

Handelsbanken's Interim Report

JANUARY – SEPTEMBER 2017

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

- Operating profit increased by 1% to SEK 16,028m (15,935), but grew by 10% after adjustments for non-recurring items and this year's resumption of provisions to Oktogonen
- The period's profit after tax for total operations decreased by 4% to SEK 12,340m (12,801)
- Earnings per share for total operations were SEK 6.35 (6.66)
- Return on equity for total operations declined to 12.7% (14.0)
- Income was SEK 30,522m (30,638), but increased by 5% adjusted for capital gains in the period of comparison
- Net interest income rose by 7% to SEK 21,989m (20,644)
- Net fee and commission income rose by 8% to SEK 7,217m (6,709)
- The C/I ratio increased to 45.6% (45.1)
- The loan loss ratio decreased to 0.04% (0.06)
- The common equity tier 1 ratio declined to 23.6% (24.0) and the total capital ratio was 28.5% (30.1)

Summary of Q3 2017, compared with Q2 2017

- Operating profit increased by 3% to SEK 5,424m (5,257)
- The period's profit after tax for total operations grew by 3% to SEK 4,173m (4,056) and earnings per share increased to SEK 2.15 (2.09)
- Return on equity for total operations was 12.9% (12.9)
- Income totalled SEK 10,248m (10,238)
- Net interest income increased by 4% to SEK 7,587m (7,321)
- The C/I ratio decreased to 45,0% (46,9)
- The loan loss ratio was unchanged at 0.04% (0.04)

Contents

	Page
Group – Overview.....	3
Group performance.....	4
Group – Business segments.....	8
Handelsbanken Sweden.....	9
Handelsbanken UK.....	11
Handelsbanken Denmark.....	13
Handelsbanken Finland.....	15
Handelsbanken Norway.....	17
Handelsbanken the Netherlands.....	19
Handelsbanken Capital Markets.....	21
Other units not reported in the business segments.....	23
Key figures.....	24
The Handelsbanken share.....	24
Condensed set of financial statements – Group.....	25
Income statement.....	25
Earnings per share.....	25
Statement of comprehensive income.....	26
Quarterly performance.....	27
Balance sheet.....	28
Statement of changes in equity.....	29
Cash flow statement.....	30
Note 1 Accounting policies.....	30
Note 2 Net interest income.....	32
Note 3 Net fee and commission income.....	32
Note 4 Net gains/losses on financial transactions.....	33
Note 5 Other expenses.....	33
Note 6 Loan losses and impaired loans.....	34
Note 7 Discontinued operations.....	35
Note 8 Loans and credit exposure.....	35
Note 9 Derivatives.....	37
Note 10 Offsetting of financial instruments.....	38
Note 11 Goodwill and other intangible assets.....	39
Note 12 Due to credit institutions, deposits and borrowing from the public.....	39
Note 13 Issued securities.....	39
Note 14 Pledged assets, contingent liabilities and other commitments.....	39
Note 15 Classification of financial assets and liabilities.....	40
Note 16 Fair value measurement of financial instruments.....	42
Note 17 Assets and liabilities by currency.....	44
Note 18 Own funds and capital requirements in the consolidated situation.....	45
Note 19 Risk and liquidity.....	49
Note 20 Related-party transactions.....	53
Note 21 Segment reporting.....	53
Note 22 Events after the balance sheet date.....	53
Condensed set of financial statements – Parent company.....	54
Information on phone conference, etc.....	60
Auditors' review report.....	61
Share price performance and other information.....	62

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

Handelsbanken Group – Overview

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Summary income statement									
Net interest income	7,587	7,321	4%	7,041	8%	21,989	20,644	7%	27,943
Net fee and commission income	2,355	2,508	-6%	2,259	4%	7,217	6,709	8%	9,156
Net gains/losses on financial transactions	243	317	-23%	1,112	-78%	1,107	2,797	-60%	3,066
Risk result - insurance	19	53	-64%	25	-24%	108	136	-21%	142
Other dividend income	2	11	-82%	1	100%	15	226	-93%	228
Share of profit of associates	14	-3		10	40%	-16	25		25
Other income	28	31	-10%	25	12%	102	101	1%	203
Total income	10,248	10,238	0%	10,473	-2%	30,522	30,638	0%	40,763
Staff costs	-3,134	-3,242	-3%	-2,941	7%	-9,294	-9,561	-3%	-12,542
Other expenses	-1,337	-1,410	-5%	-1,234	8%	-4,177	-3,883	8%	-5,401
Depreciation, amortisation and impairment of property, equipment and intangible assets	-140	-145	-3%	-137	2%	-435	-381	14%	-495
Total expenses	-4,611	-4,797	-4%	-4,312	7%	-13,906	-13,825	1%	-18,438
Profit before loan losses	5,637	5,441	4%	6,161	-9%	16,616	16,813	-1%	22,325
Net loan losses	-217	-186	17%	-476	-54%	-599	-892	-33%	-1,724
Gains/losses on disposal of property, equipment and intangible assets	4	2	100%	6	-33%	11	14	-21%	32
Operating profit	5,424	5,257	3%	5,691	-5%	16,028	15,935	1%	20,633
Taxes	-1,251	-1,201	4%	-1,127	11%	-3,688	-3,147	17%	-4,401
Profit for the period from continuing operations	4,173	4,056	3%	4,564	-9%	12,340	12,788	-4%	16,232
Profit for the period pertaining to discontinued operations, after tax	-	-		-		-	13		13
Profit for the period	4,173	4,056	3%	4,564	-9%	12,340	12,801	-4%	16,245
Summary balance sheet									
Loans to the public	2,040,589	2,011,455	1%	1,965,649	4%	2,040,589	1,965,649	4%	1,963,622
<i>of which mortgage loans</i>	<i>1,202,314</i>	<i>1,182,790</i>	<i>2%</i>	<i>1,134,235</i>	<i>6%</i>	<i>1,202,314</i>	<i>1,134,235</i>	<i>6%</i>	<i>1,150,594</i>
Deposits and borrowing from the public	1,112,138	1,120,291	-1%	1,009,427	10%	1,112,138	1,009,427	10%	829,336
<i>of which households</i>	<i>442,778</i>	<i>429,725</i>	<i>3%</i>	<i>398,655</i>	<i>11%</i>	<i>442,778</i>	<i>398,655</i>	<i>11%</i>	<i>404,112</i>
Total equity	138,951	134,900	3%	134,085	4%	138,951	134,085	4%	136,381
Total assets	2,981,055	2,961,094	1%	2,908,935	2%	2,981,055	2,908,935	2%	2,627,580
Summary of key figures									
Return on equity, total operations	12.9%	12.9%		14.7%		12.7%	14.0%		13.1%
Return on equity, continuing operations	12.9%	12.9%		14.7%		12.7%	14.0%		13.1%
C/I ratio, continuing operations	45.0%	46.9%		41.2%		45.6%	45.1%		45.2%
Earnings per share, total operations, SEK	2.15	2.09		2.36		6.35	6.66		8.43
- after dilution	2.13	2.06		2.32		6.29	6.55		8.31
Common equity tier 1 ratio, CRR	23.6%	23.4%		24.0%		23.6%	24.0%		25.1%
Total capital ratio, CRR	28.5%	29.0%		30.1%		28.5%	30.1%		31.4%

Group performance

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

The Group's operating profit grew by 1% to SEK 16,028m (15,935). After adjustments for non-recurring items and this year's resumption of provisions to Oktogonen, operating profit increased by 10%. The period's profit after tax for total operations decreased by 4% to SEK 12,340m (12,801), and earnings per share were SEK 6.35 (6.66).

The common equity tier 1 ratio decreased to 23.6% (24.0). In 2017, new models have been introduced for calculation of capital adequacy for corporate and sovereign exposures. This has resulted in a decrease in both the Bank's capital ratios and the capital requirements, expressed as ratios, communicated by the Swedish Financial Supervisory Authority. The Bank has continued to generate capital. Return on equity for total operations declined to 12.7% (14.0). The C/I ratio rose to 45.6% (45.1).

Income

SEK m	Jan-Sep 2017	Jan-Sep 2016	Change
Net interest income	21,989	20,644	7%
Net fee and commission income	7,217	6,709	8%
Net gains/losses on financial trans. <i>of which capital gains sale of shares</i>	1,107	2,797	-60%
		1,685	
Other income	209	488	-57%
Total income	30,522	30,638	0%

Income fell marginally to SEK 30,522m (30,638). Adjusted for capital gains on the sale of shares in the period of comparison, the increase was 5%. The effect of exchange rate movements was marginal.

Net interest income rose by 7% to SEK 21,989m (20,644).

Starting from 2017, the Bank defines its lending and deposit margins as the customer interest rate minus the internal interest rates which are either debited or credited to branch operations. Higher lending volumes increased net interest income by SEK 869m. Lower lending margins in branch operations reduced net interest income by SEK -104m. Deposits had a SEK 184m positive impact on net interest income, due to increasing deposit volumes.

The benchmark effect in Stadshypotek increased to SEK 5m (-45), and the doubled fee to the Resolution Fund amounted to SEK -1,300m (-736). Including fees for various deposit guarantees, government fees increased by SEK 540m to SEK -1,520m (-980). The remainder of the increase in net interest income was chiefly attributable to lower funding costs.

The average volume of loans to the public grew by 4% to SEK 2,008bn (1,923). Exchange rate effects increased average volumes by SEK 3bn. Household

lending grew by just over 6% to SEK 1,054bn (990), while corporate lending grew by 2% to SEK 954bn (933). In local currencies, lending increased in all home markets.

The average volume of deposits and borrowing rose by 3% to SEK 1,020bn (992). The effect of exchange rate movements was marginal. The average volume of household deposits increased by 11% to SEK 417bn (374), while corporate deposits decreased by 2% to SEK 603bn (618).

Net fee and commission income rose by 8% to SEK 7,217m (6,709), primarily due to higher fund and asset management commissions. Fund management commissions increased by 19% to SEK 2,613m (2,188), and custody and asset management commissions also grew by 19%. Lending and deposit commissions rose by 5% to SEK 910m (863), while net payment commissions decreased by almost 1% to SEK 1,386m (1,394). Net fee and commission income from card operations decreased to SEK 889m (935), primarily due to higher clearing and service fees.

Net gains/losses on financial transactions declined to SEK 1,107m (2,797); this was chiefly because the period of comparison included capital gains from the sale of shares totalling SEK 1,685m.

Other income decreased to SEK 209m (488). The decrease was primarily attributable to lower dividend income.

Expenses

SEK m	Jan-Sep 2017	Jan-Sep 2016	Change
Staff costs	-9,294	-9,561	-3%
<i>of which Oktogonen</i>	-635	-	
<i>of which Norwegian pension plan</i>	239	-	
<i>of which provision for early retirement</i>	-	-700	
Other expenses	-4,177	-3,883	8%
Depreciation and amortisation	-435	-381	14%
Total expenses	-13,906	-13,825	1%

Total expenses rose by 1% to SEK -13,906m (-13,825). The effect of exchange rate movements was marginal.

Staff costs fell by 3% to SEK -9,294m (-9,561). In the first quarter, staff costs declined by SEK 239m as a result of the transition to a defined contribution pension plan in the Norwegian operations and the period of comparison included a provision of SEK -700m. Adjusted for these items, underlying staff costs rose by 8%, or SEK 672m, mainly because of the resumption of provisions to the Oktogonen Foundation, which totalled SEK -635m (-). Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -54m (-68).

The average number of employees fell by 12, to 11,791 (11,803). The ongoing work to improve efficiency is continuing according to plan.

Other expenses rose by 8% to SEK -4,177m (-3,883), chiefly due to higher costs for IT development.

Loan losses

SEK m	Jan-Sep 2017	Jan-Sep 2016	Change
Net loan losses	-599	-892	-293
Loan loss ratio as a % of loans, acc.	0.04	0.06	-0.02
Impaired loans, net	3,028	3,321	-9%
Proportion of impaired loans, %	0.15	0.17	-0.02

Loan losses fell to SEK -599m (-892), and the loan loss ratio fell to 0.04% (0.06). Net impaired loans decreased by 9% to SEK 3,028m (3,321), equivalent to 0.15% (0.17) of lending.

Q3 2017 COMPARED WITH Q2 2017

Operating profit increased by 3% to SEK 5,424m (5,257). The period's profit after tax for total operations increased by 3% to SEK 4,173m (4,056). Earnings per share increased to SEK 2.15 (2.09) and the return on equity was 12.9% (12.9).

The C/I ratio went down to 45.0% (46.9).

Income

SEK m	Q3 2017	Q2 2017	Change
Net interest income	7,587	7,321	4%
Net fee and commission income	2,355	2,508	-6%
Net gains/losses on financial trans.	243	317	-23%
Other income	63	92	-32%
Total income	10,248	10,238	0%

Income totalled SEK 10,248m (10,238). Exchange rate effects reduced income by SEK 118m.

Net interest income grew by 4%, or SEK 266m, to SEK 7,587m (7,321). In local currency, net interest income rose by 5%.

Higher lending volumes contributed SEK 83m, while lending margins in the branch operations reduced net interest income by SEK 1m. Increased deposit volumes contributed SEK 26m, while deposit margins had a negative impact of SEK -4m. Exchange rate effects had a negative impact of SEK 96m on net interest income, while an extra day in the quarter contributed SEK 28m. Government fees fell to SEK -477m (-516), as a result of lower fees for the Swedish deposit guarantee scheme. The benchmark effect in Stadshypotek increased to SEK 44m (-31), as a result of a large SEK bond maturing at the end of the preceding quarter. The remainder of the increase in net interest income was attributable to lower funding costs.

The average volume of loans to the public grew by SEK 2bn to SEK 2,019bn (2,017). Exchange rate effects reduced the average volume by SEK 18bn, and in local currencies, lending increased by 1%. Household lending rose by 1%, while the average volume of corporate lending decreased by 1%. The total average volume of deposits and borrowing rose by 2% to SEK 1,059bn (1,037). Exchange rate effects reduced the average volume by SEK 19bn, and in local currencies, deposits

and borrowing increased by 4%. Household deposits grew by 3%, and the average volume of corporate deposits rose by 2%.

Net fee and commission income declined by 6% to SEK 2,355m (2,508). The decline was chiefly attributable to seasonally lower brokerage income and advisory commissions, owing to lower customer activity during the summer months. Brokerage income decreased to SEK 172m (246), while advisory commissions fell to SEK 37m (105). Fund management commissions fell to SEK 869m (895), while commissions on custody accounts and other asset management increased to SEK 189m (169). However, this was largely attributable to the fact that fund management commissions in Denmark, which were previously reported as mutual fund commissions, are now reported as custody commissions. Net payment commissions were virtually unchanged, amounting to SEK 478m (479), including net commissions from card operations, which increased to SEK 317m (306).

Net gains/losses on financial transactions fell to SEK 243m (317), mainly as a result of seasonally lower activity in customer-driven foreign exchange trading.

Other income decreased to SEK 63m (92), chiefly due to a lower risk result in insurance operations.

Expenses

SEK m	Q3 2017	Q2 2017	Change
Staff costs	-3,134	-3,242	-3%
Other expenses	-1,337	-1,410	-5%
Depreciation and amortisation	-140	-145	-3%
Total expenses	-4,611	-4,797	-4%

Expenses decreased by 4% to SEK -4,611m (-4,797).

Exchange rate effects reduced expenses by SEK 64m.

Staff costs decreased by 3% to SEK -3,134m (-3,242); 1 percentage point of this was attributable to exchange rate movements. The provision to the Oktogonen profit-sharing foundation amounted to SEK -149m (-243). The period's provision for variable remuneration decreased to SEK -7m (-27). The average number of employees increased to 12,102 (11,687), mainly due to the employment of temporary staff during the summer holiday months.

Other expenses decreased by 5% to SEK -1,337m (-1,410), chiefly as a result of seasonally lower activity levels during the holiday months of July and August. Exchange rate movements reduced other expenses by SEK 22m.

Loan losses

SEK m	Q3 2017	Q2 2017	Change
Net loan losses	-217	-186	31
Loan loss ratio as a % of loans	0.04	0.04	0.00
Impaired loans, net	3,028	2,952	3%
Proportion of impaired loans, %	0.15	0.15	0.00

Loan losses increased slightly to SEK -217m (-186) and the loan loss ratio remained unchanged at 0.04% (0.04). The underlying credit quality remained stable.

Net impaired loans rose slightly to SEK 3,028m (2,952), equivalent to 0.15% (0.15) of lending.

Taxes

The tax rate in the third quarter was 23.1% (22.8).

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 has increased the Bank's corporate tax by about SEK 280m.

FUNDING AND LIQUIDITY

Handelsbanken's bond issues during the first nine months decreased to SEK 109bn (179), consisting of SEK 87bn (129) in covered bonds and SEK 22bn (50) 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 non-encumbered market funding was 236% (210% at year-end 2016).

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

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of the third quarter was 126% (162). In USD, the LCR was 225% (164), and in EUR it was 139% (178). The Group's LCR, calculated according to the European Commission's delegated act, was 148% (181). At the end of the third quarter, the net stable funding ratio (NSFR) was 104% (102% at year-end).

CAPITAL

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

During the first half of the year, the Authority approved the Bank's new PD models for corporate exposure and the Bank's models for capital adequacy for sovereign exposures applying the IRB Approach.

The common equity tier 1 ratio at the end of the third quarter was 23.6%. The Authority has now completed its 2017 Supervisory Review and Evaluation Process (SREP). The capital requirement communicated to the Bank in the SREP is forward-looking. Based on the SREP, the Bank's assessment is that the common equity tier 1 capital requirement at the end of Q3 amounted to 20.1%. Thus the Bank's common equity tier 1 ratio was 0.5 percentage points above the upper limit of the target

range. If the current situation with capitalisation above the target range remains at the year-end, the capital level will be calibrated.

