



Interim Report

January-March

2017

Handelsbanken's Interim Report

JANUARY – MARCH 2017

SUMMARY JANUARY – MARCH 2017, COMPARED WITH JANUARY – MARCH 2016

- Operating profit rose by 8% to SEK 5,347m (4,967)
- The period's profit after tax for total operations increased by 2% to SEK 4,111m (4,043)
- Earnings per share for total operations were SEK 2.11 (2.12)
- Return on equity for total operations declined to 12.4% (13.1)
- Income fell by 2% to SEK 10,036m (10,243), but rose by 7% after adjustment for capital gains in the period of comparison
- Net interest income rose by 4% to SEK 7,081m (6,795)
- The C/I ratio decreased to 44.8% (49.8)
- The loan loss ratio was unchanged at 0.04% (0.04)
- New PD models were approved by the Swedish Financial Supervisory Authority
- The common equity tier 1 ratio increased to 23.8% (22.7) and the total capital ratio was 29.7% (28.8)

SUMMARY OF Q1 2017, COMPARED WITH Q4 2016

- Operating profit increased by 14% to SEK 5,347m (4,698)
- The period's profit after tax for total operations grew by 19% to SEK 4,111m (3,444) and earnings per share increased to SEK 2.11 (1.77)
- Return on equity for total operations rose to 12.4% (10.6)
- Income fell by 1% to SEK 10,036m (10,125)
- Net interest income declined by 3% to SEK 7,081m (7,299), mainly due to a doubling of the fee to the Resolution Fund
- The loan loss ratio decreased to 0.04% (0.17)

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For definitions and calculation of key figures, as well as specifications of separate items and non-recurring items, please see the Fact Book which is available at handelsbanken.se/ireng.

Handelsbanken Group – Overview

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Summary income statement									
Net interest income	7,081	7,299	-3%	6,795	4%	7,081	6,795	4%	27,943
Net fee and commission income	2,354	2,447	-4%	2,170	8%	2,354	2,170	8%	9,156
Net gains/losses on financial transactions	547	269	103%	1,162	-53%	547	1,162	-53%	3,066
Risk result - insurance	36	6	500%	76	-53%	36	76	-53%	142
Other dividend income	2	2	0%	3	-33%	2	3	-33%	228
Share of profit of associates	-27	0		2		-27	2		25
Other income	43	102	-58%	35	23%	43	35	23%	203
Total income	10,036	10,125	-1%	10,243	-2%	10,036	10,243	-2%	40,763
Staff costs	-2,918	-2,981	-2%	-3,668	-20%	-2,918	-3,668	-20%	-12,542
Other expenses	-1,430	-1,518	-6%	-1,303	10%	-1,430	-1,303	10%	-5,401
Depreciation, amortisation and impairment of property, equipment and intangible assets	-150	-114	32%	-125	20%	-150	-125	20%	-495
Total expenses	-4,498	-4,613	-2%	-5,096	-12%	-4,498	-5,096	-12%	-18,438
Profit before loan losses	5,538	5,512	0%	5,147	8%	5,538	5,147	8%	22,325
Net loan losses	-196	-832	-76%	-187	5%	-196	-187	5%	-1,724
Gains/losses on disposal of property, equipment and intangible assets	5	18	-72%	7	-29%	5	7	-29%	32
Operating profit	5,347	4,698	14%	4,967	8%	5,347	4,967	8%	20,633
Taxes	-1,236	-1,254	-1%	-929	33%	-1,236	-929	33%	-4,401
Profit for the period from continuing operations	4,111	3,444	19%	4,038	2%	4,111	4,038	2%	16,232
Profit for the period pertaining to discontinued operations, after tax	-	-		5		-	5		13
Profit for the period	4,111	3,444	19%	4,043	2%	4,111	4,043	2%	16,245
Summary balance sheet									
Loans to the public	1,991,434	1,963,622	1%	1,902,479	5%	1,991,434	1,902,479	5%	1,963,622
<i>of which mortgage loans</i>	<i>1,163,833</i>	<i>1,150,594</i>	<i>1%</i>	<i>1,095,711</i>	<i>6%</i>	<i>1,163,833</i>	<i>1,095,711</i>	<i>6%</i>	<i>1,150,594</i>
Deposits and borrowing from the public	1,049,699	829,336	27%	1,042,076	1%	1,049,699	1,042,076	1%	829,336
<i>of which households</i>	<i>409,694</i>	<i>404,112</i>	<i>1%</i>	<i>364,890</i>	<i>12%</i>	<i>409,694</i>	<i>364,890</i>	<i>12%</i>	<i>404,112</i>
Total equity	131,741	136,381	-3%	122,777	7%	131,741	122,777	7%	136,381
Total assets	2,922,929	2,627,580	11%	2,856,843	2%	2,922,929	2,856,843	2%	2,627,580
Summary of key figures									
Return on equity, total operations	12.4%	10.6%		13.1%		12.4%	13.1%		13.1%
Return on equity, continuing operations	12.4%	10.6%		13.1%		12.4%	13.1%		13.1%
C/I ratio, continuing operations	44.8%	45.6%		49.8%		44.8%	49.8%		45.2%
Earnings per share, total operations, SEK	2.11	1.77		2.12		2.11	2.12		8.43
- after dilution	2.10	1.76		2.07		2.10	2.07		8.31
Common equity tier 1 ratio, CRR	23.8%	25.1%		22.7%		23.8%	22.7%		25.1%
Total capital ratio, CRR	29.7%	31.4%		28.8%		29.7%	28.8%		31.4%

Group performance

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

The Group's operating profit grew by 8% to SEK 5,347m (4,967). The period's profit after tax for total operations increased by 2% to SEK 4,111m (4,043) and earnings per share were SEK 2.11 (2.12).

The common equity tier 1 ratio increased to 23.8% (22.7), and the return on equity for total operations decreased to 12.4% (13.1). The C/I ratio decreased to 44.8% (49.8)

Income

SEK m	Jan-Mar 2017	Jan-Mar 2016	Change
Net interest income	7,081	6,795	4%
Net fee and commission income	2,354	2,170	8%
Net gains/losses on financial trans.	547	1,162	-53%
Other income	54	116	-53%
Total income	10,036	10,243	-2%

Income fell by 2% to SEK 10,036m (10,243), but increased by 7% after adjustment for capital gains from the sales of shares in the period of comparison. The effect of exchange rate movements was marginal.

Net interest income rose by 4% to SEK 7,081m (6,795).

Starting from 2017, the Bank defines its lending and deposit margins as the customer interest rate minus the internal interest rates which are either debited or credited to branch operations. Growing lending volumes increased net interest income by SEK 277m. At the same time, lending margins in branch operations had a SEK -18m negative effect. Net interest income from deposit operations increased by SEK 76m.

The benchmark effect in Stadshypotek decreased to SEK -8m (35) and the fee to the Resolution Fund doubled to SEK -438m (-255). Including fees for various deposit guarantees, government fees increased by SEK 191m to SEK -527m (-336).

The average volume of loans to the public grew by 5% to SEK 1,988bn (1,895). The effect of exchange rate movements was marginal. Household lending increased by 7% to SEK 1,039bn (970), while corporate lending grew by 3% to SEK 948bn (925). In local currencies, lending increased in all home markets.

The average volume of deposits and borrowing declined by 2% to SEK 962bn (979). The average volume of household deposits went up by 13% to SEK 403bn (357), while corporate deposits decreased by 10% to SEK 559bn (621).

Net fee and commission income rose by 8% to SEK 2,354m (2,170), primarily due to higher fund management and payment commissions. Fund management commissions increased by 22% to SEK 849m (695) and other custody and asset management

commissions grew by 12%. Brokerage income increased by 12% to SEK 261m (233), and net payment commissions grew by 3% to SEK 429m (418). Net fee and commission income from card operations declined to SEK 266m (279).

Net gains/losses on financial transactions declined to SEK 547m (1,162); this was chiefly attributable to capital gains from the sale of shares totalling SEK 827m during the period of comparison.

Other income decreased to SEK 54m (116). The reduction was chiefly attributable to a lower risk result in insurance operations and lower shares of profits from associated companies.

Expenses

SEK m	Jan-Mar 2017	Jan-Mar 2016	Change
Staff costs	-2,918	-3,668	-20%
Other expenses	-1,430	-1,303	10%
Depreciation and amortisation	-150	-125	20%
Total expenses	-4,498	-5,096	-12%

Total expenses decreased by 12% to SEK -4,498m (-5,096). The effect of exchange rate movements was marginal.

Staff costs went down by 20% to SEK -2,918m (-3,668), but adjusted for items affecting comparability in the quarter and for the previous year's provision of SEK -700m, staff costs decreased by 2%. A transition to a defined contribution pension plan in the Norwegian operations resulted in a non-recurring item which reduced staff costs by SEK 239m. The provision for Oktogonen was resumed in the first quarter and amounted to SEK 243m (-). Adjusted for the above items and the provision of SEK -700m made in the period of comparison, staff costs fell by 2%. Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -20m (-31).

The average number of employees fell by 2%, or 251, to 11,584 employees (11,835). Excluding the expanding operations in the UK and the Netherlands, the average number of employees decreased by 4% and the ongoing work to improve efficiency continues according to plan.

Other expenses rose by 10% to SEK -1,430m (-1,303), chiefly due to higher costs for IT development. The Bank estimates that its investments in IT development during 2017 will increase by about SEK 200m compared to the previous year.

Loan losses

SEK m	Jan-Mar 2017	Jan-Mar 2016	Change
Net loan losses	-196	-187	9
Loan loss ratio as a % of loans, acc.	0.04	0.04	0.00
Impaired loans, net	3,164	3,508	-10%
Proportion of impaired loans, %	0.16	0.18	-0.02

Loan losses increased marginally to SEK -196m (-187), and the loan loss ratio was 0.04% (0.04). Net impaired loans decreased by 10% to SEK 3,164m (3,508), equivalent to 0.16% (0.18) of lending.

Q1 2017 COMPARED WITH Q4 2016

Operating profit grew by 14% to SEK 5,347m (4,698). The period's profit after tax for total operations went up by 19% to SEK 4,111m (3,444). Earnings per share increased to SEK 2.11 (1.77) and the return on equity was 12.4% (10.6).

The C/I ratio went down to 44.8% (45.6).

Income

SEK m	Q1 2017	Q4 2016	Change
Net interest income	7,081	7,299	-3%
Net fee and commission income	2,354	2,447	-4%
Net gains/losses on financial trans.	547	269	103%
Other income	54	110	-51%
Total income	10,036	10,125	-1%

Income went down by 1% till SEK 10,036m (10,125). The reduction was chiefly attributable to increased fees to the Swedish Resolution Fund, as well as exchange rate effects of SEK -72m.

Net interest income decreased by 3%, or SEK 218m, to SEK 7,081m (7,299), of which SEK -54m was attributable to exchange rate effects and SEK -55m to there being fewer days in the quarter. Fees to the Swedish Resolution Fund rose by SEK 198m to SEK -438m (-240). Together with expenses for deposit guarantees, government fees increased to SEK -527m (-320). The benchmark effect in Stadshypotek decreased to SEK -8m (37).

Increasing lending volumes had a positive impact of SEK 75m, while lending margins in branch operations reduced net interest income by SEK -29m. Increased deposit volumes contributed SEK 6m, while deposit margins had a negative impact of SEK -2m.

The average volume of loans to the public grew marginally to SEK 1,988bn (1,981). Exchange rate effects reduced lending by SEK 15bn. Household lending grew by 1%, while the average volume of corporate lending was unchanged. The total average volume of deposits and borrowing rose by 1% to SEK 962bn (957). Exchange rate effects reduced deposit volumes by SEK 7bn. Household deposits grew by 1%, while the average volume of corporate deposits was largely unchanged.

Net fee and commission income declined by 4% to SEK 2,354m (2,447). The reduction was mainly attributable to seasonally lower payment commissions. Fund management commissions increased by 2% to SEK 849m (835). Commissions from custody and other asset management business declined to SEK 164m (183) and were chiefly attributable to performance fees in Optimix amounting to SEK 15m in the period of

comparison. Net payment commissions decreased by 15% to SEK 429m (502), with the net result of card operations declining to SEK 266m (313).

Net gains/losses on financial transactions rose to SEK 547m (269). Profits in the comparison quarter were negatively impacted by market turbulence at year-end. This effect was reversed at the start of the first quarter when the market returned to normal.

Other income amounted to SEK 54m (110).

Expenses

SEK m	Q1 2017	Q4 2016	Change
Staff costs	-2,918	-2,981	-2%
Other expenses	-1,430	-1,518	-6%
Depreciation and amortisation	-150	-114	32%
Total expenses	-4,498	-4,613	-2%

Expenses fell by 2% to SEK -4,498m (-4,613).

Exchange rate effects reduced expenses by SEK 44m.

Staff costs fell by 2% to SEK -2,918m (-2,981). The effect of exchange rate movements totalled SEK 25m. The provision to the Oktogonen profit-sharing foundation amounted to SEK -243m (-). During the first quarter, the Norwegian operations transferred to a defined contribution pension plan. This transition involved a non-recurring item which reduced staff costs by SEK 239m in the quarter. The period's provision for variable remuneration decreased to SEK -20m (-34). The average number of employees fell to 11,584 (11,615).

Other expenses fell by 6% to SEK -1,430m (-1,518), mainly as a result of seasonally higher expenses in the fourth quarter.

Loan losses

SEK m	Q1 2017	Q4 2016	Change
Net loan losses	-196	-832	-636
Loan loss ratio as a % of loans	0.04	0.17	-0.13
Impaired loans, net	3,164	3,103	2%
Proportion of impaired loans, %	0.16	0.16	0.00

Loan losses decreased to SEK -196m (-832) and the loan loss ratio declined to 0.04% (0.17). The underlying credit quality remained stable.

Net impaired loans amounted to SEK 3,164m (3,103), equivalent to 0.16% (0.16) of lending.

Taxes

The tax rate in Q1 was 23.1% (26.7). A normal tax rate for the Group is 22-23%. Starting in 2017, interest expenses on subordinated loans are no longer tax-deductible. On an annual basis, this increases the Bank's corporate tax by about SEK 280m.

FUNDING AND LIQUIDITY

Handelsbanken's bond issues during the quarter decreased to SEK 57bn (70), consisting of SEK 47bn

(49) in covered bonds and SEK 10bn (21) in senior bonds.

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% (210% at year-end 2016).

The Bank has strong liquidity. Cash funds and liquid assets invested with central banks amounted to SEK 465bn, while the volume of liquid bonds and other liquid assets totalled SEK 156bn.

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of Q1 was 148% (126). In USD, the LCR was 236% (322), and in EUR it was 178% (136). The Group's LCR, calculated according to the European Commission's delegated act, was 169% (170). At the end of Q1, the net stable funding ratio (NSFR) was 106% (102% at year-end).

CAPITAL

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

At the end of March, the Swedish Financial Supervisory Authority approved the Bank's new PD models for corporate exposures. Calculated according to these models, the Bank's common equity tier 1 ratio at the end of Q1 was 23.8%. Based on the new models and the increased countercyclical buffer level in Sweden applicable from March, the Bank's assessment is that the Supervisory Authority's common equity tier 1 capital requirement at the end of Q1 amounted to 20.3%. The Bank's common equity tier 1 ratio is thus 0.5 percentage points above the Board's target interval. The Bank continues to see good potential for growth, particularly in the home markets outside Sweden. At the same time, the Bank continues to constantly generate capital.

The Bank's capital target remains unchanged, and the goal is that the common equity tier 1 ratio should fall within the target interval of 1-3 percentage points above the Supervisory Authority's required level. If the current situation remains with capitalisation above the target interval, the capital level will be calibrated by means of repurchase of shares, an extra dividend or a combination of these measures.

Capital situation 31 March 2017 compared with 31 March 2016

SEK m	31 Mar 2017	31 Mar 2016	Change
Common equity tier 1 ratio, CRR	23.8%	22.7%	1.1
Total capital ratio, CRR	29.7%	28.8%	0.9
Risk exposure amount CRR, SEK m	489,456	456,104	7%
Common equity tier 1 capital	116,529	103,624	12%
Total own funds	145,291	131,176	11%
Capital requirement, Basel I floor	98,946	95,358	4%
Total own funds, Basel I floor	147,561	132,628	11%

Own funds increased to SEK 145bn (131) and the Bank's total capital ratio rose to 29.7% (28.8).

The common equity tier 1 capital increased to SEK 117bn (104) and the common equity tier 1 ratio rose by 1.1 percentage points to 23.8% (22.7). Conversions of the 2011 staff convertible bond increased the ratio by 0.6 percentage points. The period's profit contributed 1.7 percentage points after a deduction for the accrued dividend.

Implementation of new PD models reduced the common equity tier 1 ratio by 1.9 percentage points. Higher lending volumes reduced the common equity tier 1 ratio by 0.4 percentage points and credit risk migration in the loan portfolio impacted with a further -0.4 percentage points. At the same time, the effect of new lending volumes having lower risk than the exposures leaving the credit portfolio (known as volume migration) increased the common equity tier 1 ratio by 0.9 percentage points.

The effect of IAS 19 increased the common equity tier 1 capital ratio by 1.0 percentage points, due to both higher asset values and raised discount rates. The sale of AFS shares had a positive effect of 0.6 percentage points. Exchange rate movements were neutral, and the net effect of other factors reduced the common equity tier 1 ratio by 1.0 percentage point.

