Annual Report 2017

Handelsbanken

This is Handelsbanken

Handelsbanken has a decentralised way of working and a strong local presence. The Bank has a nationwide branch network in Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The Bank regards these countries as its home markets. Handelsbanken was founded in 1871 and has operations in more than 20 countries.

More satisfied customers than the sector average in all six of our home markets.*

146 years of availability.

More than 800 branches in our six home markets.

46 years running with better profitability than the average of peer banks in home markets.

SATISFIED CUSTOMERS IN ALL SIX HOME MARKETS*

Every year, EPSI Rating – which includes SKI (Swedish Quality Index) – carries out independent surveys of customer satisfaction. This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. Thus the Bank continues to have a strong position in terms of customer satisfaction.

In Sweden, Handelsbanken has had the most satisfied customers for 29 years running according to SKI.

HANDELSBANKEN'S CREDIT RATING IS TOP OF GLOBAL BANKS

No other bank in the world has a higher rating than Handelsbanken in terms of bank ratings from Fitch, Moody's and Standard & Poor's. During the first quarter of 2017, Standard & Poor's changed their outlook on Handelsbanken to stable, from negative. In other respects, Handelsbanken's long-term and short-term ratings with the rating agencies which monitor the Bank were unchanged.

POSITIVE SHAREHOLDER VALUE

Handelsbanken is one of few banks in Europe that has generated positive shareholder value since the financial crisis began in autumn 2007. Handelsbanken is the only commercial bank on the Stockholm stock exchange which has not needed to ask its shareholders for new capital during this period.

For the past five years – since 31 December 2012 – Handelsbanken has generated positive shareholder value of SEK 121 billion. Market capitalisation has grown by SEK 71 billion, while Handelsbanken has paid out SEK 50 billion in dividends to shareholders.

* According to EPSI/SKI (Swedish Quality Index). Since SKI's surveys began in 1989, Handelsbanken has had the most satisfied private customers of the four major Swedish banks: Handelsbanken, Nordea, SEB and Swedbank.

Highlights of the year

Operating profit rose by 2 per cent to SEK 21,025 million (20,633); adjusted for non-recurring items, it rose by 3 per cent.

The period's profit after tax for total operations decreased by 1 per cent to SEK 16,102 million (16,245).

Earnings per share for total operations decreased to SEK 8.28 (8.43).

Return on equity for total operations declined to 12.3 per cent (13.1).

Income increased by 2 per cent to SEK 41,674 million (40,763), but after adjustment for non-recurring items, it grew by 5 per cent.

Net interest income increased by 7 per cent to SEK 29,766 million (27,943).

Net fee and commission income rose by 6 per cent to SEK 9,718 million (9,156).

Continued growth in lending and growth in assets under management in all home markets.

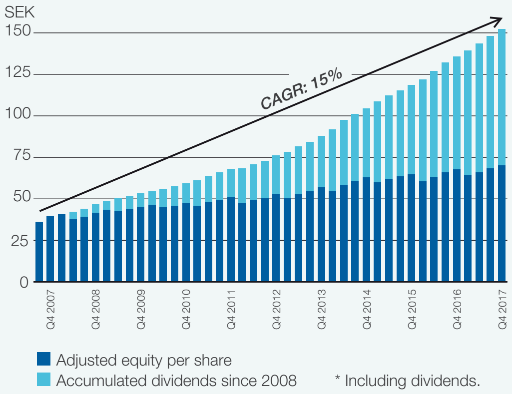
The C/I ratio rose to 45.5 per cent (45.2).

The loan loss ratio went down to 0.08 per cent (0.09).

The common equity tier 1 ratio decreased to 22.7 per cent (25.1) after proposed dividend, and the total capital ratio was 28.3 per cent (31.4).

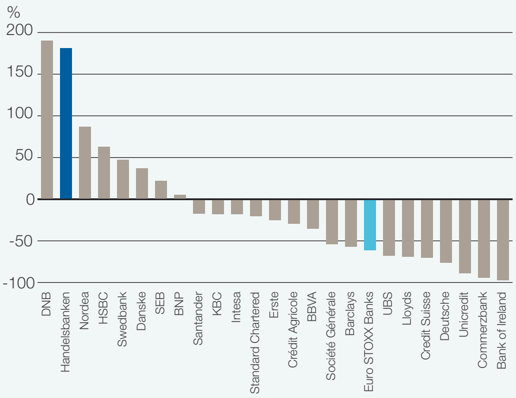
The Board is proposing an ordinary dividend of SEK 5.50 per share and an extra dividend of SEK 2.00 per share and that the existing mandate to repurchase shares is extended for a further year.

Average growth in equity 2007–2017*



* Including dividends.

Total return since the start of the financial crisis 30 June 2007–31 December 2017



Source: SNL, as at 31 December 2017 (dividends reinvested).

Brief information

Handelsbanken's Annual General Meeting 2018

Location: Grand Hôtel, Winter Garden, Royal entrance, Stallgatan 4, Stockholm.
Time: Wednesday, 21 March 2018 at 10.00 a.m.

Notice of attendance

Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB (formerly VPC AB), by Thursday, 15 March 2018 at the latest. Notice of attendance is to be made to Handelsbanken, Corporate Governance, SE-106 70 Stockholm, Sweden, telephone +46 (0)8 701 19 84, or via handelsbanken.se/ireng by Thursday, 15 March 2018 at the latest.

To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request a temporary entry in the register of shareholders kept by Euroclear. Shareholders must notify the nominee of this well before Thursday, 15 March 2018, when this entry must have been effected.

Dividend

The Board proposes that the record day for the dividend be Friday, 23 March 2018, which means that Handelsbanken's shares will be traded ex-dividend on Thursday, 22 March 2018. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Wednesday, 28 March 2018.

Financial calendar 2018

7 February	Annual accounts 2017
21 March	Annual General Meeting
25 April	Interim report January–March 2018
18 July	Interim report January–June 2018
24 October	Interim report January–September 2018

Financial information

The following reports can be downloaded or ordered from handelsbanken.se/ireng:

- annual reports
- interim reports
- risk reports
- corporate governance reports
- fact books
- sustainability reports.

Distribution

The Annual Report can be ordered from Investor Relations, phone +46 (0)8 701 10 00 or at handelsbanken.se/ireng. Handelsbanken's publication Risk and Capital Management – Information according to Pillar 3 and the other reports stated above are also available on the Bank's website.

Handelsbanken's Sustainability Report 2017

In addition to Handelsbanken's Annual Report 2017, Handelsbanken also publishes a complete Sustainability Report. The Sustainability Report is a separate publication covering activities and results during the 2017 calendar year. The report is prepared in accordance with Global Reporting Initiative (GRI) Standards and has been examined by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities on an annual basis. The Sustainability Report encompasses the Group as a whole and constitutes the formal sustainability reporting in accordance with the Swedish Annual Accounts Act for the companies that are subject to the reporting requirement.

The report constitutes Handelsbanken's Communication on Progress for the UN Global Compact.

Information regarding Handelsbanken's sustainability activities is also published at handelsbanken.se/csreng.

THE GLOBAL COMPACT
WE SUPPORT

Contents

Svenska Handelsbanken AB (publ)
Corporate identity no.: 502007-7862
Registered office: Stockholm
handelsbanken.com

This report is also available in Swedish. Every care has been taken in this translation into English. In the event of discrepancies, the Swedish original will supersede the English version.

An ordinary year for our extraordinary bank

It was a fairly ordinary year for our rather extraordinary bank.
This doesn't mean that the year was uneventful - on the contrary, the level of activity was high throughout the Bank. This led to more customers, more satisfied customers, and more stable finances - just as usual.

During the past year, Handelsbanken has gained many good, new customers. To a large extent, our existing customers also did more business with us this past year and, as in previous years, we had more satisfied customers than our competitors in all our home markets.

We have developed new products, solutions and services. We have also worked methodically to constantly improve and develop our existing offerings, and continued our efforts to comply fully with all regulations by focusing on good administrative order. Despite several large, far-reaching projects, particularly new, digital services, we have steadily worked away at keeping costs in check, this year as in previous years.

Our return on equity was 12.3 per cent. This means that for the 46th year running, we achieved our corporate goal of higher profitability than the average of our competitors.

We achieved this goal primarily through our constant efforts to have lower costs and more satisfied customers than our competitors. This may sound contradictory: higher return, lower costs, and more customer satisfaction. Isn't it incompatible to strive for shareholder value and customer benefit at the same time?

We don't think so – quite the opposite, in fact. We believe that satisfied customers in particular are essential to achieving good, stable profitability in the long term. More satisfied customers do more business, use more services and are also our best form of marketing. Our customers telling their friends and business associates about us gives a credibility that no advertising agency in the world can match.

In fact, this is not just conjecture – it's also backed up by scientific evidence. For several years, researchers at the Stockholm School of Economics and the independent research firm SKI/EPSI have mapped the relationship between satisfied customers and profitability. They have found a correlation, not just in general but in precise, quantifiable numbers, right down to the individual branch office.

> "We believe that satisfied customers in particular are essential to achieving good, stable profitability in the long term."

This is why we regard everything we do to increase customer satisfaction not as a cost but as an investment.

Handelsbanken has also had more satisfied customers than the sector average in all our home markets since SKI/EPSI started its surveys. In Sweden, our largest market, the gap between us and our major competitors increased in 2017, for corporate and private customers alike.

We have more satisfied customers neither by chance nor coincidence. They are the result of extremely consistent, long-term efforts to win, retain and develop satisfied customers.

We speak to tens of thousands of customers every day. We engage independent survey companies that continuously monitor and analyse what customers expect of us. Every day throughout the Bank we discuss what more we can do to meet – and preferably exceed – our customers' expectations.

Above all, I believe customer satisfaction is the product of our corporate culture, of the way we organise ourselves and how we work. Handelsbanken has a highly decentralised way of working: in simple terms, you might say that the person who is closest to the question makes the decision. This means that our most important business decisions are made locally, at our branches – quite often at the meeting with the customer affected.

> "Handelsbanken has a highly decentralised way of working: in simple terms, you might say that the person who is closest to the question makes the decision."

The fact that the customer participates in the discussion in which the decision is made – is key to customer satisfaction. Our customers always meet the person who will make the decision, not a messenger with no actual authority.

Decentralisation gives us many other competitive advantages, too. These include highly skilled branch managers who are used to making decisions and are well acquainted with their local market and their customers. Our local responsibility and knowledge of customers have also greatly contributed to Handelsbanken consistently having lower loan losses than its peer banks.

In other words, every business decision is backed up by experience, solid information about customers and knowledge of the local market. That's also how we grow as a bank – through local decisions firmly grounded in knowledge and expertise.

We have made no central decisions about growth targets or universal goals for expansion or the like. Instead, each branch is allowed to grow in step with its market, in a way they choose themselves – always at low risk and low cost. In other words, we grow transaction by transaction, customer by customer. We grow through our existing branches that win new customers and continually seek to enhance business with their existing customers. And where the business opportunities are favourable, we are happy to open new branches in those locations.

So our growth is not limited to any particular market or special condition. In the Netherlands, for example, we are growing at a considerable pace – a rapid influx of new customers and new business – which is not that strange, since this is our newest home market, established in 2013. At the same time, we are also growing in Sweden, a market we became

established in almost 150 years ago. So our model works regardless of whether the market is mature or we're newcomers.

This also means that no two of Handelsbanken's 800-plus branches are alike. Each branch manager decides independently how that branch will become the best bank in that local market – and then customises everything for that purpose: staff, skills and offering. So the branches do vary widely. Yet they all share the same core values and the same culture that embodies a high standard of service, good administrative order and the constant quest to be the best bank in the community.

And yet as stated above, even with that common platform, the differences between branches can be great.

For example, Erwin van der Steur, our branch manager in Groningen, a town with many private houses, has some of the Netherlands' most competent mortgage advisors on his team. At the same time, Paul Brooksbank has deliberately brought in staff with many years' experience of working with small and medium-sized enterprises, because his branch is in Leamington Spa, in the UK, home to many companies of this type.