Capital situation 30 September 2017 compared with 30 September 2016

SEK m	30 Sep 2017	30 Sep 2016	Change
Common equity tier 1 ratio, CRR	23.6%	24.0%	-0.4
Total capital ratio, CRR	28.5%	30.1%	-1.6
Risk exposure amount CRR	507,413	463,675	9%
Common equity tier 1 capital	119,511	111,134	8%
Total own funds	144,569	139,553	4%
Capital requirement, Basel I floor	101,996	98,228	4%
Total own funds, Basel I floor	146,815	141,120	4%

Own funds increased to SEK 145bn (140), putting the Bank's total capital ratio at 28.5% (30.1).

The common equity tier 1 capital increased to SEK 120bn (111), and the common equity tier 1 ratio fell by 0.4 percentage points to 23.6% (24.0). The implementation of new PD models, as well as IRB models for sovereign exposures, reduced the common equity tier 1 ratio by -2.3 percentage points.

The period's earnings contributed 0.8 percentage points after a deduction for the dividend generated. Conversions of the 2011 staff convertible bond increased the ratio by 0.1 percentage point.

Higher lending volumes reduced the common equity tier 1 ratio by 0.2 percentage points. Credit risk migration in the loan portfolio affected the common equity tier 1 ratio by -0.2 percentage points. At the same time, as a result of new lending volumes having lower risk than the exposures leaving the credit portfolio (known as volume migration), the common equity tier 1 ratio increased by 0.2 percentage points.

The change in net pensions increased the common equity tier 1 ratio by 1.8 percentage points, due to both higher asset values and raised discount rates. Exchange rate effects were neutral, and the net effect of other factors reduced the common equity tier 1 ratio by -0.6 percentage points.

Capital situation 30 September 2017 compared with 30 June 2017

SEK m	30 Sep 2017	30 Jun 2017	Change
Common equity tier 1 ratio, CRR	23.6%	23.4%	0.2
Total capital ratio, CRR	28.5%	29.0%	-0.5
Risk exposure amount CRR	507,413	504,199	1%
Common equity tier 1 capital	119,511	117,851	1%
Total own funds	144,569	146,164	-1%
Capital requirement, Basel I floor	101,996	100,575	1%
Total own funds, Basel I floor	146,815	148,436	-1%

Own funds decreased to SEK 145bn (146), and the total capital ratio declined to 28.5% (29.0). 0.6 percentage points of the decrease was due to a deduction for dated

subordinated loans which mature during the month after the end of the quarter. The common equity tier 1 capital grew to SEK 120bn (118), and the common equity tier 1 ratio according to CRR increased by 0.2 percentage points to 23.6% (23.4). The period's earnings contributed 0.3 percentage points after a deduction for the dividend generated.

Rising lending volumes reduced the common equity tier 1 ratio by -0.1 percentage points. The net effect of credit risk and volume migration was neutral.

The change in net pensions increased the common equity tier 1 capital ratio by 0.1 percentage points, due to higher asset values. The discount rate for Swedish pension obligations was 2.30% (2.30).

Exchange rate effects were neutral, and the net effect of other factors reduced the common equity tier 1 ratio by -0.1 percentage points.

Economic capital and available financial resources

Handelsbanken's internal assessment of the capital requirement is based on the Bank's capital requirement, stress tests, and the Bank's model for economic capital (EC). Economic capital is measured in relation to the Bank's available financial resources (AFR). The Board stipulates that the AFR/EC ratio for the Group must exceed 120%. At the end of the third quarter, Group EC totalled SEK 60.6bn, while AFR was SEK 162.3bn. Thus, the ratio between AFR and EC was 268%.

For the consolidated situation, EC totalled SEK 34.2bn, and AFR was SEK 161.2bn.

IFRS 9

Starting from the 2018 financial year, IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: recognition and measurement. When the transition to the new standard takes place, the provisions for loan losses will increase. This is adjusted against equity. At the same time, in the Bank's assessment, the transition will not have a negative impact on capital ratios. The reason for this is that the Capital Requirements Regulation allows loan loss provisions in the accounting to be set off against provisions for expected loan losses according to the Regulation. The latter loan loss provisions have been adjusted for a downturn, unlike IFRS 9, which is based on current forward-looking assessments of the credit risk in the current credit portfolio.

RATING

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

January - September 2016	Home markets									Group Jan-Sep 2016
	Sweden	UK	Denmark	Finland	Norway	Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	11,501	3,303	1,239	916	2,422	312	406	545		20,644
Net fee and commission income	3,131	372	284	303	274	26	2,266	53		6,709
Net gains/losses on financial transactions	541	160	54	66	93	3	822	1,058		2,797
Risk result - insurance							136			136
Share of profit of associates						0		25		25
Other income	19	0	12	7	76	0	6	207		327
Total income	15,192	3,835	1,589	1,292	2,865	341	3,636	1,888		30,638
Staff costs	-2,804	-1,379	-478	-279	-496	-145	-1,787	-2,012	-181	-9,561
Other expenses	-851	-320	-128	-157	-144	-44	-632	-1,607		-3,883
Internal purchased and sold services	-1,965	-394	-209	-177	-272	-53	-39	3,109		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-56	-35	-10	-10	-2	-5	-57	-203	-3	-381
Total expenses	-5,676	-2,128	-825	-623	-914	-247	-2,515	-713	-184	-13,825
Profit before loan losses	9,516	1,707	764	669	1,951	94	1,121	1,175	-184	16,813
Net loan losses	-236	-87	-238	-50	-240	0	-41			-892
Gains/losses on disposal of property, equipment and intangible assets	1	2	6	0	0	-	0	5		14
Operating profit	9,281	1,622	532	619	1,711	94	1,080	1,180	-184	15,935
Profit allocation	697	26	63	93	61	2	-942			
Operating profit after profit allocation	9,978	1,648	595	712	1,772	96	138	1,180	-184	15,935
Internal income*	81	-987	-291	-237	-1,871	-163	-2,026	5,494		

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

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

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

Handelsbanken Sweden

Handelsbanken Sweden comprises branch operations in five regional banks, as well as the operations of Handelsbanken Finans, Ecster and Stadshypotek in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 422 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches.

INCOME STATEMENT

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	4,301	4,076	6%	3,929	9%	12,323	11,501	7%	15,519
Net fee and commission income	1,113	1,117	0%	1,047	6%	3,288	3,131	5%	4,233
Net gains/losses on financial transactions	173	176	-2%	167	4%	496	541	-8%	725
Other income	7	16	-56%	4	75%	34	19	79%	47
Total income	5,594	5,385	4%	5,147	9%	16,141	15,192	6%	20,524
Staff costs	-876	-848	3%	-278	215%	-2,580	-2,804	-8%	-3,671
Other expenses	-268	-279	-4%	-261	3%	-826	-851	-3%	-1,153
Internal purchased and sold services	-732	-773	-5%	-630	16%	-2,297	-1,965	17%	-2,645
Depreciation, amortisation and impairments of property, equipment and intangible assets	-18	-17	6%	-19	-5%	-62	-56	11%	-67
Total expenses	-1,894	-1,917	-1%	-1,188	59%	-5,765	-5,676	2%	-7,536
Profit before loan losses	3,700	3,468	7%	3,959	-7%	10,376	9,516	9%	12,988
Net loan losses	-42	-39	8%	-128	-67%	-141	-236	-40%	-416
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	1	-100%	0	1	-100%	0
Operating profit	3,658	3,429	7%	3,832	-5%	10,235	9,281	10%	12,572
Profit allocation	322	330	-2%	271	19%	946	697	36%	997
Operating profit after profit allocation	3,980	3,759	6%	4,103	-3%	11,181	9,978	12%	13,569
Internal income	219	182	20%	71	208%	385	81	375%	116
Cost/income ratio, %	32.0	33.5		21.9		33.7	35.7		35.0
Loan loss ratio, %	0.01	0.01		0.04		0.02	0.03		0.03
Allocated capital	78,083	74,464	5%	72,997	7%	78,083	72,997	7%	77,800
Return on allocated capital, %	15.9	15.7		17.5		15.4	14.7		14.7
Average number of employees	4,232	3,990	6%	4,352	-3%	4,076	4,355	-6%	4,293
Number of branches	422	423	0%	463	-9%	422	463	-9%	435

BUSINESS VOLUMES

Average volumes, SEK bn	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Loans to the public*									
Household	788	775	2%	748	5%	776	735	6%	740
of which mortgage loans	738	725	2%	695	6%	726	681	7%	687
Corporate	491	486	1%	479	3%	485	481	1%	479
of which mortgage loans	285	280	2%	270	6%	280	272	3%	271
Total	1,279	1,261	1%	1,227	4%	1,261	1,216	4%	1,219
Deposits and borrowing from the public									
Household	325	316	3%	302	8%	316	291	9%	295
Corporate	232	229	1%	200	16%	226	199	14%	201
Total	557	545	2%	502	11%	542	490	11%	496

* Excluding loans to the National Debt Office.

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Financial performance

Operating profit increased by 10% to SEK 10,235m (9,281). The period of comparison was charged with a provision of SEK -102m relating primarily to early retirements, and adjusted for this, operating profit increased by 9%.

Net interest income increased by 7% to SEK 12,323m (11,501). Higher lending volumes increased net interest income by SEK 403m and improved lending margins by an additional SEK 21m. Deposit operations contributed SEK 92m due to volumes and SEK 15m due to improved margins. The benchmark effect in Stadshypotek had a positive impact on net interest income, increasing it by SEK 50m to SEK 5m (-45). Fees for the Resolution Fund and the deposit guarantee rose by SEK 283m to SEK -778m (-495). The remainder of the increase in net interest income was mainly due to lower funding costs.

Net fee and commission income rose by 5% to SEK 3,288m (3,131). The increase was primarily attributable to higher fund management and insurance commissions.

Net gains/losses on financial transactions decreased by 8% to SEK 496m (541), primarily as a consequence of lower early loan repayment charges.

Total expenses rose by 2% to SEK -5,765m (-5,676). Adjusted for the aforementioned provision during the period of comparison, expenses increased by 3%. Staff costs decreased by 8% to SEK -2,580m (-2,804). The average number of employees fell by 6% to 4,076 (4,355).

Expenses for services bought and sold internally rose by 17% to SEK -2,297m (-1,965), mainly due to higher IT development costs and adaptations to regulations.

The C/I ratio improved to 33.7% (35.7).

Loan losses fell to SEK -141m (-236), and the loan loss ratio fell to 0.02% (0.03).

Business development

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

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

In Finansbarometern's annual survey, Handelsbanken has once again been voted Business Bank of the Year – for the seventh year running – and Sweden's Small Enterprise Bank – for the sixth year running.

During the first nine months of the year, new savings in the Bank's mutual funds in Sweden totalled SEK 16.1bn (7.5), corresponding to a market share of 23.7%.

The average volume of mortgage loans to private individuals increased by 7% to SEK 726bn (681), while the average volume of lending to companies rose by 1% to SEK 485bn (481). The average volume of deposits from households rose by 9% to SEK 316bn (291).

Handelsbanken had a total of 422 (463) branches in Sweden.

Q3 2017 COMPARED WITH Q2 2017

Operating profit increased by 7% to SEK 3,658m (3,429), and return on allocated capital rose to 15.9% (15.7).

Net interest income rose by 6%, or SEK 225m, to SEK 4,301m (4,076). Of this increase, SEK 50m derived from the positive contribution of higher lending volumes, while lending margins increased net interest income by SEK 3m. Net interest income from deposit operations increased by SEK 11m. The benchmark effect in Stadshypotek had a positive impact on net interest income, increasing it by SEK 75m to SEK 44m (-31). Lower government fees also had a positive impact of SEK 36m on net interest income, and amounted to SEK -234m (270). Most of the remainder of the increase in net interest income was attributable to lower funding costs.

The average volume of mortgage loans to private individuals grew by 2% to SEK 738bn (725). The gross margin on the mortgage portfolio – before advisory and administration expenses – was unchanged at 1.06% (1.06).

The average volume of corporate lending increased by 1% to SEK 491bn (486).

Net fee and commission income decreased to SEK 1,113m (1,117), as the positive seasonal rise in card commissions was offset by the negative seasonal fall in brokerage business.

Net gains/losses on financial transactions remained largely unchanged at SEK 173m (176).

Expenses decreased by 1% to SEK -1,894m (-1,917), attributable to lower expenses for services bought and sold and other administrative expenses. The average number of employees rose to 4,232 (3,990) as a result of the employment of temporary staff during the summer.

Loan losses remained largely unchanged, amounting to SEK -42m (-39) and the loan loss ratio was unchanged at 0.01% (0.01).

Handelsbanken UK

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

INCOME STATEMENT

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	1,157	1,178	-2%	1,085	7%	3,414	3,303	3%	4,414
Net fee and commission income	147	150	-2%	121	21%	437	372	17%	519
Net gains/losses on financial transactions	46	48	-4%	34	35%	140	160	-13%	219
Other income	1	0		-1		1	0		3
Total income	1,351	1,376	-2%	1,239	9%	3,992	3,835	4%	5,155
Staff costs	-452	-461	-2%	-444	2%	-1,366	-1,379	-1%	-1,849
Other expenses	-117	-126	-7%	-109	7%	-355	-320	11%	-463
Internal purchased and sold services	-139	-151	-8%	-137	1%	-440	-394	12%	-545
Depreciation, amortisation and impairments of property, equipment and intangible assets	-15	-16	-6%	-11	36%	-47	-35	34%	-46
Total expenses	-723	-754	-4%	-701	3%	-2,208	-2,128	4%	-2,903
Profit before loan losses	628	622	1%	538	17%	1,784	1,707	5%	2,252
Net loan losses	-148	-23		-20		-183	-87	110%	-160
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0		-1	2		2
Operating profit	480	599	-20%	518	-7%	1,600	1,622	-1%	2,094
Profit allocation	9	7	29%	11	-18%	24	26	-8%	35
Operating profit after profit allocation	489	606	-19%	529	-8%	1,624	1,648	-1%	2,129
Internal income	-225	-286	21%	-310	27%	-809	-987	18%	-1,195
Cost/income ratio, %	53.2	54.5		56.1		55.0	55.1		55.9
Loan loss ratio, %	0.30	0.05		0.04		0.12	0.06		0.08
Allocated capital	12,519	12,144	3%	10,582	18%	12,519	10,582	18%	11,426
Return on allocated capital, %	12.2	15.6		15.6		13.5	16.2		15.4
Average number of employees	2,073	2,022	3%	1,987	4%	2,029	1,952	4%	1,959
Number of branches	207	207	0%	206	0%	207	206	0%	207

BUSINESS VOLUMES

Average volumes, GBP m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Loans to the public									
Household	6,210	6,073	2%	5,609	11%	6,066	5,451	11%	5,527
Corporate	12,411	12,050	3%	11,196	11%	12,060	10,870	11%	11,007
Total	18,621	18,123	3%	16,805	11%	18,126	16,321	11%	16,534
Deposits and borrowing from the public									
Household	3,965	3,603	10%	2,751	44%	3,622	2,412	50%	2,569
Corporate	9,113	8,490	7%	7,526	21%	8,481	7,107	19%	7,218
Total	13,078	12,093	8%	10,277	27%	12,103	9,519	27%	9,787

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Financial performance

Operating profit decreased by 1% to SEK 1,600m (1,622). However, exchange rate effects reduced operating profit by SEK -95m; expressed in local currency, operating profit grew by 5%. The return on allocated capital decreased to 13.5% (16.2).

Income rose by 4%. In local currency, income rose by 11%.

Net interest income improved by 3% to SEK 3,414m (3,303). Exchange rate effects had a negative impact of SEK -196m on net interest income, although expressed in local currency, net interest income grew by 10%. Increased lending volumes contributed SEK 259m, and deposit volumes contributed SEK 84m. Lower lending margins negatively affected net interest income by SEK -85m, while deposit margins had a SEK -30m impact. Government fees which affected net interest income rose to SEK -131m (-65). Lower funding costs had a positive effect on net interest income.

Net fee and commission income rose by 17% to SEK 437m (372). In local currency, the increase was 25%; this was due mainly to higher lending commissions, but also to higher payment and asset management commissions.

Net gains/losses on financial transactions decreased to SEK 140m (160), chiefly because the period of comparison included one-off income related to the sale of Visa Europe.

Expenses rose by 4% to SEK -2,208m (-2,128). In local currency, expenses were up by 10%, as a result of expanding operations and expenses relating to Brexit.

The Bank continues to see good opportunities for expansion and growing business volumes in the UK, regardless of Brexit. The preparations to convert the UK branch structure into a subsidiary are ongoing. The measures and expenses necessitated by such a process mean that operations in the UK will be given greater opportunities for continuing their favourable and long-term business development.

The average number of employees grew by 4% to 2,029 (1,952).

Loan losses were SEK -183m (-87), which corresponds to a loan loss ratio of 0.12% (0.06).

Business development

Business volumes continued to grow. The average volume of deposits from households rose by 50% compared with the corresponding period of 2016, while

lending to households grew by 11%. Overall, the average volume of lending increased by 11% to GBP 18.1bn, while total deposits grew by 27% to GBP 12.1bn. Therefore the loan-to-deposit ratio continued to decrease and was 142% at the end of Q3 2017, compared with 164% at the end of Q3 2016.

Heartwood's assets under management totalled GBP 3.3bn, compared with GBP 2.9bn at the year-end.

The number of branches in the UK was unchanged during the first nine months of the year, at 207.

Q3 2017 COMPARED WITH Q2 2017

Operating profit decreased by 20% to SEK 480m (599), due chiefly to higher loan losses, but also to the depreciation of sterling. Expressed in local currency, profit before loan losses improved by 6%. Exchange rate effects had a negative impact on operating profit amounting to SEK -32m. The return on allocated capital fell to 12.2% (15.6).