Capital situation 31 March 2017 compared with 31 December 2016

SEK m	31 Mar 2017	31 Dec 2016	Change
Common equity tier 1 ratio, CRR	23.8%	25.1%	-1.3
Total capital ratio, CRR	29.7%	31.4%	-1.7
Risk exposure amount CRR, SEK m	489,456	458,787	7%
Common equity tier 1 capital	116,529	115,240	1%
Total own funds	145,291	144,233	1%
Capital requirement, Basel I floor	98,946	98,235	1%
Total own funds, Basel I floor	147,561	145,760	1%

Own funds increased to SEK 145bn (144) and the total capital ratio decreased to 29.7% (31.4) as a consequence of the introduction of new PD models for corporate exposures. The common equity tier 1 capital increased to SEK 117bn (115) and the common equity tier 1 ratio according to CRR fell by 1.3 percentage points to 23.8% (25.1). Implementation of new PD models reduced the

common equity tier 1 ratio by 1.8 percentage points. The period's profit contributed 0.3 percentage points after a deduction for the dividend generated.

Overall, changed lending volumes and the impact of credit risk and volume migration had only a slight impact on the common equity tier 1 ratio.

The effect of IAS 19 increased the common equity tier 1 ratio by 0.5 percentage points, mainly due to higher asset values. The discount rate in Sweden was reduced to 2.30% (2.40).

Foreign exchange effects were marginal, and the net effect of other factors was -0.3 percentage points.

Economic capital and available financial resources

Handelsbanken's internal assessment of the capital requirement is based on the Bank's capital requirement, stress tests, and the Bank's model for economic capital (EC). Economic capital is measured in relation to the Bank's available financial resources (AFR). The Board stipulates that the AFR/EC ratio for the Group must exceed 120%. At the end of Q1, EC for the Group totalled SEK 60.4bn, while AFR was SEK 152.2bn.

Thus, the ratio between AFR and EC was 252%. For the parent company, EC totalled SEK 51.5bn, and AFR was SEK 128.3bn.

For the consolidated situation, EC totalled SEK 33.4bn, and AFR was SEK 151.5bn.

RATING

During Q1, Standard & Poor's changed their outlook for Handelsbanken to stable from negative. Otherwise, Handelsbanken's short-term and long-term ratings with the rating agencies which monitor the Bank were unchanged.

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

Handelsbanken Group – Business segments

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

January - March 2016	Home markets									Group Jan-Mar 2016
	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	3,759	1,116	409	318	769	95	137	192		6,795
Net fee and commission income	1,004	119	98	93	84	5	742	25		2,170
Net gains/losses on financial transactions	132	50	17	13	38	1	240	671		1,162
Risk result - insurance							76			76
Share of profit of associates								2		2
Other income	11	1	3	3	4	-	2	14		38
Total income	4,906	1,286	527	427	895	101	1,197	904		10,243
Staff costs	-1,606	-473	-159	-90	-163	-44	-610	-469	-54	-3,668
Other expenses	-280	-106	-44	-70	-48	-8	-212	-535		-1,303
Internal purchased and sold services	-658	-120	-69	-58	-86	-20	0	1,011		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-20	-13	-3	-3	-3	-1	-20	-62		-125
Total expenses	-2,564	-712	-275	-221	-300	-73	-842	-55	-54	-5,096
Profit before loan losses	2,342	574	252	206	595	28	355	849	-54	5,147
Net loan losses	-24	-41	-6	-23	-103	0	10			-187
Gains/losses on disposal of property, equipment and intangible assets	-1	3	0	0	0	-	-	5		7
Operating profit	2,317	536	246	183	492	28	365	854	-54	4,967
Profit allocation	202	8	19	32	23	0	-284			
Operating profit after profit allocation	2,519	544	265	215	515	28	81	854	-54	4,967
Internal income*	-111	-350	-104	-85	-684	-52	-579	1,965		

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

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

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

Handelsbanken Sweden

Handelsbanken Sweden comprises five regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations 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 425 branches and meeting places throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	3,946	4,018	-2%	3,759	5%	3,946	3,759	5%	15,519
Net fee and commission income	1,058	1,102	-4%	1,004	5%	1,058	1,004	5%	4,233
Net gains/losses on financial transactions	147	184	-20%	132	11%	147	132	11%	725
Other income	11	28	-61%	11	0%	11	11	0%	47
Total income	5,162	5,332	-3%	4,906	5%	5,162	4,906	5%	20,524
Staff costs	-856	-867	-1%	-1,606	-47%	-856	-1,606	-47%	-3,671
Other expenses	-279	-302	-8%	-280	0%	-279	-280	0%	-1,153
Internal purchased and sold services	-792	-680	16%	-658	20%	-792	-658	20%	-2,645
Depreciation, amortisation and impairments of property, equipment and intangible assets	-27	-11	145%	-20	35%	-27	-20	35%	-67
Total expenses	-1,954	-1,860	5%	-2,564	-24%	-1,954	-2,564	-24%	-7,536
Profit before loan losses	3,208	3,472	-8%	2,342	37%	3,208	2,342	37%	12,988
Net loan losses	-60	-180	-67%	-24	150%	-60	-24	150%	-416
Gains/losses on disposal of property, equipment and intangible assets	0	-1		-1		0	-1		0
Operating profit	3,148	3,291	-4%	2,317	36%	3,148	2,317	36%	12,572
Profit allocation	294	300	-2%	202	46%	294	202	46%	997
Operating profit after profit allocation	3,442	3,591	-4%	2,519	37%	3,442	2,519	37%	13,569
Internal income	-16	35		-111	86%	-16	-111	86%	116
Cost/income ratio, %	35.8	33.0		50.2		35.8	50.2		35.0
Loan loss ratio, %	0.02	0.06		0.01		0.02	0.01		0.03
Allocated capital	78,736	77,800	1%	74,375	6%	78,736	74,375	6%	77,800
Return on allocated capital, %	13.6	14.4		10.6		13.6	10.6		14.7
Average number of employees	4,006	4,109	-3%	4,412	-9%	4,006	4,412	-9%	4,293
Number of branches and meeting points	425	435	-2%	473	-10%	425	473	-10%	435

BUSINESS VOLUMES

Average volumes, SEK bn	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Loans to the public*									
Household	765	757	1%	721	6%	765	721	6%	740
of which mortgage loans	714	705	1%	667	7%	714	667	7%	687
Corporate	479	473	1%	482	-1%	479	482	-1%	479
of which mortgage loans	275	269	2%	274	0%	275	274	0%	271
Total	1,244	1,230	1%	1,203	3%	1,244	1,203	3%	1,219
Deposits and borrowing from the public									
Household	307	306	0%	281	9%	307	281	9%	295
Corporate	217	209	4%	197	10%	217	197	10%	201
Total	524	515	2%	478	10%	524	478	10%	496

* Excluding loans to the National Debt Office.

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Financial performance

Operating profit increased by 36% to SEK 3,148m (2,317). Adjusted for the staff cost provision of SEK -700m in Q1 2016, the increase was 4%.

Net interest income increased by 5% to SEK 3,946m (3,759). Fees for the Resolution Fund and the deposit guarantee rose by SEK 105m to -274m (-169), and the benchmark effect in Stadshypotek was SEK -8m (35). Growing lending volumes increased net interest income by SEK 120m and improved lending margins provided a further increase of SEK 52m. Deposit operations contributed SEK 29m in terms of volumes and SEK 7m as a result of improved margins. The remainder of the increase in net interest income was mainly due to lower funding costs.

Net fee and commission income increased by 5% to SEK 1,058m (1,004). The increase is mainly due to higher asset management and insurance commissions.

Net gains/losses on financial transactions grew by 11% to SEK 147m (132), mainly as a result of improved profits in foreign exchange business.

Total expenses decreased by 24% to SEK -1,954m (-2,564), chiefly as a result of last year's staff cost provision of SEK -700m. Adjusted for the provision, staff costs went down by 6% to SEK -856m (-906). The average number of employees fell by 9% to 4,006 (4,412). Expenses for services bought and sold internally increased by 20% to SEK -792m, mainly due to higher IT development costs and higher income from services sold in the quarter of comparison. The C/I ratio decreased to 35.8% (50.2)

Loan losses rose to SEK -60m (-24), and the loan loss ratio was 0.02% (0.01).

Business development

At the beginning of April, Kantar Sifo presented the 2017 Company Reputation Index. This shows the degree of trust and quality that the Swedish public attaches to different companies. As in previous years, Handelsbanken was the major bank in which the general public had the most confidence. Handelsbanken is the only bank among the ten companies with the best reputation in Sweden. In addition, confidence in the Bank increased and Handelsbanken was given an index value of 58 (54). This can be compared with the average for the other three major banks, which went down to 31 (35). During the first quarter, new savings in the Bank's mutual funds in Sweden amounted to SEK 5.6bn (7.6), corresponding to a market share of 23%.

The average volume of deposits from households rose by 9% to SEK 307bn (281). The average volume of mortgage loans to private individuals increased by 7% to SEK 714bn (667), while the average volume of lending to companies fell slightly to SEK 479bn (482).

During the first quarter, the Bank continued to adapt its branch operations, partly as a result of changed customer behaviour resulting from digitalisation. The business operations of 11 branches were merged with nearby larger branches. As a result, Handelsbanken had 415 branches (463) and 10 meeting places (11) in Sweden.

Q1 2017 COMPARED WITH Q4 2016

Operating profit decreased by 4% to SEK 3,148 (3,291) and the return on allocated capital was 13.6% (14.4).

Net interest income declined by 2%, or SEK 72m, to 3,946m (4,018). The reduction was entirely attributable to the fees for the Resolution Fund and the deposit guarantee increasing by SEK 110m to -274m (-164). The benchmark effect in Stadshypotek decreased to SEK -8m (37).

Increasing lending volumes had a positive impact of SEK 40m, which was offset by a SEK -47m negative effect caused by pressure on lending margins. Net interest income from deposit operations went down by SEK 2m.

The average volume of mortgage loans to private individuals grew by 1% to SEK 714bn (705). The gross margin on the mortgage portfolio – before advisory and administration expenses – was 1.06% (1.07).

The average volume of corporate lending increased by 1% to SEK 479bn (473).

Net fee and commission income fell by 4% to SEK 1,058m (1,102), due to lower payment commissions. This reduction was offset by increasing mutual fund management commissions.

Net gains/losses on financial transactions decreased to SEK 147m (184), chiefly as a result of reduced early repayment charges.

Expenses rose by 5% to SEK -1,954m (-1,860); this was entirely attributable to increasing costs for services bought and sold internally and the fact that the period of comparison had higher income from services sold. Staff costs decreased by 1% and the average number of employees fell by 3%, or 103, to 4,006 employees (4,109).

Loan losses decreased to SEK -60m (-180), and the loan loss ratio was 0.02% (0.06).

Handelsbanken UK

Handelsbanken UK comprises branch operations in five regional banks and the asset management company Heartwood. Handelsbanken Finans's operations in the UK are also included. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 207 branches and meeting places throughout the UK.

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	1,079	1,111	-3%	1,116	-3%	1,079	1,116	-3%	4,414
Net fee and commission income	140	147	-5%	119	18%	140	119	18%	519
Net gains/losses on financial transactions	46	59	-22%	50	-8%	46	50	-8%	219
Other income	0	3	-100%	1	-100%	0	1	-100%	3
Total income	1,265	1,320	-4%	1,286	-2%	1,265	1,286	-2%	5,155
Staff costs	-453	-470	-4%	-473	-4%	-453	-473	-4%	-1,849
Other expenses	-112	-143	-22%	-106	6%	-112	-106	6%	-463
Internal purchased and sold services	-150	-151	-1%	-120	25%	-150	-120	25%	-545
Depreciation, amortisation and impairments of property, equipment and intangible assets	-16	-11	45%	-13	23%	-16	-13	23%	-46
Total expenses	-731	-775	-6%	-712	3%	-731	-712	3%	-2,903
Profit before loan losses	534	545	-2%	574	-7%	534	574	-7%	2,252
Net loan losses	-12	-73	-84%	-41	-71%	-12	-41	-71%	-160
Gains/losses on disposal of property, equipment and intangible assets	-1	0		3		-1	3		2
Operating profit	521	472	10%	536	-3%	521	536	-3%	2,094
Profit allocation	8	9	-11%	8	0%	8	8	0%	35
Operating profit after profit allocation	529	481	10%	544	-3%	529	544	-3%	2,129
Internal income	-298	-208	-43%	-350	15%	-298	-350	15%	-1,195
Cost/income ratio, %	57.4	58.3		55.0		57.4	55.0		55.9
Loan loss ratio, %	0.02	0.15		0.08		0.02	0.08		0.08
Allocated capital	12,914	11,426	13%	10,911	18%	12,914	10,911	18%	11,426
Return on allocated capital, %	12.8	13.1		15.6		12.8	15.6		15.4
Average number of employees	1,991	1,980	1%	1,912	4%	1,991	1,912	4%	1,959
Number of branches and meeting points	207	207	0%	201	3%	207	201	3%	207

BUSINESS VOLUMES

Average volumes, GBP m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Loans to the public									
Household	5,916	5,754	3%	5,288	12%	5,916	5,288	12%	5,527
Corporate	11,719	11,418	3%	10,566	11%	11,719	10,566	11%	11,007
Total	17,635	17,172	3%	15,854	11%	17,635	15,854	11%	16,534
Deposits and borrowing from the public									
Household	3,297	3,039	8%	2,060	60%	3,297	2,060	60%	2,569
Corporate	7,840	7,550	4%	6,744	16%	7,840	6,744	16%	7,218
Total	11,137	10,589	5%	8,804	26%	11,137	8,804	26%	9,787

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Financial performance

Operating profit went down by 3% to SEK 521m (536). Exchange rate movements reduced operating profit by SEK -46m, and expressed in local currency, operating profit grew by 7%. Return on allocated capital was 12.8% (15.6).

Income decreased by 2%, due entirely to the depreciation of sterling. In local currency, income rose by 8%.

Net interest income went down by 3% to SEK 1,079m (1,116). Exchange rate movements reduced net interest income by SEK -95m, but expressed in local currency, net interest income grew by 6%. Both lending and deposit margins are under pressure and the underlying growth was entirely attributable to increased business volumes. Increased lending volumes contributed SEK 86m, and deposit volumes contributed SEK 27m. Lower lending margins negatively affected net interest income by SEK -41m and deposit margins by SEK -6m. Government fees which affect net interest income rose to SEK -45m (-22).

Net fee and commission income increased by 18% to SEK 140m (119). In local currency, the increase was 30%, mainly due to higher payment and asset management commissions.

Net gains/losses on financial transactions decreased to SEK 46m (50).

Expenses rose by 3% to SEK -731m (-712). In local currency, expenses were up by 12%, as a result of expanding operations.

The average number of employees grew by 4% to 1,991 (1,912).

Loan losses went down to SEK -12m (-41), and the loan loss ratio fell to 0.02% (0.08).

Business development

Business volumes continued to grow. During the year, the average volume of deposits from households climbed by 60%, while lending to households grew by

12% compared with Q1 2016. Overall, the average volume of lending increased by 11% to GBP 17.6bn, while total deposits grew by 26% to GBP 11.1bn. The loan-to-deposit ratio continued to decrease and at the end of Q1 was 158%, compared with 180% in the corresponding quarter of 2016.

The assets managed by Heartwood totalled GBP 3.1bn, as compared to GBP 2.9bn at the year-end.

The number of branches and meeting places in the UK was unchanged at 207.

Q1 2017 COMPARED WITH Q4 2016

Operating profit rose by 10% to SEK 521m (472), chiefly due to lower loan losses. Exchange rate effects reduced operating profit by SEK 6m. Return on allocated capital was 12.8% (13.1).

Income went down by 4% till SEK 1,265m (1,320). Net interest income decreased by 3%, or SEK -32m, to SEK 1,079m (1,111), of which SEK -16m was attributable to exchange rate effects, SEK -21m to there being fewer days in the quarter, and SEK -20m to increased expenses to the Swedish Resolution Fund. Adjusted for these three items, net interest income increased by 2%. Increasing business volumes had a positive impact of SEK 31m while lower lending and deposit margins reduced net interest income by SEK -10m.

Net fee and commission income declined to SEK 140m (147), mainly as a result of lower payment commissions.

Net gains/losses on financial transactions decreased to SEK 46m (59), due to a lower result in the foreign exchange business.

Expenses fell by 6% to SEK -731m (-775). The decrease was chiefly due to temporarily higher expenses in the quarter of comparison. Exchange rate effects reduced expenses by SEK 12m. The average number of employees rose to 1,991 (1,980).

Loan losses decreased to SEK -12m (-73), and the loan loss ratio was 0.02% (0.15).