Another example is Tarja Suvisalmi, who has worked to make Handelsbanken's Kuninkaankatu branch the natural choice for private banking customers in Tampere, Finland. Yet another example is our branch manager at Humlegården in Stockholm, AnneMarie Dahlstedt, who has some of the banking sector's most competent corporate advisors to attract the many excellent corporate customers in her market.

Add to this the fact that each branch always has access to all of Handelsbanken's collective breadth and strength. Any expertise that a branch does not have on-site is located regionally or centrally and is fully available to the branch. No expert or specialist is further away from the branch than a phone call.

Although Handelsbanken is one of Europe's strongest banks, with six home markets and branches in more than 20 countries, we have a very strong local presence, uniquely adapted to local conditions wherever we operate. We've known our customers, often personally, for many years. And our customers know us.

In recent years and perhaps especially during 2017, we've heard many reports of 'the death of the branch'. The bank branch, it is said, is expensive and old-fashioned. Digital is the way to go, so they say. If a bank holds on to its branch network, it won't be able to afford the necessary investments in digital services.

We beg to differ. In the past year, our home market in Sweden achieved a C/I ratio of 34.2 – which is one of the best results ever. For Handelsbanken, then, the reverse is true: without our branches – and their healthy profitability – we couldn't afford to invest in digital advances.

In addition, our branches provide us with a unique and continuous reality check with our customers in their everyday activities. What do they want? What do they not have?

The answers will vary, of course, to some extent depending on the market, but in general it's safe to say that our customers expect us to continue developing our digital services. Based on consistent independent surveys, our customers give high marks to the Bank's existing digital solutions and offering.

For example, in its annual report on Swedish bank customers, the independent research firm SKI wrote: "Handelsbanken's technical solutions – for both corporate and private customers – have come out on top."

> "The pace and scope of digitalisation in our operating environment has accelerated in recent years. Accordingly, we have stepped up the pace and scope of our digital advances."

We will continue to digitalise Handelsbanken. The pace and scope of digitalisation in our operating environment has accelerated in recent years. Accordingly, we have stepped up the pace and scope of our digital advances.

At the same time, it is important to emphasise that our customers see no contradiction between more digitalisation and local branches. On the contrary, one message from the EPSI/SKI surveys that comes in loud and clear is that customers want our continued local presence and opportunities for face-to-face meetings. So even if our customers are becoming ever more digital, they are still local, which is why Handelsbanken will also continue to be both local and digital.

One of our aims is for Handelsbanken's digital solutions to be locally customisable as far as possible. I believe that such 'localisation' – coupled with continued opportunities for face-to-face meetings with skilled staff who are well acquainted with their customers and local conditions – will give us an outstanding competitive advantage and also be fairly hard to copy.

Quickly adapting to new circumstances and demands in the business environment is not that difficult at Handelsbanken. I think that here, too, decentralisation plays a key role. Throughout the Bank there are people with the authority to make decisions independently. This brings with it greater personal responsibility and strong commitment from all employees.

Let me share an example from the United Kingdom, a part of the Bank that I have known well for many years. In the past decade, our business there has progressed tremendously. Several years ago, we realised that sooner or later we would have to convert that part of the Bank into a subsidiary so that we could optimise our banking operations in the UK market. This is happening now, a little earlier than envisioned, to accommodate Brexit. I know that the employees who lead our operations in the UK can handle whatever is demanded of them, whether on the commercial front or compliance with the new regulations. They are making all the decisions now and implementing changes and modifications without disrupting their customer business.

In other words, a typical way of doing things at Handelsbanken.

> "At the same time, it is important to emphasise that our customers see no contradiction between more digitalisation and local branches."

There is a great deal of interest in our work with sustainability. Our customers want more than just good service and good products. They also want to buy them from good, worthy companies.

For us at Handelsbanken, sustainability is nothing new. We were already working with these issues long before they were pulled together as a concept called 'sustainability'. It's not so much a matter of adapting to the demands of the present but of continuing to work with issues we have always worked with.

One example of this is our view of gender equality and diversity. For decades we have been working to foster an inclusive work environment based on trust and respect for every individual. If we can attract, recruit and develop employees with different backgrounds and experiences, we will become an even better bank and enhance our ability to adapt to a constantly changing society.

Handelsbanken will without doubt continue to support and work with international initiatives for corporate sustainability, such as the Principles for Responsible Investment (PRI), the Sustainable Development Goals in the 2030 Agenda, and the United Nations Global Compact. This is also completely in line with Handelsbanken's way of working.

In brief, sustainability is a natural part of Handelsbanken's business concept, corporate culture and method of running a bank. Our work on sustainability significantly contributes to the Bank's reputation as well.

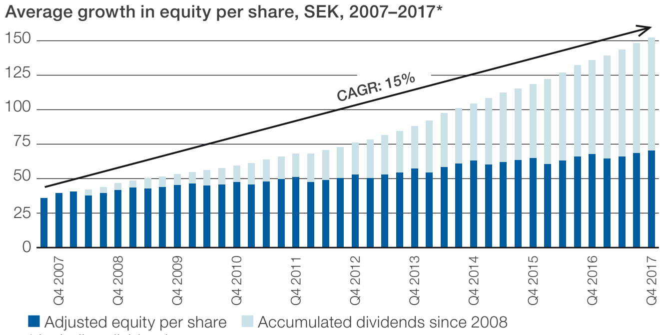
Ever since the independent research firm SIFO began surveying the public on their opinions of Swedish companies, Handelsbanken has ranked among the top 10 companies in Sweden with the best reputations. This reputation is also bolstered by Handelsbanken's financial stability and consequent ability to always be an asset – and not a burden – to the societies where we operate.

2018 is the anniversary of an event that is relatively painful for many: 10 years ago in September, Lehman Brothers crashed, marking the beginning of the most recent financial crisis. In the autumn of 2008, governments and central banks intervened in all of our home markets with extensive bail-out schemes for the financial sector.

We were the only large bank in Sweden that did not receive any aid. The reason was simple: we didn't need it. We had a healthy supply of capital and solid reserves, so we were able to continue doing all the business we and our customers wanted to do.

Today, almost 10 years later, we also have the benefit of hindsight. We have steadily grown shareholder value during the past 10 years.

Average growth in equity per share, SEK, 2007–2017*



* Including dividends.

This diagram illustrates how Handelsbanken has generated shareholder value since the third quarter of 2007. The bars show adjusted equity and accumulated dividend in terms of SEK per share. Average annual growth equals 15 per cent. Growth has been stable, quarter by quarter, which reflects the Bank's low risk profile and robust business model. This business model has proven manageable in a variety of challenging market conditions and continues to deliver stable, increasing value creation.

The major rating agencies continue to rank us as one of the world's strongest banks. Naturally, a key factor contributing to this is our proven ability to continue operating regardless of changes in the business environment.

This ability stems from our rather uncomplicated ideas about how to run our bank: we strive for profitability that is higher than the average figure for our competitors, through lower costs and more satisfied customers. We have achieved this for 46 years running.

This working method increasingly sets us apart as a bank. But, we have no desire to diverge from industry practice – we aren't different just for the sake of being different. We are different because that is how we have achieved more satisfied customers, sound profitability, and thus strong shareholder value.

In order to achieve this again in 2018, all our employees need to continue doing as they have done during the past year: working with commitment and attention, each individual taking responsibility for advancing the Bank and our business.

Many thanks to all of you for doing just this.

I would also like to offer my warmest thanks to our shareholders for the trust you have in Handelsbanken.

And finally, many thanks to all our customers. In the coming years, we will continue to do our utmost to live up to – and preferably exceed – your expectations.

How? By continuing to be Handelsbanken – only a little better, and maybe also a little more different – just as usual.

Stockholm, February 2018
Anders Bouvin, President and Group Chief Executive

Administration report

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Concept

Handelsbanken has a decentralised way of working and a strong local presence due to nationwide branch networks and a long-term approach to customer relations.

The Bank grows internationally by establishing its business model to selected markets.

Goal

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets.

One of the purposes of Handelsbanken's corporate goal is to offer shareholders long-term, high growth in value expressed in increasing earnings per share over a business cycle.

This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

High profitability is crucial, not only because it attracts shareholders to invest in the Bank, but also because it creates the conditions for growth, a high rating and low funding costs, and for the Bank's lending capacity.

The Bank's profitability also affects its ability to manage risks and to achieve efficient capital management.

Goal achievement

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is mainly to be achieved by the Bank having more satisfied customers and lower costs than its competitors.

OVERALL GOAL

Corporate goal

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets.

Goal achievement

Handelsbanken's return on equity for total operations was 12.3 per cent (13.1). Adjusted for non-recurring items, return on equity was 12.0 per cent (12.2). The corresponding figure for a weighted average of other major Nordic banks was 11.5 per cent (10.9). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at approximately 10.9 per cent (10.0). This means that for the 46th consecutive year, Handelsbanken has met its corporate goal.

Return on equity 1973–2017

* Only Swedish banks are included for the period up to and including 2002.

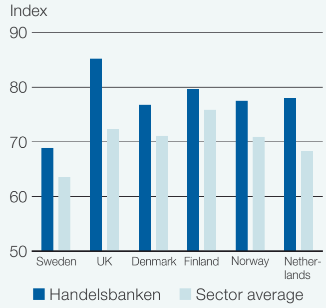
MOST SATISFIED CUSTOMERS

One of the ways in which Handelsbanken will achieve its profitability goal is by having more satisfied customers than its competitors. Quality and service must therefore at least meet customer expectations, and preferably exceed them.

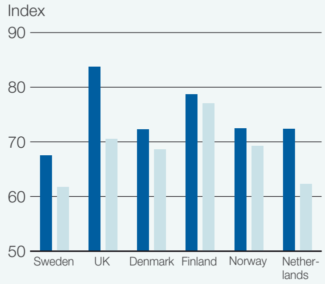
Outcome

Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. In this way, the Bank retains its strong and stable position regarding customer satisfaction. Satisfied customers are proof of the viability of Handelsbanken's method of working.

Customer satisfaction
Private customers 2017



Customer satisfaction
Corporate customers 2017



Source: SKI/EPSI.

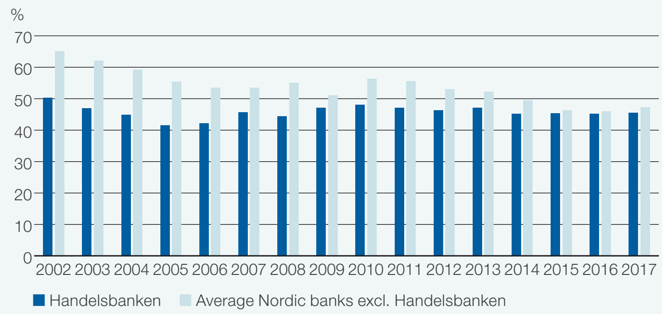
MOST COST-EFFECTIVE BANK

The profitability goal will also be achieved by having higher cost-effectiveness than peer banks.

Outcome

Handelsbanken's costs in relation to income for continuing operations were 45.5 per cent (45.2). The corresponding figure for an average of other major Nordic banks was 47.2 per cent (48.1).

Costs/Income, excluding loan losses 2002–2017



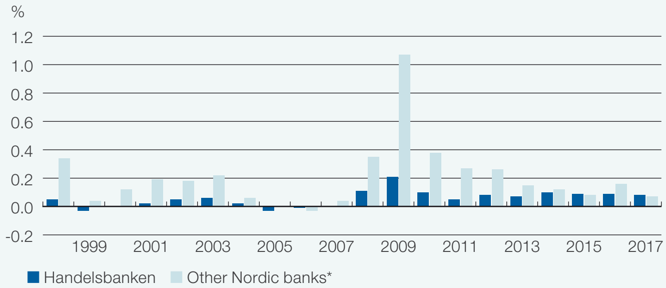
CREDIT QUALITY

Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Loan losses were SEK -1,683 million (-1,724). Loan losses as a proportion of lending were 0.08 per cent (0.09). For the past 10 years – that is, since 2008 – the Bank's average loan loss ratio has been 0.10 per cent. This can be compared with the average for the other major Nordic banks during the same period: 0.27 per cent.