Income went down by 2% till SEK 1,351m (1,376), but adjusted for exchange rate movements, income grew by 4%. Net interest income fell by 2%, or SEK 21m, to SEK 1,157m (1,178), of which SEK 63m was attributable to exchange rate effects; expressed in local currency, net interest income improved by 4%. The fact that there were fewer days in the comparison quarter positively affected net interest income by SEK 10m. In the preceding quarter, there was an adjustment of interest income attributable to impaired loans, which increased net interest income in the comparison quarter by SEK 37m. Adjusted for both these items, net interest income rose by SEK 6m. Greater business volumes had a positive impact of SEK 32m, while slightly lower lending margins were neutralised by slightly higher deposit margins.

Net fee and commission income fell by 2% to SEK 147m (150). Of this figure, SEK -8m was attributable to exchange rate effects, and expressed in local currency, net fee and commission income increased by 5%.

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

Expenses fell by 4% to SEK -723m (-754), which was attributable to exchange rate effects. Adjusted for exchange rate effects, expenses increased by 1%, which was partly attributable to preparations for Brexit. The average number of employees rose to 2,073 (2,022).

Loan losses rose to SEK -148m (-23), due to provisions made on a single exposure. The loan loss ratio was 0.30% (0.05).

Handelsbanken Denmark

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

INCOME STATEMENT

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	433	425	2%	425	2%	1,275	1,239	3%	1,686
Net fee and commission income	89	121	-26%	93	-4%	318	284	12%	379
Net gains/losses on financial transactions	18	29	-38%	19	-5%	71	54	31%	75
Other income	4	1	300%	3	33%	12	12	0%	15
Total income	544	576	-6%	540	1%	1,676	1,589	5%	2,155
Staff costs	-166	-163	2%	-164	1%	-495	-478	4%	-655
Other expenses	-33	-36	-8%	-43	-23%	-108	-128	-16%	-194
Internal purchased and sold services	-84	-83	1%	-71	18%	-247	-209	18%	-287
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-4	-25%	-3	0%	-10	-10	0%	-14
Total expenses	-286	-286	0%	-281	2%	-860	-825	4%	-1,150
Profit before loan losses	258	290	-11%	259	0%	816	764	7%	1,005
Net loan losses	-24	-66	-64%	-194	-88%	-94	-238	-61%	-716
Gains/losses on disposal of property, equipment and intangible assets	3	2	50%	5	-40%	11	6	83%	7
Operating profit	237	226	5%	70	239%	733	532	38%	296
Profit allocation	21	24	-13%	26	-19%	69	63	10%	85
Operating profit after profit allocation	258	250	3%	96	169%	802	595	35%	381
Internal income	-70	-86	19%	-92	24%	-244	-291	16%	-334
Cost/income ratio, %	50.6	47.7		49.6		49.3	49.9		51.3
Loan loss ratio, %	0.10	0.27		0.92		0.13	0.37		0.85
Allocated capital	5,708	5,535	3%	6,412	-11%	5,708	6,412	-11%	6,221
Return on allocated capital, %	14.0	14.1		4.6		14.2	10.0		4.8
Average number of employees	608	605	0%	627	-3%	608	626	-3%	624
Number of branches	57	57	0%	57	0%	57	57	0%	57

BUSINESS VOLUMES

Average volumes, DKK bn	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Loans to the public									
Household	44.3	43.8	1%	41.3	7%	43.8	40.2	9%	40.8
Corporate	27.6	28.8	-4%	28.7	-4%	28.7	28.7	0%	28.8
Total	71.9	72.6	-1%	70.0	3%	72.5	68.9	5%	69.6
Deposits and borrowing from the public									
Household	13.1	12.9	2%	12.1	8%	12.7	11.8	8%	11.9
Corporate	19.8	18.6	6%	15.7	26%	19.0	15.5	23%	15.7
Total	32.9	31.5	4%	27.8	18%	31.7	27.3	16%	27.6

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Financial performance

Operating profit rose by 38% to SEK 733m (532), chiefly due to lower loan losses. Profit before loan losses improved by 7% to SEK 816m (764). Exchange rate movements had a positive impact on operating profit of SEK 13m, and expressed in local currency, profit before loan losses rose by 4%. The return on allocated capital increased to 14.2% (10.0).

Net interest income increased by 3% to SEK 1,275m (1,239). Adjusted for exchange rate effects, net interest income grew by 1%. Increased lending volumes contributed SEK 58m, while lower lending margins reduced net interest income by SEK -45m. Improved deposit margins and higher deposit volumes increased net interest income by SEK 5m.

Fees for the Swedish Resolution Fund and the deposit guarantee increased by SEK 22m, burdening net interest income by SEK -56m (-34).

Net fee and commission income rose by 12% to SEK 318m (284). The increase was mainly attributable to greater customer activity in all commission areas and especially to higher brokerage income and increased asset management commissions. Exchange rate movements had a positive impact of SEK 7m on net fee and commission income.

Net gains/losses on financial transactions increased to SEK 71m (54), primarily due to an increase in early loan repayment charges, but also a result of improved gains in the customer driven foreign exchange trading.

Expenses rose by 4% to SEK -860m (-825). Adjusted for exchange rate movements, the increase was 2%.

Loan losses fell to SEK -94m (-238), and the loan loss ratio fell to 0.13% (0.37).

Business development

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

The Bank continued to have a stable inflow of new customers, and business volumes continued to increase. During the year, the average volume of lending to households increased by 9%, and deposits from households increased by 8%. Corporate lending remained unchanged, while corporate deposits rose by 23%. Overall the average volume of lending increased by 5% to DKK 72.5bn (68.9), and deposits increased by 16% to DKK 31.7bn (27.3).

Q3 2017 COMPARED WITH Q2 2017

Operating profit rose by 5% to SEK 237m (226), due to lower loan losses. Profit before loan losses decreased by 11% to SEK 258m (290). Adjusted for exchange rate movements, profit before loan losses decreased by 9%.

Net interest income increased by 2% to SEK 433m (425). Adjusted for exchange rate effects of SEK -5m and a day count effect of SEK 4m, net interest income rose by 2%.

Net fee and commission income declined by 26% during the third quarter, to SEK 89m (121), as a result of lower customer activity during the summer months, which resulted in lower brokerage income.

Net gains/losses on financial transactions decreased to SEK 18m (29), mainly due to a higher level of early loan repayment charges reported during the second quarter.

Expenses remained unchanged, amounting to SEK -286m (-286). Exchange rate effects reduced expenses by SEK 3m. Staff costs rose by 2%, or SEK 3m, and the average number of employees remained more or less unchanged.

Loan losses fell to SEK -24m (-66). The loan loss ratio was 0.10% (0.27).

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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	301	291	3%	304	-1%	884	916	-3%	1,218
Net fee and commission income	110	121	-9%	108	2%	344	303	14%	419
Net gains/losses on financial transactions	7	13	-46%	8	-13%	34	66	-48%	87
Other income	4	6	-33%	1	300%	14	7	100%	10
Total income	422	431	-2%	421	0%	1,276	1,292	-1%	1,734
Staff costs	-95	-100	-5%	-94	1%	-289	-279	4%	-380
Other expenses	-46	-44	5%	-37	24%	-132	-157	-16%	-210
Internal purchased and sold services	-72	-78	-8%	-59	22%	-223	-177	26%	-239
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-5	-20%	-4	0%	-13	-10	30%	-14
Total expenses	-217	-227	-4%	-194	12%	-657	-623	5%	-843
Profit before loan losses	205	204	0%	227	-10%	619	669	-7%	891
Net loan losses	6	-15		-16		-6	-50	-88%	-36
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
Operating profit	211	189	12%	211	0%	613	619	-1%	855
Profit allocation	37	38	-3%	31	19%	107	93	15%	131
Operating profit after profit allocation	248	227	9%	242	2%	720	712	1%	986
Internal income	-81	-87	7%	-90	10%	-255	-237	-8%	-262
Cost/income ratio, %	47.3	48.4		42.9		47.5	45.0		45.2
Loan loss ratio, %	-0.02	0.05		0.05		0.01	0.06		0.03
Allocated capital	5,526	5,283	5%	5,937	-7%	5,526	5,937	-7%	6,252
Return on allocated capital, %	14.0	13.4		12.7		13.2	12.7		13.0
Average number of employees	519	505	3%	500	4%	502	495	1%	491
Number of branches	45	45	0%	45	0%	45	45	0%	45

BUSINESS VOLUMES

Average volumes, EUR m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Loans to the public									
Household	4,058	4,053	0%	3,998	2%	4,045	3,968	2%	3,975
Corporate	8,858	9,061	-2%	8,747	1%	8,947	8,741	2%	8,761
Total	12,916	13,114	-2%	12,745	1%	12,992	12,709	2%	12,736
Deposits and borrowing from the public									
Household	1,547	1,642	-6%	1,485	4%	1,605	1,432	12%	1,451
Corporate	2,658	2,556	4%	1,933	38%	2,662	1,917	39%	1,991
Total	4,205	4,198	0%	3,418	23%	4,267	3,349	27%	3,442

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Financial performance

Operating profit decreased by 1% to SEK 613m (619). Exchange rate effects increased the profit by SEK 14m; expressed in local currency, operating profit declined by 3%. Return on allocated capital increased to 13.2% (12.7)

Income fell by 1%. Net interest income declined by 3% to SEK 884m (916). Reduced margins on lending had a negative impact of SEK -60m on net interest income. At the same time, higher lending volumes had a positive impact of SEK 11m. Government fees to the Resolution Fund and the deposit guarantee reduced net interest income by SEK -78m (-41). Exchange rate movements increased net interest income by SEK 20m.

Net fee and commission income rose by 14% to SEK 344m (303), due to higher payment commissions and rising commissions on deposits and lending. There was also positive growth for the savings business.

Net gains/losses on financial transactions decreased to SEK 34m (66), primarily because the period of comparison included one-off income related to the sale of Visa Europe.

Total expenses rose by 5% to SEK -657m (-623). Adjusted for exchange rate movements, expenses increased by 3%.

Staff costs increased by 4%, although expressed in local currency, the increase was just below 2%. The costs for internal services bought and sold increased, while other administrative expenses decreased. The average number of employees totalled 502 (495). During the quarter, the Bank has employed new staff to further strengthen its corporate business.

Loan losses totalled SEK -6m (-50), and the loan loss ratio decreased to 0.01% (0.06).

Business development

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

The average volume of deposits from households was 12% higher than in the corresponding period of the previous year, while lending to households grew by 2%.

The average volume of corporate deposits increased by 39%, while corporate lending grew by 2% compared with the corresponding period of the previous year.

Q3 2017 COMPARED WITH Q2 2017

Operating profit rose by 12% to SEK 211m (189), due to lower loan losses. Profit before loan losses remained largely unchanged, although expressed in local currency, it improved by 2%.

Net interest income rose by 3% to SEK 301m (291). Adjusted for exchange rate effects, net interest income improved by 5%.

Net fee and commission income was down 9% to SEK 110m (121), due to lower payment commissions during the third quarter.

Net gains/losses on financial transactions totalled SEK 7m (13).

Expenses fell by 4% to SEK -217m (-227). Adjusted for exchange rate movements, expenses expressed in local currency were down 3%.

Loan losses consisted of net recoveries and totalled SEK 6m (-15). The loan loss ratio was -0.02% (0.05).

Handelsbanken Norway

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

INCOME STATEMENT

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	930	898	4%	856	9%	2,713	2,422	12%	3,355
Net fee and commission income	101	102	-1%	99	2%	306	274	12%	381
Net gains/losses on financial transactions	23	19	21%	25	-8%	69	93	-26%	114
Other income	1	6	-83%	4	-75%	11	76	-86%	81
Total income	1,055	1,025	3%	984	7%	3,099	2,865	8%	3,931
Staff costs	-201	-192	5%	-175	15%	-378	-496	-24%	-676
Other expenses	-54	-53	2%	-46	17%	-161	-144	12%	-206
Internal purchased and sold services	-106	-103	3%	-96	10%	-306	-272	13%	-379
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-3	33%	-3	33%	-11	-2	450%	-8
Total expenses	-365	-351	4%	-320	14%	-856	-914	-6%	-1,269
Profit before loan losses	690	674	2%	664	4%	2,243	1,951	15%	2,662
Net loan losses	-19	-56	-66%	-73	-74%	-121	-240	-50%	-347
Gains/losses on disposal of property, equipment and intangible assets	1	0		0		1	0		0
Operating profit	672	618	9%	591	14%	2,123	1,711	24%	2,315
Profit allocation	20	23	-13%	22	-9%	64	61	5%	91
Operating profit after profit allocation	692	641	8%	613	13%	2,187	1,772	23%	2,406
Internal income	-550	-618	11%	-629	13%	-1,834	-1,871	2%	-2,463
Cost/income ratio, %	34.0	33.5		31.8		27.1	31.2		31.6
Loan loss ratio, %	0.03	0.09		0.14		0.07	0.15		0.17
Allocated capital	15,407	15,521	-1%	14,441	7%	15,407	14,441	7%	15,883
Return on allocated capital, %	14.0	12.9		13.2		14.3	13.6		13.3
Average number of employees	692	662	5%	681	2%	672	668	1%	668
Number of branches	49	49	0%	50	-2%	49	50	-2%	50

BUSINESS VOLUMES

Average volumes, NOK bn	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Loans to the public									
Household	88.8	88.4	0%	86.4	3%	88.4	85.3	4%	85.9
Corporate	149.7	148.7	1%	144.3	4%	148.1	142.1	4%	143.1
Total	238.5	237.1	1%	230.7	3%	236.5	227.4	4%	229.0
Deposits and borrowing from the public									
Household	20.3	19.7	3%	20.0	2%	19.9	19.2	4%	19.3
Corporate	51.4	49.0	5%	45.8	12%	49.7	43.6	14%	46.3
Total	71.7	68.7	4%	65.8	9%	69.6	62.8	11%	65.6

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Financial performance

Operating profit increased by 24% to SEK 2,123m (1,711). It was affected by a non-recurring item in the first quarter which reduced staff costs by SEK 206m, as a result of the transition to a defined contribution pension plan in the Norwegian operations. Lower loan losses and exchange rate movements also had a positive impact on profit. The period of comparison included non-recurring items resulting from the sale of Visa Europe. Adjusted for the aforementioned items, profit before loan losses improved by 5% expressed in local currency.

Return on allocated capital was 14.3% (13.6).

Income increased by 8%; adjusted for exchange rate effects, it increased by 4%.

Net interest income increased by SEK 291m, or 12%, to SEK 2,713m (2,422), of which SEK 86m was attributable to exchange rate movements. Lending margins rose by SEK 78m, while increased lending volumes had a positive effect of SEK 51m on net interest income. Higher deposit volumes had a positive effect of SEK 22m on net interest income, while the deposit margin remained largely unchanged. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -141m (-79).

Net fee and commission income rose by 12% to SEK 306m (274). Adjusted for exchange rate movements, net fee and commission income rose by 7%, chiefly due to higher fund management commissions.

Net gains/losses on financial transactions decreased by 26% to SEK 69m (93). The decrease was chiefly attributable to capital gains in the period of comparison related to the sale of Visa Europe.

Adjusted for the aforementioned non-recurring item following the transition to a defined contribution pension plan, staff costs rose by SEK 88m, or 18%, of which SEK 19m was attributable to exchange rate effects. The new financial sector tax in Norway – a 5% charge payable on employer's contributions – had an impact of SEK -25m on staff costs. Adjusted for these effects, staff costs increased by 8%, where half of the increase is partly due to organisational changes and partly to higher current pension costs as a result of the transition to a defined contribution pension plan.

Loan losses fell to SEK -121m (-240), and the loan loss ratio fell to 0.07% (0.15).

Business development

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

Business volumes continued to grow during the year. The average volume of deposits from households rose by 4% compared with the corresponding period of the previous year, while lending to households grew by 4%. The average volume of corporate lending increased by 4%, while corporate deposits grew by 14%.

In total, the average volume of lending rose by 4% to NOK 236.5bn (227.4), while total deposits rose by 11% to NOK 69.6bn (62.8).

Handelsbanken has 49 branches (50) in Norway.

Q3 2017 COMPARED WITH Q2 2017

Operating profit rose by 9%, or SEK 54m, to SEK 672m (618), primarily due to lower loan losses. Exchange rate effects had a negative impact of SEK -6m on operating profit. Expressed in local currency, profit before loan losses increased by 4%.

Net interest income rose by 4%, or SEK 32m, to SEK 930m (898). Exchange rate effects had a negative impact of SEK -9m, while the fact that the third quarter had one day more than the preceding quarter resulted in a positive impact of SEK 8m on net interest income. Higher lending margins contributed SEK 9m, and rising lending volumes SEK 7m. Lower deposit margins negatively affected net interest income by SEK -9m.

Net fee and commission income was largely unchanged at SEK 101m (102).

Net gains/losses on financial transactions rose to SEK 23m (19).

Expenses totalled SEK -365m (-351). Staff costs rose by 5%, partly due to the new salary increases based on wage agreements that apply as of 1 July. The average number of employees increased by 5% as a result of the employment of temporary staff during the summer holiday months.

Loan losses decreased to SEK -19m (-56), and the loan loss ratio was 0.03% (0.09).

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 27 branches throughout the Netherlands.