Handelsbanken Denmark

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

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	417	447	-7%	409	2%	417	409	2%	1,686
Net fee and commission income	108	95	14%	98	10%	108	98	10%	379
Net gains/losses on financial transactions	24	21	14%	17	41%	24	17	41%	75
Other income	7	3	133%	3	133%	7	3	133%	15
Total income	556	566	-2%	527	6%	556	527	6%	2,155
Staff costs	-166	-177	-6%	-159	4%	-166	-159	4%	-655
Other expenses	-39	-66	-41%	-44	-11%	-39	-44	-11%	-194
Internal purchased and sold services	-80	-78	3%	-69	16%	-80	-69	16%	-287
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-4	-25%	-3	0%	-3	-3	0%	-14
Total expenses	-288	-325	-11%	-275	5%	-288	-275	5%	-1,150
Profit before loan losses	268	241	11%	252	6%	268	252	6%	1,005
Net loan losses	-4	-478	-99%	-6	-33%	-4	-6	-33%	-716
Gains/losses on disposal of property, equipment and intangible assets	6	1	500%	0		6	0		7
Operating profit	270	-236		246	10%	270	246	10%	296
Profit allocation	24	22	9%	19	26%	24	19	26%	85
Operating profit after profit allocation	294	-214		265	11%	294	265	11%	381
Internal income	-88	-43	-105%	-104	15%	-88	-104	15%	-334
Cost/income ratio, %	49.7	55.3		50.4		49.7	50.4		51.3
Loan loss ratio, %	0.02	2.26		0.03		0.02	0.03		0.85
Allocated capital	6,382	6,221	3%	6,023	6%	6,382	6,023	6%	6,221
Return on allocated capital, %	14.4	-10.7		13.7		14.4	13.7		4.8
Average number of employees	611	617	-1%	626	-2%	611	626	-2%	624
Number of branches	57	57	0%	57	0%	57	57	0%	57

BUSINESS VOLUMES

Average volumes, DKK bn	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Loans to the public									
Household	43.4	42.5	2%	39.1	11%	43.4	39.1	11%	40.8
Corporate	29.6	29.0	2%	28.7	3%	29.6	28.7	3%	28.8
Total	73.0	71.5	2%	67.8	8%	73.0	67.8	8%	69.6
Deposits and borrowing from the public									
Household	12.2	12.4	-2%	11.3	8%	12.2	11.3	8%	11.9
Corporate	18.5	16.2	14%	17.1	8%	18.5	17.1	8%	15.7
Total	30.7	28.6	7%	28.4	8%	30.7	28.4	8%	27.6

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Financial performance

Operating profit rose by 10% to SEK 270m (246), chiefly due to lower loan losses. Return on allocated capital was 14.4% (13.7).

Net interest income increased by 2% to SEK 417m (409). Adjusted for exchange rate movements, net interest income was more or less unchanged. Increasing lending volumes had a positive impact of SEK 24m, although this was offset by lower lending margins which reduced net interest income by SEK -16m. Deposit margins remained unchanged and higher deposit volumes increased net interest income by SEK 1m.

Fees for the Swedish Resolution Fund and the deposit guarantee increased by SEK 7m, burdening net interest income by SEK -19m (-12).

Net fee and commission income rose by 10% to SEK 108m (98). The increase is mainly attributable to higher brokerage income and increased asset management commissions as a consequence of high customer activity.

Net gains/losses on financial transactions increased to SEK 24m (17) due to higher profits in the foreign exchange business.

Expenses rose by 5% to SEK -288m (-275). Adjusted for the effect of exchange rate movements, the increase was 3%.

Loan losses were SEK -4m (-6), and the loan loss ratio decreased to 0.02% (0.03).

Business development

The Bank continued to have a stable inflow of new customers, and business volumes continued to increase. During the year, the average volume of lending to households increased by 11%, while deposits from households grew by 8%. Corporate lending increased by 3%, while corporate deposits grew by 8%. The average volume of lending rose by 8% to DKK 73.0bn (67.8), while deposits increased by 8% to DKK 30.7bn (28.4).

Q1 2017 COMPARED WITH Q4 2016

Operating profit rose to SEK 270m (-236), due to lower loan losses. Profit before loan losses increased by 11% to SEK 268m (241), chiefly due to lower expenses.

Net interest income went down by 7% to SEK 417m (447). Adjusted for exchange rate effects of SEK -10m, a day effect of SEK -7m, and a SEK -10m increase in government fees, the decrease was 1%. Higher lending volumes boosted net interest income by SEK 5m, while lending margins reduced net interest income by almost SEK 2m. Net interest income from deposits grew by nearly SEK 2m.

Net fee and commission income increased by 14% to SEK 108m (95). The increase is partly attributable to higher brokerage income and increased asset management commissions as a consequence of high customer activity.

Net gains/losses on financial transactions rose to SEK 24m (21).

Expenses decreased by 11% to SEK -288m (-325); this was partly due to high other expenses in the comparison quarter, relating to an organisational change. Staff costs fell by 6%. Exchange rate effects reduced expenses by SEK 7m.

Loan losses decreased to SEK -4m (-478). Underlying credit quality is deemed to have remained good. The loan loss ratio fell to 0.02% (2.26).

Handelsbanken Finland

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

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	292	302	-3%	318	-8%	292	318	-8%	1,218
Net fee and commission income	113	116	-3%	93	22%	113	93	22%	419
Net gains/losses on financial transactions	14	21	-33%	13	8%	14	13	8%	87
Other income	4	3	33%	3	33%	4	3	33%	10
Total income	423	442	-4%	427	-1%	423	427	-1%	1,734
Staff costs	-94	-101	-7%	-90	4%	-94	-90	4%	-380
Other expenses	-42	-53	-21%	-70	-40%	-42	-70	-40%	-210
Internal purchased and sold services	-73	-62	18%	-58	26%	-73	-58	26%	-239
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-4	0%	-3	33%	-4	-3	33%	-14
Total expenses	-213	-220	-3%	-221	-4%	-213	-221	-4%	-843
Profit before loan losses	210	222	-5%	206	2%	210	206	2%	891
Net loan losses	3	14	-79%	-23		3	-23		-36
Gains/losses on disposal of property, equipment and intangible assets	-	0		0		-	0		0
Operating profit	213	236	-10%	183	16%	213	183	16%	855
Profit allocation	32	38	-16%	32	0%	32	32	0%	131
Operating profit after profit allocation	245	274	-11%	215	14%	245	215	14%	986
Internal income	-87	-25	-248%	-85	-2%	-87	-85	-2%	-262
Cost/income ratio, %	46.8	45.8		48.1		46.8	48.1		45.2
Loan loss ratio, %	-0.01	-0.05		0.08		-0.01	0.08		0.03
Allocated capital	6,169	6,252	-1%	5,970	3%	6,169	5,970	3%	6,252
Return on allocated capital, %	12.4	13.7		11.2		12.4	11.2		13.0
Average number of employees	482	482	0%	489	-1%	482	489	-1%	491
Number of branches	45	45	0%	46	-2%	45	46	-2%	45

BUSINESS VOLUMES

Average volumes, EUR m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Loans to the public									
Household	4,024	3,997	1%	3,952	2%	4,024	3,952	2%	3,975
Corporate	8,922	8,822	1%	8,742	2%	8,922	8,742	2%	8,761
Total	12,946	12,819	1%	12,694	2%	12,946	12,694	2%	12,736
Deposits and borrowing from the public									
Household	1,625	1,508	8%	1,381	18%	1,625	1,381	18%	1,451
Corporate	2,771	2,211	25%	2,052	35%	2,771	2,052	35%	1,991
Total	4,396	3,719	18%	3,433	28%	4,396	3,433	28%	3,442

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Financial performance

Operating profit increased by 16% to SEK 213m (183). Exchange rate effects increased profits by SEK 4m. Return on allocated capital was 12.4% (11.2).

Income fell by 1%. Net interest income declined by 8% to SEK 292m (318). The decrease was entirely due to lower lending margins which negatively affected net interest income by SEK 36m. Government fees to the Resolution Fund and the deposit guarantee reduced net interest income by SEK -27m (-14).

Net fee and commission income grew by 22% to SEK 113m (93), due to higher payment commissions, and net gains/losses on financial transactions increased to SEK 14m (13).

Total expenses decreased by 4% to SEK -213m (-221). Adjusted for movements in exchange rates, total expenses declined 2%. Staff costs rose by 4%, with half of this increase attributable to exchange rate movements. The average number of employees decreased slightly to 482 (489).

Loan losses consisted of net recoveries on loan losses and equalled SEK 3m (-23). The loan loss ratio was -0.01% (0.08).

Business development

The average volume of deposits from households was 18% more than in the corresponding period of the previous year, while lending to households grew by 2%.

The average volume of corporate deposits climbed by 35% while corporate lending grew by 2% compared with the corresponding period in the previous year.

Q1 2017 COMPARED WITH Q4 2016

Operating profit decreased by 10% to SEK 213m (236) due in part to higher net recoveries on loan losses in the preceding quarter. Adjusted for negative exchange rate effects of SEK 4m, operating profit fell by 8%.

Net interest income decreased to SEK 292m (302). Adjusted for exchange rate effects, fewer days in the quarter and increased government fees, net interest income rose by 5%.

Net fee and commission income declined by 3% to SEK 113m (116), which was entirely attributable to the strengthening of the Swedish krona.

Net gains/losses on financial transactions decreased to SEK 14m (21) as a result of more customer activity in foreign exchange business during the quarter for comparison.

Expenses fell by 3% to SEK -213m (-220). Adjusted for exchange rate movements, expenses in local currency terms fell by 6%, which was partly due to expenses in the fourth quarter associated with the relocation of the head office.

Loan losses consisted of net recoveries and totalled SEK 3m (14). The loan loss ratio was -0.01% (-0.05).

Handelsbanken Norway

Handelsbanken Norway consists of the branch operations in Norway, which are organised as a regional bank, as well as Handelsbanken Finans's and 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. Handelsbanken Finans offers finance company services and works through the Bank's branches.

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	885	933	-5%	769	15%	885	769	15%	3,355
Net fee and commission income	103	107	-4%	84	23%	103	84	23%	381
Net gains/losses on financial transactions	27	21	29%	38	-29%	27	38	-29%	114
Other income	4	5	-20%	4	0%	4	4	0%	81
Total income	1,019	1,066	-4%	895	14%	1,019	895	14%	3,931
Staff costs	15	-180		-163		15	-163		-676
Other expenses	-54	-62	-13%	-48	13%	-54	-48	13%	-206
Internal purchased and sold services	-97	-107	-9%	-86	13%	-97	-86	13%	-379
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-6	-33%	-3	33%	-4	-3	33%	-8
Total expenses	-140	-355	-61%	-300	-53%	-140	-300	-53%	-1,269
Profit before loan losses	879	711	24%	595	48%	879	595	48%	2,662
Net loan losses	-46	-107	-57%	-103	-55%	-46	-103	-55%	-347
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
Operating profit	833	604	38%	492	69%	833	492	69%	2,315
Profit allocation	21	30	-30%	23	-9%	21	23	-9%	91
Operating profit after profit allocation	854	634	35%	515	66%	854	515	66%	2,406
Internal income	-666	-592	-13%	-684	3%	-666	-684	3%	-2,463
Cost/income ratio, %	13.5	32.4		32.7		13.5	32.7		31.6
Loan loss ratio, %	0.08	0.20		0.20		0.08	0.20		0.17
Allocated capital	16,808	15,883	6%	13,383	26%	16,808	13,383	26%	15,883
Return on allocated capital, %	15.9	12.4		12.0		15.9	12.0		13.3
Average number of employees	662	667	-1%	665	0%	662	665	0%	668
Number of branches	49	50	-2%	50	-2%	49	50	-2%	50

BUSINESS VOLUMES

Average volumes, NOK bn	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Loans to the public									
Household	88.0	87.6	0%	84.3	4%	88.0	84.3	4%	85.9
Corporate	145.8	146.1	0%	139.4	5%	145.8	139.4	5%	143.1
Total	233.8	233.7	0%	223.7	5%	233.8	223.7	5%	229.0
Deposits and borrowing from the public									
Household	19.6	19.7	-1%	18.6	5%	19.6	18.6	5%	19.3
Corporate	48.8	54.2	-10%	40.8	20%	48.8	40.8	20%	46.3
Total	68.4	73.9	-7%	59.4	15%	68.4	59.4	15%	65.6

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Financial performance

Operating profit increased by 69% to SEK 833m (492). It was affected by a non-recurring item which reduced staff costs by SEK 206m, as a result of the transition to a defined contribution pension plan in the Norwegian operations. Lower loan losses and exchange rate movements also had a positive impact on profit, and, expressed in local currency and adjusted for the items mentioned above, profit before loan losses increased by 5%.

Return on allocated capital was 15.9% (12.0).

Adjusted for exchange rate effects, income rose by 6%. Net interest income increased by SEK 116m, or 15%, to SEK 885m (769), of which SEK 57m was attributable to exchange rate movements. Lending margins rose by SEK 27m, while increased lending volumes had a positive effect of SEK 12m on net interest income. Improved deposit margins positively affected net interest income by SEK 9m. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -49m (-27).

Net fee and commission income increased by 23% to SEK 103m (84). Adjusted for exchange rate movements, net fee and commission income rose by 14%, chiefly due to higher payment and fund management commissions.

Net gains/losses on financial transactions decreased by 29% to SEK 27m (38). The decrease was chiefly attributable to capital gains in the period of comparison related to the sale of Visa Europe.

Adjusted for the above-mentioned transition to a defined contribution pension plan, staff costs rose by SEK 28m, or 17%, of which SEK 13m was attributable to exchange rate movements. The new financial sector tax in Norway – a 5% charge payable on wage costs – had an impact of SEK -8m on staff costs. Adjusted for these effects, staff costs increased by 4% compared to the corresponding period in the previous year. The average number of employees declined marginally to 662 (665).

Loan losses decreased to SEK -46m (-103), and the loan loss ratio was 0.08% (0.20).

Business development

Business volumes continued to grow during the first quarter. The average volume of deposits from households climbed by 5% compared to the corresponding period in the previous year, while lending to households grew by 4%. The average volume of corporate lending increased by 5%, while corporate deposits grew by 20%.

In total, the average volume of lending rose by 5% to NOK 233.8bn (223.7), while total deposits rose by 15% to NOK 68.4bn (59.4).

After two branches in Bergen were merged, the number of branches in Norway was 49 (50) at the end of the quarter.

Q1 2017 COMPARED WITH Q4 2016

Operating profit increased by SEK 229m, or 38%, to SEK 833m (604), of which SEK 206m was due to the transition to a defined contribution pension plan. Exchange rate movements had a negative impact of SEK 9m on operating profit. Adjusted for both these effects, operating profit rose by just over 5%, which was entirely due to lower loan losses.

Net interest income declined by 5%, or SEK 48m, to SEK 885m (933). Exchange rate effects had a negative impact of SEK 15m, and two days less in the quarter had a negative impact on net interest income of SEK 17m. The fee for the Swedish Resolution Fund and the deposit guarantee increased by SEK 30m. Adjusted for these three items, net interest income increased by 2%. Higher lending margins contributed SEK 16m and higher deposit margins SEK 7m.

Net fee and commission income decreased to SEK 103m (107), primarily due to lower payment commissions.

Net gains/losses on financial transactions increased to SEK 27m (21), chiefly as a result of higher profits in foreign exchange business.

Expenses decreased by SEK 215m to SEK -140m (-355). Adjusted for the non-recurring item that reduced staff costs by SEK 206m and exchange rate effects of SEK -7m, expenses were largely unchanged.

Loan losses decreased to SEK -46m (-107), and the loan loss ratio was 0.08% (0.20).

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 26 branches throughout the Netherlands.

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	125	126	-1%	95	32%	125	95	32%	438
Net fee and commission income	32	49	-35%	5		32	5		75
Net gains/losses on financial transactions	2	2	0%	1	100%	2	1	100%	5
Share of profit of associates	1	2	-50%	-		1	-		
Other income	0	1	-100%	-		0	-		1
Total income	160	180	-11%	101	58%	160	101	58%	521
Staff costs	-67	-65	3%	-44	52%	-67	-44	52%	-210
Other expenses	-18	-16	13%	-8	125%	-18	-8	125%	-60
Internal purchased and sold services	-22	-24	-8%	-20	10%	-22	-20	10%	-77
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-2	0%	-1	100%	-2	-1	100%	-7
Total expenses	-109	-107	2%	-73	49%	-109	-73	49%	-354
Profit before loan losses	51	73	-30%	28	82%	51	28	82%	167
Net loan losses	-2	0		0		-2	0		0
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	49	73	-33%	28	75%	49	28	75%	167
Profit allocation	0	1	-100%	0		0	0		3
Operating profit after profit allocation	49	74	-34%	28	75%	49	28	75%	170
Internal income	-60	-47	-28%	-52	-15%	-60	-52	-15%	-210
Cost/income ratio, %	68.1	59.1		72.3		68.1	72.3		67.6
Loan loss ratio, %	0.02	0.00		0.00		0.02	0.00		0.00
Allocated capital	1,276	1,251	2%	921	39%	1,276	921	39%	1,251
Return on allocated capital, %	12.0	18.6		9.8		12.0	9.8		12.5
Average number of employees	259	245	6%	181	43%	259	181	43%	206
Number of branches	26	25	4%	23	13%	26	23	13%	25

BUSINESS VOLUMES

Average volumes, EUR m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Loans to the public									
Household	1,780	1,629	9%	1,238	44%	1,780	1,238	44%	1,434
Corporate	1,695	1,667	2%	1,273	33%	1,695	1,273	33%	1,519
Total	3,475	3,296	5%	2,511	38%	3,475	2,511	38%	2,953
Deposits and borrowing from the public									
Household	78	73	7%	53	47%	78	53	47%	62
Corporate	768	455	69%	408	88%	768	408	88%	420
Total	846	528	60%	461	84%	846	461	84%	482

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Financial performance

Operating profit grew by 75% to SEK 49m (28), chiefly as a result of business volumes continuing to increase. Income rose by 58%, while expenses went up by 49%. Return on allocated capital was 12.0% (9.8).

Net interest income increased by 32% to SEK 125m (95). Increasing lending volumes contributed SEK 32m, while declining lending margins reduced net interest income by SEK -4m. Deposit margins remained unchanged.

Net fee and commission income increased to SEK 32m (5), predominantly due to the acquisition of the Optimix asset management company, which has been a part of Handelsbanken the Netherlands since 1 September 2016 and made a contribution of SEK 27m.

Expenses rose by 49% to SEK -109m (-73), as a result of the continuing expansion, including the acquisition of the Optimix asset management company. The C/I ratio improved to 68.1% (72.3) and the average number of employees increased by 43% to 259 (181).

Loan losses amounted to SEK -2m (0), and the loan loss ratio was 0.02% (0.00).