Loan losses as a percentage of lending 1998–2017



* Only Swedish banks are included for the period up to and including 2000.

RATING

Handelsbanken aims to have a high rating with the external rating agencies.

Outcome

No other bank in the world has a higher rating than Handelsbanken in terms of bank ratings from Fitch, Moody's and Standard & Poor's. During the first quarter of 2017, Standard & Poor's changed their outlook on Handelsbanken to stable, from negative. In other respects, Handelsbanken's long-term and short-term ratings with the rating agencies which monitor the Bank were unchanged.

Ratings of Nordic banks

	Moody's			Standard & Poor's		Fitch	
31 December 2017	Financial strength (BCA)*	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Handelsbanken	a2	Aa2	P-1	AA-	A-1+	AA	F1+
Nordea	a3	Aa3	P-1	AA-	A-1+	AA-	F1+
Swedbank	a3	Aa3	P-1	AA-	A-1+	AA-	F1+
SEB	a3	Aa3	P-1	A+	A-1	AA-	F1+
DNB	a3	Aa2	P-1	A+	A-1		
Danske Bank	a3	Aa3	P-1	A	A-1	A	F1

* Baseline Credit Assessment (BCA) is an indicator of the issuers' standalone intrinsic strength.

Source: SNL.

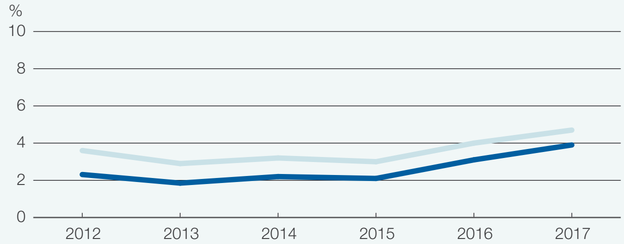
A LONG-TERM PERSPECTIVE

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term.

Outcome

External staff turnover continued to be low and was 4.7 per cent (4.0) in the Group and 3.9 per cent (3.1) in Sweden.

External staff turnover 2012–2017*



* The proportion of employees who have left the Bank (excluding retirements and deaths) in relation to the average number of employees.

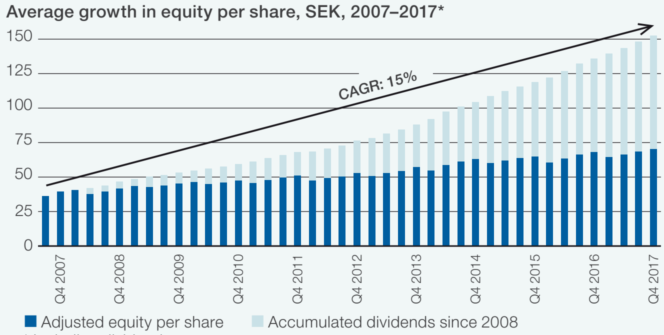
HIGH, STABLE VALUE GROWTH

Growth in equity, including dividends and share repurchases, is a measure of the financial value created.

Outcome

Average growth in equity, including dividends and share repurchases, has been 15 per cent each year for the past nine years. The low variation between the quarters confirms the Bank's low risk tolerance and is a measure of the stability of the value creation.

Average growth in equity per share, SEK, 2007–2017*



* Including dividends.

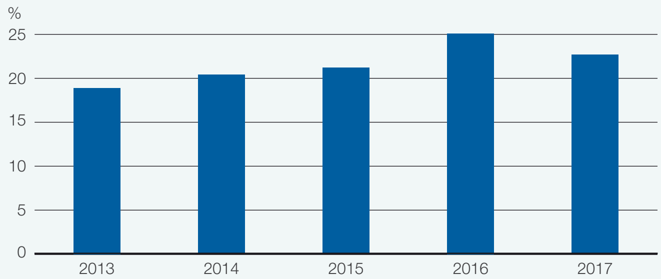
CAPITAL

The Bank's goal is that its common equity tier 1 ratio under normal circumstances should exceed by 1–3 percentage points the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The Bank must also fulfil all other capital requirements decided upon by public authorities.

Outcome

The common equity tier 1 ratio was 22.7 per cent (25.1). The Bank's assessment is that the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement was 20.2 per cent at the year-end.

Common equity tier 1 ratio, CRD IV 2013–2017



LIQUIDITY AND FUNDING

Handelsbanken must be able to manage for at least 12 months under stressed conditions without borrowing any new funds in the financial markets. Its funding cost must be lower than for peer banks.

Outcome

Handelsbanken's bond issues during the year were SEK 163 billion (198), consisting of SEK 138 billion (148) in covered bonds and SEK 22 billion (50) in senior bonds. The Bank has a strong liquidity position. Cash funds and liquid assets invested with central banks amounted to SEK 267 billion (232).

ITRAXX Financials 5-year and Handelsbanken's 5-year CDS spread

Source: Ecowin, Bloomberg.

Our concept

At Handelsbanken, local presence and personal meetings with our customers are key. We have a decentralised way of working and a strong local presence through nationwide branch networks.

The Bank attaches great importance to availability and long-term customer relations, has low tolerance of risk and achieves international growth by applying its business model to selected markets.

A LONG-TERM PERSPECTIVE

Handelsbanken has been conducting banking operations since 1871 and has the oldest listed share on the Stockholm stock exchange. Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

Our idea of how we should run our bank is based on trust and respect for individuals. This is why we are decentralised. This approach leads to better, quicker decisions close to the customer, and creates commitment and the opportunity for our employees to make an impact and do an even better job. This in turn helps the Bank to gain more satisfied customers.

The whole of a bank's business is based on trust. Our customers have chosen us because they trust us and have confidence in the way we do banking.

In short, our customers attach great importance to the fact that we are available, simple to deal with, and show understanding and care when interacting with them. With more than 140 years' experience, we have learned what is important to our customers.

> "With more than 140 years' experience, we have learned what is important to our customers."

Slightly simplified, the basis of our method of building and running Handelsbanken has several important elements, as follows.

SATISFIED CUSTOMERS

All important business decisions should be taken as close to the customer as possible. This contributes to better decisions and more satisfied customers: our customers meet the person who will make the decision, not a messenger. This gives a sound basis for successful customer meetings – both at branches and our other meeting places. The customer's trust is built up over the long term, but is won and nurtured at every meeting. By winning its customers' trust, Handelsbanken becomes their natural choice as a provider of financial services. Therefore, meetings with customers are key to Handelsbanken's operations. To help customers in the best possible manner, the branches are supported by the Bank's Group units, business areas and regional head offices.

> "In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers."

Availability

We put a great deal of effort into being available for our customers, and this is a major component in Handelsbanken's method of banking. Our customers appreciate the fact that we are local, that we know them and the local market, and that we make our business decisions there, locally together with the customer. But our customers also expect to be able to do their banking when and where they please. This is why we are continually developing and improving our availability and our digital meeting places in all our home markets, enabling customers to visit their branch on their phone, tablet device or computer. In several home markets, we also offer personal technical support 24 hours a day. In addition, in Sweden our customers can receive personal service 24 hours a day, 365 days a year from qualified bank officers by phone.

Simplicity

All our customer relations start at the local branch, but after this customers meet Handelsbanken far more often via their phones, tablet devices and online. When a customer contacts us, the meeting should be unbureaucratic. Our aim is that the customer should be able to do the same type of business with the Bank regardless of the meeting place. That is why we are constantly working to develop and improve the Bank's technical solutions, so that customers can move freely between our meeting places and do their banking business when and where it suits them best.

Several new digital services and technical solutions were launched during the year in all our home markets to simplify matters for our private and corporate customers. Many new functions and services have also been launched in the Bank's apps and online services.

Care

In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. This is how the Bank creates, maintains and develops strong, long-term customer relationships.

One example is that we continue to develop the Bank's various meeting places – because that is what our customers want. And that creates the right conditions for customers to regard us as 'the best bank in town'.

When we meet our customers, it is not just a matter of finding a simple way to solve their everyday banking needs. We must also focus on the customer's needs – always – so that they feel our advice and service embody that care.

Decentralised decisions

Handelsbanken's constant aim is that all important business decisions be taken as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers.

> "Handelsbanken's constant aim is that all important business decisions be taken as close to the customer as possible."

Handelsbanken is organised geographically. Handelsbanken's branches are led by a manager who is responsible for all operations in his or her branch's local area. The branches' independence gives them a very strong local presence, leading to long-term customer relationships. Short decision paths make it possible to adapt more quickly to changes in local markets and make the most of new business opportunities.

Skilled staff
Handelsbanken's decentralised method of working means that we give our staff a high degree of responsibility and authority to make decisions in all kinds of matters important to the customer. This high degree of trust is based on a belief in people's willingness and ability to constantly become more skilled in their work and in their efforts to seek and overcome new challenges.

> "Handelsbanken's decentralised method of working means that we give our staff a high degree of responsibility and authority to make decisions in all kinds of matters important to the customer."

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term. Employees with broad knowledge and experience from many parts of the Bank make a vital contribution to the Bank having satisfied customers. To retain employees, the right conditions must exist for personal development through work, while each individual's work-life balance must be respected.

Our aim for long-term relations with our employees is reinforced by the profit-sharing scheme Oktogonen which, instead of short-term bonus systems, creates a long-term and similar incentive for all employees of the Bank, regardless of their position, form of employment or tasks. Furthermore, the employees are the largest owner of the Bank via Oktogonen, since it mainly invests the employees' units in shares in Handelsbanken. 98 per cent of the Group's employees are now covered by Oktogonen.

External staff turnover in the Group during the year was 4.7 per cent.

A full range of products and services
One condition vital to successful customer meetings is that Handelsbanken offers a full range of products and services to meet all the financial needs of its customers. We do not divide customers into different segments or specialise in specific product or service areas. The individual customer's unique needs are the governing factor.

Our best advice
Regardless of the meeting place, we always offer the customer our best advice, without looking at what is the most profitable product for Handelsbanken in the short term. Our employees who meet customers are not paid variable remuneration, either in the form of bonuses or commission, and therefore have no financial incentive to convince the customer that a certain service or product suits them best.

By giving our best advice, we build trusting, long-term relationships with every customer.

PROFITABILITY BEFORE VOLUME
Handelsbanken adapts its offering to each customer's unique needs and circumstances. Thus the Bank has no requirements regarding volumes, budgets or centrally determined sales targets. Instead, the Bank measures its success in terms of customer satisfaction, cost-efficiency and profitability.

Handelsbanken achieves higher profitability by running the Bank more efficiently, and thus at a lower cost, than peer banks in its home markets. Consequently, 'high profitability' does not mean that Handelsbanken's customers pay more.

ORGANIC GROWTH
For Handelsbanken to maintain high profitability in the long term, growth is necessary. Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch. This organic growth model means that Handelsbanken can achieve growth coupled with low risk and good cost control. This method of working and of achieving growth has proved successful in an increasing number of locations and in an increasing number of countries.

Handelsbanken has a nationwide branch network in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

Stable finances
By means of low funding costs and low loan losses, coupled with high profitability, Handelsbanken builds a strong balance sheet. Stable finances are essential for the Bank to be able to do all the business that we and our customers wish to do – on favourable terms.

Stable finances not only provide freedom of action, but also lower funding costs, and thus contribute to higher profitability – without the customer paying more.

> "Thus the Bank has no requirements regarding volumes, budgets or centrally determined sales targets. Instead, the Bank measures its success in terms of customer satisfaction, cost-efficiency and profitability."

Handelsbanken builds its stable finances on entirely commercial terms, and is one of the few banks in its home markets that has not sought financial support from the government, central banks or shareholders during periods of turbulence in the financial markets.

LOW RISK TOLERANCE
Handelsbanken has a low risk tolerance. The Bank's strict approach to risk means that it deliberately avoids high-risk transactions, even if the remuneration is high at the time. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group.

The Bank's business model focuses on taking credit risks in the branch operations, and the only risks we are prepared to take are credit risks on customers whom we know well and with whom we build long-term relations. The objective is therefore to minimise other risks, such as market risk, so that we have a business model that is independent of changes in the business cycle. Position-taking in the Bank's business operations is only accepted in customer-driven transactions, and only within strictly defined limits.