INCOME STATEMENT

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	142	135	5%	117	21%	402	312	29%	438
Net fee and commission income	35	33	6%	15	133%	100	26	285%	75
Net gains/losses on financial transactions	2	3	-33%	2	0%	7	3	133%	5
Share of profit of associates	0	1	-100%	0		2	0		2
Other income	1	0		0		1	0		1
Total income	180	172	5%	134	34%	512	341	50%	521
Staff costs	-72	-74	-3%	-56	29%	-213	-145	47%	-210
Other expenses	-20	-20	0%	-20	0%	-58	-44	32%	-60
Internal purchased and sold services	-23	-24	-4%	-14	64%	-69	-53	30%	-77
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-3	0%	-2	50%	-8	-5	60%	-7
Total expenses	-118	-121	-2%	-92	28%	-348	-247	41%	-354
Profit before loan losses	62	51	22%	42	48%	164	94	74%	167
Net loan losses	1	2	-50%	-1		1	0		0
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	63	53	19%	41	54%	165	94	76%	167
Profit allocation	0	2	-100%	0		2	2	0%	3
Operating profit after profit allocation	63	55	15%	41	54%	167	96	74%	170
Internal income	-60	-62	3%	-55	-9%	-182	-163	-12%	-210
Cost/income ratio, %	65.6	69.5		68.7		67.7	72.0		67.6
Loan loss ratio, %	-0.01	-0.02		0.02		0.00	0.00		0.00
Allocated capital	1,443	1,375	5%	1,131	28%	1,443	1,131	28%	1,251
Return on allocated capital, %	13.7	12.4		11.2		12.7	9.9		12.5
Average number of employees	275	274	0%	198	39%	269	189	42%	206
Number of branches	27	27	0%	25	8%	27	25	8%	25

BUSINESS VOLUMES

Average volumes, EUR m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Loans to the public									
Household	2,027	1,891	7%	1,502	35%	1,899	1,369	39%	1,434
Corporate	1,697	1,717	-1%	1,741	-3%	1,703	1,470	16%	1,519
Total	3,724	3,608	3%	3,243	15%	3,602	2,839	27%	2,953
Deposits and borrowing from the public									
Household	92	84	10%	65	42%	85	58	47%	62
Corporate	710	727	-2%	378	88%	735	409	80%	420
Total	802	811	-1%	443	81%	820	467	76%	482

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Financial performance

Operating profit improved by 76% to SEK 165m (94), mainly due to continuing growth in business volumes. Income rose by 50%, while expenses increased by 41%. Adjusted for exchange rate movements, operating profit improved by 72% expressed in local currency. Return on allocated capital improved to 12.7% (9.9).

Net interest income increased by 29% to SEK 402m (312). Increased lending volumes contributed SEK 86m, while lower lending margins reduced net interest income by SEK -13m. Higher deposit volumes and improved deposit margins increased net interest income by SEK 2m.

Net fee and commission income increased to SEK 100m (26), as a result of the acquisition of the asset management company Optimix, which has been a part of Handelsbanken in the Netherlands since 1 September 2016 and contributed SEK 86m (9).

Expenses rose by 41% to SEK -348m (-247), as a result of the continuing expansion, including the acquisition of the asset management company Optimix. The C/I ratio improved to 67.7% (72.0), and the average number of employees increased by 42% to 269 (189).

Loan losses consisted of net recoveries and totalled SEK 1m (0). The loan loss ratio was 0.00% (0.00).

Business development

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

The average volume of lending to households grew by 39% to EUR 1,899m (1,369), while deposits from households increased by 47% to EUR 85m (58). Corporate lending rose by 16% to EUR 1,703m (1,470). The average volume of corporate deposits rose by 80% to EUR 735m (409). Business volumes with small and medium-sized companies continued to grow.

In May, the Bank opened a branch in Alkmaar, bringing the total of Handelsbanken branches in the Netherlands to 27.

The asset management company Optimix was acquired on 1 September 2016. Assets under management totalled EUR 2.2bn (2.0) at the end of the period, including the company's own mutual funds.

Q3 2017 COMPARED WITH Q2 2017

Operating profit increased by 19% to SEK 63m (53).

Income grew by 5% to SEK 180m (172) but was reduced by SEK 2m due to the adverse effects of exchange rate movements. Net interest income rose by 5% to SEK 142m (135), primarily due to higher lending volumes.

Net fee and commission income rose by 6% to SEK 35m (33).

Expenses fell by SEK 3m, or 2%, to SEK -118m (-121), primarily due to a SEK 2m reduction in staff costs. The average number of employees remained largely unchanged at 275 (274).

As in the comparison quarter, loan losses consisted of net recoveries and amounted to SEK 1m (2). The loan loss ratio was -0.01% (-0.02).

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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	120	118	2%	135	-11%	356	406	-12%	557
Net fee and commission income	744	859	-13%	753	-1%	2,385	2,266	5%	3,081
Net gains/losses on financial transactions	157	228	-31%	244	-36%	784	822	-5%	984
Risk result - insurance	19	53	-64%	25	-24%	108	136	-21%	142
Other income	2	3	-33%	3	-33%	12	6	100%	8
Total income	1,042	1,261	-17%	1,160	-10%	3,645	3,636	0%	4,772
Staff costs	-541	-588	-8%	-580	-7%	-1,673	-1,787	-6%	-2,368
Other expenses	-201	-225	-11%	-203	-1%	-649	-632	3%	-871
Internal purchased and sold services	6	4	50%	-17		29	-39		-56
Depreciation, amortisation and impairments of property, equipment and intangible assets	-21	-22	-5%	-18	17%	-61	-57	7%	-76
Total expenses	-757	-831	-9%	-818	-7%	-2,354	-2,515	-6%	-3,371
Profit before loan losses	285	430	-34%	342	-17%	1,291	1,121	15%	1,401
Net loan losses	9	11		-44		-55	-41	34%	-49
Gains/losses on disposal of property, equipment and intangible assets	0	0		0		0	0		0
Operating profit	294	441	-33%	298	-1%	1,236	1,080	14%	1,352
Profit allocation	-409	-424	-4%	-361	13%	-1,212	-942	29%	-1,342
Operating profit after profit allocation	-115	17		-63	-83%	24	138	-83%	10
Internal income	-616	-699	12%	-745	17%	-2,065	-2,026	-2%	-2,851
Cost/income ratio, %	119.6	99.3		102.4		96.8	93.4		98.3
Loan loss ratio, %	-0.08	-0.10		0.37		0.16	0.12		0.10
Allocated capital	4,163	4,478	-7%	4,807	-13%	4,163	4,807	-13%	5,033
Return on allocated capital, %	-8.6	1.1		-4.1		0.6	2.9		0.2
Average number of employees	1,638	1,627	1%	1,674	-2%	1,636	1,691	-3%	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 – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Financial performance

Operating profit increased by 14% to SEK 1,236m (1,080). Total income remained largely unchanged at SEK 3,645m (3,636). Net fee and commission income grew by 5% to SEK 2,385m (2,266), driven mainly by higher mutual fund commissions. Net gains/losses on financial transactions fell by 5% to SEK 784m (822).

Total expenses decreased by 6% to SEK -2,354m (-2,515). The decrease was mainly attributable to staff costs falling by 6% to SEK -1,673m (-1,787), partly as a result of a 3% decline in the average number of employees to 1,636 (1,691).

Loan losses amounted to SEK -55m (-41), corresponding to a loan loss ratio of 0.16% (0.12).

Business development

Asset management operations continued to show a strong performance. In Sweden, net savings in Handelsbanken's mutual funds during the first three quarters of 2017 amounted to SEK 16.1bn, corresponding to a market share of 23.7%. Net savings in the Bank's mutual funds elsewhere in the Nordic region showed strong growth, and were SEK 5.4bn in the same period. Total net savings in the Group's funds amounted to SEK 21.7bn.

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

The total fund volume, including exchange-traded funds, increased by 14% from the beginning of the year to SEK 485bn (425). Total assets under management in the Group rose during the same period by 11% to SEK 599bn (542).

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

As of July 2017, all the Bank's global index funds track new, more sustainable indexes. The change of indexes means, among other things, that a number of companies that do not meet the criteria are excluded as investment alternatives for the funds. A broad-based Nordic index fund with a sustainability profile was launched in September.

The Pension & Life business area performed well and income increased by 16%, while expenses remained largely unchanged. The occupational pension area showed a particularly strong performance, with a 24% increase in premiums paid in. The net flow during the first six months was SEK 4.4bn. During the first three quarters of 2017, the volume of assets under management by Handelsbanken Liv grew to SEK 136bn (123).

Corporate Finance performed well, and according to Mergermarket, the Bank was No.1 for M&A transactions involving Swedish companies. The Bank's business volumes on the capital funding market also showed positive growth. The Bank has continued to take an active part in arranging issues of green bonds and has also launched Green Loans for Buildings, with specific environmental and climate-related criteria. The Bank arranged a total of 88 bond issues during the first three quarters for a value of EUR 9.8bn.

The average volume of lending in Handelsbanken International, i.e. the operations outside the Bank's home markets, totalled SEK 32.4bn (35.2). During the same period, deposits rose by 26% to SEK 57.3bn (45.6).

Q3 2017 COMPARED WITH Q2 2017

Operating profit decreased by 33% to SEK 294m (441) due to lower income. Total income fell by 17% to SEK 1,042m (1,261), mainly due to seasonal effects.

Net fee and commission income fell by 13% to SEK 744m (859), mainly due to lower brokerage and advisory commissions.

Net gains/losses on financial transactions fell by 31% to SEK 157m (228), mainly due to lower customer activity during the holiday months of July and August.

Total expenses decreased by 9% to SEK -757m (-831), mainly due to lower staff costs. Staff costs fell by 8%, due in part to lower levels of variable remuneration. The average number of employees rose to 1,638 (1,627) as a result of the employment of temporary staff during the summer.

Loan losses consisted of net recoveries and totalled SEK 9m (11), corresponding to a loan loss ratio of -0.08% (-0.10).

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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	203	200	1%	190	7%	622	545	14%	756
Net fee and commission income	16	5	220%	23	-30%	39	53	-26%	69
Net gains/losses on financial transactions	-183	-199	8%	613		-494	1,058		857
Share of profit of associates	14	-4		10	40%	-18	25		23
Other income	10	10	0%	12	-17%	32	207	-85%	266
Total income	60	12	400%	848	-93%	181	1,888	-90%	1,971
Staff costs	-683	-763	-10%	-1,084	-37%	-2,144	-2,012	7%	-2,335
Other expenses	-598	-627	-5%	-515	16%	-1,888	-1,607	17%	-2,244
Internal purchased and sold services	1,150	1,208	-5%	1,024	12%	3,553	3,109	14%	4,228
Depreciation, amortisation and impairments of property, equipment and intangible assets	-59	-60	-2%	-74	-20%	-184	-203	-9%	-248
Total expenses	-190	-242	-21%	-649	-71%	-663	-713	-7%	-599
Profit before loan losses	-130	-230	43%	199		-482	1,175		1,372
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0		0	5		23
Operating profit	-130	-230	43%	199		-482	1,180		1,395
Profit allocation	-	-		0		-	0		-
Operating profit after profit allocation	-130	-230	43%	199		-482	1,180		1,395
Internal income	1,383	1,656	-16%	1,850	-25%	5,004	5,494	-9%	7,199
Average number of employees	2,065	2,003	3%	1,840	12%	1,999	1,827	9%	1,840

JANUARY – SEPTEMBER 2017 COMPARED WITH JANUARY – SEPTEMBER 2016

Operating profit in other units not reported in the business segments amounted to SEK -482m (1,180). The provision to the Oktogonen profit-sharing foundation was resumed in the first quarter. For the first three quarters of the year, the provision was SEK -635m (-). Capital gains from the sale of shares totalling SEK 812m were included in the comparison period. The comparison period was also charged with a provision of SEK -598m relating primarily to early retirements. The average number of employees rose to 1,999 (1,827), chiefly due to increased activity in IT development.

Q3 2017 COMPARED WITH Q2 2017

Operating profit increased to SEK -130m (-230), mainly due to a lower provision to the Oktogonen profit-sharing foundation of SEK -149m (-243). The average number of employees totalled 2,065 (2,003).

KEY FIGURES – GROUP

	Q3 2017	Q2 2017	Q3 2016	Jan-Sep 2017	Jan-Sep 2016
Return on equity, total operations	12.9%	12.9%	14.7%	12.7%	14.0%
Return on equity, continuing operations	12.9%	12.9%	14.7%	12.7%	14.0%
C/l ratio, continuing operations	45.0%	46.9%	41.2%	45.6%	45.1%
C/l ratio, continuing operations, incl. loan losses	47.1%	48.7%	45.7%	47.5%	48.0%
Earnings per share, total operations, SEK	2.15	2.09	2.36	6.35	6.66
- after dilution	2.13	2.06	2.32	6.29	6.55
Ordinary dividend, SEK					
Total dividend					
Adjusted equity per share, SEK	71.12	68.82	65.49	71.12	65.49
Common equity tier 1 ratio, CRR	23.6%	23.4%	24.0%	23.6%	24.0%
Total capital ratio, CRR	28.5%	29.0%	30.1%	28.5%	30.1%
Own funds in relation to capital requirement according to Basel I floor	144%	148%	144%	144%	144%
Average number of employees, continuing operations	12,102	11,687	11,859	11,791	11,803
Number of branches, Sweden	422	423	463	422	463
Number of branches outside Sweden	398	398	396	398	396

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

THE HANDELSBANKEN SHARE

	Q3 2017	Q2 2017	Q3 2016	Jan-Sep 2017	Jan-Sep 2016
Number of converted shares	-	-	5,009,634	22,151	33,810,589
Number of repurchased shares	-	-	-	-	-
Holding of own shares in trading book, end of period	-	-	-	-	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	1,944,173,551	1,944,173,551	1,940,856,671	1,944,173,551	1,940,856,671
Number of outstanding shares after dilution, end of period	1,974,776,264	1,975,025,212	1,974,528,804	1,974,776,264	1,974,528,804
Average number of shares converted during the period	22,151	22,151	30,547,119	20,690	14,525,366
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares	1,944,173,551	1,944,173,551	1,937,593,201	1,944,172,090	1,921,571,448
- after dilution	1,975,025,212	1,975,278,248	1,975,789,501	1,974,290,244	1,972,745,117
Share price SHB class A, end of period, SEK	122.90	120.60	117.90	122.90	117.90
Share price SHB class B, end of period, SEK	122.80	119.20	117.70	122.80	117.70
Market capitalisation, end of period, SEK bn	239	234	229	239	229

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Interest income		10,631	10,398	2%	9,943	7%	31,239	29,730	5%	39,950
Interest expense		-3,044	-3,077	-1%	-2,902	5%	-9,250	-9,086	2%	-12,007
Net interest income	Note 2	7,587	7,321	4%	7,041	8%	21,989	20,644	7%	27,943
Net fee and commission income	Note 3	2,355	2,508	-6%	2,259	4%	7,217	6,709	8%	9,156
Net gains/losses on financial transactions	Note 4	243	317	-23%	1,112	-78%	1,107	2,797	-60%	3,066
Risk result - insurance		19	53	-64%	25	-24%	108	136	-21%	142
Other dividend income		2	11	-82%	1	100%	15	226	-93%	228
Share of profit of associates		14	-3		10	40%	-16	25		25
Other income		28	31	-10%	25	12%	102	101	1%	203
Total income		10,248	10,238	0%	10,473	-2%	30,522	30,638	0%	40,763
Staff costs		-3,134	-3,242	-3%	-2,941	7%	-9,294	-9,561	-3%	-12,542
Other expenses	Note 5	-1,337	-1,410	-5%	-1,234	8%	-4,177	-3,883	8%	-5,401
Depreciation, amortisation and impairment of property, equipment and intangible assets		-140	-145	-3%	-137	2%	-435	-381	14%	-495
Total expenses		-4,611	-4,797	-4%	-4,312	7%	-13,906	-13,825	1%	-18,438
Profit before loan losses		5,637	5,441	4%	6,161	-9%	16,616	16,813	-1%	22,325
Net loan losses	Note 6	-217	-186	17%	-476	-54%	-599	-892	-33%	-1,724
Gains/losses on disposal of property, equipment and intangible assets		4	2	100%	6	-33%	11	14	-21%	32
Operating profit		5,424	5,257	3%	5,691	-5%	16,028	15,935	1%	20,633
Taxes		-1,251	-1,201	4%	-1,127	11%	-3,688	-3,147	17%	-4,401
Profit for the period from continuing operations		4,173	4,056	3%	4,564	-9%	12,340	12,788	-4%	16,232
Profit for the period pertaining to discontinued operations, after tax	Note 7	-	-		-		-	13		13
Profit for the period		4,173	4,056	3%	4,564	-9%	12,340	12,801	-4%	16,245
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,172	4,056	3%	4,564	-9%	12,339	12,800	-4%	16,244
Minority interest		1	0		0		1	1		1

EARNINGS PER SHARE – GROUP

	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,172	4,056	3%	4,564	-9%	12,339	12,800	-4%	16,244
- of which interest expense on convertible subordinated loan after tax	-25	-18	39%	-27	-7%	-74	-114	-35%	-139
Average number of outstanding shares, million	1,944.2	1,944.2		1,937.6		1,944.2	1,921.6		1,927.1
Average number of outstanding shares after dilution, million	1,975.0	1,975.3		1,975.8		1,974.3	1,972.7		1,972.7
Earnings per share, continuing operations, SEK	2.15	2.09	3%	2.36	-9%	6.35	6.65	-5%	8.42
- after dilution	2.13	2.06	3%	2.32	-8%	6.29	6.54	-4%	8.30
Earnings per share, discontinued operations, SEK	-	-		-		-	0.01		0.01
- after dilution	-	-		-		-	0.01		0.01
Earnings per share, total operations, SEK	2.15	2.09	3%	2.36	-9%	6.35	6.66	-5%	8.43
- after dilution	2.13	2.06	3%	2.32	-8%	6.29	6.55	-4%	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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Profit for the period	4,173	4,056	3%	4,564	-9%	12,340	12,801	-4%	16,245
Other comprehensive income									
Items that may not subsequently be reclassified to profit or loss									
Defined benefit plans	372	1,013	-63%	91	309%	3,703	-1,005		3,993
Taxes on items that cannot be reclassified into profit or loss	-82	-223	63%	-20	-310%	-816	220		-876
Total items that may not subsequently be reclassified to profit or loss	290	790	-63%	71	308%	2,887	-785		3,117
Items that can be reclassified into profit or loss									
Cash flow hedges	-578	-1,070	46%	-1,238	53%	-1,312	3,730		-3,145
Available-for-sale instruments	24	21	14%	-565		82	-1,137		-1,160
Translation differences for the period	-76	-869	91%	970		-2,255	1,015		1,183
<i>of which hedging net investment in foreign operations</i>	<i>-304</i>	<i>-24</i>		<i>-179</i>	<i>-70%</i>	<i>-1,123</i>	<i>-397</i>	<i>-183%</i>	<i>-142</i>
Taxes on items that can be reclassified into profit or loss	216	230	-6%	364	-41%	545	-624		833
<i>of which cash flow hedges</i>	<i>135</i>	<i>228</i>	<i>-41%</i>	<i>273</i>	<i>-51%</i>	<i>289</i>	<i>-820</i>		<i>692</i>
<i>of which available-for-sale instruments</i>	<i>13</i>	<i>-2</i>		<i>52</i>	<i>-75%</i>	<i>9</i>	<i>109</i>	<i>-92%</i>	<i>110</i>
<i>of which hedging net investment in foreign operations</i>	<i>68</i>	<i>4</i>		<i>39</i>	<i>74%</i>	<i>247</i>	<i>87</i>	<i>184%</i>	<i>31</i>
Total items that can be reclassified into profit or loss	-414	-1,688	75%	-469	12%	-2,940	2,984		-2,289
Total other comprehensive income for the period	-124	-898	86%	-398	69%	-53	2,199		828
Total comprehensive income for the period	4,049	3,158	28%	4,166	-3%	12,287	15,000	-18%	17,073
Attributable to									
Shareholders in Svenska Handelsbanken AB	4,049	3,158	28%	4,166	-3%	12,287	14,999	-18%	17,072
Minority interest	0	0	0%	0	0%	0	1	-100%	1

In the first nine months of 2017, other comprehensive income totalled SEK -53m (2,199) 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, net of pension obligations and plan assets, were a liability. At the end of the third quarter, net pensions were an asset. During the January–September period, other comprehensive income increased by SEK 2,887m (-785) after tax, related to defined benefit pension plans. The main reason for the change during the period is that the plan assets have increased significantly since 31 December 2016. This has been offset to a certain extent by the pension obligations increasing as a result of a decrease in the discount rate for the Swedish pension obligations, to 2.30% from 2.40% since 31 December 2016.