Business development

The average volume of lending to households grew by 44% to EUR 1,780m (1,238), while deposits from households increased by 47% to EUR 78m (53). Corporate lending went up by 33% to EUR 1,695m (1,273). The average volume of deposits from companies rose to EUR 768m (408). Business volumes with small and medium-sized companies continued to grow.

During the first quarter, the Bank opened one new branch, bringing the total of Handelsbanken branches in the Netherlands to 26.

In April 2016, Handelsbanken signed an agreement to acquire the Dutch asset management company, Optimix. The company is mainly active within discretionary asset management, with assets under management of EUR 2bn, including its own mutual funds.

Q1 2017 COMPARED WITH Q4 2016

Operating profit went down by 33% to SEK 49m (73).

Income fell by 11% to SEK 160m (180). Net interest income was virtually unchanged at SEK 125m (126).

Net fee and commission income decreased by SEK 17m to SEK 32m (49). The 2016 full-year figure for performance fees within Optimix came in at the year-end, amounting to SEK 15m in the comparison quarter.

Expenses rose by SEK 2m, or 2%, to SEK -109m (-107); this was attributable to a SEK 2m increase in staff costs. The average number of employees increased to 259 (245).

Loan losses were SEK -2m (0), and the loan loss ratio was 0.02% (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 booked directly in branch operations at the branch with customer responsibility, and is thus not included in the income statement below.

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	118	151	-22%	137	-14%	118	137	-14%	557
Net fee and commission income	782	815	-4%	742	5%	782	742	5%	3,081
Net gains/losses on financial transactions	399	162	146%	240	66%	399	240	66%	984
Risk result - insurance	36	6	500%	76	-53%	36	76	-53%	142
Other income	7	2	250%	2	250%	7	2	250%	8
Total income	1,342	1,136	18%	1,197	12%	1,342	1,197	12%	4,772
Staff costs	-544	-581	-6%	-610	-11%	-544	-610	-11%	-2,368
Other expenses	-223	-239	-7%	-212	5%	-223	-212	5%	-871
Internal purchased and sold services	19	-17		0		19	0		-56
Depreciation, amortisation and impairments of property, equipment and intangible assets	-18	-19	-5%	-20	-10%	-18	-20	-10%	-76
Total expenses	-766	-856	-11%	-842	-9%	-766	-842	-9%	-3,371
Profit before loan losses	576	280	106%	355	62%	576	355	62%	1,401
Net loan losses	-75	-8		10		-75	10		-49
Gains/losses on disposal of property, equipment and intangible assets	-	0		-		-	-		0
Operating profit	501	272	84%	365	37%	501	365	37%	1,352
Profit allocation	-379	-400	-5%	-284	33%	-379	-284	33%	-1,342
Operating profit after profit allocation	122	-128		81	51%	122	81	51%	10
Internal income	-750	-825	9%	-579	-30%	-750	-579	-30%	-2,851
Cost/income ratio, %	79.5	116.3		92.2		79.5	92.2		98.3
Loan loss ratio, %	0.67	0.07		-0.08		0.67	-0.08		0.10
Allocated capital	4,972	5,033	-1%	4,981	0%	4,972	4,981	0%	5,033
Return on allocated capital, %	7.7	-8.0		5.0		7.7	5.0		0.2
Average number of employees	1,643	1,636	0%	1,720	-4%	1,643	1,720	-4%	1,678

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

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Financial performance

Operating profit increased by 37% to SEK 501m (365). Total income grew by 12% to SEK 1,342m (1,197), mainly as a result of net gains/losses on financial transactions increasing to SEK 399m (240). Net fee and commission income grew by 5% to SEK 782m (742), driven mainly by higher mutual fund commissions.

Total expenses decreased by 9% to SEK -766m (-842). The decrease was mainly attributable to staff costs falling by 11% to SEK -544m (-610), partly as a result of a 4% fall in the average number of employees to 1,643 (1,720).

Loan losses amounted to SEK -75m (10), corresponding to a loan loss ratio of 0.67% (-0.08).

Business development

Asset management operations continued to show a strong performance. Net savings in Handelsbanken's mutual funds in Sweden during the quarter amounted to SEK 5.6bn, corresponding to a market share of 23%. Net savings elsewhere in the Nordic region showed strong growth, increasing to SEK 1.6bn. Total net savings in the Group's funds amounted to SEK 7.9bn. Xact Kapitalförvaltning remained the largest player as regards Nordic exchange-traded funds.

The total fund volume, including exchange-traded funds, increased by 5.6% from the beginning of the year to SEK 449bn (425). Total assets under management in the Group rose during the same period by 4.8% to SEK 568bn (542).

Morningstar, a mutual fund research company, ranked Handelsbanken's equity funds highest of the Nordic banks when it evaluated the 30 largest fund managers on the Swedish market. In addition, during the quarter, Lipper Fund Awards ranked four of the Bank's funds as the best in their respective categories.

The Pension & Life business area showed positive performance, with its fee and commission income increasing. The volume of assets under management by Handelsbanken Liv grew to SEK 128bn (123).

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

The Bank's business volumes in terms of capital market funding also showed strong performance. The Bank arranged a total of 37 bond issues during the quarter for a value of EUR 5.4bn.

The average volume of lending in Handelsbanken International, i.e. the operations outside the Bank's home markets, was unchanged from the corresponding period of the previous year at SEK 35.3bn (35.3). During the same period, deposits rose by 1% to SEK 41.0bn (40.7).

Q1 2017 COMPARED WITH Q4 2016

Operating profit rose by 84% to SEK 501m (272), due to higher income and lower expenses, although loan losses were higher. Total income increased by 18% to SEK 1,342m (1,136), due to higher net gains/losses on financial transactions. Net profits in the comparison quarter had been negatively impacted by market turbulence at year-end. A positive counter-effect came at the beginning of the first quarter, when the market normalised again.

Total expenses decreased by 11% to SEK -766m (-856), largely due to seasonally higher costs in the comparison quarter. Staff costs decreased by 6%, partly due to lower variable remuneration. The average number of employees was 1,643 (1,636).

Loan losses were SEK -75m (-8), which corresponds to a loan loss ratio of 0.67% (0.07).

Other units not reported in the business segments

Reported below are the income and expenses related to Treasury and the central staff functions, and also provisions to the Oktogonen profit-sharing foundation. Capital gains/losses, dividends, and other income and expenses that are not attributable to any of the segments are also reported here.

INCOME STATEMENT

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	219	211	4%	192	14%	219	192	14%	756
Net fee and commission income	18	16	13%	25	-28%	18	25	-28%	69
Net gains/losses on financial transactions	-112	-201	44%	671		-112	671		857
Share of profit of associates	-28	-2		2		-28	2		23
Other income	12	59	-80%	14	-14%	12	14	-14%	266
Total income	109	83	31%	904	-88%	109	904	-88%	1,971
Staff costs	-698	-323	116%	-469	49%	-698	-469	49%	-2,335
Other expenses	-663	-637	4%	-535	24%	-663	-535	24%	-2,244
Internal purchased and sold services	1,195	1,119	7%	1,011	18%	1,195	1,011	18%	4,228
Depreciation, amortisation and impairments of property, equipment and intangible assets	-65	-45	44%	-62	5%	-65	-62	5%	-248
Total expenses	-231	114		-55	320%	-231	-55	320%	-599
Profit before loan losses	-122	197		849		-122	849		1,372
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	18	-100%	5	-100%	0	5		23
Operating profit	-122	215		854		-122	854		1,395
Profit allocation	-	-		0		-	0		-
Operating profit after profit allocation	-122	215		854		-122	854		1,395
Internal income	1,965	1,705	15%	1,965	0%	1,965	1,965	0%	7,199
Average number of employees	1,930	1,879	3%	1,830	5%	1,930	1,830	5%	1,840

JANUARY – MARCH 2017 COMPARED WITH JANUARY – MARCH 2016

Operating profit in other units not reported in the business segments amounted to SEK -122m (854). The provision for Oktogonen profit-sharing foundation was resumed in the first quarter and amounted to SEK 243m (-). Capital gains from the sale of shares totalling SEK 812m were included in the comparison period. The average number of employees was 1,930 (1,830), chiefly due to increased activity in IT development.

Q1 2017 COMPARED WITH Q4 2016

Operating profit declined to SEK -122m (215). The provision for Oktogonen profit-sharing foundation was resumed in the first quarter and amounted to SEK 243m (-). The average number of employees totalled 1,930 (1,879).

KEY FIGURES – GROUP

	Q1 2017	Q4 2016	Q1 2016	Jan-Mar 2017	Jan-Mar 2016
Return on equity, total operations	12.4%	10.6%	13.1%	12.4%	13.1%
Return on equity, continuing operations	12.4%	10.6%	13.1%	12.4%	13.1%
C/I ratio, continuing operations	44.8%	45.6%	49.8%	44.8%	49.8%
C/I ratio, continuing operations, incl. loan losses	46.8%	53.8%	51.6%	46.8%	51.6%
Earnings per share, total operations, SEK	2.11	1.77	2.12	2.11	2.12
- after dilution	2.10	1.76	2.07	2.10	2.07
Ordinary dividend, SEK					
Total dividend					
Adjusted equity per share, SEK	66.77	69.28	60.88	66.77	60.88
Common equity tier 1 ratio, CRR	23.8%	25.1%	22.7%	23.8%	22.7%
Total capital ratio, CRR	29.7%	31.4%	28.8%	29.7%	28.8%
Own funds in relation to capital requirement according to Basel I floor	149%	148%	139%	149%	139%
Average number of employees, continuing operations	11,584	11,615	11,835	11,584	11,835
Number of branches and meeting places, Sweden	425	435	473	425	473
Number of branches and meeting places outside Sweden	397	397	390	397	390

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

THE HANDELSBANKEN SHARE

	Q1 2017	Q4 2016	Q1 2016	Jan-Mar 2017	Jan-Mar 2016
Number of converted shares	22,151	3,294,729	-	22,151	-
Number of repurchased shares	-	-	-	-	-
Holding of own shares in trading book, end of period	-	-	-	-	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	1,944,173,551	1,944,151,400	1,907,046,082	1,944,173,551	1,907,046,082
Number of outstanding shares after dilution, end of period	1,975,278,248	1,974,290,244	1,976,193,169	1,975,278,248	1,976,193,169
Average number of shares converted during the period	17,718	36,343,029	-	17,718	-
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares	1,944,169,118	1,943,389,111	1,907,027,157	1,944,169,118	1,907,027,157
- after dilution	1,974,290,244	1,974,528,804	1,972,726,192	1,974,290,244	1,972,726,192
Share price SHB class A, end of period, SEK	122.90	126.60	103.30	122.90	103.30
Share price SHB class B, end of period, SEK	123.40	123.40	113.10	123.40	113.10
Market capitalisation, end of period, SEK bn	239	246	197	239	197

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Interest income		10,210	10,220	0%	10,336	-1%	10,210	10,336	-1%	39,950
Interest expense		-3,129	-2,921	7%	-3,541	-12%	-3,129	-3,541	-12%	-12,007
Net interest income	Note 2	7,081	7,299	-3%	6,795	4%	7,081	6,795	4%	27,943
Net fee and commission income	Note 3	2,354	2,447	-4%	2,170	8%	2,354	2,170	8%	9,156
Net gains/losses on financial transactions	Note 4	547	269	103%	1,162	-53%	547	1,162	-53%	3,066
Risk result - insurance		36	6	500%	76	-53%	36	76	-53%	142
Other dividend income		2	2	0%	3	-33%	2	3	-33%	228
Share of profit of associates		-27	0		2		-27	2		25
Other income		43	102	-58%	35	23%	43	35	23%	203
Total income		10,036	10,125	-1%	10,243	-2%	10,036	10,243	-2%	40,763
Staff costs		-2,918	-2,981	-2%	-3,668	-20%	-2,918	-3,668	-20%	-12,542
Other expenses	Note 5	-1,430	-1,518	-6%	-1,303	10%	-1,430	-1,303	10%	-5,401
Depreciation, amortisation and impairment of property, equipment and intangible assets		-150	-114	32%	-125	20%	-150	-125	20%	-495
Total expenses		-4,498	-4,613	-2%	-5,096	-12%	-4,498	-5,096	-12%	-18,438
Profit before loan losses		5,538	5,512	0%	5,147	8%	5,538	5,147	8%	22,325
Net loan losses	Note 6	-196	-832	-76%	-187	5%	-196	-187	5%	-1,724
Gains/losses on disposal of property, equipment and intangible assets		5	18	-72%	7	-29%	5	7	-29%	32
Operating profit		5,347	4,698	14%	4,967	8%	5,347	4,967	8%	20,633
Taxes		-1,236	-1,254	-1%	-929	33%	-1,236	-929	33%	-4,401
Profit for the period from continuing operations		4,111	3,444	19%	4,038	2%	4,111	4,038	2%	16,232
Profit for the period pertaining to discontinued operations, after tax	Note 7	-	-		5		-	5		13
Profit for the period		4,111	3,444	19%	4,043	2%	4,111	4,043	2%	16,245
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,111	3,444	19%	4,042	2%	4,111	4,042	2%	16,244
Minority interest		0	0		1		0	1		1

EARNINGS PER SHARE – GROUP

	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,111	3,444	19%	4,042	2%	4,111	4,042	2%	16,244
- of which interest expense on convertible subordinated loan after tax	-31	-25	24%	-46	-33%	-31	-46	-33%	-139
Average number of outstanding shares, million	1,944.2	1,943.4		1,907.0		1,944.2	1,907.0		1,927.1
Average number of outstanding shares after dilution, million	1,974.3	1,974.5		1,972.7		1,974.3	1,972.7		1,972.7
Earnings per share, continuing operations, SEK	2.11	1.77	19%	2.12	0%	2.11	2.12	0%	8.42
- after dilution	2.10	1.76	19%	2.07	1%	2.10	2.07	1%	8.30
Earnings per share, discontinued operations, SEK	-	-		0.00		-	0.00		0.01
- after dilution	-	-		0.00		-	0.00		0.01
Earnings per share, total operations, SEK	2.11	1.77	19%	2.12	0%	2.11	2.12	0%	8.43
- after dilution	2.10	1.76	19%	2.07	1%	2.10	2.07	1%	8.31

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

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Profit for the period	4,111	3,444	19%	4,043	2%	4,111	4,043	2%	16,245
Other comprehensive income									
Items that may not subsequently be reclassified to profit or loss									
Defined benefit plans	2,318	4,998	-54%	1,501	54%	2,318	1,501	54%	3,993
Taxes on items that cannot be reclassified into profit or loss	-511	-1,096	53%	-328	-56%	-511	-328	-56%	-876
Total items that may not subsequently be reclassified to profit or loss	1,807	3,902	-54%	1,173	54%	1,807	1,173	54%	3,117
Items that can be reclassified into profit or loss									
Cash flow hedges	336	-6,875		3,526	-90%	336	3,526	-90%	-3,145
Available-for-sale instruments	37	-23		-1,101		37	-1,101		-1,160
Translation differences for the period	-1,310	168		-1,018	-29%	-1,310	-1,018	-29%	1,183
<i>of which hedging net investment in foreign operations</i>	<i>-795</i>	<i>255</i>		<i>-208</i>	<i>-282%</i>	<i>-795</i>	<i>-208</i>	<i>-282%</i>	<i>-142</i>
Taxes on items that can be reclassified into profit or loss	99	1,457	-93%	-672		99	-672		833
<i>of which cash flow hedges</i>	<i>-74</i>	<i>1,512</i>		<i>-776</i>	<i>90%</i>	<i>-74</i>	<i>-776</i>	<i>90%</i>	<i>692</i>
<i>of which available-for-sale instruments</i>	<i>-2</i>	<i>1</i>		<i>58</i>		<i>-2</i>	<i>58</i>		<i>110</i>
<i>of which hedging net investment in foreign operations</i>	<i>175</i>	<i>-56</i>		<i>46</i>	<i>280%</i>	<i>175</i>	<i>46</i>	<i>280%</i>	<i>31</i>
Total items that can be reclassified into profit or loss	-838	-5,273	84%	735		-838	735		-2,289
Total other comprehensive income for the period	969	-1,371		1,908	-49%	969	1,908	-49%	828
Total comprehensive income for the period	5,080	2,073	145%	5,951	-15%	5,080	5,951	-15%	17,073
Attributable to									
Shareholders in Svenska Handelsbanken AB	5,080	2,073	145%	5,950	-15%	5,080	5,950	-15%	17,072
Minority interest	0	0	0%	1	-100%	0	1	-100%	1

For the January to March 2017 period, other comprehensive income totalled SEK 969m (1,908) after tax. In individual periods, the results of all items within other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

At year-end, net pensions (the net of pension obligations and plan assets) were a liability. At the end of the quarter, net pensions were an asset. This had a positive impact on Other comprehensive income of SEK 1,807m after tax (1,173). The main reason for the change during the period is that the plan assets have increased since 31 December 2016. This has been offset to a certain extent by the pension obligations increasing as a result of a decrease in the discount rate for the Swedish pension obligations, to 2.30% from 2.40% since 31 December 2016. Another reason for the change was a reversal of pension obligations in Norway, due to the transition to a defined contribution pension plan.

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 262m (2,750) after tax. The value changes derived partly from exchange rate movements, but above all from decreasing discount rates in foreign currency. During the period, SEK -4m (-2) was reclassified to the income statement as a result of ineffectiveness.

Unrealised changes in the value of financial assets classified as available for sale had an effect on other comprehensive income of SEK 35m (-1,043) after tax during the year. The preceding year's negative result was mainly due to gains from selling shares having been recognised in the income statement.