Organisation and working methods

At Handelsbanken, we are organised geographically so as to create the best possible conditions for relationships with our customers. Practically all important business decisions are made close to our customers, at one of our more than 800 local branches in our six home markets.

Our branches can be reached in many different ways: digitally via the internet and apps, personal visits to the branch, or 24 hours a day by phone.

OUR HOME MARKETS

Handelsbanken has six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. We have a nationwide branch network in these countries, organised into one or more regional banks in each country.

In step with the establishment of new home markets, the Bank strives to devolve central decision-making power, so that the decisions are taken as close to the customers and the market as possible. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country.

Handelsbanken has more than 800 offices in over 20 countries. Most of these are in our home markets, but we also have branch offices and representative offices around the world. Their main task is to support the Bank's customers in its home markets with their international business.

> “We have given our branch managers a very high degree of independence, as we are convinced that those who work closest to the customer will make the most sensible decisions, from the customer's and from the Bank's point of view.”

We have given our branch managers a very high degree of independence, as we are convinced that those who work closest to the customer will make the most sensible decisions, from the customer's and from the Bank's point of view.

At Handelsbanken, we strive for as many business decisions as possible to be taken locally, close to the customer. This creates a cost-effective as well as flexible organisation, which is also based on the customer's requirements and makes it possible to adapt to local conditions and to react quickly to market changes.

EFFICIENT GEOGRAPHICAL STRUCTURE

Handelsbanken is an internationally active bank with a local presence and long-term customer relations. The individual customer's unique needs are the governing factor. Therefore, Handelsbanken has a full range of products and services to meet all the financial needs of our customers.

Handelsbanken is organised geographically. This means that we do not face the challenges of a complex matrix organisation where both employees and customers risk ending up in inefficient work processes.

Our geographical structure is decentralised and cost-effective, with short, clear decision paths. Every local branch has its own area of operations, with its own profit responsibility. An 'area of operations' is a geographically delimited area that constitutes the branch's local market.

When there are a sufficient number of branches in a larger geographical area, Handelsbanken establishes a regional bank. This contains joint administrative resources, regional expertise and specialists to support the branches' business.

The regional bank is part of, or in turn forms, a national organisation that may include several regional banks. This depends on how many local branches there are in the country concerned and where they are located.

At present, Handelsbanken has more than 800 branches, each of which contributes to the Group's profits.

Handelsbanken's geographical structure means that it has a distinct local presence in all the markets where the Bank operates. Product specialists in the Bank's business areas are responsible for the full range of products and services that local branches offer their customers. But the responsibility for a customer always belongs to the local branch, which makes all credit decisions for customers in its geographical area of operations, for example.

Central functions such as Group-wide staff functions, business areas and national organisations have only one main task: to support the branches.

All income and expenses are allocated to the individual local branches.

INDEPENDENT LOCAL BRANCHES

Handelsbanken's geographical structure ensures a local presence that creates loyal, satisfied customers and provides access to local information in the markets where we operate.

Decision-making at Handelsbanken is strictly decentralised to the local branch.

Every branch of Handelsbanken is led by a manager who is responsible for all operations in his or her branch's local area of operations. Branch managers staff and organise their branches according to the business that the branch chooses to do in its local market.

This authority, to make the important business decisions in discussions with the customer, is a sound basis for creating and maintaining strong customer relations. Our customers are able to meet the person who makes the decisions – not a representative of a decision-maker in a central department.

> “Our task is to make it simple for customers to access the branch when it suits them best, and with the greatest possible freedom of action.”

This engenders trust and increases customer satisfaction. In most cases, the branch manager also lives in the local town and is very much involved in the community in which she or he works, giving valuable knowledge of the local market. The local branch has the ultimate customer and credit responsibility, but where necessary it receives support from the regional head office and central departments.

A local presence also creates a sound basis for rapid access to local information when assessing credit risks, for example. This means that lending has a strong local involvement, where the close relationship with the customer promotes low credit risks. At the same time, it increases the branch's knowledge of its customers and their situation; it also enables better personal service and a basis for decisions that is adapted individually.

At the central level, Handelsbanken establishes policies and rules in a number of different areas, including lending, ethical standards and HR matters. And it is within these central frameworks, grounded in the Bank's corporate culture, that the branches take decisions that are based on local information.

In order to increase customer satisfaction and the Bank's efficiency Handelsbanken's decentralised structure has been developed and refined for 146 years. With a geographically organised structure, it is easier for the branches to contribute to Group profitability.

In addition, local, decentralised decision-making reduces the Bank's need of central functions and managers at middle levels. But it also requires a well-defined business model, a strong corporate culture and a robust system for business control. Handelsbanken has applied this work method and these functions for a long time, and thus the Group has good cost-effectiveness.

THE BRANCH IS THE BANK

At Handelsbanken, the local branch always has customer responsibility, regardless of how, where or when the customer contacts the Bank. The customer can meet the branch in many different ways. Almost all the Bank's customer relationships begin with a personal meeting at a local branch. Although our customers consider personal meetings to be important, such face-to-face encounters are no longer the most common way for customers to meet the Bank.

In step with rapid IT advances, Handelsbanken is constantly developing new meeting places where customers can meet the branch. In Handelsbanken's geographical structure, all contact paths – both digital and personal – lead to the branch. Regardless of how the customer chooses to contact the Bank, the local branch always offers several meeting places with high availability, so that customers can present or carry out their business, for example via apps, e-mail, online, or a personal visit to a branch. In addition, in Sweden our customers can also contact Handelsbanken Direkt for personal service by phone. In Norway, the UK and the Netherlands, the Bank offers telephone support for customers 24 hours a day.

> "In step with rapid IT advances, Handelsbanken is constantly developing new meeting places where customers can meet the branch."

Customers' needs regarding how they wish to meet and visit the branch determine the development of our meeting places. Our task is to make it simple for customers to access the branch when it suits them best, and with the greatest possible freedom of action. We have long worked in this way, because it ensures that we offer our customers high accessibility to their local branches.

Technical development and increased digitalisation are not only rapid but also contribute to greater customer benefits. They also lead to greater efficiency, so that branch costs decrease.

Today, the great majority of customers have a phone with access to the Bank's apps allowing them to do additional banking business.

Customer needs are always in focus, which means that Handelsbanken continually strives to enable the customer to have access to the same type of business with the Bank, regardless of the meeting place. Therefore we are constantly developing our apps with new functions and making them even more available and user-friendly.

In the Swedish market, the Swish app is an example of a service that provides customer benefit and simplifies customers' everyday lives. Via Swish, all customers can quickly and simply make payments to private individuals, companies, associations and organisations that are linked to the service.

New, better and more cost-effective information technology is constantly creating new methods for the customer to contact Handelsbanken. But in parallel with the high-tech environment of today, Handelsbanken continues to have a nationwide branch network with decentralised local decision-making powers and personal service in all six of our home markets – simply because that is what our customers want.

This is how we are organised

Handelsbanken's way of working is best depicted by an arrow where all operations focus on the customer. The branches are closest to the customer and are responsible for the Bank's customers in their local market. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country. For our customer offering to be of the highest quality, we have a number of joint business areas for the Group where product owners design and develop our products and solutions. The central head office also has Group units and staff functions with overarching responsibility for various functions at the Bank.

Our business model in a digitalised world

For Handelsbanken, digitalisation is a way to continuously deepen and strengthen relationships with customers.

Our customers greatly value that we are easy to reach for personal meetings and professional advice – both locally and using digital support.

Handelsbanken's decentralised business model using local decision-making power and local branch offices, coupled with new, digital technology, enhances customer service and generates new business opportunities and services for our customers.

In pace with the rapid digitalisation of society, Handelsbanken is continuing to digitalise the Bank and adapt to customers' wishes and needs. This generates further expectations on our meeting places, where new digital solutions are helping to simplify day-to-day tasks, provide more efficient service, and produce new solutions to benefit the Bank's customers.

Customers appreciate the way we work. In the EPSI/SKI (Swedish Quality Index) customer satisfaction survey for 2017, Handelsbanken continued to have more satisfied customers than the sector average in all six of the Bank's home markets. According to the survey, it is above all our local and personal service that drives customer satisfaction. Customers who have a personal relationship appreciate the Bank more, which in turn creates loyalty and profitability.

The local presence of the Bank in all communities where we do business is our way of meeting new and existing customers and generating growth locally. But our customers also make tough demands on convenient, secure everyday solutions for their phones, tablets and computers. And we are meeting these demands: our digital solutions receive top scores from our customers, according to EPSI/SKI.

Developing digital services at a rapid pace is necessary for us to remain at the forefront of the current wave of digitalisation. Handelsbanken always develops in step with its customers and the business environment – this is how we've always worked. When the pace in the world around us quickens, we step up our efforts to simplify our customers' everyday lives.

It is the combination of the local and the digital that makes Handelsbanken's way of working unique. We focus on four areas: customer meetings, building relationships, data quality & security, and collaboration.

CUSTOMER MEETINGS

With operations in more than 20 countries, Handelsbanken is the Nordic region's most international bank. It has a stable position on the international financial markets, with extensive expertise in all aspects of finance. This means that our 800-plus branches in Sweden, the UK, Denmark, Finland, Norway and the Netherlands have solid resources that support them in their aim of always providing the Bank's customers with world class service.

Our branch staff are the people who are responsible for customer relationships, providing us with the most important competitive edge of all. We believe that Handelsbanken can improve its digital offering thanks to the local presence that the Bank has through its nationwide branch network. With our branches' solid knowledge of their customers, we can produce digital solutions that live up to what customers actually want.

The local branch always maintains the customer relationship based on offering the best possible service and availability, regardless of the channel the customer chooses to access the Bank – a visit in person to the branch's actual premises or to a digital meeting place.

Nowadays, most of our customers do their banking transactions digitally via an app or on the Bank's website. But they also still want to be able to contact their local branch and meet people with financial knowledge who can provide advice, support them in their decisions or just give them a helping hand when needed. Then our branch staff provide personal and customised service of the highest possible level.

In the future, customer meetings will be both digital and local, so branches must be able to meet customers digitally and face-to-face. This ensures we are always close to our customers' everyday lives and activities. That's why we say 'the branch is the Bank'. At Handelsbanken, every local branch has been well integrated into its local community for many years.

A variety of projects are under way that aim to strengthen customer meetings. For example, we must be able to offer an integrated local and digital experience where customers can move between different meeting places that are easy to reach. We are developing a new function in the Swedish mobile app – a personal finance manager (PFM) – that will initially help customers categorise their savings and expenditure. More functions will be launched in stages during the year. By becoming a third-party provider (TPP), we will also offer our customers the option of gathering all their financial information in a single app.

To provide our customers with more knowledge and inspiration in financial matters, we are incorporating ever more content in our apps, for example, by including newsletters from different parts of the Bank and by developing other information channels. We are also expanding availability to more users by launching an English version of the Swedish app.

Handelsbanken has its own TV channel for financial news – EFN – which, for the second year running, was ranked highest of all such channels in Sweden by the research company Hallvarsson & Halvarsson. EFN is being used in more and more contexts at the Bank, helping to create added value in its meeting places. Now, EFN is building a network of regional editorial teams around Sweden to keep abreast of business and the local economy, further strengthening the branches' local presence.

BUILDING RELATIONSHIPS

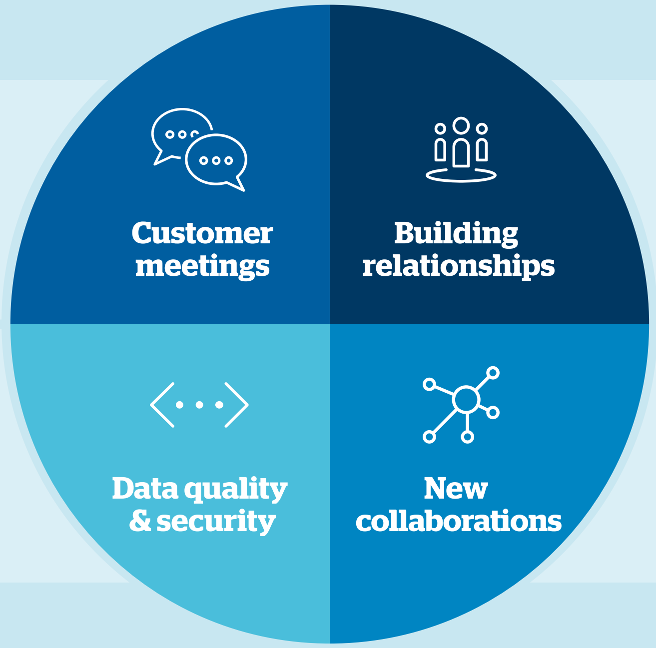
Handelsbanken is a relationship bank where personal meetings are key. Our customers meet people – not robots – when they visit the Bank.