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

items are measured at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. Changes in the value of hedge derivatives in cash flow hedges had an effect on other comprehensive income of SEK -1,023m (2,910) after tax. The value changes derived partly from exchange rate movements, but above all from increasing discount rates in foreign currency. During the period, SEK -16m (20) 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 91m (-1,028) 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 -2,008m (1,102) after tax during the year.

QUARTERLY PERFORMANCE – GROUP

SEK m	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Interest income	10,631	10,398	10,210	10,220	9,943
Interest expense	-3,044	-3,077	-3,129	-2,921	-2,902
Net interest income	7,587	7,321	7,081	7,299	7,041
Net fee and commission income	2,355	2,508	2,354	2,447	2,259
Net gains/losses on financial transactions	243	317	547	269	1,112
Risk result - insurance	19	53	36	6	25
Other dividend income	2	11	2	2	1
Share of profit of associates	14	-3	-27	0	10
Other income	28	31	43	102	25
Total income	10,248	10,238	10,036	10,125	10,473
Staff costs	-3,134	-3,242	-2,918	-2,981	-2,941
Other expenses	-1,337	-1,410	-1,430	-1,518	-1,234
Depreciation, amortisation and impairment of property, equipment and intangible assets	-140	-145	-150	-114	-137
Total expenses	-4,611	-4,797	-4,498	-4,613	-4,312
Profit before loan losses	5,637	5,441	5,538	5,512	6,161
Net loan losses	-217	-186	-196	-832	-476
Gains/losses on disposal of property, equipment and intangible assets	4	2	5	18	6
Operating profit	5,424	5,257	5,347	4,698	5,691
Taxes	-1,251	-1,201	-1,236	-1,254	-1,127
Profit for the period from continuing operations	4,173	4,056	4,111	3,444	4,564
Profit for the period pertaining to discontinued operations, after tax	-	-	-	-	-
Profit for the period	4,173	4,056	4,111	3,444	4,564
Earnings per share, continuing operations, SEK	2.15	2.09	2.11	1.77	2.36
- after dilution	2.13	2.06	2.10	1.76	2.32
Earnings per share, discontinued operations, SEK	-	-	-	-	-
- after dilution	-	-	-	-	-
Earnings per share, total operations, SEK	2.15	2.09	2.11	1.77	2.36
- after dilution	2.13	2.06	2.10	1.76	2.32

BALANCE SHEET – GROUP

SEK m		30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Assets						
Cash and balances with central banks		377,821	436,848	387,092	199,362	353,680
Other loans to central banks	Note 8	111,008	52,718	79,245	25,527	103,113
Interest-bearing securities eligible as collateral with central banks		112,339	119,603	97,262	97,205	119,532
Loans to other credit institutions	Note 8	30,742	33,526	34,542	31,347	41,410
Loans to the public	Note 8	2,040,589	2,011,455	1,991,434	1,963,622	1,965,649
Value change of interest-hedged item in portfolio hedge		36	33	31	35	51
Bonds and other interest-bearing securities		61,996	61,243	65,436	63,909	53,855
Shares		20,885	21,353	23,397	20,412	35,964
Investments in associates		217	212	218	255	259
Assets where the customer bears the value change risk		132,381	128,870	123,595	118,646	115,532
Derivative instruments	Note 9,10	56,913	61,940	73,111	82,633	78,688
Reinsurance assets		9	9	9	9	10
Intangible assets	Note 11	9,670	9,579	9,460	9,393	9,293
Property and equipment		2,404	2,353	2,363	2,387	2,323
Current tax assets		2,217	1,379	518	38	2,409
Deferred tax assets		394	436	534	962	1,978
Net pension assets		1,615	1,368	379	-	-
Assets held for sale		1	3	3	1	2
Other assets		13,565	12,302	29,034	5,615	19,496
Prepaid expenses and accrued income		6,253	5,864	5,266	6,222	5,691
Total assets		2,981,055	2,961,094	2,922,929	2,627,580	2,908,935
Liabilities and equity						
Due to credit institutions	Note 12	205,355	202,681	205,971	178,781	205,274
Deposits and borrowing from the public	Note 12	1,112,138	1,120,291	1,049,699	829,336	1,009,427
Liabilities where the customer bears the value change risk		132,488	128,962	123,653	118,745	115,600
Issued securities	Note 13	1,279,283	1,264,536	1,295,668	1,261,765	1,315,684
Derivative instruments	Note 9,10	30,147	31,654	24,297	31,738	33,296
Short positions		10,081	7,876	11,753	1,572	11,441
Insurance liabilities		554	562	599	574	583
Current tax liabilities		2,147	1,388	809	514	1,657
Deferred tax liabilities		7,560	7,749	7,842	7,875	9,788
Provisions		298	426	615	731	734
Net pension liabilities		-	-	-	2,161	6,547
Other liabilities		15,828	13,851	21,684	9,427	16,452
Accrued expenses and deferred income		13,665	13,436	15,399	14,580	15,359
Subordinated liabilities		32,560	32,782	33,199	33,400	33,008
Total liabilities		2,842,104	2,826,194	2,791,188	2,491,199	2,774,850
Minority interest		9	6	6	6	6
Share capital		3,013	3,013	3,013	3,013	3,008
Share premium		5,629	5,629	5,629	5,628	5,410
Reserves		9,215	9,339	10,237	9,268	10,639
Retained earnings		108,746	108,746	108,745	102,222	102,222
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		12,339	8,167	4,111	16,244	12,800
Total equity		138,951	134,900	131,741	136,381	134,085
Total liabilities and equity		2,981,055	2,961,094	2,922,929	2,627,580	2,908,935

STATEMENT OF CHANGES IN EQUITY – GROUP

January - September 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							12,339	1	12,340
Other comprehensive income			2,887	-1,023	91	-2,008		0	-53
Total comprehensive income for the period			2,887	-1,023	91	-2,008	12,339	1	12,287
Dividend							-9,721		-9,721
Effects of convertible subordinated loans	0	1							1
Change of minority interests							1	2	3
Closing equity	3,013	5,629	4,543	1,464	1,065	2,143	121,085	9	138,951

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 - September 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							12,800	1	12,801
Other comprehensive income			-785	2,910	-1,028	1,102		0	2,199
Total comprehensive income for the period			-785	2,910	-1,028	1,102	12,800	1	15,000
Dividend							-11,442		-11,442
Effects of convertible subordinated loans	52	2,206							2,258
Change of minority interests							0	1	1
Closing equity	3,008	5,410	-2,246	7,850	996	4,039	115,022	6	134,085

During the period January to September 2017, convertibles for a nominal value of SEK 1m (2,290) relating to subordinated convertible bonds were converted into 22,151 class A shares (33,810,589). 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-Sep 2017	Jan-Sep 2016	Full year 2016
Operating profit, total operations	16,028	15,976	20,674
Adjustment for non-cash items in profit/loss	1,532	-884	89
Paid income tax	-4,260	-4,970	-5,544
Changes in the assets and liabilities of operating activities	187,214	144,927	-11,167
Cash flow from operating activities	200,514	155,049	4,052
Aquisition / disposal of subsidiaries	-	-616	-408
Change in shares	12	5,528	5,462
Change in interest-bearing securities	-	1,003	1,003
Change in property and equipment	-296	483	385
Change in intangible assets	-492	-363	-546
Cash flow from investing activities	-776	6,035	5,896
Repayment of subordinated loans	-	-2,290	-2,512
Issued subordinated loans	-	-	-
Dividend paid	-9,721	-11,442	-11,442
Cash flow from financing activities	-9,721	-13,732	-13,954
Liquid funds at beginning of the period	199,362	202,630	202,630
Cash flow for the period	190,017	147,352	-4,006
Exchange rate difference on liquid funds	-11,558	3,698	738
Liquid funds at end of the period*	377,821	353,680	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 regulatory changes

IFRS 9 Financial instruments

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, has been adopted for application by the EU. The standard encompasses three areas: classification and measurement, impairment, and general hedge accounting. The standard will be applied as of the 2018 financial year. Earlier application is allowed, but Handelsbanken does not intend to apply the standard ahead of the stipulated date. Nor does Handelsbanken intend to recalculate the comparison figures for 2017 in the 2018 annual report as a result of IFRS 9.

According to the new classification and measurement rules, financial assets must be classified at fair value through profit or loss, at amortised cost or at fair value through other comprehensive income. The starting point for classification of debt instruments is the company's business model for managing the financial assets and whether the instrument's contractual cash flows only contain payments of interest and principal amounts. Equity instruments are to be classified at fair value through profit or loss unless the company at the time of initial recognition opted to present these instruments at fair value through other comprehensive income. This option means that only dividends from these holdings are recognised in the income statement. Other gains and losses due to changes in fair value are not permitted to be reclassified from other comprehensive income to the income statement. The rules for classification of financial liabilities are largely unchanged compared to IAS 39. Handelsbanken's current assessment is that the classification and measurement rules are not expected to have any significant impact on the financial reports. No significant reclassifications between fair value and amortised cost are expected for the first application period, but this conclusion is affected by which financial instruments are carried in Handelsbanken's balance sheet at the time of transition.

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

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

Preliminarily, the Bank has decided to mainly use three macroeconomic scenarios in order to take into account the non-linear aspects of expected loan losses. The various scenarios will be used to adjust the current parameters for calculating the expected loan losses, and a probability-weighted average of the expected losses in the respective scenario will be recognised as a provision. This is unlike the current IAS 39 rules, where the provision is based on the best estimate. The Bank's definition of a significant increase of credit risk is based on three factors:

- Quantitative criteria – Relative changes in the probability of default during the remaining expected lifetime of the financial instrument.
- Qualitative assessment of events that have not been captured by either the quantitative criteria or the "backstop," e.g. the cause of a customer having been reported for risk.
- "Backstop" – Forborne exposures and Loans that are overdue by more than 30 days

The definition of a significant increase in the credit risk, and how the forward-looking factors are weighted in the calculation of the provisions, mean that the provisions may fluctuate more over time than is the case at present.

All in all, in the transition to IFRS 9, will entail higher provisions for loan losses, which will then be adjusted against equity. The regulations regarding how IFRS 9 will affect capital adequacy have

not yet been established. Regardless of the outcome, the current capital ratios are not expected to be adversely affected by the change. The reason for this is that the Capital Requirements Regulation allows loan loss provisions in the accounting to be set off against provisions for expected losses according to the Regulation. The latter loan loss provisions have been adjusted for a downturn, unlike IFRS 9, which is based on current forward-looking assessments of the credit risk in the current credit portfolio.

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 16 Leases

IFRS 16 Leases has been published by the IASB. 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 main change due to the new standard is that all lease contracts (with the exception of short-term and minor lease contracts) must be recognised as an asset (right-of-use asset) and as a liability in the lessee's balance sheet. The lease payment must be reported as depreciation and interest expense. There are also increased disclosure requirements. For lessors, the requirements are largely unchanged. Handelsbanken does not intend to apply the standard ahead of the stipulated date. The main impact on the Bank's accounting is expected to come from accounting of rental contracts. The Bank is currently analysing the financial effects of the new standard.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts has been published by the IASB. Assuming that IFRS 17 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2021 financial year. IFRS 17 entails a change in how insurance contracts are reported and measured, and leads to increased disclosure. The Bank is currently 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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Interest income									
Loans to credit institutions and central banks	636	522	22%	322	98%	1,505	1,194	26%	1,422
Loans to the public	9,654	9,750	-1%	9,800	-1%	29,099	29,371	-1%	39,333
Interest-bearing securities eligible as collateral with central banks	44	43	2%	101	-56%	144	328	-56%	229
Interest-bearing securities	150	164	-9%	167	-10%	490	592	-17%	783
Derivative instruments	-123	-380	68%	-661	81%	-829	-2,298	64%	-2,629
Other interest income	321	359	-11%	331	-3%	1,000	971	3%	1,317
Total interest income	10,682	10,458	2%	10,060	6%	31,409	30,158	4%	40,455
Of which interest income reported in Net gains/losses on financial transactions	51	60	-15%	117	-56%	170	428	-60%	505
Interest income according to income statement	10,631	10,398	2%	9,943	7%	31,239	29,730	5%	39,950
Interest expense									
Due to credit institutions and central banks	-338	-309	9%	-250	35%	-946	-793	19%	-1,086
Deposits and borrowing from the general public	-439	-398	10%	-349	26%	-1,131	-1,135	0%	-1,423
Issued securities	-3,726	-4,023	-7%	-4,405	-15%	-11,906	-13,379	-11%	-17,740
Derivative instruments	2,198	2,454	-10%	2,697	-19%	7,084	8,120	-13%	10,771
Subordinated liabilities	-351	-356	-1%	-373	-6%	-1,067	-1,146	-7%	-1,534
State fees	-477	-516	-8%	-326	46%	-1,520	-980	55%	-1,300
Other interest expense	-	-19		-58		-47	-253	-81%	-279
Total interest expense	-3,133	-3,167	-1%	-3,064	2%	-9,533	-9,566	0%	-12,591
Of which interest expense reported in Net gains/losses on financial transactions	-89	-90	-1%	-162	-45%	-283	-480	-41%	-584
Interest expense according to income statement	-3,044	-3,077	-1%	-2,902	5%	-9,250	-9,086	2%	-12,007
Net interest income	7,587	7,321	4%	7,041	8%	21,989	20,644	7%	27,943

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

Note 3 Net fee and commission income

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Brokerage and other securities commissions	172	246	-30%	198	-13%	679	660	3%	916
Mutual funds	869	895	-3%	776	12%	2,613	2,188	19%	3,023
Custody and other asset management fees	189	169	12%	145	30%	522	440	19%	623
Advisory services	37	105	-65%	56	-34%	198	258	-23%	317
Insurance	167	168	-1%	162	3%	495	471	5%	634
Payments	857	847	1%	815	5%	2,464	2,328	6%	3,185
Loans and deposits	301	308	-2%	293	3%	910	863	5%	1,172
Guarantees	93	99	-6%	108	-14%	289	315	-8%	422
Other	122	125	-2%	116	5%	371	362	2%	488
Total fee and commission income	2,807	2,962	-5%	2,669	5%	8,541	7,885	8%	10,780
Securities	-57	-70	-19%	-50	14%	-199	-186	7%	-260
Payments	-379	-368	3%	-341	11%	-1,078	-934	15%	-1,289
Other	-16	-16	0%	-19	-16%	-47	-56	-16%	-75
Total fee and commission expense	-452	-454	0%	-410	10%	-1,324	-1,176	13%	-1,624
Net fee and commission income	2,355	2,508	-6%	2,259	4%	7,217	6,709	8%	9,156

Note 4 Net gains/losses on financial transactions

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Trading, derivatives, FX effect etc	322	439	-27%	249	29%	1,467	-108		832
Other financial instruments at fair value in profit/loss	-98	-132	26%	77		-369	1,107		466
<i>of which interest-bearing securities</i>	-90	-123	27%	89		-342	1,129		502
<i>of which loans</i>	-8	-9	11%	-12	33%	-27	-22	-23%	-36
Financial instruments at amortised cost	58	32	81%	61	-5%	103	153	-33%	182
<i>of which loans</i>	91	86	6%	119	-24%	261	332	-21%	446
<i>of which liabilities</i>	-33	-54	39%	-58	43%	-158	-179	12%	-264
Financial instruments available for sale	-	4		769		6	1,685	-100%	1,689
Hedge accounting	-8	3		-25	68%	-15	11		-3
<i>of which net gains/losses on fair value hedges</i>	1	6	-83%	-21		1	-9		-8
<i>of which cash flow hedge ineffectiveness</i>	-9	-3	-200%	-4	-125%	-16	20		5
Gains/losses on unbundled insurance contracts	-31	-29	-7%	-19	-63%	-85	-51	-67%	-100
Total	243	317	-23%	1,112	-78%	1,107	2,797	-60%	3,066