Unrealised exchange rate effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations have affected other comprehensive income by SEK -1,135m (-972) after tax during the year.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Interest income	10,210	10,220	9,943	9,451	10,336
Interest expense	-3,129	-2,921	-2,902	-2,643	-3,541
Net interest income	7,081	7,299	7,041	6,808	6,795
Net fee and commission income	2,354	2,447	2,259	2,280	2,170
Net gains/losses on financial transactions	547	269	1,112	523	1,162
Risk result - insurance	36	6	25	35	76
Other dividend income	2	2	1	222	3
Share of profit of associates	-27	0	10	13	2
Other income	43	102	25	41	35
Total income	10,036	10,125	10,473	9,922	10,243
Staff costs	-2,918	-2,981	-2,941	-2,952	-3,668
Other expenses	-1,430	-1,518	-1,234	-1,346	-1,303
Depreciation, amortisation and impairment of property, equipment and intangible assets	-150	-114	-137	-119	-125
Total expenses	-4,498	-4,613	-4,312	-4,417	-5,096
Profit before loan losses	5,538	5,512	6,161	5,505	5,147
Net loan losses	-196	-832	-476	-229	-187
Gains/losses on disposal of property, equipment and intangible assets	5	18	6	1	7
Operating profit	5,347	4,698	5,691	5,277	4,967
Taxes	-1,236	-1,254	-1,127	-1,091	-929
Profit for the period from continuing operations	4,111	3,444	4,564	4,186	4,038
Profit for the period pertaining to discontinued operations, after tax	-	-	-	8	5
Profit for the period	4,111	3,444	4,564	4,194	4,043
Earnings per share, continuing operations, SEK	2.11	1.77	2.36	2.18	2.12
- after dilution	2.10	1.76	2.32	2.14	2.07
Earnings per share, discontinued operations, SEK	-	-	-	0.01	0.00
- after dilution	-	-	-	0.01	0.00
Earnings per share, total operations, SEK	2.11	1.77	2.36	2.19	2.12
- after dilution	2.10	1.76	2.32	2.15	2.07

BALANCE SHEET – GROUP

SEK m		31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Assets						
Cash and balances with central banks		387,092	199,362	353,680	501,744	463,957
Other loans to central banks	Note 8	79,245	25,527	103,113	81,267	43,790
Interest-bearing securities eligible as collateral with central banks		97,262	97,205	119,532	117,753	95,474
Loans to other credit institutions	Note 8	34,542	31,347	41,410	48,479	47,442
Loans to the public	Note 8	1,991,434	1,963,622	1,965,649	1,937,155	1,902,479
Value change of interest-hedged item in portfolio hedge		31	35	51	45	36
Bonds and other interest-bearing securities		65,436	63,909	53,855	46,223	53,856
Shares		23,397	20,412	35,964	52,541	39,318
Investments in associates		218	255	259	257	248
Assets where the customer bears the value change risk		123,595	118,646	115,532	107,004	104,316
Derivative instruments	Note 9,10	73,111	82,633	78,688	92,381	73,885
Reinsurance assets		9	9	10	10	10
Intangible assets	Note 11	9,460	9,393	9,293	8,450	8,304
Property and equipment		2,363	2,387	2,323	2,264	2,262
Current tax assets		518	38	2,409	1,575	588
Deferred tax assets		534	962	1,978	1,979	1,262
Net pension assets		379	-	-	-	-
Assets held for sale		3	1	2	-	1,671
Other assets		29,034	5,615	19,496	25,810	12,106
Prepaid expenses and accrued income		5,266	6,222	5,691	5,708	5,839
Total assets		2,922,929	2,627,580	2,908,935	3,030,645	2,856,843
Liabilities and equity						
Due to credit institutions	Note 12	205,971	178,781	205,274	207,312	192,902
Deposits and borrowing from the public	Note 12	1,049,699	829,336	1,009,427	1,134,500	1,042,076
Liabilities where the customer bears the value change risk		123,653	118,745	115,600	107,054	104,392
Issued securities	Note 13	1,295,668	1,261,765	1,315,684	1,320,083	1,258,169
Derivative instruments	Note 9,10	24,297	31,738	33,296	37,283	44,302
Short positions		11,753	1,572	11,441	8,581	10,181
Insurance liabilities		599	574	583	591	603
Current tax liabilities		809	514	1,657	1,008	460
Deferred tax liabilities		7,842	7,875	9,788	10,006	9,578
Provisions		615	731	734	773	796
Net pension liabilities		-	2,161	6,547	6,544	3,824
Liabilities related to assets held for sale		-	-	-	-	843
Other liabilities		21,684	9,427	16,452	18,817	12,527
Accrued expenses and deferred income		15,399	14,580	15,359	15,608	19,427
Subordinated liabilities		33,199	33,400	33,008	32,903	33,986
Total liabilities		2,791,188	2,491,199	2,774,850	2,901,063	2,734,066
Minority interest		6	6	6	5	5
Share capital		3,013	3,013	3,008	3,001	2,956
Share premium		5,629	5,628	5,410	5,081	3,204
Reserves		10,237	9,268	10,639	11,037	10,348
Retained earnings		108,745	102,222	102,222	102,222	102,222
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		4,111	16,244	12,800	8,236	4,042
Total equity		131,741	136,381	134,085	129,582	122,777
Total liabilities and equity		2,922,929	2,627,580	2,908,935	3,030,645	2,856,843

STATEMENT OF CHANGES IN EQUITY – GROUP

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

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

January - March 2016 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,956	3,204	-1,461	4,940	2,024	2,937	113,664	4	128,268
Profit for the period							4,042	1	4,043
Other comprehensive income			1,173	2,750	-1,043	-972		0	1,908
Total comprehensive income for the period			1,173	2,750	-1,043	-972	4,042	1	5,951
Dividend							-11,442		-11,442
Effects of convertible subordinated loans									
Change of minority interests							0	0	0
Closing equity	2,956	3,204	-288	7,690	981	1,965	106,264	5	122,777

During the period January to March 2017, convertibles for a nominal value of SEK 1m (0) relating to the 2008 subordinated convertible bond were converted into 22,151 class A shares (0). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

CASH FLOW STATEMENT, CONDENSED – GROUP

SEK m	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Operating profit, total operations	5,347	4,997	20,674
Adjustment for non-cash items in profit/loss	978	-142	89
Paid income tax	-1,426	-1,998	-5,544
Changes in the assets and liabilities of operating activities	184,127	286,075	-11,167
Cash flow from operating activities	189,026	288,932	4,052
Aquisition / disposal of subsidiaries	-	-	-408
Change in shares	3	880	5,462
Change in interest-bearing securities	-	1,000	1,003
Change in property and equipment	-72	-99	385
Change in intangible assets	-167	-101	-546
Cash flow from investing activities	-236	1,680	5,896
Repayment of subordinated loans	-	-	-2,512
Issued subordinated loans	-	0	-
Dividend paid	-	-11,442	-11,442
Cash flow from financing activities	-	-11,442	-13,954
Liquid funds at beginning of the period	199,362	202,630	202,630
Cash flow for the period	188,790	279,170	-4,006
Exchange rate difference on liquid funds	-1,060	-17,843	738
Liquid funds at end of the period*	387,092	463,957	199,362

* 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.

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 2016.

Future amendments to regulations

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, has been adopted for application by the EU. The standard will be applied as of the 2018 financial year. The standard encompasses three areas: classification and measurement, impairment, and general hedge accounting. The forthcoming regulations on impairment are based on expected loan losses, and not on incurred loan losses as in the current IAS 39 regulations. The provisions will also be based on a probability-weighted outcome, unlike the current IAS 39 where the provision is based on the most expected outcome. All in all, in the transition to IFRS 9, this will entail higher provisions for loan losses. This regulatory change may lead to an adjustment of equity. It is still unclear how these effects will be dealt with as regards the relationship between the expected loan loss provisions in accounting terms and the expected loan losses in capital adequacy terms. The Bank is currently analysing the financial effects of the new standard in more detail.

IFRS 15 Revenue from Contracts with Customers has also been adopted for application in the EU. The standard will be applied as of the 2018 financial year. The current assessment is that the new standard will not have any material impact on Handelsbanken's financial reports, capital adequacy or large exposures.

IFRS 16 Leases has also been published by the IASB. Assuming that IFRS 16 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 2019 financial year. The Bank is analysing the financial effects of the new standard.

None of the other changes in the accounting regulations issued for application are expected to have any material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances under the applicable operating rules.

Note 2 Net interest income

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Interest income									
Loans to credit institutions and central banks	347	228	52%	481	-28%	347	481	-28%	1,422
Loans to the public	9,695	9,962	-3%	9,812	-1%	9,695	9,812	-1%	39,333
Interest-bearing securities eligible as collateral with central banks	57	-99		118	-52%	57	118	-52%	229
Interest-bearing securities	176	191	-8%	193	-9%	176	193	-9%	783
Derivative instruments	-326	-331	2%	-419	22%	-326	-419	22%	-2,629
Other interest income	320	346	-8%	311	3%	320	311	3%	1,317
Total interest income	10,269	10,297	0%	10,496	-2%	10,269	10,496	-2%	40,455
Of which interest income reported in Net gains/losses on financial transactions	59	77	-23%	160	-63%	59	160	-63%	505
Interest income according to income statement	10,210	10,220	0%	10,336	-1%	10,210	10,336	-1%	39,950
Interest expense									
Due to credit institutions and central banks	-299	-293	2%	-282	6%	-299	-282	6%	-1,086
Deposits and borrowing from the general public	-294	-288	2%	-404	-27%	-294	-404	-27%	-1,423
Issued securities	-4,157	-4,361	-5%	-4,392	-5%	-4,157	-4,392	-5%	-17,740
Derivative instruments	2,432	2,651	-8%	2,213	10%	2,432	2,213	10%	10,771
Subordinated liabilities	-360	-388	-7%	-389	-7%	-360	-389	-7%	-1,534
Other interest expense	-555	-346	60%	-407	36%	-555	-407	36%	-1,579
Total interest expense	-3,233	-3,025	7%	-3,661	-12%	-3,233	-3,661	-12%	-12,591
Of which interest expense reported in Net gains/losses on financial transactions	-104	-104	0%	-120	-13%	-104	-120	-13%	-584
Interest expense according to income statement	-3,129	-2,921	7%	-3,541	-12%	-3,129	-3,541	-12%	-12,007
Net interest income	7,081	7,299	-3%	6,795	4%	7,081	6,795	4%	27,943

Note 3 Net fee and commission income

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Brokerage and other securities commissions	261	256	2%	233	12%	261	233	12%	916
Mutual funds	849	835	2%	695	22%	849	695	22%	3,023
Custody and other asset management fees	164	183	-10%	147	12%	164	147	12%	623
Advisory services	56	59	-5%	104	-46%	56	104	-46%	317
Insurance	160	163	-2%	158	1%	160	158	1%	634
Payments	760	857	-11%	718	6%	760	718	6%	3,185
Loans and deposits	301	309	-3%	280	8%	301	280	8%	1,172
Guarantees	97	107	-9%	99	-2%	97	99	-2%	422
Other	124	126	-2%	119	4%	124	119	4%	488
Total fee and commission income	2,772	2,895	-4%	2,553	9%	2,772	2,553	9%	10,780
Securities	-72	-74	-3%	-66	9%	-72	-66	9%	-260
Payments	-331	-355	-7%	-300	10%	-331	-300	10%	-1,289
Other	-15	-19	-21%	-17	-12%	-15	-17	-12%	-75
Total fee and commission expense	-418	-448	-7%	-383	9%	-418	-383	9%	-1,624
Net fee and commission income	2,354	2,447	-4%	2,170	8%	2,354	2,170	8%	9,156

Note 4 Net gains/losses on financial transactions

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Trading, derivatives, FX effect etc	706	940	-25%	-267		706	-267		832
Other financial instruments at fair value in profit/loss	-139	-641	78%	583		-139	583		466
<i>of which interest-bearing securities</i>	-129	-627	79%	585		-129	585		502
<i>of which loans</i>	-10	-14	29%	-2	-400%	-10	-2	-400%	-36
Financial instruments at amortised cost	13	29	-55%	36	-64%	13	36	-64%	182
<i>of which loans</i>	84	114	-26%	86	-2%	84	86	-2%	446
<i>of which liabilities</i>	-71	-85	16%	-50	-42%	-71	-50	-42%	-264
Financial instruments available for sale	2	4	-50%	827	-100%	2	827	-100%	1,689
Hedge accounting	-10	-14	29%	0		-10	0		-3
<i>of which net gains/losses on fair value hedges</i>	-6	1		2		-6	2		-8
<i>of which cash flow hedge ineffectiveness</i>	-4	-15	73%	-2	-100%	-4	-2	-100%	5
Gains/losses on unbundled insurance contracts	-25	-49	49%	-17	-47%	-25	-17	-47%	-100
Total	547	269	103%	1,162	-53%	547	1,162	-53%	3,066

Note 5 Other expenses

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Property and premises	-318	-319	0%	-308	3%	-318	-308	3%	-1,234
External IT costs	-478	-476	0%	-408	17%	-478	-408	17%	-1,698
Communication	-84	-79	6%	-85	-1%	-84	-85	-1%	-317
Travel and marketing	-68	-96	-29%	-68	0%	-68	-68	0%	-306
Purchased services	-318	-338	-6%	-264	20%	-318	-264	20%	-1,159
Supplies	-48	-43	12%	-45	7%	-48	-45	7%	-173
Other administrative expenses	-116	-167	-31%	-125	-7%	-116	-125	-7%	-514
Other expenses	-1,430	-1,518	-6%	-1,303	10%	-1,430	-1,303	10%	-5,401

Note 6 Loan losses and impaired loans

Loan losses

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Specific provision for individually assessed loans									
Provision for the period	-301	-826	-64%	-344	-13%	-301	-344	-13%	-1,899
Reversal of previous provisions	61	202	-70%	57	7%	61	57	7%	377
Total	-240	-624	-62%	-287	-16%	-240	-287	-16%	-1,522
Collective provisions									
Net provision for the period for individually assessed loans	6	-24		7	-14%	6	7	-14%	-62
Net provision for the period for homogeneous loans	1	0		1	0%	1	1	0%	-10
Total	7	-24		8	-13%	7	8	-13%	-72
Off-balance-sheet items									
Losses on off-balance-sheet items	-1	-12	-92%	-2	-50%	-1	-2	-50%	-16
Reversal of previous losses on off-balance-sheet items	1	0		-		1	-		2
Change in collective provision for off-balance-sheet items	12	-23		15	-20%	12	15	-20%	-26
Total	12	-35		13	-8%	12	13	-8%	-40
Write-offs									
Actual loan losses for the period	-410	-628	-35%	-1,215	-66%	-410	-1,215	-66%	-2,183
Utilised share of previous provisions	396	427	-7%	1,195	-67%	396	1,195	-67%	1,863
Recoveries	40	52	-23%	99	-60%	40	99	-60%	230
Total	26	-149		79	-67%	26	79	-67%	-90
Value change for the period	-1	-		-		-1	-		-
Net loan losses	-196	-832	-76%	-187	5%	-196	-187	5%	-1,724

Impaired loans

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

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Impaired loans	7,594	7,746	7,710	7,427	7,390
Specific provision for individually assessed loans	-3,985	-4,188	-3,972	-3,671	-3,517
Provision for collectively assessed homogeneous groups of loans with limited value	-105	-107	-107	-94	-93
Collective provisions for individually assessed loans	-340	-348	-310	-279	-272
Impaired loans, net	3,164	3,103	3,321	3,383	3,508
Total impaired loans reserve ratio	58.3%	59.9%	56.9%	54.4%	52.5%
Proportion of impaired loans	0.16%	0.16%	0.17%	0.17%	0.18%
Impaired loans reserve ratio excl. collective provisions	53.9%	55.4%	52.9%	50.7%	48.8%
Loan loss ratio as a % of loans, acc.	0.04%	0.09%	0.06%	0.04%	0.04%
Loans past due > 60 days	3,925	4,123	4,928	4,629	4,473
Loans past due > 60 days, which are not impaired	946	1,061	1,381	1,229	1,270

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

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

31 March 2017	Impaired loans				Loans past due > 60 days, which are not impaired
	SEK m	Gross	Provisions	Net*	
Private individuals	1,390	-719	671	455	605
Housing co-operative associations	39	-19	20	4	-
Property management	1,841	-682	1,159	277	214
Manufacturing	685	-506	179	19	35
Retail	424	-217	207	59	3
Hotel and restaurant	139	-68	71	68	0
Passenger and goods transport by sea	1,640	-1,006	634	2	3
Other transport and communication	55	-38	17	7	4
Construction	214	-142	72	27	12
Electricity, gas and water	177	-89	88	12	2
Agriculture, hunting and forestry	57	-35	22	3	14
Other services	256	-206	50	19	37
Holding, investment and insurance companies, funds etc.	586	-302	284	32	8
Other corporate lending	91	-61	30	22	9
Credit institutions	-	-	-	-	-
Total	7,594	-4,090	3,504	1,006	946

* Book value after deduction of specific provisions.

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

* Book value after deduction of specific provisions.

Note 7 Discontinued operations

The Bank divested its ownership of Plastal Industri AB during the second quarter of 2016. Discontinued operations refer to the results from the Plastal Industri AB subsidiary for the time before the divestment, as well as the profits from the divestment of the company.