But we also carry out administrative tasks in internal support functions that can be automated and streamlined using new technology. Through long-term, far-reaching and structured work, we are systematically identifying time-consuming processes that are suitable for automation.

For example, in 2017 we launched a new advisory tool for branches aimed at generating more value for our customers. Better tools for the branches create better conditions for our staff to devote more time to meeting customers. We also see opportunities for integrating artificial intelligence in our operations, thus freeing up time for personal service at local branches.

Customer meetings and digitalisation are not contradictions at Handelsbanken – on the contrary. Our local and personal service drives customer satisfaction, while our digital solutions receive top scores from our customers.

Building relationships is intensified by digitalisation. New technical solutions free up time for local face-to-face meetings with customers. In this way we apply our digital technology to reinforce customer relationships.



Data quality & security are essential. Digitalisation deepens knowledge of customers and provides opportunities to create new offerings, while strict demands on security and privacy are crucial to all management of customer information.

New collaborations are our way forward. New regulations and new technology are generating increased openness and data sharing. Together with other players, we can capitalise on our in-depth knowledge of customer expectations to develop our local and digital presence and create customer benefit and business opportunities.

DATA QUALITY & SECURITY

Digital distribution methods mean new opportunities for the Bank. One example is generated customer data that gives us an even deeper understanding of our customers. This knowledge and insight enable us to meet the right customer with the right offering at the right moment.

Handelsbanken's customers have strict demands on security and privacy. This is fundamental to how we use our customer data, particularly in the intensive tasks of gathering and managing data in conjunction with PSD2, the new EU Payment Services Directive, which will be implemented in spring 2018. As new niche players from financial technology (fintech) enter the market, each customer's confidence in their bank will become increasingly important.

A high level of operational stability and secure management of information that safeguards personal integrity will uphold confidence in the Bank. We are focusing intently on this area and using the information in a safe manner that complies with strict demands on information security, while our meeting places are always secure, accessible, and easy to use.

COLLABORATION

New regulations and new technology are bringing about changes in working methods, with more openness and increased data sharing, so-called open banking. This opens up possibilities to work with other players to cultivate our local and digital presence. Handelsbanken is closely and carefully tracking these developments and making the necessary adjustments when we consider it justified. Such collaboration might concern a new market situation, for example, or new digital technology.

We are doing quite a lot of the technical development ourselves, with experts and specialists employed by the Bank, but sometimes collaborating with other players is the best way to develop customer benefit and new types of offerings. We develop these collaborations based on our in-depth knowledge of what customers expect of Handelsbanken.

One example is the digital portal Tambur, developed in co-operation with other banks in Sweden. Tambur simplifies information exchange between banks and estate agents when a customer has purchased a new home and is about to move in. When this process is streamlined, everything takes less time for the customer, and also for the branch and the estate agent.

Another result of collaboration is our new Corporate Business Services developed together with a fintech firm. This is a cloud-based platform that corporate customers can use to manage their finances and administration in a single place, in Handelsbanken's Online Banking or Mobile Banking.

Corporate Business Services clearly demonstrates how we can simplify day-to-day tasks for our customers, while the Bank deepens its relationship with and knowledge of the customer. That in itself expands opportunities for us to provide our customers with even more value-adding advisory services.

UNIQUE COMPETITIVE EDGE

Not only does Handelsbanken have a well-established local and digital presence in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The local branches, with their physical and digital meeting places, are also part of each local community where the Bank operates. This creates a feeling of affinity in every town where we have a branch. Customers often regard Handelsbanken as 'the local bank', which creates a high degree of customer loyalty and long-term customer relationships. Our long-term integration into the local community gives our branches unique knowledge of our customers' circumstances and needs.

Our branch managers often live locally and know their market and their customers well. Thus they also have in-depth knowledge of local market conditions, enabling them to make better risk assessments and discover more business opportunities. This is an important reason why Handelsbanken has long had considerably lower loan losses than its competitors.

Together, these factors explain why customers are increasingly satisfied with and loyal to their local bank, Handelsbanken – a fact confirmed year after year in independent surveys conducted by EPSI/SKI.

This is proof that it pays to be local, digital, personal – and a bit different.


SVENSKA
HANDELSBANKEN

Financial overview 2017

- Operating profit rose by 2 per cent to SEK 21,025 million (20,633); adjusted for non-recurring items, it rose by 3 per cent.
- The period's profit after tax for total operations decreased by 1 per cent to SEK 16,102 million (16,245).
- Earnings per share for total operations decreased to SEK 8.28 (8.43).
- Return on equity for total operations declined to 12.3 per cent (13.1).
- Income increased by 2 per cent to SEK 41,674 million (40,763), but after adjustment for non-recurring items, it grew by 5 per cent.
- Net interest income increased by 7 per cent to SEK 29,766 million (27,943).
- Net fee and commission income rose by 6 per cent to SEK 9,718 million (9,156).
- Continued growth in lending and growth in assets under management in all home markets.
- The C/I ratio rose to 45.5 per cent (45.2).
- The loan loss ratio went down to 0.08 per cent (0.09).
- The common equity tier 1 ratio decreased to 22.7 per cent (25.1) after proposed dividend, and the total capital ratio was 28.3 per cent (31.4).
- The Board is proposing an ordinary dividend of SEK 5.50 per share and an extra dividend of SEK 2.00 per share and that the existing mandate to repurchase shares is extended for a further year.

Review of operations

The Group's operating profit grew by 2 per cent to SEK 21,025 million (20,633). Adjusted for non-recurring items, operating profit rose by 3 per cent. The period's profit after tax for total operations decreased by 1 per cent to SEK 16,102 million (16,245) and earnings per share were SEK 8.28 (8.43). Return on equity for total operations declined to 12.3 per cent (13.1). The C/I ratio rose to 45.5 per cent (45.2).

The common equity tier 1 ratio decreased to 22.7 per cent (25.1). In 2017, new models were introduced for calculation of capital requirements for corporate and sovereign exposures. This has resulted in a decrease in both the Bank's capital ratios and the capital requirements communicated by the Swedish Financial Supervisory Authority.

INCOME

Group – Income SEK m	Full year 2017	Full year 2016	Change
Net interest income	29 766	27 943	7%
Net fee and commission income	9 718	9 156	6%
Net gains/losses on financial transactions	1 271	3 066	-59%
of which capital gains on sale of shares		*1 685*	
Other income	919	598	54%
Total income	**41 674**	**40 763**	**2%**

Income grew by 2 per cent to SEK 41,674 million (40,763). Adjusted for capital gains on the sale of shares in the period of comparison, as well as for the receipt of a dividend from VISA Sweden ekonomisk förening (co-operative association) in 2017, the increase was 5 per cent. Exchange rate effects had a negative impact on income of SEK -116 million.

Net interest income rose by 7 per cent to SEK 29,766 million (27,943).

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 1,237 million. Lower lending margins in branch operations reduced net interest income by SEK -138 million. Deposits had a SEK 237 million positive impact on net interest income, due to increasing deposit volumes.

The benchmark effect in Stadshypotek amounted to SEK -1 million (-8), while the doubled fee to the Resolution Fund amounted to SEK -1,730 million (-976). Including fees for various deposit guarantees, government fees increased by SEK -724 million to SEK -2,024 million (-1,300). Exchange rate movements negatively affected net interest income by SEK -115 million. 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 just over 4 per cent to SEK 2,023 billion (1,937).The effect of exchange rate movements was marginal. Household lending grew by 6 per cent to SEK 1,062 billion (1,000), while corporate lending grew by just over 2 per cent to SEK 960 billion (937).

The average volume of deposits and borrowing rose by 5 per cent to SEK 1,034 billion (983). The effect of exchange rate movements was marginal. The average volume of household deposits went up by 11 per cent to SEK 423 billion (381), while deposits from companies increased to SEK 611 billion (603).

Net fee and commission income increased by 6 per cent to SEK 9,718 million (9,156), mainly due to higher fund management and asset management commissions. Fund management commissions increased by 18 per cent to SEK 3,559 million (3,023), and custody and asset management commissions grew by 16 per cent to SEK 722 million (623). Lending and deposit commissions rose by 6 per cent to SEK 1,238 million (1,172), while net payment commissions decreased to SEK 1,868 million (1,896). Net fee and commission income from card operations decreased by 4 per cent to SEK 1,193 million (1,248) mainly due to higher clearing fees. Net gains/losses on financial transactions declined to SEK 1,271 million (3,066); this was chiefly because the period of comparison included capital gains totalling SEK 1,685 million from the sale of shares classified as instruments available for sale.

Other income increased to SEK 919 million (598). The increase was chiefly due to the receipt of a dividend from VISA Sweden ekonomisk förening.

EXPENSES

Group – Expenses SEK m	Full year 2017	Full year 2016	Change
Staff costs	-12 472	-12 542	-1%
of which Oktogonen	*-768*	-	
of which Norwegian pension plan	*239*	-	
of which reserve early retirement provision	-	*-700*	
Other expenses	-5 889	-5 401	9%
Depreciation and amortisation	-619	-495	25%
Total expenses	**-18 980**	**-18 438**	**3%**

Total expenses rose by 3 per cent to SEK -18,980 million (-18,438). Exchange rate effects reduced expenses by SEK -79 million.

Staff costs decreased by 1 per cent to SEK -12,472 million (-12,542). In the first quarter, staff costs decreased by SEK 239 million as a result of the transition to a defined contribution pension plan in the Norwegian operations and the period of comparison including a provision of SEK -700 million. Adjusted for these items, underlying staff costs rose by 7 per cent, or SEK 869 million, mainly because of the resumption of provisions to the profit-sharing foundation Oktogonen, which totalled SEK -768 million (-). Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -72 million (-102).

The average number of employees grew by 73 to 11,832 (11,759). This rise was due to continuing expansion, primarily in the UK and the Netherlands, and to the Bank's increasing focus on IT development during the year. The provision that was made in 2016, chiefly to enable early retirements, has been utilised in full. The goal of achieving a cost reduction of SEK 600–700 million compared with the 2015 level, all other factors being equal, will be reached in the first half of 2018, mainly as a result of increased efficiency in the Swedish operations.

Other expenses rose by 9 per cent to SEK -5,889 million (-5,401), chiefly due to higher costs for purchased services, as well as external IT costs. The Bank's preparations for being able to convert the UK branch into a subsidiary entailed costs of SEK -104 million during the year, mainly in the 'purchased services' and 'external IT costs' categories of expenses.

Development costs and other expenses for development relating to Brexit are estimated to total some SEK -300 million for 2018. The IT development and other preparatory work that is now being carried out in the UK means that UK operations are expected to have an improved basis for maintaining their strong performance in the long term.

Depreciation, amortisation and impairment losses increased by 25 per cent to SEK -619 million (-495), chiefly due to higher IT investments.

LOAN LOSSES

Group – Loan losses SEK m	Full year 2017	Full year 2016	Change
Net loan losses	-1 683	-1 724	-41
Loan loss ratio as pctg. of loans, acc.	0.08	0.09	-0.01
Impaired loans, net	2 785	3 103	-10%
Proportion of impaired loans, %	0.13	0.16	-0.03

Loan losses decreased slightly to SEK -1,683 million (-1,724) and the loan loss ratio went down to 0.08 per cent (0.09). Net impaired loans decreased slightly to SEK 2,785 million (3,103), equivalent to 0.13 per cent (0.16) of lending.