Note 5 Other expenses

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Property and premises	-294	-290	1%	-304	-3%	-902	-915	-1%	-1,234
External IT costs	-454	-489	-7%	-394	15%	-1,421	-1,222	16%	-1,698
Communication	-71	-75	-5%	-73	-3%	-230	-238	-3%	-317
Travel and marketing	-59	-88	-33%	-57	4%	-215	-210	2%	-306
Purchased services	-300	-317	-5%	-259	16%	-935	-821	14%	-1,159
Supplies	-40	-38	5%	-42	-5%	-126	-130	-3%	-173
Other administrative expenses	-119	-113	5%	-105	13%	-348	-347	0%	-514
Other expenses	-1,337	-1,410	-5%	-1,234	8%	-4,177	-3,883	8%	-5,401

Note 6 Loan losses and impaired loans

Loan losses

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Specific provision for individually assessed loans									
Provision for the period	-284	-165	72%	-432	-34%	-750	-1,073	-30%	-1,899
Reversal of previous provisions	59	64	-8%	42	40%	184	175	5%	377
Total	-225	-101	123%	-390	-42%	-566	-898	-37%	-1,522
Collective provisions									
Net provision for the period for individually assessed loans	-8	-67	-88%	-41	-80%	-69	-38	82%	-62
Net provision for the period for homogeneous loans	-4	-3	33%	-11	-64%	-6	-10	-40%	-10
Total	-12	-70	-83%	-52	-77%	-75	-48	56%	-72
Off-balance-sheet items									
Losses on off-balance-sheet items	0	0	0%	0		-1	-4	-75%	-16
Reversal of previous losses on off-balance-sheet items	0	9	-100%	0		10	2	400%	2
Change in collective provision for off-balance-sheet items	2	-9		-8		5	-3		-26
Total	2	0		-8		14	-5		-40
Write-offs									
Actual loan losses for the period	-106	-253	-58%	-198	-46%	-769	-1,555	-51%	-2,183
Utilised share of previous provisions	89	195	-54%	127	-30%	680	1,436	-53%	1,863
Recoveries	35	42	-17%	45	-22%	117	178	-34%	230
Total	18	-16		-26		28	59	-53%	-90
Value change for the period	-	1		-		-	-		-
Net loan losses	-217	-186	17%	-476	-54%	-599	-892	-33%	-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	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Impaired loans	7,497	7,303	7,594	7,746	7,710
Specific provision for individually assessed loans	-3,942	-3,840	-3,985	-4,188	-3,972
Provision for collectively assessed homogeneous groups of loans with limited value	-112	-108	-105	-107	-107
Collective provisions for individually assessed loans	-415	-403	-340	-348	-310
Impaired loans, net	3,028	2,952	3,164	3,103	3,321
Total impaired loans reserve ratio	59.6%	59.6%	58.3%	59.9%	56.9%
Proportion of impaired loans	0.15%	0.15%	0.16%	0.16%	0.17%
Impaired loans reserve ratio excl. collective provisions	54.1%	54.1%	53.9%	55.4%	52.9%
Loan loss ratio as a % of loans, acc.	0.04%	0.04%	0.04%	0.09%	0.06%
Loans past due > 60 days	5,518	4,067	3,925	4,123	4,928
Loans past due > 60 days, which are not impaired	1,060	1,116	946	1,061	1,381

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

30 September 2017	Impaired loans				Loans past due > 60 days, which are not impaired
	SEK m	Gross	Provisions	Net*	
Private individuals	1,334	-705	629	418	689
Housing co-operative associations	39	-18	21	4	-
Property management	2,230	-757	1,473	401	253
Manufacturing	617	-473	144	29	41
Retail	252	-174	78	33	13
Hotel and restaurant	112	-39	73	69	8
Passenger and goods transport by sea	1,477	-994	483	469	2
Other transport and communication	44	-34	10	7	1
Construction	228	-153	75	42	3
Electricity, gas and water	202	-121	81	9	-
Agriculture, hunting and forestry	76	-41	35	5	11
Other services	261	-205	56	29	31
Holding, investment and insurance companies, funds etc.	576	-308	268	15	3
Other corporate lending	49	-32	17	17	5
Credit institutions	-	-	-	-	-
Total	7,497	-4,054	3,443	1,547	1,060

* 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	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Loans to the public	2,040,589	2,011,455	1,991,434	1,963,622	1,965,649
of which reverse repos	7,126	8,322	11,182	7,493	14,041
Loans to other credit institutions	30,742	33,526	34,542	31,347	41,410
of which reverse repos	5,738	11,175	10,805	4,088	16,984
Other loans to central banks	111,008	52,718	79,245	25,527	103,113
of which reverse repos	-	-	1,003	-	-

Loans to the public, by sector

SEK m	30 September 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Private individuals	1,026,557	-705	1,025,852	982,640	-745	981,895
<i>of which mortgage loans</i>	835,666	-34	835,632	800,092	-33	800,059
<i>of which other loans with property mortgages</i>	126,250	-128	126,122	120,121	-146	119,975
<i>of which other loans to private individuals</i>	64,641	-543	64,098	62,427	-566	61,861
Housing co-operative associations	200,542	-18	200,524	187,016	-20	186,996
<i>of which mortgage loans</i>	168,081	-11	168,070	156,835	-12	156,823
Property management	554,987	-757	554,230	540,194	-691	539,503
Manufacturing	27,972	-473	27,499	27,633	-522	27,111
Retail	22,829	-174	22,655	21,947	-270	21,677
Hotels and restaurants	8,941	-39	8,902	8,516	-32	8,484
Passenger and goods transport by sea	7,932	-994	6,938	9,375	-1,244	8,131
Other transport and communication	17,272	-34	17,238	14,614	-36	14,578
Construction	20,026	-153	19,873	18,103	-161	17,942
Electricity, gas, water	24,100	-121	23,979	25,224	-39	25,185
Agriculture, hunting and forestry	12,488	-42	12,446	11,727	-31	11,696
Other services	18,444	-102	18,342	19,608	-113	19,495
Holding, investment, insurance, funds, etc.	69,122	-308	68,814	66,730	-316	66,414
Government and municipalities	13,197	-	13,197	15,891	-	15,891
Other corporate lending	20,649	-134	20,515	19,047	-75	18,972
Total loans to the public, before collective provisions	2,045,058	-4,054	2,041,004	1,968,265	-4,295	1,963,970
Collective provisions			-415			-348
Total loans to the public			2,040,589			1,963,622

Specification of Loans to the public – Property management

SEK m	30 September 2017			31 December 2016		
	Loans gross	Provisions	Loans net	Loans gross	Provisions	Loans net
Loans in Sweden						
State-owned property companies	4,329	-	4,329	3,228	-	3,228
Municipal-owned property companies	8,934	-	8,934	9,771	-	9,771
Residential property companies	102,862	-24	102,838	99,598	-26	99,572
<i>of which mortgage loans</i>	89,624	-	89,624	85,134	-1	85,133
Other property management	129,200	-123	129,077	127,578	-130	127,448
<i>of which mortgage loans</i>	54,630	-2	54,628	52,925	-2	52,923
Total loans in Sweden	245,325	-147	245,178	240,175	-156	240,019
Loans outside Sweden						
Denmark	20,818	-94	20,724	19,755	-118	19,637
Finland	35,590	-4	35,586	33,891	-4	33,887
Norway	103,492	-106	103,386	103,767	-108	103,659
UK	119,206	-400	118,806	111,800	-289	111,511
The Netherlands	25,884	-	25,884	23,194	-	23,194
Other countries	4,672	-6	4,666	7,612	-16	7,596
Total loans outside Sweden	309,662	-610	309,052	300,019	-535	299,484
Total loans - Property management	554,987	-757	554,230	540,194	-691	539,503

Credit risk exposure

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Loans to the public	2,040,589	2,011,455	1,991,434	1,963,622	1,965,649
<i>of which reverse repos</i>	7,126	8,322	11,182	7,493	14,041
Loans to other credit institutions	30,742	33,526	34,542	31,347	41,410
<i>of which reverse repos</i>	5,738	11,175	10,805	4,088	16,984
Interest-bearing securities eligible as collateral with central banks	112,339	119,603	97,262	97,205	119,532
Bonds and other interest-bearing securities	61,996	61,243	65,436	63,909	53,855
Derivative instruments*	56,913	61,940	73,111	82,633	78,688
Contingent liabilities	75,666	75,293	80,481	78,530	82,361
<i>of which guarantees, credits</i>	9,936	10,088	9,839	9,643	10,110
<i>of which guarantees, other</i>	59,119	58,620	64,512	63,108	67,122
<i>of which letters of credit</i>	6,611	6,585	6,130	5,779	5,129
Other commitments	439,836	441,532	427,927	425,267	431,564
<i>of which unutilised part of granted overdraft facilities</i>	130,647	131,721	132,366	128,967	128,930
<i>of which loan commitments</i>	286,953	290,250	273,876	272,729	274,810
<i>of which other</i>	22,236	19,561	21,685	23,571	27,824
Total	2,818,081	2,804,592	2,770,193	2,742,513	2,773,059
Cash and balances with central banks	377,821	436,848	387,092	199,362	353,680
Other loans to central banks	111,008	52,718	79,245	25,527	103,113
Total	3,306,910	3,294,158	3,236,530	2,967,402	3,229,852

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Positive market values					
Trading	33,701	35,432	37,290	44,703	53,324
Fair value hedges	91	133	96	79	15
Cash flow hedges	44,399	48,394	60,151	64,905	60,986
Amounts set off	-21,278	-22,019	-24,426	-27,054	-35,637
Total	56,913	61,940	73,111	82,633	78,688
Negative market values					
Trading	35,471	37,676	40,050	47,824	58,556
Fair value hedges	105	78	91	82	146
Cash flow hedges	14,840	15,651	8,512	9,689	8,264
Amounts set off	-20,269	-21,751	-24,356	-25,857	-33,670
Total	30,147	31,654	24,297	31,738	33,296
Nominal value					
Trading	3,925,126	3,610,265	3,665,721	3,167,735	3,370,296
Fair value hedges	69,628	59,903	53,248	42,228	26,073
Cash flow hedges	1,078,987	1,080,938	1,092,773	1,058,071	925,397
Amounts set off	-1,977,466	-1,621,005	-1,967,179	-1,747,179	-1,671,455
Total	3,096,275	3,130,101	2,844,563	2,520,855	2,650,311

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

Note 10 Offsetting of financial instruments

30 September 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	78,191	20,581	98,772
Amounts set off	-21,278	-6,382	-27,660
Carrying amount on the balance sheet	56,913	14,199	71,112
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-18,854	-	-18,854
Financial assets received as collateral	-23,604	-14,199	-37,803
Total amounts not set off on the balance sheet	-42,458	-14,199	-56,657
Net amount	14,455	-	14,455
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	50,416	6,668	57,084
Amounts set off	-20,269	-6,382	-26,651
Carrying amount on the balance sheet	30,147	286	30,433
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-18,854	-	-18,854
Financial assets pledged as collateral	-5,690	-286	-5,976
Total amounts not set off on the balance sheet	-24,544	-286	-24,830
Net amount	5,603	-	5,603

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 3,058m (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 2,049m (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-Sep 2017	Jan-Sep 2016	Full year 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016	Jan-Sep 2017	Jan-Sep 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	7	147	147	486	887	1,070	493	1,034	1,217
The period's amortisation	-	-	-	-196	-138	-198	-196	-138	-198
The period's impairments	-	-	-	-9	-1	-1	-9	-1	-1
Foreign exchange effect	-6	174	154	-5	-30	-33	-11	144	121
Closing residual value	6,762	6,781	6,761	2,908	2,512	2,632	9,670	9,293	9,393

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

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Due to credit institutions	205,355	202,681	205,971	178,781	205,274
<i>of which repos</i>	-	-	1,003	-	450
Deposits and borrowing from the public	1,112,138	1,120,291	1,049,699	829,336	1,009,427
<i>of which repos</i>	286	332	4,861	2	5,559

Note 13 Issued securities

SEK m	Jan-Sep 2017	Jan-Sep 2016
Issued securities at beginning of year	1,261,765	1,245,367
Issued	946,625	1,063,383
Repurchased	-38,766	-43,027
Matured	-842,579	-958,760
Foreign exchange effect etc.	-47,762	8,721
Issued securities at end of period	1,279,283	1,315,684

Note 14 Pledged assets, contingent liabilities and other commitments

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Assets pledged for own debt	830,488	812,294	852,739	839,982	822,426
Other pledged assets	36,179	31,755	53,558	33,375	38,286
Contingent liabilities	75,666	75,293	80,481	78,530	82,361
Other commitments	439,836	441,532	427,927	425,267	431,564

Note 15 Classification of financial assets and liabilities

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

30 September 2017	At fair value in income statement divided into		Derivatives identified as hedge instruments	Loans and other receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
	Trading	Other						
SEK m								
Assets								
Cash and balances with central banks				377,821			377,821	377,821
Other loans to central banks				111,008			111,008	111,008
Interest-bearing securities eligible as collateral with central banks	8,748	102,628			963		112,339	112,339
Loans to other credit institutions				30,742			30,742	30,639
Loans to the public		498		2,040,091			2,040,589	2,051,813
Value change of interest-hedged item in portfolio hedge				36			36	
Bonds and other interest-bearing securities	18,348	38,450			5,198		61,996	61,996
Shares	18,176	1,014			1,695		20,885	20,885
Assets where the customer bears the value change risk		132,327		54			132,381	132,381
Derivative instruments	14,544		42,369				56,913	56,913
Other assets	17			13,548			13,565	13,565
Prepaid expenses and accrued income	139	324		5,786	4		6,253	6,253
Total financial assets	59,972	275,241	42,369	2,579,086	7,860		2,964,528	2,975,613
Investments in associates							217	
Other non-financial assets							16,310	
Total assets							2,981,055	
Liabilities								
Due to credit institutions						205,355	205,355	207,182
Deposits and borrowing from the public						1,112,138	1,112,138	1,112,180
Liabilities where the customer bears the value change risk		132,429				59	132,488	132,488
Issued securities	4,899					1,274,384	1,279,283	1,294,583
Derivative instruments	16,472		13,675				30,147	30,147
Short positions	10,081						10,081	10,081
Other liabilities	21					15,807	15,828	15,828
Accrued expenses and deferred income	86					13,579	13,665	13,665
Subordinated liabilities						32,560	32,560	33,715
Total financial liabilities	31,559	132,429	13,675			2,653,882	2,831,545	2,849,869
Other non-financial liabilities							10,559	
Total liabilities							2,842,104	

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

Note 16 Fair value measurement of financial instruments

30 September 2017 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	110,276	2,063	-	112,339
Loans to the public	-	483	15	498
Bonds and other interest-bearing securities	58,296	3,700	-	61,996
Shares	12,544	6,545	1,796	20,885
Assets where the customer bears the value change risk	131,872	-	455	132,327
Derivative instruments	345	56,568	-	56,913
Total financial assets at fair value	313,333	69,359	2,266	384,958
Liabilities				
Liabilities where the customer bears the value change risk	131,974	-	455	132,429
Issued securities	-	4,899	-	4,899
Derivative instruments	440	29,707	-	30,147
Short positions	10,018	63	-	10,081
Total financial liabilities at fair value	142,432	34,669	455	177,556
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–September, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 198m and shares worth SEK 34m were

transferred from level 2 to level 1. Interest-bearing securities with a value of SEK 312m were moved from level 1 to level 2. On the liabilities side, derivatives to the value of SEK 30m were transferred 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.

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

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

As a consequence of the application of this principle, SEK 96m (113) has been amortised in net gains/losses on financial transactions during the period January – September 2017. At the end of the period, non-recognised day 1 gains/losses amounted to SEK 606m; at the previous 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.