Note 8 Loans and credit exposure

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Loans to the public	1,991,434	1,963,622	1,965,649	1,937,155	1,902,479
of which reverse repos	11,182	7,493	14,041	11,360	14,279
Loans to other credit institutions	34,542	31,347	41,410	48,479	47,442
of which reverse repos	10,805	4,088	16,984	19,330	20,592
Other loans to central banks	79,245	25,527	103,113	81,267	43,790
of which reverse repos	1,003	-	-	-	462

Loans to the public, by sector

SEK m	31 March 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	994,286	-719	993,567	982,640	-745	981,895
<i>of which mortgage loans</i>	807,906	-36	807,870	800,092	-33	800,059
<i>of which other loans with property mortgages</i>	122,116	-137	121,979	120,121	-146	119,975
<i>of which other loans to private individuals</i>	64,264	-546	63,718	62,427	-566	61,861
Housing co-operative associations	190,936	-19	190,917	187,016	-20	186,996
<i>of which mortgage loans</i>	159,591	-12	159,579	156,835	-12	156,823
Property management	543,263	-682	542,581	540,194	-691	539,503
Manufacturing	27,985	-506	27,479	27,633	-522	27,111
Retail	23,622	-217	23,405	21,947	-270	21,677
Hotels and restaurants	8,460	-68	8,392	8,516	-32	8,484
Passenger and goods transport by sea	9,241	-1,006	8,235	9,375	-1,244	8,131
Other transport and communication	14,965	-38	14,927	14,614	-36	14,578
Construction	19,208	-142	19,066	18,103	-161	17,942
Electricity, gas, water	24,593	-89	24,504	25,224	-39	25,185
Agriculture, hunting and forestry	11,602	-35	11,567	11,727	-31	11,696
Other services	19,206	-206	19,000	19,608	-113	19,495
Holding, investment, insurance, funds, etc.	71,359	-302	71,057	66,730	-316	66,414
Government and municipalities	15,967	-	15,967	15,891	-	15,891
Other corporate lending	21,171	-61	21,110	19,047	-75	18,972
Total loans to the public, before collective provisions	1,995,864	-4,090	1,991,774	1,968,265	-4,295	1,963,970
Collective provisions			-340			-348
Total loans to the public			1,991,434			1,963,622

Specification of Loans to the public – Property management

SEK m	31 March 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Loans in Sweden						
State-owned property companies	4,228	-	4,228	3,228	-	3,228
Municipal-owned property companies	9,561	-	9,561	9,771	-	9,771
Residential property companies	100,152	-21	100,131	99,598	-26	99,572
<i>of which mortgage loans</i>	87,031	-1	87,030	85,134	-1	85,133
Other property management	124,995	-131	124,864	127,578	-130	127,448
<i>of which mortgage loans</i>	53,368	-2	53,366	52,925	-2	52,923
Total loans in Sweden	238,936	-152	238,784	240,175	-156	240,019
Loans outside Sweden						
Denmark	19,587	-111	19,476	19,755	-118	19,637
Finland	34,321	-5	34,316	33,891	-4	33,887
Norway	102,935	-113	102,822	103,767	-108	103,659
UK	115,961	-284	115,677	111,800	-289	111,511
The Netherlands	23,949	-	23,949	23,194	-	23,194
Other countries	7,574	-17	7,557	7,612	-16	7,596
Total loans outside Sweden	304,327	-530	303,797	300,019	-535	299,484
Total loans - Property management	543,263	-682	542,581	540,194	-691	539,503

Credit risk exposure

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Loans to the public	1,991,434	1,963,622	1,965,649	1,937,155	1,902,479
<i>of which reverse repos</i>	11,182	7,493	14,041	11,360	14,279
Loans to other credit institutions	34,542	31,347	41,410	48,479	47,442
<i>of which reverse repos</i>	10,805	4,088	16,984	19,330	20,592
Interest-bearing securities eligible as collateral with central banks	97,262	97,205	119,532	117,753	95,474
Bonds and other interest-bearing securities	65,436	63,909	53,855	46,223	53,856
Derivative instruments*	73,111	82,633	78,688	92,381	73,885
Contingent liabilities	80,481	78,530	82,361	78,459	74,351
<i>of which guarantees, credits</i>	9,839	9,643	10,110	10,440	9,209
<i>of which guarantees, other</i>	64,512	63,108	67,122	63,551	60,672
<i>of which letters of credit</i>	6,130	5,779	5,129	4,468	4,470
Other commitments	427,927	425,267	431,564	425,390	416,763
<i>of which unutilised part of granted overdraft facilities</i>	132,366	128,967	128,930	130,525	127,904
<i>of which loan commitments</i>	273,876	272,729	274,810	268,866	257,692
<i>of which other</i>	21,685	23,571	27,824	25,999	31,167
Total	2,770,193	2,742,513	2,773,059	2,745,840	2,664,250
Cash and balances with central banks	387,092	199,362	353,680	501,744	463,957
Other loans to central banks	79,245	25,527	103,113	81,267	43,790
Total	3,236,530	2,967,402	3,229,852	3,328,851	3,171,997

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Positive market values					
Trading	37,290	44,703	53,324	66,498	54,524
Fair value hedges	96	79	15	22	23
Cash flow hedges	60,151	64,905	60,986	62,328	54,402
Amounts set off	-24,426	-27,054	-35,637	-36,467	-35,064
Total	73,111	82,633	78,688	92,381	73,885
Negative market values					
Trading	40,050	47,824	58,556	63,037	66,116
Fair value hedges	91	82	146	129	37
Cash flow hedges	8,512	9,689	8,264	8,096	9,921
Amounts set off	-24,356	-25,857	-33,670	-33,979	-31,772
Total	24,297	31,738	33,296	37,283	44,302
Nominal value					
Trading	3,665,721	3,167,735	3,370,296	3,390,582	3,368,807
Fair value hedges	53,248	42,228	26,073	24,725	13,482
Cash flow hedges	1,092,773	1,058,071	925,397	891,575	873,712
Amounts set off	-1,967,179	-1,747,179	-1,671,455	-1,575,310	-1,578,065
Total	2,844,563	2,520,855	2,650,311	2,731,572	2,677,936

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

Note 10 Offsetting of financial instruments

31 March 2017 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	97,537	26,382	123,919
Amounts set off	-24,426	-1,232	-25,658
Carrying amount on the balance sheet	73,111	25,150	98,261
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16,761	-	-16,761
Financial assets received as collateral	-41,509	-25,150	-66,659
Total amounts not set off on the balance sheet	-58,270	-25,150	-83,420
Net amount	14,841	-	14,841
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	48,653	7,096	55,749
Amounts set off	-24,356	-1,232	-25,588
Carrying amount on the balance sheet	24,297	5,864	30,161
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16,761	-	-16,761
Financial assets pledged as collateral	-2,314	-5,864	-8,178
Total amounts not set off on the balance sheet	-19,075	-5,864	-24,939
Net amount	5,222	-	5,222

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

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

The amount set off for derivative assets includes set-off cash collateral of SEK 2,724m (3,565), derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities include set-off cash collateral of SEK 2,655m (2,367), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Mar 2017	Jan-Mar 2016	Full year 2016	Jan-Mar 2017	Jan-Mar 2016	Full year 2016	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Opening residual value	6,761	6,460	6,460	2,632	1,794	1,794	9,393	8,254	8,254
Additional during the period	-	-	147	167	101	1,070	167	101	1,217
The period's amortisation	-	-	-	-63	-43	-198	-63	-43	-198
The period's impairments	-	-	-	-9	-1	-1	-9	-1	-1
Foreign exchange effect	-23	16	154	-5	-23	-33	-28	-7	121
Closing residual value	6,738	6,476	6,761	2,722	1,828	2,632	9,460	8,304	9,393

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

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Due to credit institutions	205,971	178,781	205,274	207,312	192,902
<i>of which repos</i>	1,003	-	450	912	768
Deposits and borrowing from the public	1,049,699	829,336	1,009,427	1,134,500	1,042,076
<i>of which repos</i>	4,861	2	5,559	4,522	8,952

Note 13 Issued securities

SEK m	Jan-Mar 2017	Jan-Mar 2016
Issued securities at beginning of year	1,261,765	1,245,367
Issued	340,619	375,194
Repurchased	-16,658	-5,419
Matured	-281,381	-335,467
Foreign exchange effect etc.	-8,677	-21,506
Issued securities at end of period	1,295,668	1,258,169

Note 14 Pledged assets, contingent liabilities and other commitments

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Assets pledged for own debt	852,739	839,982	822,426	829,996	819,522
Other pledged assets	53,558	33,375	38,286	34,969	34,730
Contingent liabilities	80,481	78,530	82,361	78,459	74,351
Other commitments	427,927	425,267	431,564	425,390	416,763

Note 15 Classification of financial assets and liabilities

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

31 March 2017	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and other receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other							
SEK m									
Assets									
Cash and balances with central banks					387,092			387,092	387,092
Other loans to central banks					79,245			79,245	79,245
Interest-bearing securities eligible as collateral with central banks	12,051	83,735				1,476		97,262	97,262
Loans to other credit institutions					34,542			34,542	34,357
Loans to the public		781			1,990,653			1,991,434	2,004,991
Value change of interest-hedged item in portfolio hedge					31			31	
Bonds and other interest-bearing securities	20,759	39,223				5,454		65,436	65,436
Shares	20,725	1,028				1,644		23,397	23,397
Assets where the customer bears the value change risk		123,537				58		123,595	123,595
Derivative instruments	14,919		58,192					73,111	73,111
Other assets	12				29,022			29,034	29,034
Prepaid expenses and accrued income	198	754			4,310	4		5,266	5,266
Total financial assets	68,664	249,058	58,192		2,524,953	8,578		2,909,445	2,922,786
Investments in associates								218	
Other non-financial assets								13,266	
Total assets								2,922,929	
Liabilities									
Due to credit institutions							205,971	205,971	207,932
Deposits and borrowing from the public							1,049,699	1,049,699	1,049,686
Liabilities where the customer bears the value change risk		123,595					58	123,653	123,653
Issued securities	6,105						1,289,563	1,295,668	1,313,063
Derivative instruments	17,071		7,226					24,297	24,297
Short positions	11,753							11,753	11,753
Other liabilities	13						21,671	21,684	21,684
Accrued expenses and deferred income	78						15,321	15,399	15,399
Subordinated liabilities							33,199	33,199	34,835
Total financial liabilities	35,020	123,595	7,226				2,615,482	2,781,323	2,802,302
Other non-financial liabilities								9,865	
Total liabilities								2,791,188	

31 December 2016	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and other receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other							
SEK m									
Assets									
Cash and balances with central banks					199,362			199,362	199,362
Other loans to central banks					25,527			25,527	25,527
Interest-bearing securities eligible as collateral with central banks	13,000	83,458				747		97,205	97,205
Loans to other credit institutions					31,347			31,347	31,148
Loans to the public		926			1,962,696			1,963,622	1,978,834
Value change of interest-hedged item in portfolio hedge					35			35	
Bonds and other interest-bearing securities	22,328	36,117				5,464		63,909	63,909
Shares	17,727	1,067				1,618		20,412	20,412
Assets where the customer bears the value change risk		118,588				58		118,646	118,646
Derivative instruments	19,742		62,891					82,633	82,633
Other assets	32				5,584			5,616	5,616
Prepaid expenses and accrued income	170	520			5,528	4		6,222	6,222
Total financial assets	72,999	240,676	62,891	-	2,230,137	7,833		2,614,536	2,629,514
Investments in associates								255	
Other non-financial assets								12,790	
Total assets								2,627,581	
Liabilities									
Due to credit institutions							178,781	178,781	180,648
Deposits and borrowing from the public							829,336	829,336	829,303
Liabilities where the customer bears the value change risk		118,687					58	118,745	118,745
Issued securities	5,763						1,256,002	1,261,765	1,280,523
Derivative instruments	23,272		8,466					31,738	31,738
Short positions	1,572							1,572	1,572
Other liabilities	21						9,407	9,428	9,428
Accrued expenses and deferred income	2						14,578	14,580	14,580
Subordinated liabilities							33,400	33,400	35,330
Total financial liabilities	30,630	118,687	8,466				2,321,562	2,479,345	2,501,867
Other non-financial liabilities								11,855	
Total liabilities								2,491,200	

Note 16 Fair value measurement of financial instruments

31 March 2017 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	95,275	1,987	-	97,262
Loans to the public	-	764	17	781
Bonds and other interest-bearing securities	62,337	3,099	-	65,436
Shares	15,718	5,859	1,820	23,397
Assets where the customer bears the value change risk	123,088	-	449	123,537
Derivative instruments	272	72,839	-	73,111
Total financial assets at fair value	296,690	84,548	2,286	383,524

Liabilities				
Liabilities where the customer bears the value change risk	123,146	-	449	123,595
Issued securities	-	6,105	-	6,105
Derivative instruments	484	23,813	-	24,297
Short positions	11,666	87	-	11,753
Total financial liabilities at fair value	135,296	30,005	449	165,750

31 December 2016 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	95,511	1,694	-	97,205
Loans to the public	-	909	17	926
Bonds and other interest-bearing securities	61,514	2,395	-	63,909
Shares	11,528	7,047	1,837	20,412
Assets where the customer bears the value change risk	117,826	-	762	118,588
Derivative instruments	408	82,225	-	82,633
Total financial assets at fair value	286,787	94,270	2,616	383,673

Liabilities				
Liabilities where the customer bears the value change risk	117,925	-	762	118,687
Issued securities	-	5,763	-	5,763
Derivative instruments	443	31,295	-	31,738
Short positions	1,097	475	-	1,572
Total financial liabilities at fair value	119,465	37,533	762	157,760

Valuation process

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

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

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

Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the extent of market data used in the valuation. The categorisation is shown as

levels 1–3 in the tables. Financial instruments which are valued at the current 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.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2016), the instrument has been moved between the levels in the table. During the period January–March 2017, some of the volumes were moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 582m and shares worth SEK 20m were transferred from

level 2 to level 1. Interest-bearing securities worth SEK 216m, shares worth SEK 9m, and derivatives worth SEK 5m were transferred from level 1 to level 2. On the liabilities side, derivatives to the value of SEK 5m were transferred from level 2 to level 1. Derivatives worth SEK 5m and short-term positions worth SEK 24m were moved from level 1 to level 2.

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

Reconciliation of financial instruments in level 3

January – March 2017 SEK m	Shares	Loans to the public	Assets	Liabilities
			where the customer bears the value change risk	where the customer bears the value change risk
Carrying amount at beginning of year	1,837	17	762	-762
Acquisitions/issues	-	-	-	-
Repurchases/sales	-3	-	-309	309
Matured during the period	-	-	-	-
Unrealised value change in income statement	-39	-	-4	4
Unrealised value change in other comprehensive income	25	-	-	-
Transfer from level 1 or 2	-	-	-	-
Transfer to level 1 or 2	-	-	-	-
Carrying amount at end of period	1,820	17	449	-449

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

Differences between the transaction price and the value measured by a valuation model

The models use input data in the form of market prices and other variables that are deemed to affect pricing. The models and input data which form the basis of the valuations are regularly validated to ensure that they are consistent with market practice and established financial theory. In cases where there are material positive differences between the value calculated with the help of a valuation model at initial recognition and the transaction price (day 1 gain/loss), the difference is distributed over the maturity period of the 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 30m (43) was recognised in net gains/losses on financial transactions during the January–March 2017 period. At the end of the period, non-recognised day 1 gains/losses amounted to SEK 584m; at the year-end, the corresponding figure was SEK 585m.

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

Note 17 Assets and liabilities by currency

31 March 2017								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	107	114,665	10,777	87	91,141	169,162	1,153	387,092
Other loans to central banks	40,894	47	10,392	27,519	392	-	1	79,245
Loans to other credit institutions	2,282	6,171	846	42	1,094	22,163	1,944	34,542
Loans to the public	1,242,053	191,110	230,980	90,581	199,164	27,601	9,945	1,991,434
<i>of which corporates</i>	471,353	130,689	139,268	34,609	132,686	27,328	9,046	944,979
<i>of which households</i>	770,700	60,421	91,712	55,972	66,478	273	899	1,046,455
Interest-bearing securities eligible as collateral with central banks	70,911	6,669	359	11	-	18,048	1,264	97,262
Bonds and other interest-bearing securities	47,709	2,363	1,043	-	1,696	12,625	-	65,436
Other items not broken down by currency	267,918							267,918
Total assets	1,671,874	321,025	254,397	118,240	293,487	249,599	14,307	2,922,929
Liabilities								
Due to credit institutions	50,450	73,218	10,115	17,805	14,499	33,925	5,959	205,971
Deposits and borrowing from the public	537,622	114,140	75,006	33,949	134,812	145,884	8,286	1,049,699
<i>of which corporates</i>	221,885	97,003	54,656	18,386	96,779	143,488	7,808	640,005
<i>of which households</i>	315,737	17,137	20,350	15,563	38,033	2,396	478	409,694
Issued securities	475,614	237,833	26,143	315	93,960	423,808	37,995	1,295,668
Subordinated liabilities	8,260	14,293	-	-	-	10,646	-	33,199
Other items not broken down by currency, incl. equity	338,392							338,392
Total liabilities and equity	1,410,338	439,484	111,264	52,069	243,271	614,263	52,240	2,922,929
Other assets and liabilities broken down by currency (net)		118,599	-142,974	-66,049	-50,100	364,710	37,967	
Net foreign currency position		140	159	122	116	46	34	617