FUNDING AND LIQUIDITY

Handelsbanken's bond issues during the year decreased to SEK 163 billion (198), consisting of SEK 138 billion (148) in covered bonds and SEK 22 billion (50) in senior bonds. The Bank replaced two dated subordinated loans that matured in the fourth quarter with two new dated subordinated loans with a total volume of SEK 3 billion.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered and therefore represent protection for the Bank's senior lenders. At the end of the period, the ratio of non-encumbered assets to all non-encumbered market funding was 224 per cent (210 at year-end 2016).

The Bank has a strong liquidity position. Cash funds and liquid assets deposited with central banks amounted to SEK 265 billion (225), while the volume of liquid bonds and other liquid assets totalled SEK 179 billion (157).

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of December was 133 per cent (126). In USD, the LCR was 482 per cent (322), and in EUR it was 175 per cent (136). The Group's LCR, calculated according to the European Commission's delegated act, was 139 per cent (142). At year-end, the net stable funding ratio (NSFR) was 102 per cent (102 at the end of 2016).

MREL

In December, the Swedish National Debt Office announced the Minimum Requirement for Eligible Liabilities, MREL. The combined MREL requirement was set at 6.6 per cent of the consolidated situation's total liabilities and own funds. One part of this requirement means that by 1 January 2022, the Bank is expected to have replaced parts of its senior bond funding with a new form of subordinated senior bond funding that is eligible in a crisis.

The Bank expects issues of such instruments to begin by 2019 at the latest. The issues are expected to take place when parts of the present senior bond funding mature, and will not mean any increase in the Bank's total volume of bonds.

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.

The common equity tier 1 ratio at the end of the year was 22.7 per cent. At the same time, the Bank estimates that the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at the end of the year amounted to 20.2 per cent. The Bank's capitalisation was thus within the target range.

In December, the Basel Committee published proposals for extensive changes to capital requirements regulations. The details of the final implementation of the Basel Committee's proposal within the EU and in Sweden have not yet been established. However, the Bank's overall assessment of the Basel Committee's proposal, as presented in December, is that at the end of the fourth quarter of 2017, the Bank's capitalisation was already on a par with the capital requirements that the proposal would entail.

Capital situation

Capital-related matters SEK m	31 Dec 2017	31 Dec 2016	Change
Common equity tier 1 ratio, CRR	22.7%	25.1%	-2.4
Total capital ratio, CRR	28.3%	31.4%	-3.1
Risk exposure amount, CRR	509 032	458 787	11%
Common equity tier 1 capital	115 753	115 240	0%
Total own funds	144 115	144 233	0%
Capital requirement, Basel I floor	102 848	98 235	5%
Total own funds, Basel I floor	146 472	145 760	0%

Own funds amounted to SEK 144 billion (144), and the Bank's total capital ratio decreased to 28.3 per cent (31.4).

The common equity tier 1 capital grew to SEK 116 billion (115), while the common equity tier 1 ratio fell by 2.4 percentage points to 22.7 per cent (25.1). The implementation of new PD models, as well as IRB models for sovereign exposures, reduced the common equity tier 1 ratio by -2.4 percentage points.

The period's earnings, after a deduction for the dividend, contributed 0.2 percentage points.

Higher lending volumes reduced the common equity tier 1 ratio by -0.6 percentage points. Credit risk migration in the loan portfolio affected the common equity tier 1 ratio by -0.2 percentage points. The net effect of various risk levels on inflows and outflows in the lending portfolio (volume migration) caused the common equity tier 1 ratio to decrease by -0.2 percentage points.

The change in net pensions increased the common equity tier 1 ratio by 0.8 percentage points. The impact of higher asset values was greater than the negative effect of reduced discount rates. Exchange rate movements were neutral, as was the net effect of other factors.

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 per cent. At the end of the year, Group EC totalled SEK 60.0 billion, while AFR was SEK 150.4 billion. Thus, the ratio between AFR and EC was 251 per cent.

For the consolidated situation, EC totalled SEK 34.2 billion, and AFR was SEK 148.6 billion.

IFRS 9 and IFRS 15

Starting from the 2018 financial year, IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. When the transition to the new standard takes place, the Bank's provisions for loan losses will increase by SEK 0.6 billion, which is adjusted against equity by SEK -0.5 billion after tax. The transition will not have a negative impact on capital ratios.

IFRS 15 Revenue from Contracts with Customers comes into force as of the 2018 financial year. The impact of the transition on the Bank is not of a material nature.

Rating

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

HANDELSBANKEN'S AGM ON 21 MARCH

The Board is proposing a total dividend of SEK 7.50 per share (5.00) to the annual general meeting, comprising an ordinary dividend of SEK 5.50 and an extra dividend of SEK 2.00.

The Board is also proposing that the existing repurchase programme of a maximum of 120 million shares be extended for a further year. In addition, the Board proposes that the annual general meeting authorise the Board to be able to issue convertible debt instruments in the form of AT1 bonds, in order to adapt the Bank's capital structure to capital requirements prevailing at any time.

The Board proposes that the record day for the dividend be 23 March 2018, which means that the Handelsbanken share will be traded ex-dividend on 22 March 2018, and that the dividend is then expected to be disbursed on 28 March 2018.

Five-year overview Group

Consolidated income statement SEK m	2017	2016	2015	2014	2013
Net interest income	29 766	27 943	27 740	27 244	26 669
Net fee and commission income	9 718	9 156	9 320	8 556	7 804
Net gains/losses on financial transactions	1 271	3 066	2 608	1 777	1 357
Risk result – insurance	142	142	157	165	142
Other dividend income	591	228	281	251	161
Share of profit of associates	14	25	17	18	9
Other income	172	203	213	303	185
Total income	**41 674**	**40 763**	**40 336**	**38 314**	**36 327**
Staff costs	-12 472	-12 542	-12 581	-11 766	-11 404
Other expenses	-5 889	-5 401	-5 203	-5 099	-5 181
Depreciation, amortisation and impairment of property, equipment and intangible assets	-619	-495	-487	-462	-476
Total expenses	**-18 980**	**-18 438**	**-18 271**	**-17 327**	**-17 061**
Profit before loan losses	**22 694**	**22 325**	**22 065**	**20 987**	**19 266**
Net loan losses	-1 683	-1 724	-1 597	-1 781	-1 195
Gains/losses on disposal of property, equipment and intangible assets	14	32	7	6	17
Operating profit	**21 025**	**20 633**	**20 475**	**19 212**	**18 088**
Taxes	-4 923	-4 401	-4 277	-4 069	-3 915
Profit for the year from continuing operations	**16 102**	**16 232**	**16 198**	**15 143**	**14 173**
Profit for the year pertaining to discontinued operations, after tax	-	13	145	41	122
Profit for the year	**16 102**	**16 245**	**16 343**	**15 184**	**14 295**
Attributable to					
Shareholders in Svenska Handelsbanken AB	16 099	16 244	16 342	15 183	14 295
Minority interest	3	1	1	1	0
Earnings per share, continuing operations, SEK	8.28	8.42	8.49	7.94	7.45
after dilution	8.20	8.30	8.32	7.82	7.36
Earnings per share, discontinued operations, SEK	-	0.01	0.08	0.02	0.06
after dilution	-	0.01	0.07	0.02	0.06
Earnings per share, total operations, SEK	8.28	8.43	8.57	7.96	7.51
after dilution	8.20	8.31	8.39	7.84	7.42

A five-year overview for the parent company is shown on page 170.

During the past five years, Handelsbanken has continued increasing its profits, strengthened its balance sheet, expanded its operations and boosted customer satisfaction.

Creating shareholder value

Handelsbanken is one of few banks in Europe that has generated positive shareholder value since the financial crisis began in mid-2007. Handelsbanken is the only commercial bank on the Stockholm stock exchange which has not needed to ask its shareholders for new capital during this period.

For the past five years – since 31 December 2012 – Handelsbanken has generated positive shareholder value of SEK 121 billion. Market capitalisation has grown by SEK 71 billion, while Handelsbanken has paid out SEK 50 billion in dividends to shareholders.

15 per cent annual growth in equity

Since the financial crisis began in mid-2007, Handelsbanken has increased its adjusted equity per share by 106 per cent, from SEK 35.31 per share to SEK 72.90 per share. Taking into account reinvestment of the period's accumulated dividends, the average annual growth in adjusted equity per share was 15 per cent.

Lower risk

During the past five years, Handelsbanken's total loan losses amounted to SEK 7,980 million, which corresponds to an average annual loan loss ratio of just under 0.09 per cent. The corresponding figure for the other major Nordic banks was 0.11 per cent.

More satisfied customers

Since SKI (Swedish Quality Index) started its customer satisfaction surveys in 1989, in every year for private customers and in every year but one for corporate customers, in Sweden Handelsbanken has been the bank with the most satisfied customers, of the four major banks. During the autumn, SKI presented its 2017 survey. For private customers, Handelsbanken's index value was 68.9, as compared to the other major banks, which recorded scores in the 52.9–64.5 range. For corporate customers, Handelsbanken's index value was 67.5, as compared to the other major banks, which recorded scores in the 53.6–62.2 range.

In the other home markets as well, Handelsbanken had more satisfied customers than the sector average.

ORGANIC GROWTH

At the end of 2012, Handelsbanken had 754 branches on five home markets. Five years later, on 31 December 2017, Handelsbanken had more than 800 branches in its six home markets.

Consolidated statement of comprehensive income SEK m	2017	2016	2015	2014	2013
Profit for the year	16 102	16 245	16 343	15 184	14 295
Other comprehensive income					
Items that will not be reclassified to the income statement					
Defined benefit pension plans	3 919	3 993	-3 152	-2 699	1 402
Tax on items that will not be reclassified to the income statement	-864	-876	688	592	-307
Total items that will not be reclassified to the income statement	**3 055**	**3 117**	**-2 464**	**-2 107**	**1 095**
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	-2 350	-3 145	-501	8 772	-3 410
Available-for-sale instruments	-470	-1 160	682	295	535
Translation difference for the year	-2 241	1 183	-1 713	5 924	763
of which hedges of net investments in foreign operations	*-1 509*	*-142*	*-394*	*2 558*	*767*
Tax on items that may subsequently be reclassified to the income statement	844	833	215	-2 501	514
of which cash flow hedges	*517*	*692*	*110*	*-1 924*	*744*
of which available-for-sale instruments	*-5*	*110*	*18*	*-14*	*-61*
of which hedges of net investments in foreign operations	*332*	*31*	*87*	*-563*	*-169*
Total items that may subsequently be reclassified to the income statement	**-4 217**	**-2 289**	**-1 317**	**12 490**	**-1 598**
Total other comprehensive income	**-1 162**	**828**	**-3 781**	**10 383**	**-503**
Total comprehensive income for the year	**14 940**	**17 073**	**12 562**	**25 567**	**13 792**
Attributable to					
Shareholders in Svenska Handelsbanken AB	14 940	17 072	12 562	25 566	13 792
Minority interest	0	1	0	1	0

Consolidated balance sheet SEK m	2017	2016	2015	2014	2013
Assets					
Cash and central banks	265 234	224 889	236 748	505 579	369 954
Loans to the public	2 065 761	1 963 622	1 866 467	1 807 836	1 696 339
Loans to other credit institutions	20 250	31 347	49 656	70 339	62 898
Interest-bearing securities	178 607	161 114	119 290	141 944	121 576
Other assets	237 125	246 608	249 972	290 978	233 954
Total assets	**2 766 977**	**2 627 580**	**2 522 133**	**2 816 676**	**2 484 721**
Liabilities and equity					
Deposits and borrowing from the public	941 967	829 336	753 855	1 022 267	825 205
Due to credit institutions	174 820	178 781	163 770	200 074	171 624
Issued securities	1 276 595	1 261 765	1 245 367	1 212 613	1 150 641
Subordinated liabilities	32 896	33 400	34 216	30 289	15 965
Other liabilities	199 095	187 917	196 657	224 606	209 947
Equity	141 604	136 381	128 268	126 827	111 339
Total liabilities and equity	**2 766 977**	**2 627 580**	**2 522 133**	**2 816 676**	**2 484 721**

