost	377	353	-24	*-24*	
Loans to the public	2)	Loans and receivables	Amortised cost	795,314	794,986	-328		*-328*
Bonds and other interest-bearing securities		Fair value in IS, trading	Fair value through PnL, mandatory	13,261	13,261			
Bonds and other interest-bearing securities		Fair value in IS, other	Fair value through PnL, fair value option	27,566	27,566			
Bonds and other interest-bearing securities		Financial assets available for sale	Fair value through OCI	5,393	5,393			
Shares		Fair value in IS, trading	Fair value through PnL, mandatory	11,903	11,903			
Shares	6)	Financial assets available for sale	Fair value through OCI	1,170	1,170			
Assets where the customer bears the value change risk	5)	Fair value in IS, other	Fair value through PnL, mandatory	4,951	4,951			
Assets where the customer bears the value change risk		Loans and receivables	Amortised cost	54	54			
Derivative instruments		Fair value in IS, trading	Fair value through PnL, mandatory	33,163	33,163			
Derivative instruments		Derivatives identified as hedge instruments	Derivatives identified as hedge instruments	26,604	26,604			
Other assets		Fair value in IS, trading	Fair value through PnL, mandatory	16	16			
Other assets		Loans and receivables	Amortised cost	18,791	18,791			
Prepaid expenses and accrued income		Fair value in IS, trading	Fair value through PnL, mandatory	102	102			
Prepaid expenses and accrued income		Fair value in IS, other	Fair value through PnL, fair value option	450	450			
Prepaid expenses and accrued income		Loans and receivables	Amortised cost	4,330	4,330			
Prepaid expenses and accrued income		Financial assets available for sale	Fair value through OCI	4	4			
Total financial assets				**1,959,668**	**1,959,348**	**-320**	***13***	***-333***
Property, equipment and lease assets	2)			2,822	2,819	-3		*-3*
Other non-financial assets	7)			50,386	50,467	81	*-3*	*84*
Total assets				**2,012,876**	**2,012,634**	**-242**	***10***	***-252***
Financial liabilities								
Due to credit institutions		Other financial liabilities	Amortised cost	193,822	193,822			
Deposits and borrowing from the public		Other financial liabilities	Amortised cost	941,401	941,401			
Liabilities where the customer bears the value change risk		Fair value in IS, other	Fair value through PnL, fair value option	4,951	4,951			
Liabilities where the customer bears the value change risk		Other financial liabilities	Amortised cost	54	54			
Issued securities		Fair value in IS, trading	Fair value through PnL, mandatory	4,625	4,625			
Issued securities		Other financial liabilities	Amortised cost	650,012	650,012			
Derivative instruments		Fair value in IS, trading	Fair value through PnL, mandatory	35,796	35,796			
Derivative instruments		Derivatives identified as hedge instruments	Derivatives identified as hedge instruments	5,975	5,975			
Short positions		Fair value in IS, trading	Fair value through PnL, mandatory	2,072	2,072			
Other liabilities		Fair value in IS, trading	Fair value through PnL, mandatory	12	12			
Other liabilities		Other financial liabilities	Amortised cost	12,734	12,734			
Accrued expenses and deferred income		Fair value in IS, trading	Fair value through PnL, mandatory	13	13			
Accrued expenses and deferred income		Other financial liabilities	Amortised cost	6,902	6,902			
Subordinated liabilities		Other financial liabilities	Amortised cost	32,896	32,896			
Total financial liabilities	**8)**			**1,891,265**	**1,891,265**			
Provisions	9)			146	188	42		*42*
Other non-financial liabilities				582	582			
Total liabilities				**1,891,993**	**1,892,035**	**42**		***42***
Untaxed reserves				**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 assets available for sale. According to IFRS 9, these are designated at amortised cost because the business model for these holdings is for collection of contractual cash flows, and the cash flows solely represent payments of principal and interest.

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

3) According to IAS 39, certain subordinated loans were designated at amortised cost. According to IFRS 9, it is mandatory to designate these at fair value through profit or loss, because the business model for these holdings is not for collection of contractual cash flows, and the cash flows are not solely payments of principal and interest.

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

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

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

7) Tax effect due to transition to IFRS 9.

8) 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

I hereby submit this interim report.

Stockholm, 24 October 2018

Anders Bouvin
President and Group Chief Executive

PRESS AND TELEPHONE CONFERENCE

A press and analyst conference is being arranged at the Bank's head office at 8.15 a.m. (CET) on 24 October.

A telephone conference will be held at 11.15 a.m. (CET) on 24 October.

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

The highlights of the annual report for January–December 2018 will be published on 6 February 2019.

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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 nine-month report for Svenska Handelsbanken AB (publ) as at 30 September 2018 and for the nine-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 Independent Auditor of the Entity*. 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, 24 October 2018

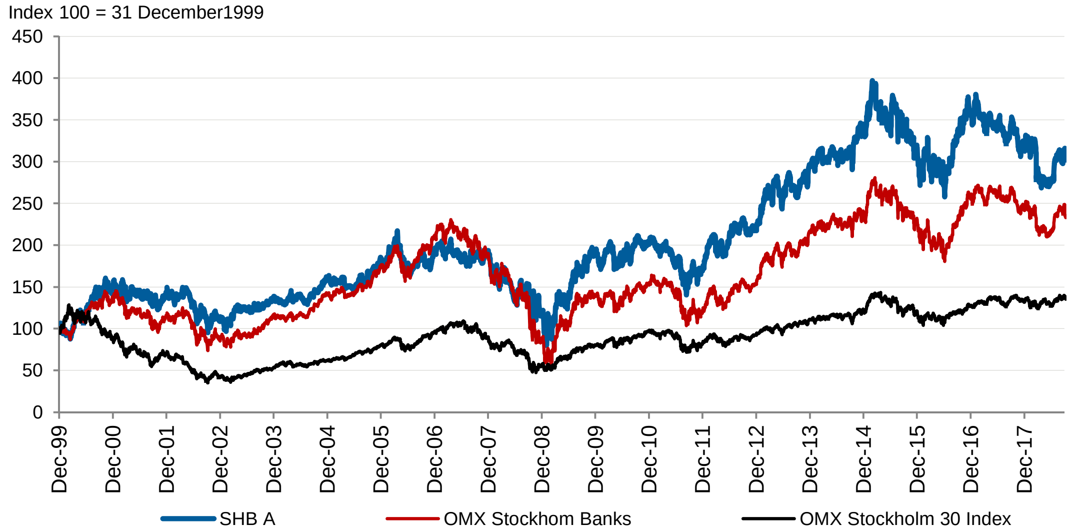
Ernst & Young AB
Jesper Nilsson, Authorised Public Accountant

PricewaterhouseCoopers AB
Johan Rippe, Authorised Public Accountant

Share price performance and other information

The Swedish stock market grew by 5% during the first nine months of the year. The Stockholm stock exchange's bank index rose by 2%. Handelsbanken's class A shares closed at SEK 112.25, the same level as at the year-end, but including the dividend paid amounting to SEK 7.50, the total return was 7%. Since 1 January 2000, Handelsbanken's share price has increased by 215%, excluding dividends, while the Stockholm stock exchange has risen by 39%.

SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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