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

Note 18 Own funds and capital requirements in the consolidated situation

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

Own funds

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
TIER 1 CAPITAL					
Equity, Group	131,741	136,381	134,085	129,582	122,777
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year	-2,595	-9,721	-6,400	-4,118	-2,021
Adjustment of Group result	-195	3,829	-162	34	-202
Adjustment of Group equity	3,267	-593	3,532	3,518	1,731
Minority interests	-6	-6	-6	-5	-5
Equity (consolidated entities)	132,212	129,890	131,049	129,011	122,280
Deducted items					
Goodwill and other intangible assets	-9,409	-9,355	-9,268	-8,433	-8,293
Value adjustments (fair value)	-633	-645	-637	-685	-665
Special deduction for IRB institutions	-2,270	-1,527	-1,567	-1,543	-1,452
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-622	-636	-593	-529	-556
Adjustments in accordance with stability filter					
Cash flow hedges	-2,749	-2,487	-7,850	-8,815	-7,690
Unrealised accumulated gains, shares	-	-	-	-	-
Common equity tier 1 capital, gross	116,529	115,240	111,134	109,006	103,624
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	116,529	115,240	111,134	109,006	103,624
Additional tier 1 instruments	12,598	12,768	12,156	12,045	11,570
Total tier 1 capital	129,127	128,008	123,290	121,051	115,194
TIER 2 CAPITAL					
Subordinated loans	17,293	17,354	17,392	17,135	17,111
Deducted items					
Tier 2 contribution in unconsolidated financial entities	-1,129	-1,129	-1,129	-1,129	-1,129
Total tier 2 capital	16,164	16,225	16,263	16,006	15,982
Total own funds	145,291	144,233	139,553	137,057	131,176

Capital ratios and buffers

	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Common equity tier 1 ratio, CRR	23.8%	25.1%	24.0%	23.0%	22.7%
Tier 1 ratio, CRR	26.4%	27.9%	26.6%	25.5%	25.3%
Total capital ratio, CRR	29.7%	31.4%	30.1%	28.9%	28.8%
Risk exposure amount CRR, SEK m	489,456	458,787	463,675	474,500	456,104
Own funds in relation to capital requirement according to Basel I floor	149%	148%	144%	142%	139%
Institution-specific buffer requirements*	6.6%	6.4%	6.4%	6.4%	6.1%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.1%	0.9%	0.9%	0.9%	0.6%
<i>of which systemic risk buffer requirement</i>	3.0%	3.0%	3.0%	3.0%	3.0%
Common equity tier 1 capital available for use as a buffer	19.3%	20.6%	19.5%	18.5%	18.2%

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

Capital requirement

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Credit risk according to standardised approach	6,330	6,472	6,336	6,186	5,949
Credit risk according to IRB Approach	26,334	23,950	24,476	25,603	24,360
Market risks	936	873	817	711	796
Credit valuation adjustment risk (CVA)	627	594	650	645	568
Operational risk	4,929	4,815	4,815	4,815	4,815
Total capital requirement	39,156	36,704	37,094	37,960	36,488
Adjustment according to Basel I floor	59,790	61,531	61,134	59,499	58,870
Capital requirement, Basel I floor	98,946	98,235	98,228	97,459	95,358
Total own funds, Basel I floor	147,561	145,760	141,120	138,600	132,628

Risk exposure amount

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Credit risk according to standardised approach	79,126	80,896	79,204	77,323	74,358
Credit risk according to IRB Approach	329,180	299,370	305,951	320,041	304,506
Market risk	11,705	10,910	10,216	8,890	9,954
Credit valuation adjustment risk (CVA)	7,832	7,429	8,122	8,064	7,104
Operational risk	61,613	60,182	60,182	60,182	60,182
Total risk exposure amount	489,456	458,787	463,675	474,500	456,104

Capital requirement credit risks, standardised approach**

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
Sovereign and central banks	497,479	255,748	169	77	14	6	0.0	0.0
Municipalities	53,878	54,908	22	22	2	2	0.0	0.0
Multilateral development banks	590	636	0	0	0	0	0.0	0.0
International organisations	14	49	0	0	0	0	0.0	0.0
Institutions	3,708	4,215	332	343	27	27	9.0	8.1
Corporates	10,667	10,640	9,693	10,017	775	801	90.9	94.1
Households	16,883	17,042	12,622	12,737	1,010	1,019	74.8	74.7
Collateral in real estate	95,649	92,087	34,522	33,316	2,762	2,665	36.1	36.2
Past due items	249	199	327	258	26	21	131.4	129.6
Equities	6,739	6,796	16,068	16,126	1,285	1,290	238.4	237.3
Other items	5,889	8,571	5,371	8,000	429	641	91.1	93.4
Total	691,745	450,891	79,126	80,896	6,330	6,472	11.4	17.9

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

Credit risks IRB

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec
	2017	2016	2017	2016	2017	2016	2017	2016
Corporate	834,609	821,000	222,058	194,650	17,765	15,572	26.6	23.7
Corporate lending	807,818	798,330	218,014	190,709	17,441	15,257	27.0	23.9
<i>of which other loans foundation approach *</i>	107,315	116,048	28,684	35,946	2,295	2,876	26.7	31.0
<i>of which other loans advanced approach *</i>	700,503	682,282	189,330	154,763	15,146	12,381	27.0	22.7
<i>of which large companies</i>	148,270	126,774	53,222	57,176	4,258	4,574	35.9	45.1
<i>of which medium-sized companies</i>	78,917	81,640	36,516	32,486	2,921	2,599	46.3	39.8
<i>of which property companies</i>	473,316	473,868	99,592	65,101	7,967	5,208	21.0	13.7
Counterparty risk	26,791	22,670	4,044	3,941	324	315	15.1	17.4
Housing co-operative associations	181,339	187,897	8,591	7,555	687	604	4.7	4.0
Retail	990,618	982,270	72,965	72,398	5,837	5,792	7.4	7.4
Private individuals	964,069	955,346	65,812	65,258	5,265	5,221	6.8	6.8
<i>of which property loans</i>	883,931	874,253	48,827	48,178	3,906	3,854	5.5	5.5
<i>of which other loans</i>	80,138	81,093	16,985	17,080	1,359	1,367	21.2	21.1
Small companies	26,549	26,924	7,153	7,140	572	571	26.9	26.5
<i>of which property loans</i>	7,486	7,650	1,685	1,706	135	137	22.5	22.3
<i>of which other loans</i>	19,063	19,274	5,468	5,434	437	434	28.7	28.2
Institutions	103,285	105,185	18,041	17,397	1,443	1,392	17.5	16.5
Lending to institutions	17,498	20,066	5,959	6,175	477	494	34.1	30.8
Counterparty risk	85,787	85,119	12,082	11,222	966	898	14.1	13.2
<i>of which repos and securities loans</i>	18,505	14,070	378	631	30	50	2.0	4.5
<i>of which derivatives</i>	67,282	71,049	11,704	10,591	936	848	17.4	14.9
Equity exposures	1,389	1,340	5,139	4,959	411	397	370.0	370.0
<i>of which listed shares</i>	-	-	-	-	-	-	-	-
<i>of which other shares</i>	1,389	1,340	5,139	4,959	411	397	370.0	370.0
Non credit-obligation assets	2,363	2,387	2,363	2,387	189	191	100.0	100.0
Securitisation positions	22	22	23	24	2	2	106.0	105.9
<i>of which Traditional securitisation</i>	22	22	23	24	2	2	106.0	105.9
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
Total IRB Approach	2,113,625	2,100,101	329,180	299,370	26,334	23,950	15.6	14.3

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

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

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

Handelsbanken uses the IRB approach without own estimates of LGD and CCF for exposures to institutions and for certain product and collateral types for corporate exposures in the whole of the regional banking operations and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans 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 regional bank operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy.

At the end of Q1, the IRB Approach was applied to 81% of the total risk-weighted exposure amount for credit risk. For the remaining credit risk exposures, the capital requirement is calculated using the standardised approach.

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

The total average risk weight for exposures approved for the IRB Approach increased during the quarter and amounted to 15.6% (14.3). The increase in the average risk weight is attributable to the updating of PD estimates for corporates, based on a new model that was approved during the quarter by the Swedish Financial Supervisory Authority.

Credit quality is good. Of Handelsbanken's corporate exposures, 97% were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between 1 and 5 on the Bank's ten-point risk rating scale. The IRB Approach is based on historical losses from both the financial crisis of recent years and the Swedish banking crisis in the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low loan losses over a long period. The risk measurements applied contain margins of conservatism to ensure that the risk is not underestimated.

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

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

Capital requirement market risks

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Position risk in the trading book	928	864	810	703	789
Interest rate risk	917	855	801	694	778
<i>of which general risk</i>	616	598	651	534	598
<i>of which specific risk</i>	300	256	149	158	179
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
<i>of which non-delta risk</i>	1	1	1	2	1
Equity price risk	11	9	9	9	11
<i>of which general risk</i>	2	1	1	1	1
<i>of which specific risk</i>	4	3	4	3	4
<i>of which mutual funds</i>	0	0	0	1	1
<i>of which non-delta risk</i>	5	5	4	4	5
Exchange rate risk	-	-	-	-	-
<i>of which non-delta risk</i>	-	-	-	-	-
Commodities risk	8	9	7	8	7
<i>of which non-delta risk</i>	0	0	0	0	0
Settlement risk	-	0	0	0	0
Total capital requirement for market risks	936	873	817	711	796

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 risks

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

Leverage ratio

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

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Balance sheet according to accounting regulations	2,922,929	2,627,580	2,908,935	3,030,645	2,856,843
Deduction for assets not included in the banking group	-120,443	-114,858	-112,161	-103,215	-99,917
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-26,092	-20,341	-27,185	-24,710	-29,163
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	3,860	4,436	5,295	6,252	6,530
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>485,559</i>	<i>492,788</i>	<i>494,872</i>	<i>486,570</i>	<i>476,586</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-312,461</i>	<i>-314,413</i>	<i>-313,706</i>	<i>-309,195</i>	<i>-300,702</i>
Assets reported off the balance sheet, net	173,098	178,375	181,166	177,375	175,884
Additional adjustment	-15,683	-14,650	-19,915	-21,106	-19,747
Assets on which the leverage ratio is calculated	2,937,669	2,660,542	2,936,135	3,065,241	2,890,430
Capital on which the leverage ratio can be calculated					
Tier 1 capital	129,127	128,008	123,290	121,051	115,194
Leverage ratio					
Leverage ratio calculated on tier 1 capital	4.4%	4.8%	4.2%	3.9%	4.0%

Information in Note 19 relates to Handelsbanken's material risks and capital requirements at the time that this interim report is published. A full description of the Bank's risk and capital management can be found in Handelsbanken's Annual Report and in Handelsbanken's Risk and Capital Management – Information according to Pillar 3.

Note 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. 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. During the past few years, the Bank has worked actively to reduce the market risks on its balance sheet. One result of this is that a much smaller part of the Bank's earnings comes from net gains/losses on financial transactions.

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 last few years. The Bank's liquidity position is described in more detail below under the heading Liquidity and funding.

Liquidity and funding

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

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

Funding programmes/limits as at 31 March 2017 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	4,551	43,418
ECP (Stadshypotek)*	EUR	4,000	0	0
French Commercial Paper	EUR	7,500	1,588	15,150
Swedish Commercial Paper	SEK	25,000	0	0
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	0	0
USCP	USD	15,000	5,031	44,924
AMTN	AUD	5,000	1,275	8,696
AMTCN (Stadshypotek)	AUD	5,000	750	5,115
EMTN*	USD	50,000	20,982	187,359
EMTCN (Stadshypotek)*	EUR	20,000	10,002	95,422
US 144A/3(a)(2)	USD	20,000	11,900	106,261
Stadshypotek US 144A	USD	15,000	5,000	44,647
Samurai	JPY	400,000	160,700	12,852
MTN*	SEK	100,000	12,755	12,755
General funding >1 Y*	USD	15,000	2,996	26,753
Extendible Notes	USD	15,000	3	27
Total				603,379
Total programme (or limited) amounts, SEK m		1,919,652		
Unutilised amount, SEK m		1,316,273		
Available amount		69%		

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

Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 621bn as at 31 March 2017 (see table below). In addition, there was an unutilised

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

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

Market value					
SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Cash and balances with and other lending to central banks	465,038	224,533	456,491	582,590	506,949
Balances with banks and the National Debt Office, overnight	2,301	7,712	803	1,807	3,618
Securities issued by governments and public entities	99,652	96,217	106,938	104,133	83,145
Covered bonds	53,093	53,647	53,458	50,101	52,096
Securities issued by non-financial companies	287	27	797	614	782
Securities issued by financial companies	301	124	242	142	102
Total	620,672	382,260	618,729	739,387	646,692
<i>of which in SEK</i>	<i>151,277</i>	<i>126,241</i>	<i>192,224</i>	<i>160,997</i>	<i>116,992</i>
<i>of which in EUR</i>	<i>123,353</i>	<i>108,380</i>	<i>135,707</i>	<i>83,698</i>	<i>70,363</i>
<i>of which in USD</i>	<i>195,289</i>	<i>47,449</i>	<i>179,920</i>	<i>366,669</i>	<i>348,004</i>
<i>of which in other currencies</i>	<i>150,753</i>	<i>100,190</i>	<i>110,878</i>	<i>128,023</i>	<i>111,333</i>

31 March 2017					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	39,891	114,611	169,159	141,377	465,038
Balances with other banks and the National Debt Office, overnight	2,138	17	34	112	2,301
Securities issued by governments	63,734	6,669	19,726	-	90,129
Securities issued by municipalities and other public entities	3,091	-	6,370	62	9,523
Covered bonds, external issuers	40,120	1,734	-	9,142	50,996
Own covered bonds	2,097	-	-	-	2,097
Securities issued by non-financial companies	161	126	-	-	287
Securities issued by financial companies	45	196	-	60	301
Total	151,277	123,353	195,289	150,753	620,672

Maturities for financial assets and liabilities

31 March 2017 SEK m	Up to 1 mth	1 - 6 mths	6 - 12 mths	1 - 2 yrs	2 - 5 yrs	5 yrs -	Unspec. maturity	Total
Assets								
Cash and balances with central banks	466,337	-	-	-	-	-	-	466,337
Interest-bearing securities eligible as collateral with central banks	97,262	-	-	-	-	-	-	97,262
Bonds and other interest-bearing securities	65,436	-	-	-	-	-	-	65,436
Loans to credit institutions	27,271	1,903	1,447	16	1,666	2,239	-	34,542
-of which reverse repos	10,805	-	-	-	-	-	-	10,805
Loans to the public	58,026	233,684	185,200	176,042	358,819	979,663	-	1,991,434
-of which reverse repos	11,182	-	-	-	-	-	-	11,182
Other	49,194	-	-	-	-	-	218,724	267,918
-of which shares and participating interests	23,397	-	-	-	-	-	-	23,397
-of which claims on investment banking settlements	25,797	-	-	-	-	-	-	25,797
Total	763,526	235,587	186,647	176,058	360,485	981,902	218,724	2,922,929
Liabilities								
Due to credit institutions	108,120	63,281	5,536	4,504	296	5,020	19,214	205,971
-of which repos	1,003	-	-	-	-	-	-	1,003
-of which deposits from central banks	31,968	46,431	741	-	-	-	2,152	81,292
Deposits and borrowing from the public	139,301	37,648	6,290	901	2,675	5,470	857,414	1,049,699
-of which repos	4,861	-	-	-	-	-	-	4,861
Issued securities	68,167	382,268	138,771	180,425	430,923	95,114	-	1,295,668
-of which covered bonds	-	56,980	94,796	116,013	279,406	64,391	-	611,586
-of which certificates and other securities with original maturity of less than one year	56,279	284,585	21,813	-	-	-	-	362,677
-of which senior bonds and other securities with original maturity of more than one year	11,888	40,703	22,162	64,412	151,517	30,723	-	321,405
Subordinated liabilities	-	-	2,968	16,485	13,746	-	-	33,199
Other	16,569	-	-	-	-	-	321,823	338,392
-of which short positions	11,753	-	-	-	-	-	-	11,753
-of which investment banking settlement debts	4,816	-	-	-	-	-	-	4,816
Total	332,157	483,197	153,565	202,315	447,640	105,604	1,198,451	2,922,929

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

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

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

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

Liquidity coverage ratio (LCR)

	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Liquidity coverage ratio (LCR), %					
EUR	178	136	178	181	134
USD	236	322	164	121	161
Total*	148	126	162	139	151

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

	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Liquidity coverage ratio (LCR) - decomposition, SEK m					
Liquid assets	606,507	290,058	416,189	433,824	360,481
Liquid assets level 1	565,626	251,189	375,318	394,887	318,791
Liquid assets level 2	40,881	38,869	40,871	38,937	41,690
Cash outflows	489,050	359,659	514,967	697,349	581,222
Deposits from customers	220,330	173,496	191,610	169,582	192,835
Market funding	228,791	151,735	284,083	486,320	349,721
Other cash flows	39,929	34,428	39,274	41,447	38,666
Cash inflows	79,554	129,176	258,526	384,619	342,332
Inflows from maturing lending to non-financial customers	22,186	21,146	18,618	26,985	24,548
Other cash inflows	57,368	108,030	239,908	357,634	317,784

The components are defined in accordance with the Swedish Financial Supervisory Authority's regulations and requirements for the liquidity coverage ratio and reporting of liquid assets and cash flows (FFFS 2012:6). Liquid assets level 1 corresponds to Chapter 3, Section 6. Liquid assets level 2 corresponds to Chapter 3, Section 7. Deposits from customers corresponds to Chapter 4, Sections 4-9. Market funding corresponds to Chapter 4, Sections 10-13. Other cash flows corresponds to Chapter 4, Sections 14-25. Loans to non-financial customers corresponds to Chapter 5, Section 4. Other cash inflows corresponds to Chapter 5, Sections 6-12.

As of 1 October 2015, due to the European Commission's delegated act, there is a European minimum requirement for banks' liquidity in the form of a short-term liquidity buffer: liquidity coverage ratio (LCR). The minimum requirement in 2017 is 80%, and this will be raised to 100% by 2018, when the delegated act will be fully implemented. However, according to the delegated act, the LCR is based on the less stringent LCR proposed by the Basel Committee in 2013 and certain EU-specific changes, for example, that the liquidity reserve may include a higher proportion of covered bonds.