Key figures per year

Key figures for the Handelsbanken Group	2017	2016	2015	2014	2013
Profit before loan losses, continuing operations, SEK m	22 694	22 325	22 065	20 987	19 266
Net loan losses, SEK m	-1 683	-1 724	-1 597	-1 781	-1 195
Operating profit, continuing operations, SEK m	21 025	20 633	20 475	19 212	18 088
Profit for the year, continuing operations, SEK m	16 102	16 232	16 198	15 143	14 173
Profit for the year, discontinued operations, SEK m	-	13	145	41	122
Profit for the year, total operations, SEK m	16 102	16 245	16 343	15 184	14 295
Total assets, SEK m	2 766 977	2 627 580	2 522 133	2 816 676	2 484 721
Equity, SEK m	141 604	136 381	128 268	126 827	111 339
Return on equity, total operations, %	12.3	13.1	13.5	13.4	13.9
Return on equity, continuing operations, %	12.3	13.1	13.4	13.3	13.8
Return on capital employed, %	0.56	0.58	0.58	0.57	0.59
Cost/income ratio, continuing operations, %	45.5	45.2	45.3	45.2	47.0
Cost/income ratio, continuing operations, incl. loan losses, %	49.6	49.5	49.3	49.9	50.3
Loan loss ratio, %	0.08	0.09	0.09	0.10	0.07
Impaired loans reserve ratio, %	64.9	59.9	54.5	47.2	56.2
Proportion of impaired loans, %	0.13	0.16	0.21	0.25	0.18
Earnings per share, SEK	8.28	8.43	8.57	7.96	7.51
after dilution	8.20	8.31	8.39	7.84	7.42
Ordinary dividend per share, SEK	5.50[1]	5.00	4.50	4.17	3.83
Total dividend per share, SEK	7.50[1]	5.00	6.00	5.83	5.50
Adjusted equity per share, SEK	72.90	69.28	65.14	64.13	59.24
No. of shares as at 31 December, millions	1 944.2	1 944.2	1 907.0	1 907.0	1 906.9
of which outstanding	1 944.2	1 944.2	1 907.0	1 907.0	1 906.9
Average number of outstanding shares, millions	1 944.2	1 927.1	1 907.0	1 907.0	1 904.4
after dilution	1 974.3	1 972.7	1 971.9	1 959.0	1 942.6
Common equity tier 1 ratio, % according to Basel II					19.2
Common equity tier 1 ratio, % according to CRR	22.7	25.1	21.2	20.4	
Tier 1 ratio, % according to Basel II					21.5
Tier 1 ratio, % according to CRR	25.0	27.9	23.8	22.1	
Capital ratio, % according to Basel II					21.6
Total capital ratio, % according to CRR	28.3	31.4	27.2	25.6	
Average number of employees	11 832	11 759	11 819	11 692	11 503
No. of branches in Sweden	420	435	474	478	474
No. of branches in the UK	208	207	198	179	161
No. of branches in Denmark	57	57	57	57	56
No. of branches in Finland	45	45	46	46	45
No. of branches in Norway	49	50	50	51	49
No. of branches in the Netherlands	28	25	23	20	18
No. of branches in other countries	12	13	13	17	19

For definitions of alternative key figures, see page 222 and for calculation of these key figures, see the Fact Book which is available at handelsbanken.se/ireng.

[1] Dividend as recommended by the Board.

Quarterly performance

Quarterly performance for the Handelsbanken Group SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income	10 853	10 631	10 398	10 210	10 220
Interest expense	-3 076	-3 044	-3 077	-3 129	-2 921
Net interest income	**7 777**	**7 587**	**7 321**	**7 081**	**7 299**
Fee and commission income	2 998	2 807	2 962	2 772	2 895
Fee and commission expense	-497	-452	-454	-418	-448
Net fee and commission income	**2 501**	**2 355**	**2 508**	**2 354**	**2 447**
Net gains/losses on financial transactions	164	243	317	547	269
Risk result – insurance	34	19	53	36	6
Other dividend income	576	2	11	2	2
Share of profit of associates	30	14	-3	-27	0
Other income	70	28	31	43	102
Total income	**11 152**	**10 248**	**10 238**	**10 036**	**10 125**
Staff costs	-3 178	-3 134	-3 242	-2 918	-2 981
Other expenses	-1 712	-1 337	-1 410	-1 430	-1 518
Depreciation, amortisation and impairment of property, equipment and intangible assets	-184	-140	-145	-150	-114
Total expenses	**-5 074**	**-4 611**	**-4 797**	**-4 498**	**-4 613**
Profit before loan losses	**6 078**	**5 637**	**5 441**	**5 538**	**5 512**
Net loan losses	-1 084	-217	-186	-196	-832
Gains/losses on disposal of property, equipment and intangible assets	3	4	2	5	18
Operating profit	**4 997**	**5 424**	**5 257**	**5 347**	**4 698**
Taxes	-1 235	-1 251	-1 201	-1 236	-1 254
Profit for the period from continuing operations	**3 762**	**4 173**	**4 056**	**4 111**	**3 444**
Profit for the period pertaining to discontinued operations, after tax	-	-	-	-	-
Profit for the period	**3 762**	**4 173**	**4 056**	**4 111**	**3 444**
Attributable to					
Shareholders in Svenska Handelsbanken AB	3 760	4 172	4 056	4 111	3 444
Minority interest	2	1	0	0	0
Earnings per share, continuing operations, SEK	1.93	2.15	2.09	2.11	1.77
after dilution	1.92	2.13	2.06	2.10	1.76
Earnings per share, discontinued operations, SEK	-	-	-	-	-
after dilution	-	-	-	-	-
Earnings per share, total operations, SEK	1.93	2.15	2.09	2.11	1.77
after dilution	1.92	2.13	2.06	2.10	1.76

Business segments

Segment reporting 2017	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	16 694	4 659	1 714	1 203	3 666	557	472	801		29 766
Net fee and commission income	4 434	602	433	462	410	155	3 174	48		9 718
Net gains/losses on financial transactions	663	127	95	52	90	20	979	-755		1 271
Risk result – insurance							142			142
Share of profit of associates						2		12		14
Other income	49	3	15	18	14	1	26	637		763
Total income	**21 840**	**5 391**	**2 257**	**1 735**	**4 180**	**735**	**4 793**	**743**		**41 674**
Staff costs	-3 465	-1 828	-669	-396	-570	-289	-2 241	-2 818	-196	-12 472
Other expenses	-1 180	-549	-159	-180	-223	-85	-922	-2 591		-5 889
Internal purchased and sold services	-3 168	-595	-335	-303	-424	-98	52	4 871		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-79	-63	-13	-19	-14	-13	-83	-282	-53	-619
Total expenses	**-7 892**	**-3 035**	**-1 176**	**-898**	**-1 231**	**-485**	**-3 194**	**-820**	**-249**	**-18 980**
Profit before loan losses	**13 948**	**2 356**	**1 081**	**837**	**2 949**	**250**	**1 599**	**-77**	**-249**	**22 694**
Net loan losses	-210	-739	-466	-57	-157	2	-56			-1 683
Gains/losses on disposal of property, equipment and intangible assets	2	-1	13	0	1	-	-1	0		14
Operating profit	**13 740**	**1 616**	**628**	**780**	**2 793**	**252**	**1 542**	**-77**	**-249**	**21 025**
Profit allocation	1 257	35	94	150	90	3	-1 629	-		
Operating profit after profit allocation	**14 997**	**1 651**	**722**	**930**	**2 883**	**255**	**-87**	**-77**	**-249**	**21 025**
Internal income	601	-935	-237	-228	-2 196	-227	-2 735	5 957		
C/I ratio, %	34.2	55.9	50.0	47.6	28.8	65.7	100.9			45.5
Loan loss ratio, %	0.02	0.38	0.48	0.05	0.06	-0.01	0.12			0.08
Assets	1 716 334	366 440	114 495	188 330	247 576	47 478	284 454	1 943 297	-2 141 427	2 766 977
Liabilities	1 636 370	353 334	108 784	182 684	231 739	46 013	280 140	1 943 297	-2 156 988	2 625 373
Allocated capital	79 964	13 106	5 711	5 646	15 837	1 465	4 314		15 561	141 604
Return on allocated capital, %	15.3	10.2	9.7	12.8	14.1	14.3	-1.5			12,3
The year's investments in non-financial non-current assets	54	112	1	45	22	28	463	431		1 156
The year's investments in associated companies								76		76
Average number of employees	4 078	2 045	608	506	672	273	1 625	2 025		11 832

Applied principles for segment reporting and a description of the items shown in the Other and Adjustments and eliminations columns are explained further in note G45.

Segment reporting 2016	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	15 519	4 414	1 686	1 218	3 355	438	557	756		27 943
Net fee and commission income	4 233	519	379	419	381	75	3 081	69		9 156
Net gains/losses on financial transactions	725	219	75	87	114	5	984	857		3 066
Risk result – insurance							142			142
Share of profit of associates						2		23		25
Other income	47	3	15	10	81	1	8	266		431
Total income	**20 524**	**5 155**	**2 155**	**1 734**	**3 931**	**521**	**4 772**	**1 971**		**40 763**
Staff costs	-3 671	-1 849	-655	-380	-676	-210	-2 368	-2 335	-398	-12 542
Other expenses	-1 153	-463	-194	-210	-206	-60	-871	-2 244		-5 401
Internal purchased and sold services	-2 645	-545	-287	-239	-379	-77	-56	4 228		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-67	-46	-14	-14	-8	-7	-76	-248	-15	-495
Total expenses	**-7 536**	**-2 903**	**-1 150**	**-843**	**-1 269**	**-354**	**-3 371**	**-599**	**-413**	**-18 438**
Profit before loan losses	**12 988**	**2 252**	**1 005**	**891**	**2 662**	**167**	**1 401**	**1 372**	**-413**	**22 325**
Net loan losses	-416	-160	-716	-36	-347	0	-49			-1 724
Gains/losses on disposal of property, equipment and intangible assets	0	2	7	0	0	-	0	23		32
Operating profit	**12 572**	**2 094**	**296**	**855**	**2 315**	**167**	**1 352**	**1 395**	**-413**	**20 633**
Profit allocation	997	35	85	131	91	3	-1 342	-		
Operating profit after profit allocation	**13 569**	**2 129**	**381**	**986**	**2 406**	**170**	**10**	**1 395**	**-413**	**20 633**
Internal income	116	-1 195	-334	-262	-2 463	-210	-2 851	7 199		
C/I ratio, %	35.0	55.9	51.3	45.2	31.6	67.6	98.3			45.2
Loan loss ratio, %	0.03	0.08	0.85	0.03	0.17	0.00	0.10			0.09
Assets	1 572 446	316 732	108 299	178 132	246 940	35 293	279 905	1 810 638	-1 920 805	2 627 580
Liabilities	1 494 646	305 306	102 078	171 880	231 057	34 042	274 872	1 810 638	-1 933 320	2 491 199
Allocated capital	77 800	11 426	6 221	6 252	15 883	1 251	5 033		12 515	136 381
Return on allocated capital, %	14.7	15.4	4.8	13.0	13.3	12.5	0.2			13.1
The year's investments in non-financial non-current assets	66	155	4	20	17	13	295	403		973
The year's investments in associated companies								19		19
Average number of employees	4 293	1 959	624	491	668	206	1 678	1 840		11 759