Reconciliation of financial instruments in level 3

January – September 2017 SEK m	Shares	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	1,837	17	762	-762
Acquisitions/issues	11	-	-	-
Repurchases/sales	-58	-	-313	313
Matured during the period	-	-3	-	-
Unrealised value change in income statement	-60	-	6	-6
Unrealised value change in other comprehensive income	66	-	-	-
Transfer from level 1 or 2	-	1	-	-
Transfer to level 1 or 2	-	-	-	-
Carrying amount at end of period	1,796	15	455	-455

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

Note 17 Assets and liabilities by currency

30 September 2017								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	86	99,111	3,558	1,479	99,711	170,946	2,930	377,821
Other loans to central banks	76,433	-	12,310	21,631	430	-	204	111,008
Loans to other credit institutions	3,657	7,743	562	41	879	16,048	1,812	30,742
Loans to the public	1,279,880	193,562	233,988	91,593	206,875	26,856	7,835	2,040,589
<i>of which corporates</i>	483,888	128,742	142,356	33,791	138,815	26,611	7,019	961,222
<i>of which households</i>	795,992	64,820	91,632	57,802	68,060	245	816	1,079,367
Interest-bearing securities eligible as collateral with central banks	86,301	6,762	-	11	-	18,514	751	112,339
Bonds and other interest-bearing securities	46,349	2,313	1,918	-	1,360	10,056	-	61,996
Other items not broken down by currency	246,560							246,560
Total assets	1,739,266	309,491	252,336	114,755	309,255	242,420	13,532	2,981,055
Liabilities								
Due to credit institutions	81,738	65,039	5,112	9,636	3,568	33,261	7,001	205,355
Deposits and borrowing from the public	558,464	111,697	70,348	35,499	151,995	177,501	6,634	1,112,138
<i>of which corporates</i>	221,156	92,112	49,552	18,742	106,605	175,036	6,156	669,359
<i>of which households</i>	337,308	19,585	20,796	16,757	45,390	2,465	478	442,779
Issued securities	453,984	259,626	24,760	452	95,903	410,273	34,285	1,279,283
Subordinated liabilities	8,340	14,469	-	-	-	9,751	-	32,560
Other items not broken down by currency, incl. equity	351,719							351,719
Total liabilities and equity	1,454,245	450,831	100,220	45,587	251,466	630,786	47,920	2,981,055
Other assets and liabilities broken down by currency (net)		141,420	-152,059	-69,088	-57,738	388,369	34,397	
Net foreign currency position		80	57	80	51	3	9	280

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	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
TIER 1 CAPITAL					
Equity, Group	138,951	134,900	131,741	136,381	134,085
Accrued unpaid dividend last year	-	-	-	-	-
Accrued dividend current year	-7,759	-5,127	-2,595	-9,721	-6,400
Adjustment of Group result	-629	-429	-195	3,829	-162
Adjustment of Group equity	3,311	3,289	3,267	-593	3,532
Minority interests	-9	-6	-6	-6	-6
Equity (consolidated entities)	133,865	132,627	132,212	129,890	131,049
Deducted items					
Goodwill and other intangible assets	-9,599	-9,513	-9,409	-9,355	-9,268
Value adjustments (fair value)	-426	-477	-633	-645	-637
Special deduction for IRB institutions	-2,246	-2,272	-2,270	-1,527	-1,567
Positions in securitisation	-	-	-	-	-
Net pension assets	-	-	-	-	-
Own shares	-619	-607	-622	-636	-593
Adjustments in accordance with stability filter					
Cash flow hedges	-1,464	-1,907	-2,749	-2,487	-7,850
Unrealised accumulated gains, shares	-	-	-	-	-
Common equity tier 1 capital, gross	119,511	117,851	116,529	115,240	111,134
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	119,511	117,851	116,529	115,240	111,134
Additional tier 1 instruments	11,718	12,011	12,598	12,768	12,156
Total tier 1 capital	131,229	129,862	129,127	128,008	123,290
TIER 2 CAPITAL					
Subordinated loans	14,469	17,431	17,293	17,354	17,392
Deducted items					
Tier 2 contribution in unconsolidated financial entities	-1,129	-1,129	-1,129	-1,129	-1,129
Total tier 2 capital	13,340	16,302	16,164	16,225	16,263
Total own funds	144,569	146,164	145,291	144,233	139,553

Capital ratios and buffers

	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Common equity tier 1 ratio, CRR	23.6%	23.4%	23.8%	25.1%	24.0%
Tier 1 ratio, CRR	25.9%	25.8%	26.4%	27.9%	26.6%
Total capital ratio, CRR	28.5%	29.0%	29.7%	31.4%	30.1%
Risk exposure amount CRR	507,413	504,199	489,456	458,787	463,675
Own funds in relation to capital requirement according to Basel I floor	144%	148%	149%	148%	144%
Institution-specific buffer requirements*	6.7%	6.6%	6.6%	6.4%	6.4%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.2%	1.1%	1.1%	0.9%	0.9%
<i>of which systemic risk buffer requirement</i>	3.0%	3.0%	3.0%	3.0%	3.0%
Common equity tier 1 capital available for use as a buffer	19.1%	18.9%	19.3%	20.6%	19.5%

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

Capital requirement

	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
SEK m					
Credit risk according to standardised approach	6,579	6,609	6,330	6,472	6,336
Credit risk according to IRB Approach	27,630	27,560	26,334	23,950	24,476
Market risks	995	800	936	873	817
Credit valuation adjustment risk (CVA)	460	438	627	594	650
Operational risk	4,929	4,929	4,929	4,815	4,815
Total capital requirement	40,593	40,336	39,156	36,704	37,094
Adjustment according to Basel I floor	61,403	60,239	59,790	61,531	61,134
Capital requirement, Basel I floor	101,996	100,575	98,946	98,235	98,228
Total own funds, Basel I floor	146,815	148,436	147,561	145,760	141,120

Risk exposure amount

	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
SEK m					
Credit risk according to standardised approach	82,243	82,608	79,126	80,896	79,204
Credit risk according to IRB Approach	345,377	344,497	329,180	299,370	305,951
Market risk	12,437	10,004	11,705	10,910	10,216
Credit valuation adjustment risk (CVA)	5,743	5,477	7,832	7,429	8,122
Operational risk	61,613	61,613	61,613	60,182	60,182
Total risk exposure amount	507,413	504,199	489,456	458,787	463,675

Capital requirement credit risks, standardised approach**

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Sovereign and central banks	237	255,748	-	77	-	6	0.0	0.0
Municipalities	-	54,908	-	22	-	2	0.0	0.0
Multilateral development banks	1,135	636	-	0	-	0	0.0	0.0
International organisations	-	49	-	0	-	0	0.0	0.0
Institutions	6,698	4,215	453	343	36	27	6.8	8.1
Corporates	9,693	10,640	9,594	10,017	768	801	99.0	94.1
Households	16,636	17,042	12,441	12,737	995	1,019	74.8	74.7
Collateral in real estate	101,742	92,087	36,502	33,316	2,920	2,665	35.9	36.2
Past due items	691	199	743	258	59	21	107.5	129.6
Collective investment undertakings	113	0	113	0	9	0	100.0	0.0
Equities	6,799	6,796	16,129	16,126	1,290	1,290	237.2	237.3
Other items	6,782	8,571	6,268	8,000	502	641	92.4	93.4
Total	150,526	450,891	82,243	80,896	6,579	6,472	54.6	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, %	
	30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec
	2017	2016	2017	2016	2017	2016	2017	2016
Sovereign and central banks	586,231		9,799		784		1.7	
Corporate	845,155	821,000	228,919	194,650	18,314	15,572	27.1	23.7
Corporate lending	823,026	798,330	225,363	190,709	18,030	15,257	27.4	23.9
<i>of which other loans foundation approach *</i>	107,830	116,048	29,053	35,946	2,325	2,876	26.9	31.0
<i>of which other loans advanced approach *</i>	715,196	682,282	196,310	154,763	15,705	12,381	27.4	22.7
<i>of which large companies</i>	147,880	126,774	55,072	57,176	4,406	4,574	37.2	45.1
<i>of which medium-sized companies</i>	81,358	81,640	38,401	32,486	3,072	2,599	47.2	39.8
<i>of which property companies</i>	485,958	473,868	102,837	65,101	8,227	5,208	21.2	13.7
Counterparty risk	22,129	22,670	3,556	3,941	284	315	16.1	17.4
Housing co-operative associations	191,056	187,897	10,164	7,555	813	604	5.3	4.0
Retail	1,015,343	982,270	71,397	72,398	5,712	5,792	7.0	7.4
Private individuals	989,914	955,346	64,535	65,258	5,163	5,221	6.5	6.8
<i>of which property loans</i>	912,824	874,253	50,386	48,178	4,031	3,854	5.5	5.5
<i>of which other loans</i>	77,090	81,093	14,149	17,080	1,132	1,367	18.4	21.1
Small companies	25,429	26,924	6,862	7,140	549	571	27.0	26.5
<i>of which property loans</i>	7,195	7,650	1,790	1,706	143	137	24.9	22.3
<i>of which other loans</i>	18,234	19,274	5,072	5,434	406	434	27.8	28.2
Institutions	74,545	105,185	14,717	17,397	1,177	1,392	19.7	16.5
Lending to institutions	15,048	20,066	4,895	6,175	392	494	32.5	30.8
Counterparty risk	59,497	85,119	9,822	11,222	786	898	16.5	13.2
<i>of which repos and securities loans</i>	14,707	14,070	317	631	25	50	2.2	4.5
<i>of which derivatives</i>	44,790	71,049	9,506	10,591	760	848	21.2	14.9
Equity exposures	2,362	1,340	7,956	4,959	636	397	336.8	370.0
<i>of which listed shares</i>	981	-	2,844	-	227	-	290.0	-
<i>of which other shares</i>	1,381	1,340	5,112	4,959	409	397	370.0	370.0
Non credit-obligation assets	2,404	2,387	2,404	2,387	192	191	100.0	100.0
Securitisation positions	20	22	21	24	2	2	106.0	105.9
<i>of which Traditional securitisation</i>	20	22	21	24	2	2	106.0	105.9
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
Total IRB Approach	2,717,116	2,100,101	345,377	299,370	27,630	23,950	12.7	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 in the case of default (LGD) and the exposure amount.

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

The IRB Approach with own estimates of LGD and CCF is applied to the majority of exposures to large corporates, medium-sized companies, property companies and housing co-operative

associations in branch operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, Ecster AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB, Ecster AB, and Rahoitus Oy.

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

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

The total average risk weight for exposures approved for the IRB Approach decreased during the quarter, amounting to 12.7% (12.8).

Credit quality is good. Of Handelsbanken's corporate exposures, 97% were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between 1 and 5 on the Bank's nine-point risk rating scale. The IRB Approach is based on

historical losses from both the financial crisis of recent years and the Swedish banking crisis in the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low loan losses over a long period. The risk measurements applied contain margins of conservatism to ensure that the risk is not underestimated.

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

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

Capital requirement market risks

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Position risk in the trading book	985	793	928	864	810
Interest rate risk	974	784	917	855	801
<i>of which general risk</i>	649	497	616	598	651
<i>of which specific risk</i>	324	287	300	256	149
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
<i>of which non-delta risk</i>	1	0	1	1	1
Equity price risk	11	9	11	9	9
<i>of which general risk</i>	1	1	2	1	1
<i>of which specific risk</i>	5	4	4	3	4
<i>of which mutual funds</i>		1	0	0	0
<i>of which non-delta risk</i>	5	3	5	5	4
Exchange rate risk	-	-	-	-	-
<i>of which non-delta risk</i>	-	-	-	-	-
Commodities risk	10	7	8	9	7
<i>of which non-delta risk</i>		0	0	0	0
Settlement risk	-	0	-	0	0
Total capital requirement for market risks	995	800	936	873	817

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

Capital requirement operational risk

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

Leverage ratio

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

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Balance sheet according to accounting regulations	2,981,055	2,961,094	2,922,929	2,627,580	2,908,935
Deduction for assets not included in the banking group	-128,302	-123,620	-120,443	-114,858	-112,161
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-17,943	-21,485	-26,092	-20,341	-27,185
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	4,104	3,342	3,860	4,436	5,295
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>498,940</i>	<i>500,667</i>	<i>485,559</i>	<i>492,788</i>	<i>494,872</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-319,972</i>	<i>-321,387</i>	<i>-312,461</i>	<i>-314,413</i>	<i>-313,706</i>
Assets reported off the balance sheet, net	178,968	179,280	173,098	178,375	181,166
Additional adjustment	-14,354	-14,775	-15,683	-14,650	-19,915
Assets on which the leverage ratio is calculated	3,003,528	2,983,836	2,937,669	2,660,542	2,936,135
Capital on which the leverage ratio can be calculated					
Tier 1 capital	131,229	129,862	129,127	128,008	123,290
Leverage ratio					
Leverage ratio calculated on tier 1 capital	4.4%	4.4%	4.4%	4.8%	4.2%

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

Liquidity and funding

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

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

Funding programmes/limits as at 30 September 2017 – Group

Programme (in millions)	Currency	Programme size	Utilised amount	Countervalue SEK m
ECP*	EUR	15,000	5,828	56,266
ECP (Stadshypotek)*	EUR	4,000	-	-
French Commercial Paper	EUR	7,500	3,340	32,246
Swedish Commercial Paper	SEK	25,000	-	-
Swedish Commercial Paper (Stadshypotek)	SEK	90,000	-	-
USCP	USD	15,000	6,168	50,485
AMTN	AUD	5,000	1,275	8,162
AMTCN (Stadshypotek)	AUD	5,000	750	4,801
EMTN*	USD	50,000	17,535	143,522
EMTCN (Stadshypotek)*	EUR	20,000	10,002	96,564
US 144A/3(a)(2)	USD	20,000	12,150	99,447
Stadshypotek US 144A	USD	15,000	5,000	40,925
Samurai	JPY	400,000	147,800	10,735
MTN*	SEK	100,000	10,506	10,506
General funding >1 Y*	USD	15,000	3,606	29,515
Extendible Notes	USD	15,000	-	-
Total				583,174
Total programme (or limited) amounts, SEK m		1,821,041		
Unutilised amount, SEK m		1,237,867		
Available amount		68%		

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

Balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 652bn as at 30 September 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	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Cash and balances with and other lending to central banks	488,559	489,210	465,038	224,533	456,491
Balances with banks and the National Debt Office, overnight	2,086	1,555	2,301	7,712	803
Securities issued by governments and public entities	114,761	123,699	99,652	96,217	106,938
Covered bonds	46,387	48,011	53,093	53,647	53,458
Securities issued by non-financial companies	262	934	287	27	797
Securities issued by financial companies	277	106	301	124	242
Total	652,332	663,515	620,672	382,260	618,729
<i>of which in SEK</i>	<i>197,104</i>	<i>135,228</i>	<i>151,277</i>	<i>126,241</i>	<i>192,224</i>
<i>of which in EUR</i>	<i>107,857</i>	<i>122,095</i>	<i>123,353</i>	<i>108,380</i>	<i>135,707</i>
<i>of which in USD</i>	<i>196,348</i>	<i>246,228</i>	<i>195,289</i>	<i>47,449</i>	<i>179,920</i>
<i>of which in other currencies</i>	<i>151,023</i>	<i>159,964</i>	<i>150,753</i>	<i>100,190</i>	<i>110,878</i>

30 September 2017					
Market value, SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	76,433	99,057	170,943	142,126	488,559
Balances with other banks and the National Debt Office, overnight	1,876	14	26	170	2,086
Securities issued by governments	79,723	6,761	20,072	-	106,556
Securities issued by municipalities and other public entities	2,872	-	5,307	26	8,205
Covered bonds, external issuers	35,019	1,941	-	8,593	45,553
Own covered bonds	834	-	-	-	834
Securities issued by non-financial companies	252	10	-	-	262
Securities issued by financial companies	95	74	-	108	277
Total	197,104	107,857	196,348	151,023	652,332

Maturities for financial assets and liabilities

30 September 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	488,829	-	-	-	-	-	-	488,829
Interest-bearing securities eligible as collateral with central banks	112,339	-	-	-	-	-	-	112,339
Bonds and other interest-bearing securities	61,995	-	-	-	-	-	-	61,995
Loans to credit institutions	24,468	1,587	742	285	1,411	2,249	-	30,742
-of which reverse repos	5,738	-	-	-	-	-	-	5,738
Loans to the public	56,688	242,442	164,496	183,018	381,302	1,012,643	-	2,040,589
-of which reverse repos	7,126	-	-	-	-	-	-	7,126
Other	30,891	-	-	-	-	-	215,670	246,561
-of which shares and participating interests	20,885	-	-	-	-	-	-	20,885
-of which claims on investment banking settlements	10,006	-	-	-	-	-	-	10,006
Total	775,210	244,029	165,238	183,303	382,713	1,014,892	215,670	2,981,055
Liabilities								
Due to credit institutions	104,595	61,042	3,158	4,547	237	4,805	26,971	205,355
-of which repos	-	-	-	-	-	-	-	0
-of which deposits from central banks	36,854	31,573	1,108	-	-	-	1,438	70,973
Deposits and borrowing from the public	165,268	42,583	3,710	904	432	7,589	891,652	1,112,138
-of which repos	286	-	-	-	-	-	-	286
Issued securities	76,136	377,633	129,494	257,306	392,778	45,936	-	1,279,283
-of which covered bonds	4,867	87,406	29,555	180,832	260,694	24,451	-	587,805
-of which certificates and other securities with original maturity of less than one year	70,975	269,637	59,942	-	-	-	-	400,554
-of which senior bonds and other securities with original maturity of more than one year	294	20,590	39,997	76,474	132,084	21,485	-	290,924
Subordinated liabilities	2,933	-	-	19,876	9,751	-	-	32,560
Other	16,185	-	-	-	-	-	335,534	351,719
-of which short positions	10,081	-	-	-	-	-	-	10,081
-of which investment banking settlement debts	6,104	-	-	-	-	-	-	6,104
Total	365,117	481,258	136,362	282,633	403,198	58,330	1,254,157	2,981,055

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

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

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

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

Liquidity coverage ratio (LCR)

	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Liquidity coverage ratio (LCR), %					
EUR	139	132	178	136	178
USD	225	177	236	322	164
Total*	126	120	148	126	162

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

	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Liquidity coverage ratio (LCR) - decomposition, SEK m					
Liquid assets	642,891	650,117	606,507	290,058	416,189
Liquid assets level 1	606,023	613,808	565,626	251,189	375,318
Liquid assets level 2	36,868	36,309	40,881	38,869	40,871
Cash outflows	556,910	593,185	489,050	359,659	514,967
Deposits from customers	246,569	242,608	220,330	173,496	191,610
Market funding	256,752	308,352	228,791	151,735	284,083
Other cash flows	53,589	42,225	39,929	34,428	39,274
Cash inflows	48,652	50,132	79,554	129,176	258,526
Inflows from maturing lending to non-financial customers	20,285	14,486	22,186	21,146	18,618
Other cash inflows	28,367	35,646	57,368	108,030	239,908

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: the 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 the third quarter, Handelsbanken's LCR according to the Swedish Financial Supervisory Authority's regulation FFFS 2012:6 was 126%, 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 nine months. The Bank's LCR, calculated according to the European Commission's delegated act, was 148%.

Stress test with liquidity-creating measures

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

Non-encumbered assets, NEA

30 September 2017		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio	652	73%
Mortgage loans	567	136%
Other household lending	187	157%
Property company lending lowest risk class (1-3)	270	187%
Other corporate lending lowest risk class (1-3)	147	204%
Loans to credit institutions lowest risk class (1-3)	27	207%
Other corporate lending	246	234%
Other assets	18	236%
Total non-encumbered assets (NEA)	2,114	236%
Encumbered assets without underlying liabilities**	58	
Encumbered assets with underlying liabilities	809	
Total assets, Group	2,981	

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

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

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

Information in this section relates to Handelsbanken's material risks and risk management at the time that this 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 8-22.