By making requirements for a short-term liquidity buffer in FFFS 2012:6 as early as 2013, Sweden has moved more quickly than required by the EU. The requirement amounts to 100%, but the definition of what comprises a short-term liquidity buffer differs from what applies at EU level. The LCR which the Swedish Financial Supervisory Authority has implemented is a stricter LCR measurement, mainly in terms of deposit outflow assumptions and the composition of the liquidity portfolio. The minimum requirement for the net stable funding ratio is expected to be introduced in the EU in 2018 at the earliest.

At the end of March, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 148%, which shows that the Bank has high resistance to short-term disruptions in the funding market. This also applies in US dollars and euros. The LCR, as an average of daily observations according to the

same regulation, was 134% during the first quarter. The Bank's LCR, calculated according to the European Commission's delegated act, was 169%.

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 to the Bank. The result of the stress test shows that the liquidity reserves, even in a stressed scenario, cover the Bank's liquidity requirement for over three years, even if access to new funding in the markets were to disappear.

Non-encumbered assets, NEA

31 March 2017		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	621	70%
Mortgage loans	490	125%
Other household lending	185	146%
Property company lending lowest risk class (1-3)	263	175%
Other corporate lending lowest risk class (1-3)	152	192%
Loans to credit institutions lowest risk class (1-3)	30	196%
Other corporate lending	243	223%
Other assets	33	227%
Total non-encumbered assets (NEA)	2,017	227%
Encumbered assets without underlying liabilities**	61	
Encumbered assets with underlying liabilities	845	
Total assets, Group	2,923	

31 December 2015		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	352	42%
Mortgage loans	453	96%
Other household lending	203	120%
Property company lending lowest risk class (1-3)	238	148%
Other corporate lending lowest risk class (1-3)	150	166%
Loans to credit institutions lowest risk class (1-3)	46	171%
Other corporate lending	228	198%
Other assets	39	203%
Total non-encumbered assets (NEA)	1,709	203%
Encumbered assets without underlying liabilities**	57	
Encumbered assets with underlying liabilities	756	
Total assets, Group	2,522	

* 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 risk and capital management can be found in Handelsbanken's Annual Report and in Handelsbanken's Risk and Capital Management – Information according to Pillar 3.

Note 20 Related-party transactions

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

Note 21 Segment reporting

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

Note 22 Events after the balance sheet date

No significant events occurred after the balance sheet date.

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Net interest income	3,845	4,000	-4%	3,589	7%	3,845	3,589	7%	15,011
Dividends received	-3	12,252		2,302		-3	2,302		17,045
Net fee and commission income	1,620	1,710	-5%	1,563	4%	1,620	1,563	4%	6,509
Net gains/losses on financial transactions	602	285	111%	1,198	-50%	602	1,198	-50%	3,076
Other operating income	394	498	-21%	383	3%	394	383	3%	1,647
Total income	6,458	18,745	-66%	9,035	-29%	6,458	9,035	-29%	43,288
Staff costs	-2,631	-2,141	23%	-3,057	-14%	-2,631	-3,057	-14%	-10,427
Other administrative expenses	-1,379	-1,461	-6%	-1,245	11%	-1,379	-1,245	11%	-5,224
Depreciation, amortisation and impairment of property, equipment and intangible assets	-270	-184	47%	-132	105%	-270	-132	105%	-591
Total expenses before loan losses	-4,280	-3,786	13%	-4,434	-3%	-4,280	-4,434	-3%	-16,242
Profit before loan losses	2,178	14,959	-85%	4,601	-53%	2,178	4,601	-53%	27,046
Net loan losses	-188	-831	-77%	-176	7%	-188	-176	7%	-1,730
Impairment of financial assets	-	-20		-		-	-		-20
Operating profit	1,990	14,108	-86%	4,425	-55%	1,990	4,425	-55%	25,296
Appropriations	28	-261		37	-24%	28	37	-24%	-193
Profit before tax	2,018	13,847	-85%	4,462	-55%	2,018	4,462	-55%	25,103
Taxes	-527	-3,287	-84%	-343	54%	-527	-343	54%	-4,503
Profit for the period	1,491	10,560	-86%	4,119	-64%	1,491	4,119	-64%	20,600

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q1 2017	Q4 2016	Change	Q1 2016	Change	Jan-Mar 2017	Jan-Mar 2016	Change	Full year 2016
Profit for the period	1,491	10,560	-86%	4,119	-64%	1,491	4,119	-64%	20,600
Other comprehensive income									
Items that may subsequently be reclassified to profit or loss									
Cash flow hedges	1,010	-4,054		1,917	-47%	1,010	1,917	-47%	-1,882
Available-for-sale instruments	37	-23		-1,100		37	-1,100		-1,152
Translation differences for the period	-1,187	300		-1,153	-3%	-1,187	-1,153	-3%	387
<i>of which hedging net investment in foreign operations</i>	-802	253		-203	-295%	-802	-203	-295%	-65
Tax related to other comprehensive income	-48	837		-320	85%	-48	-320	85%	538
<i>of which cash flow hedges</i>	-222	892		-422	47%	-222	-422	47%	414
<i>of which available-for-sale instruments</i>	-2	1		57		-2	57		110
<i>of which hedging net investment in foreign operations</i>	176	-56		45	291%	176	45	291%	14
Total items that may subsequently be reclassified to profit or loss	-188	-2,940	94%	-656	71%	-188	-656	71%	-2,109
Total other comprehensive income for the period	-188	-2,940	94%	-656	71%	-188	-656	71%	-2,109
Total comprehensive income for the period	1,303	7,620	-83%	3,463	-62%	1,303	3,463	-62%	18,491

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

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

The parent company's operating profit decreased by 55% to SEK 1,990m (4,425), chiefly owing to reduced dividends, as well as lower net gains/losses on financial transactions. Profit for the period decreased by 64% to SEK 1,491m (4,119). Net interest income rose by 7% to SEK 3,845m (3,589), and net fee and commission income increased by 4% to SEK 1,620m (1,563). Since the start of the year, the parent company's equity has decreased to SEK 108,225m (116,642).

BALANCE SHEET – PARENT COMPANY

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Assets					
Cash and balances with central banks	387,092	199,362	353,680	501,696	463,957
Interest-bearing securities eligible as collateral with central banks	94,096	94,236	116,301	114,485	92,174
Loans to credit institutions	670,211	593,125	684,565	638,845	594,779
Loans to the public	778,918	763,567	781,690	770,214	757,955
Bonds and other interest-bearing securities	61,788	60,311	50,394	42,794	50,292
Shares	22,363	19,339	34,838	51,704	38,473
Shares in subsidiaries and investments in associates	46,358	46,363	46,382	45,773	45,784
Assets where the customer bears the value change risk	3,969	4,172	3,860	3,743	3,603
Derivative instruments	77,322	87,061	82,232	96,260	78,170
Intangible assets	2,336	2,268	2,146	2,056	1,994
Property, equipment and leasing assets	2,914	2,970	1,101	1,081	1,084
Current tax assets	448	-	2,322	1,484	498
Deferred tax assets	365	425	472	471	413
Other assets	12,727	16,713	13,307	20,061	12,424
Prepaid expenses and accrued income	3,761	4,792	4,075	4,068	4,292
Total assets	2,164,668	1,894,704	2,177,365	2,294,735	2,145,892
Liabilities and equity					
Due to credit institutions	209,637	189,176	218,830	217,291	203,177
Deposits and borrowing from the public	1,048,659	827,753	1,007,257	1,132,359	1,044,283
Liabilities where the customer bears the value change risk	4,027	4,271	3,927	3,793	3,680
Issued securities	674,987	648,977	712,465	707,071	663,056
Derivative instruments	44,266	54,491	57,377	59,539	64,603
Short positions	11,753	1,572	11,441	8,581	10,181
Current tax liabilities	-	184	-	-	-
Deferred tax liabilities	1,066	1,066	2,026	2,234	1,969
Provisions	307	429	426	455	487
Other liabilities	20,939	8,786	12,931	14,383	11,943
Accrued expenses and deferred income	6,841	7,164	8,343	8,614	8,855
Subordinated liabilities	33,199	33,400	33,008	32,903	33,986
Total liabilities	2,055,681	1,777,269	2,068,031	2,187,223	2,046,220
Untaxed reserves	762	793	535	539	539
Share capital	3,013	3,013	3,008	3,001	2,956
Share premium	5,629	5,628	5,410	5,081	3,204
Other funds	9,156	9,242	12,056	12,456	10,388
Retained earnings	88,936	78,159	78,285	78,390	78,466
Profit for the period	1,491	20,600	10,040	8,045	4,119
Total equity	108,225	116,642	108,799	106,973	99,133
Total liabilities and equity	2,164,668	1,894,704	2,177,365	2,294,735	2,145,892

CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

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

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

January – March 2016 SEK m	Restricted equity			Unrestricted equity					Total
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *	Retained earnings	
Opening equity	2,956	2,682		3,204	1,349	2,016	3,538	91,367	107,112
Profit for the period								4,119	4,119
Other comprehensive income					1,495	-1,043	-1,108		-656
Total comprehensive income for the period					1,495	-1,043	-1,108	4,119	3,463
Dividend								-11,442	-11,442
Effects of convertible subordinated loans	-			-					0
Fund for internally developed software			1,459					-1,459	
Closing equity	2,956	2,682	1,459	3,204	2,844	973	2,430	82,585	99,133

* Included in fair value fund.

During the period January to March 2017, convertibles for a nominal value of SEK 1 m (0) relating to the 2008 subordinated convertible bond were converted into 22,151 class A shares (0). At the end of the period, the number of Handelsbanken shares in the trading book was 0 (0).

CASH FLOW STATEMENT, CONDENSED – PARENT COMPANY

SEK m	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Operating profit	1,990	4,425	25,296
Adjustment for non-cash items in profit/loss	1,046	-267	-12,351
Paid income tax	-1,146	-1,702	-5,281
Changes in the assets and liabilities of operating activities	174,987	243,308	-11,861
Cash flow from operating activities	176,877	245,764	-4,197
Acquisition / divestment of subsidiaries	-	-	-408
Change in shares	3	880	5,437
Change in interest-bearing securities	-	1,000	1,000
Change in property and equipment	-158	-61	-2,257
Change in intangible assets	-152	-95	-598
Cash flow from investing activities	-307	1,724	3,174
Repayment of subordinated loans	-	0	-2,512
Issued subordinated loans	-	0	-
Dividend paid	-	-11,442	-11,442
Received group contributions	12,220	10,635	10,971
Cash flow from financing activities	12,220	-807	-2,983
Liquid funds at beginning of the year	199,362	202,630	202,630
Cash flow for the period	188,790	246,681	-4,006
Exchange rate difference on liquid funds	-1,060	14,646	738
Liquid funds at end of year	387,092	463,957	199,362

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

Own funds and capital ratios – Parent company

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Common equity tier 1 capital	101,698	102,883	96,742	95,408	90,361
Total tier 1 capital	114,296	115,651	108,898	107,453	101,931
Total tier 2 capital	16,164	16,225	16,263	16,006	15,982
Total own funds	130,460	131,876	125,161	123,459	117,913
Capital ratios and buffers					
Common equity tier 1 ratio, CRR	22.3%	23.4%	21.8%	20.8%	20.7%
Tier 1 ratio, CRR	25.0%	26.3%	24.5%	23.5%	23.3%
Total capital ratio, CRR	28.5%	30.0%	28.2%	27.0%	27.0%
Risk exposure amount, CRR	456,975	439,657	444,468	457,600	436,936
Own funds in relation to capital requirement according to transitional rules	258%	260%	244%	241%	236%
Institution-specific buffer requirements	3.6%	3.4%	3.4%	3.4%	3.1%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.1%	0.9%	0.9%	0.9%	0.6%
<i>of which systemic risk buffer requirement</i>	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	17.8%	18.9%	17.3%	16.3%	16.2%

Capital requirement – Parent company

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Credit risk according to standardised approach	11,136	11,258	11,390	11,190	10,645
Credit risk according to IRB Approach	20,466	19,043	19,295	20,657	19,541
Market risk	936	873	817	711	796
Credit valuation adjustment risk (CVA)	627	594	650	645	568
Operational risk	3,393	3,405	3,405	3,405	3,405
Total capital requirement	36,558	35,173	35,557	36,608	34,955
Adjustment according to Basel I floor	14,686	16,010	16,137	15,147	15,563
Capital requirement, Basel I floor	51,244	51,183	51,694	51,755	50,518
Total own funds, Basel I floor	132,262	133,016	126,315	124,606	118,994

Capital requirement credit risks, standardised approach * – Parent company

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Sovereign and central banks	14	6	4	5	9
Municipalities	2	2	3	1	1
Multilateral development banks	0	0	0	0	0
International organisations	0	0	0	0	0
Institutions	61	64	65	58	71
Corporates	771	783	917	818	916
Households	992	1,011	957	938	930
Collateral in real estate	2,762	2,665	2,574	2,487	2,269
Past due items	26	21	19	19	21
Equities	6,111	6,111	6,354	6,372	6,050
Other items	397	595	497	492	378
Total	11,136	11,258	11,390	11,190	10,645

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

Capital requirement credit risks IRB – Parent company

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Corporates	15,875	14,512	15,107	15,314	14,734
Households	2,261	2,265	2,343	2,335	2,080
Private individuals	1,779	1,788	1,847	1,831	1,563
<i>of which property loans</i>	821	812	836	830	746
<i>of which other loans</i>	958	976	1,011	1,001	817
Small companies	482	477	496	504	517
Institutions	1,443	1,392	1,301	1,381	1,255
Equity exposures	794	780	456	1,541	1,384
<i>of which listed shares</i>	-	-	-	949	979
<i>of which other shares</i>	794	780	456	593	405
Non credit-obligation assets	91	92	88	86	87
Securitisation positions	2	2	0	0	0
Total IRB	20,466	19,043	19,295	20,657	19,540

Capital requirement market risks – Parent company

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Position risk in the trading book	928	864	810	703	789
Interest rate risk	917	855	801	694	778
<i>of which positions in securitisation instruments</i>	-	-	-	0	-
Equity price risk	11	9	9	9	11
Exchange rate risk	-	-	-	-	-
Commodities risk	8	9	7	8	7
Settlement risk	-	0	0	0	0
Total capital requirement for market risks	936	873	817	711	796

Leverage ratio – Parent company

SEK m	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Balance sheet according to accounting regulations	2,164,668	1,894,704	2,177,365	2,294,735	2,145,892
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-24,891	-12,825	-18,977	-16,621	-21,580
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	3,856	4,440	5,447	8,471	8,312
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	530,052	539,468	539,151	531,167	525,339
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	-345,307	-348,431	-347,254	-343,000	-335,227
Assets reported off the balance sheet, net	184,745	191,037	191,897	188,167	190,112
Additional adjustment	-574,506	-572,136	-563,981	-8,361	-7,500
Assets on which the leverage ratio is calculated	1,753,872	1,505,220	1,791,751	2,466,391	2,315,236
Capital on which the leverage ratio can be calculated					
Tier 1 capital	114,296	115,651	108,898	107,453	101,931
Leverage ratio					
Leverage ratio calculated on tier 1 capital	6.5%	7.7%	6.1%	4.4%	4.4%

SUBMISSION OF REPORT

I hereby submit this report.

Stockholm, 26 April 2017

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 9 a.m. (CET) on 26 April.

A phone conference will be held at 11 a.m. (CET) on 26 April.

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

The interim report for January–June 2017 will be published on 18 July 2017.

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Auditors' report concerning review of interim report

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

INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 31 March 2017 and for the three-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.

FOCUS AND SCOPE OF THE REVIEW

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

less in scope than an audit conducted in accordance with the International Standards on Auditing. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

CONCLUSION

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

Stockholm, 26 April 2017

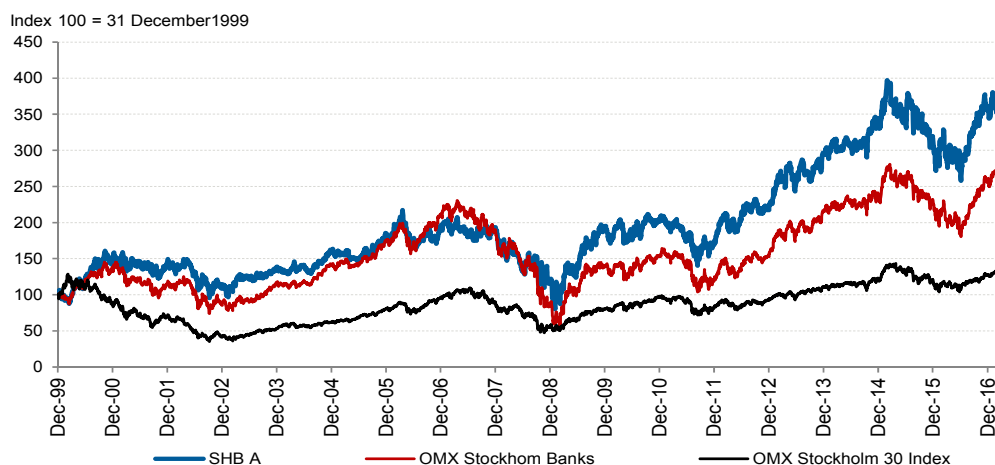
Ernst & Young AB
Jesper Nilsson, Authorised Public Accountant

PricewaterhouseCoopers AB
Johan Rippe, Authorised Public Accountant

Share price performance and other information

The Swedish stock market grew by 5% during the first three months of the year. The Stockholm stock exchange's bank index fell by 1%. Handelsbanken's class A shares closed at SEK 122.90, a decline of 3%, but including the dividend paid amounting to SEK 5.00, the total return was 1%. Since 1 January 2000, Handelsbanken's share price has increased by 245%, excluding dividends, while the Stockholm stock exchange has risen by 32%.

SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



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