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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net interest income	4,225	4,131	2%	3,778	12%	12,201	11,011	11%	15,011
Dividends received	34	1,043	-97%	10	240%	1,074	4,793	-78%	17,045
Net fee and commission income	1,586	1,731	-8%	1,571	1%	4,937	4,799	3%	6,509
Net gains/losses on financial transactions	235	263	-11%	1,124	-79%	1,100	2,791	-61%	3,076
Other operating income	412	419	-2%	374	10%	1,225	1,149	7%	1,647
Total income	6,492	7,587	-14%	6,857	-5%	20,537	24,543	-16%	43,288
Staff costs	-2,832	-3,122	-9%	-2,625	8%	-8,585	-8,286	4%	-10,427
Other administrative expenses	-1,301	-1,372	-5%	-1,208	8%	-4,052	-3,763	8%	-5,224
Depreciation, amortisation and impairment of property, equipment and intangible assets	-257	-261	-2%	-142	81%	-788	-407	94%	-591
Total expenses before loan losses	-4,390	-4,755	-8%	-3,975	10%	-13,425	-12,456	8%	-16,242
Profit before loan losses	2,102	2,832	-26%	2,882	-27%	7,112	12,087	-41%	27,046
Net loan losses	-220	-194	13%	-464	-53%	-602	-899	-33%	-1,730
Impairment of financial assets	-	-	-	-	-	-	-	-	-20
Operating profit	1,882	2,638	-29%	2,418	-22%	6,510	11,188	-42%	25,296
Appropriations	29	29	0%	18	61%	86	68	26%	-193
Profit before tax	1,911	2,667	-28%	2,436	-22%	6,596	11,256	-41%	25,103
Taxes	-507	-447	13%	-441	15%	-1,481	-1,216	22%	-4,503
Profit for the period	1,404	2,220	-37%	1,995	-30%	5,115	10,040	-49%	20,600

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Profit for the period	1,404	2,220	-37%	1,995	-30%	5,115	10,040	-49%	20,600
Other comprehensive income									
Items that may subsequently be reclassified to profit or loss									
Cash flow hedges	-259	-286	9%	-741	65%	465	2,172	-79%	-1,882
Available-for-sale instruments	24	21	14%	-565		82	-1,129		-1,152
Translation differences for the period	-180	-850	79%	554		-2,217	87		387
<i>of which hedging net investment in foreign operations</i>	-303	-18		-144	-110%	-1,123	-318	-253%	-65
Tax related to other comprehensive income	144	57	153%	247	-42%	153	-299		538
<i>of which cash flow hedges</i>	65	55	18%	163	-60%	-102	-478	79%	414
<i>of which available-for-sale instruments</i>	12	-2		52	-77%	8	109	-93%	110
<i>of which hedging net investment in foreign operations</i>	67	4		32	109%	247	70	253%	14
Total items that may subsequently be reclassified to profit or loss	-271	-1,058	74%	-505	46%	-1,517	831		-2,109
Total other comprehensive income for the period	-271	-1,058	74%	-505	46%	-1,517	831		-2,109
Total comprehensive income for the period	1,133	1,162	-2%	1,490	-24%	3,598	10,871	-67%	18,491

Comment on results for parent company, January – September 2017 compared with January – September 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 42% to SEK 6,510m (11,188), chiefly owing to reduced dividends, as well as lower net gains/losses on financial transactions. Profit for the period decreased by 49% to SEK 5,115m (10,040). Net interest income rose by 11% to SEK 12,201m (11,011), and net fee and commission income increased by 3% to SEK 4,937m (4,799). Since the start of the year, the parent company's equity has decreased to SEK 110,491m (116,642).

BALANCE SHEET – PARENT COMPANY

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Assets					
Cash and balances with central banks	377,821	436,848	387,092	199,362	353,680
Interest-bearing securities eligible as collateral with central banks	109,219	116,399	94,096	94,236	116,301
Loans to credit institutions	751,645	692,429	670,211	593,125	684,565
Loans to the public	788,996	779,600	778,918	763,567	781,690
Bonds and other interest-bearing securities	58,614	57,779	61,788	60,311	50,394
Shares	19,865	20,400	22,363	19,339	34,838
Shares in subsidiaries and investments in associates	47,207	47,205	46,358	46,363	46,382
Assets where the customer bears the value change risk	4,285	4,079	3,969	4,172	3,860
Derivative instruments	61,914	66,804	77,322	87,061	82,232
Intangible assets	2,477	2,428	2,336	2,268	2,146
Property, equipment and leasing assets	2,982	2,911	2,914	2,970	1,101
Current tax assets	2,076	1,313	448	-	2,322
Deferred tax assets	269	310	365	425	472
Other assets	10,647	8,968	12,727	16,713	13,307
Prepaid expenses and accrued income	4,587	4,139	3,761	4,792	4,075
Total assets	2,242,604	2,241,612	2,164,668	1,894,704	2,177,365
Liabilities and equity					
Due to credit institutions	220,467	212,715	209,637	189,176	218,830
Deposits and borrowing from the public	1,110,978	1,118,658	1,048,659	827,753	1,007,257
Liabilities where the customer bears the value change risk	4,385	4,166	4,027	4,271	3,927
Issued securities	681,674	684,792	674,987	648,977	712,465
Derivative instruments	47,144	48,645	44,266	54,491	57,377
Short positions	10,081	7,876	11,753	1,572	11,441
Current tax liabilities	-	-	-	184	-
Deferred tax liabilities	759	932	1,066	1,066	2,026
Provisions	235	328	307	429	426
Other liabilities	15,446	12,909	20,939	8,786	12,931
Accrued expenses and deferred income	7,676	7,717	6,841	7,164	8,343
Subordinated liabilities	32,560	32,782	33,199	33,400	33,008
Total liabilities	2,131,405	2,131,520	2,055,681	1,777,269	2,068,031
Untaxed reserves	708	734	762	793	535
Share capital	3,013	3,013	3,013	3,013	3,008
Share premium	5,629	5,629	5,629	5,628	5,410
Other funds	8,025	8,218	9,156	9,242	12,056
Retained earnings	88,709	88,787	88,936	78,159	78,285
Profit for the period	5,115	3,711	1,491	20,600	10,040
Total equity	110,491	109,358	108,225	116,642	108,799
Total liabilities and equity	2,242,604	2,241,612	2,164,668	1,894,704	2,177,365

CHANGE IN SHAREHOLDER'S EQUITY – PARENT COMPANY

January – September 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								5,115	5,115
Other comprehensive income					363	90	-1,970		-1,517
Total comprehensive income for the period					363	90	-1,970	5,115	3,598
Dividend								-9,721	-9,721
Group contributions provided								-37	-37
Tax effect on Group contribution								8	8
Effects of convertible subordinated loans	0			1					1
Fund for internally developed software			300					-300	
Closing equity	3,013	2,682	2,066	5,629	244	1,064	1,969	93,824	110,491

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 – September 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								10,040	10,040
Other comprehensive income					1,694	-1,020	157		831
Total comprehensive income for the period					1,694	-1,020	157	10,040	10,871
Dividend								-11,442	-11,442
Effects of convertible subordinated loans	52			2,206					2,258
Fund for internally developed software			1,640					-1,640	
Closing equity	3,008	2,682	1,640	5,410	3,043	996	3,695	88,325	108,799

* Included in fair value fund.

During the period January to September 2017, convertibles for a nominal value of SEK 1m (2,290) relating to subordinated convertible bonds were converted into 22,151 class A shares (33,810,589). 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-Sep 2017	Jan-Sep 2016	Full year 2016
Operating profit	6,510	11,188	25,296
Adjustment for non-cash items in profit/loss	1,807	-1,113	-12,351
Paid income tax	-3,748	-4,423	-5,281
Changes in the assets and liabilities of operating activities	184,813	139,247	-11,861
Cash flow from operating activities	189,382	144,899	-4,197
Acquisition / divestment of subsidiaries	-	-	-408
Change in shares	-838	4,810	5,437
Change in interest-bearing securities	-	1,000	1,000
Change in property and equipment	-622	-246	-2,257
Change in intangible assets	-441	-350	-598
Cash flow from investing activities	-1,901	5,214	3,174
Repayment of subordinated loans	-	-2,290	-2,512
Issued subordinated loans	-	-	-
Dividend paid	-9,721	-11,442	-11,442
Received group contributions	12,257	10,971	10,971
Cash flow from financing activities	2,536	-2,761	-2,983
Liquid funds at beginning of the year	199,362	202,630	202,630
Cash flow for the period	190,017	147,352	-4,006
Exchange rate difference on liquid funds	-11,558	3,698	738
Liquid funds at end of year	377,821	353,680	199,362

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

Own funds and capital ratios – Parent company

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Common equity tier 1 capital	101,971	101,639	101,698	102,883	96,742
Total tier 1 capital	113,689	113,650	114,296	115,651	108,898
Total tier 2 capital	13,340	16,302	16,164	16,225	16,263
Total own funds	127,029	129,952	130,460	131,876	125,161
Capital ratios and buffers					
Common equity tier 1 ratio, CRR	21.7%	21.8%	22.3%	23.4%	21.8%
Tier 1 ratio, CRR	24.2%	24.4%	25.0%	26.3%	24.5%
Total capital ratio, CRR	27.0%	27.9%	28.5%	30.0%	28.2%
Risk exposure amount, CRR	469,808	466,443	456,975	439,657	444,468
Own funds in relation to capital requirement according to transitional rules	246%	255%	258%	260%	244%
Institution-specific buffer requirements	3.7%	3.7%	3.6%	3.4%	3.4%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.2%	1.2%	1.1%	0.9%	0.9%
<i>of which systemic risk buffer requirement</i>	-	-	-	-	-
Common equity tier 1 capital available for use as a buffer	17.2%	17.3%	17.8%	18.9%	17.3%

Capital requirement – Parent company

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Credit risk according to standardised approach	11,354	11,367	11,136	11,258	11,390
Credit risk according to IRB Approach	21,383	21,317	20,466	19,043	19,295
Market risk	995	800	936	873	817
Credit valuation adjustment risk (CVA)	460	438	627	594	650
Operational risk	3,393	3,393	3,393	3,405	3,405
Total capital requirement	37,585	37,315	36,558	35,173	35,557
Adjustment according to Basel I floor	14,839	14,421	14,686	16,010	16,137
Capital requirement, Basel I floor	52,424	51,736	51,244	51,183	51,694
Total own funds, Basel I floor	128,839	131,739	132,262	133,016	126,315

Capital requirement credit risks, standardised approach * – Parent company

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Sovereign and central banks	-	0	14	6	4
Municipalities	-	0	2	2	3
Multilateral development banks	-	0	0	0	0
International organisations	-	0	0	0	0
Institutions	72	65	61	64	65
Corporates	766	903	771	783	917
Households	981	995	992	1,011	957
Collateral in real estate	2,920	2,808	2,762	2,665	2,574
Past due items	35	27	26	21	19
Equities	6,116	6,115	6,111	6,111	6,354
Other items	465	455	397	595	497
Total	11,355	11,367	11,136	11,258	11,390

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

Capital requirement credit risks IRB – Parent company

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Sovereign and central banks	606	587			
Corporates	16,468	16,429	15,875	14,512	15,107
Households	1,996	2,050	2,261	2,265	2,343
Private individuals	1,538	1,575	1,779	1,788	1,847
<i>of which property loans</i>	812	845	821	812	836
<i>of which other loans</i>	726	730	958	976	1,011
Small companies	458	475	482	477	496
Institutions	1,177	1,121	1,443	1,392	1,301
Equity exposures	1,041	1,038	794	780	456
<i>of which listed shares</i>	-	-	-	-	-
<i>of which other shares</i>	1,041	1,038	794	780	456
Non credit-obligation assets	93	90	91	92	88
Securitisation positions	2	2	2	2	0
Total IRB	21,383	21,317	20,466	19,043	19,295

Capital requirement market risks – Parent company

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Position risk in the trading book	985	793	928	864	810
Interest rate risk	974	784	917	855	801
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
Equity price risk	11	9	11	9	9
Exchange rate risk	-	-	-	-	-
Commodities risk	10	7	8	9	7
Settlement risk	-	0	-	0	0
Total capital requirement for market risks	995	800	936	873	817

Leverage ratio – Parent company

SEK m	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Balance sheet according to accounting regulations	2,242,604	2,241,612	2,164,668	1,894,704	2,177,365
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-20,230	-23,522	-24,891	-12,825	-18,977
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	4,106	3,342	3,856	4,440	5,447
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>540,406</i>	<i>541,924</i>	<i>530,052</i>	<i>539,468</i>	<i>539,151</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-351,177</i>	<i>-352,673</i>	<i>-345,307</i>	<i>-348,431</i>	<i>-347,254</i>
Assets reported off the balance sheet, net	189,229	189,251	184,745	191,037	191,897
Additional adjustment	-623,472	-619,930	-574,506	-572,136	-563,981
Assets on which the leverage ratio is calculated	1,792,237	1,790,753	1,753,872	1,505,220	1,791,751
Capital on which the leverage ratio can be calculated					
Tier 1 capital	113,689	113,650	114,296	115,651	108,898
Leverage ratio					
Leverage ratio calculated on tier 1 capital	6.3%	6.3%	6.5%	7.7%	6.1%

SUBMISSION OF REPORT

I hereby submit this interim report.

Stockholm, 18 October 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 8:30 a.m. (CET) on 18 October.

A phone conference will be held at 11:00 a.m. (CET) on 18 October.

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

The highlights of the annual report for January – December 2017 will be published on 7 February 2018.

For further information, please contact:

Anders Bouvin, President and Group Chief Executive

Tel: +46 (0)8 22 92 20

Rolf Marquardt, CFO

Tel: +46 (0)8 22 92 20

Lars Höglund, Head of Investor Relations

Tel: +46 (0)8 701 51 70, laho01@handelsbanken.se

Auditors' review report

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

INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 30 September 2017 and for the nine-month period then ended. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF THE REVIEW

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

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

CONCLUSION

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

Stockholm, 18 October 2017

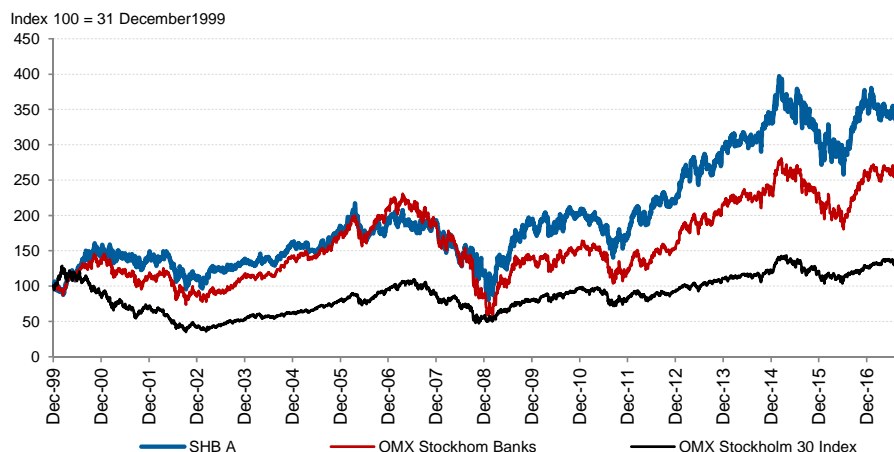
Ernst & Young AB
Jesper Nilsson, Authorised Public Accountant

PricewaterhouseCoopers AB
Johan Rippe, Authorised Public Accountant

Share price performance and other information

The Swedish stock market grew by 8% during the first nine months of the year. The Stockholm stock exchange's bank index rose by 5%. 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 37%.

SHARE PRICE PERFORMANCE SINCE 31 DEC 1999



ANALYSTS WHO MONITOR THE BANK

Company	Analyst	Email address
ABG SUNDAL COLLIER	Magnus Andersson	magnus.andersson@abgsc.se
ARCTIC SECURITIES	Roy Tilley	roy.tilley@arcticsec.no
AUTONOMOUS	Jacob Kruse	jkruise@autonomous-research.com
BANK OF AMERICA MERRILL LYNCH		
BARCLAYS	Paulina Sokolova	paulina.x.sokolova@barclays.com
BERENBERG BANK	Adam Barrass	adam.barrass@berenberg.com
CARNEGIE	Jens Hallen	jens.hallen@carnegie.se
CITIGROUP	Ronit Ghose	ronit.ghose@citi.com
CREDIT SUISSE	Jan Wolter	jan.wolter@credit-suisse.com
DANSKE BANK	Matti Ahokas	matti.ahokas@danskebank.com
DEUTSCHE BANK	Kim Bergoe	kim.bergoe@db.com
DNB	Nicholas McBeath	nicholas.mcbeath@dnb.se
EVLI	Jaakko Tyrväinen	jaakko.tyrvaainen@evli.com
EXANE BNP PARIBAS	Andreas Håkansson	andreas.hakansson@exanebnpparibas.com
GOLDMAN SACHS	Willis Palermo	willis.palermo@gs.com
JEFFERIES INTERNATIONAL	Kapilan Pillai	kpillai@jefferies.com
J P MORGAN	Vivek Gautam	vivek.gautam@jpmorgan.com
KEEFE, BRUYETTE & WOODS	Karl Morris	kmorris@kbw.com
MACQUARIE SECURITIES	Edward Firth	edward.firth@macquarie.com
MEDIOBANCA	Riccardo Rovere	riccardo.rovere@mediobanca.it
MORGAN STANLEY	Bruce Hamilton	bruce.hamilton@morganstanley.com
NORDEA	Rickard Henze	rickard.henze@nordea.com
PARETO	Simon Julin	simon.julin@paretosec.com
REDBURN	Amal Shah	amal.shah@redburn.com
ROYAL BANK OF CANADA	Adrian Cighi	adrian.cighi@rbccm.com
SEB ENSKILDA EQUITIES	Peter Kessiakoff	peter.kessiakoff@seb.se
SOCIETE GENERALE	Geoff Dawes	geoff.dawes@sgcib.com
SPAREBANK 1 MARKETS	Odd Weidel	odd.weidel@sb1markets.no
SWEDBANK	Bengt Kirkøen	bengt.kirkoen@swedbank.no
UBS	Johan Ekblom	johan.ekblom@ubs.com

Handelsbanken

Svenska Handelsbanken AB (publ), Corporate identity no. 502007-7862
SE-106 70 Stockholm, Sweden, Telephone: +46 (0)8-701 10 00, handelsbanken.com