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

Quarterly performance Handelsbanken Sweden

SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Total 2017	Total 2016	Change, %
Net interest income	4 371	4 301	4 076	3 946	16 694	15 519	8
Net fee and commission income	1 146	1 113	1 117	1 058	4 434	4 233	5
Net gains/losses on financial transactions	167	173	176	147	663	725	-9
Other income	15	7	16	11	49	47	4
Total income	**5 699**	**5 594**	**5 385**	**5 162**	**21 840**	**20 524**	**6**
Staff costs	-885	-876	-848	-856	-3 465	-3 671	-6
Other expenses	-354	-268	-279	-279	-1 180	-1 153	2
Internal purchased and sold services	-871	-732	-773	-792	-3 168	-2 645	20
Depreciation, amortisation and impairment of property, equipment and intangible assets	-17	-18	-17	-27	-79	-67	18
Total expenses	**-2 127**	**-1 894**	**-1 917**	**-1 954**	**-7 892**	**-7 536**	**5**
Profit before loan losses	**3 572**	**3 700**	**3 468**	**3 208**	**13 948**	**12 988**	**7**
Net loan losses	-69	-42	-39	-60	-210	-416	-50
Gains/losses on disposal of property, equipment and intangible assets	2	0	0	0	2	0	
Operating profit	**3 505**	**3 658**	**3 429**	**3 148**	**13 740**	**12 572**	**9**
Profit allocation	311	322	330	294	1 257	997	26
Operating profit after profit allocation	**3 816**	**3 980**	**3 759**	**3 442**	**14 997**	**13 569**	**11**
Internal income	216	219	182	-16	601	116	
C/I ratio, %	35.4	32.0	33.5	35.8	34.2	35.0	
Loan loss ratio, %	0.02	0.01	0.01	0.02	0.02	0.03	
Assets	1 716 334	1 703 387	1 675 409	1 630 189	1 716 334	1 572 446	9
Liabilities	1 636 370	1 625 304	1 600 945	1 551 453	1 636 370	1 494 646	9
Allocated capital	79 964	78 083	74 464	78 736	79 964	77 800	3
Return on allocated capital, %	14.9	15.9	15.7	13.6	15.3	14.7	
Average number of employees	4 084	4 232	3 990	4 006	4 078	4 293	-5
Number of branches	420	422	423	425	420	435	-3

Business volumes, Sweden

Average volumes, SEK bn	2017	2016	Change, %
Loans to the public[1]	**1 270**	**1 219**	**4**
of which households	*782*	*740*	*6*
of which mortgage loans	*732*	*687*	*7*
companies	*488*	*479*	*2*
of which mortgage loans	*283*	*271*	*4*
Deposits from the public	**550**	**496**	**11**
of which households	*321*	*295*	*9*
companies	*229*	*201*	*14*

[1] Excluding loans to the National Debt Office.

420 branches

FINANCIAL PERFORMANCE

Operating profit increased by 9 per cent to SEK 13,740 million (12,572). The period of comparison was charged with a provision of SEK -102 million relating primarily to early retirements and, adjusted for this, operating profit rose by 8 per cent.

Net interest income grew by 8 per cent to SEK 16,694 million (15,519). Higher lending volumes increased net interest income by SEK 597 million, while somewhat lower lending margins had a negative impact of SEK -27 million. Deposit operations contributed SEK 127 million due to volumes and SEK 18 million due to improved margins. The benchmark effect in Stadshypotek had a positive impact on net interest income, increasing it by SEK 7 million to SEK -1 million (-8). Fees for the Resolution Fund and the deposit guarantee rose by SEK 378 million to SEK -1,037 million (-659). The remainder of the increase in net interest income was mainly due to lower funding costs.

Net fee and commission income grew by 5 per cent to SEK 4,434 million (4,233). The increase was primarily attributable to higher fund management and insurance commissions.

Net gains/losses on financial transactions decreased by 9 per cent to SEK 663 million (725), primarily as a consequence of lower early loan repayment charges.

Total expenses rose by 5 per cent to SEK -7,892 million (-7,536). Staff costs decreased by 6 per cent to SEK -3,465 million (-3,671). Adjusted for the aforementioned provision during the period of comparison, staff costs declined by 3 per cent, while the total increase in expenses was 6 per cent. The average number of employees fell by 5 per cent to 4,078 (4,293).

Expenses for services bought and sold internally rose by 20 per cent to SEK -3,168 million (-2,645), mainly due to higher IT development costs and adaptations to regulations.

The C/I ratio improved to 34.2 per cent (35.0).

Loan losses went down to SEK -210 million (-416), and the loan loss ratio fell to 0.02 per cent (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.

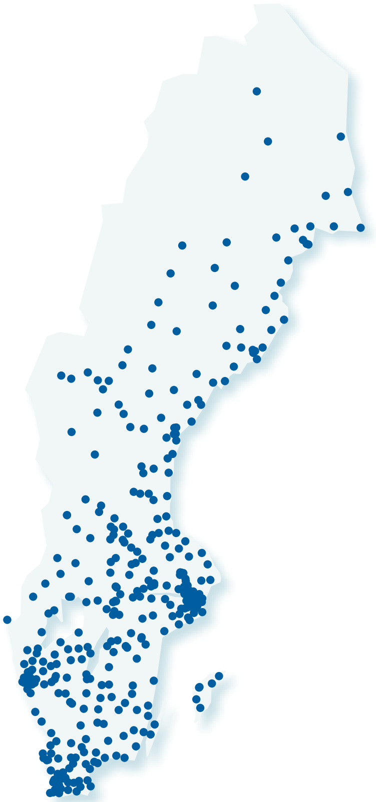
It is Handelsbanken's combination of personal service, local presence and reliable digital services that have been recognised, with such accolades in this year's survey as "Handelsbanken's technical solutions – for both corporate and private customers – have come out on top."

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 year, new savings in the Bank's mutual funds in Sweden amounted to SEK 22.0 billion (11.9), corresponding to a market share of 19.5 per cent, making Handelsbanken the largest player for new savings in the Swedish mutual funds market.

The average volume of mortgage loans to private individuals increased by 7 per cent to SEK 732 billion (687), while the average volume of lending to companies rose by 2 per cent to SEK 488 billion (479). The average volume of deposits from households grew by 9 per cent to SEK 321 billion (295).

Handelsbanken had a total of 420 (435) branches in Sweden.



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 208 branches throughout the UK.

Quarterly performance Handelsbanken UK

SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Total 2017	Total 2016	Change, %
Net interest income	1 245	1 157	1 178	1 079	4 659	4 414	6
Net fee and commission income	165	147	150	140	602	519	16
Net gains/losses on financial transactions	-13	46	48	46	127	219	-42
Other income	2	1	0	0	3	3	0
Total income	**1 399**	**1 351**	**1 376**	**1 265**	**5 391**	**5 155**	**5**
Staff costs	-462	-452	-461	-453	-1 828	-1 849	-1
Other expenses	-194	-117	-126	-112	-549	-463	19
Internal purchased and sold services	-155	-139	-151	-150	-595	-545	9
Depreciation, amortisation and impairment of property, equipment and intangible assets	-16	-15	-16	-16	-63	-46	37
Total expenses	**-827**	**-723**	**-754**	**-731**	**-3 035**	**-2 903**	**5**
Profit before loan losses	**572**	**628**	**622**	**534**	**2 356**	**2 252**	**5**
Net loan losses	-556	-148	-23	-12	-739	-160	362
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	-1	-1	2	
Operating profit	**16**	**480**	**599**	**521**	**1 616**	**2 094**	**-23**
Profit allocation	11	9	7	8	35	35	0
Operating profit after profit allocation	**27**	**489**	**606**	**529**	**1 651**	**2 129**	**-22**
Internal income	-126	-225	-286	-298	-935	-1 195	22
C/I ratio, %	58.7	53.2	54.5	57.4	55.9	55.9	
Loan loss ratio, %	1.13	0.30	0.05	0.02	0.38	0.08	
Assets	366 440	354 426	340 180	329 741	366 440	316 732	16
Liabilities	353 334	341 907	328 036	316 827	353 334	305 306	16
Allocated capital	13 106	12 519	12 144	12 914	13 106	11 426	15
Return on allocated capital, %	0.6	12.2	15.6	12.8	10.2	15.4	
Average number of employees	2 093	2 073	2 022	1 991	2 045	1 959	4
Number of branches	208	207	207	207	208	207	0

Business volumes, UK

Average volumes, GBP m	2017	2016	Change, %
Loans to the public	**18 391**	**16 534**	**11**
of which households	*6 127*	*5 527*	*11*
companies	*12 264*	*11 007*	*11*
Deposits from the public	**12 429**	**9 787**	**27**
of which households	*3 775*	*2 569*	*47*
companies	*8 654*	*7 218*	*20*

208 branches

FINANCIAL PERFORMANCE

Operating profit went down by 23 per cent to SEK 1,616 million (2,094). However, exchange rate effects reduced operating profit by SEK -98 million; expressed in local currency, operating profit declined by 19 per cent. The return on allocated capital decreased to 10.2 per cent (15.4).

Income rose by 5 per cent but in local currency by 10 per cent.

Net interest income rose by SEK 245 million, or 6 per cent, to SEK 4,659 million (4,414). Exchange rate effects had a negative impact of SEK -212 million on net interest income, but in local currency, net interest income grew by 11 per cent. Higher lending volumes contributed SEK 367 million, and deposit volumes SEK 120 million. Lower lending margins, mainly on household lending, negatively affected net interest income by SEK -110 million, and deposit margins declined by SEK -31 million. Government fees burdened net interest income by SEK -173 million (-90). Lower funding costs had a positive effect on net interest income.

Net fee and commission income rose by 16 per cent to SEK 602 million (519). In local currency, the increase was 22 per cent, due mainly to higher lending commissions, but also to higher payment and asset management commissions.

Net gains/losses on financial transactions went down to SEK 127 million (219), mainly as a result of expenses for premature redemption of derivatives in conjunction with a reconstruction agreement. The period of comparison also included one-off income related to the sale of Visa Europe.

Expenses rose by 5 per cent to SEK -3,035 million (-2,903). In local currency, expenses were up by 10 per cent, as a result of expanding operations and expenses relating to Brexit. For branch operations in the UK, Brexit-related expenses amounted to SEK 86 million during the year.

The Bank continues to see good opportunities for expansion and growing business volumes in the UK. The preparations for being able 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 per cent to 2,045 (1,959).

Loan losses were SEK -739 million (-160), which was chiefly attributable to a single exposure. The loan loss ratio was 0.38 per cent (0.08).

BUSINESS DEVELOPMENT

The EPSI annual customer satisfaction survey showed that Handelsbanken once again had the most satisfied customers among banks in United Kingdom. Private customers gave the Bank an index value of 85.2, as compared with the sector average of 72.3. Corporate customers gave the Bank an index value of 83.8, as compared with the sector average of 70.6.

For the fifth time, Handelsbanken was named Best Private Bank in the Financial Times and Investors Chronicle Awards. One of the success factors highlighted by the voting of magazine readers and the jury was the Bank's business model.

For the third successive year, Handelsbanken received top rating in the Government-backed Business Banking Insight (BBI) survey of UK SMEs, further highlighting the strength of Handelsbanken's business model.

Business volumes continued to grow. The average volume of household deposits rose by 47 per cent compared to the corresponding period of 2016, while household lending grew by 11 per cent. Overall, the average lending volume increased by 11 per cent to GBP 18.4 billion, while total deposits grew by 27 per cent to GBP 12.4 billion. Therefore the loan-to-deposit ratio continued to decrease and was 143 per cent at year-end, compared to 162 per cent at year-end 2016.

Heartwood's assets under management totalled GBP 3.4 billion, compared with GBP 2.9 billion at year-end 2016. New savings rose sharply, totalling GBP 315 million (167) for the year.

During the autumn, a new branch was announced for Liverpool Street in London, thus bringing the number of branches in the UK to 208 (207).

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.

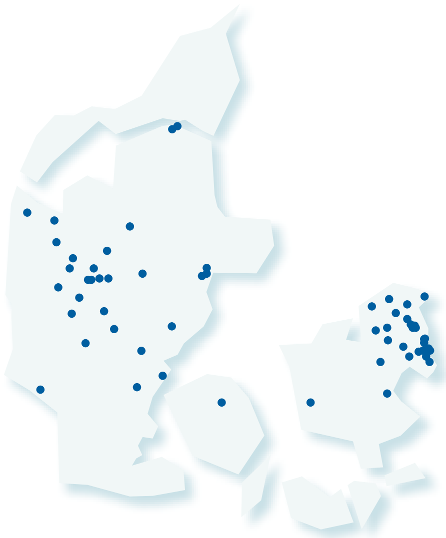
Quarterly performance Handelsbanken Denmark

SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Total 2017	Total 2016	Change, %
Net interest income	439	433	425	417	1 714	1 686	2
Net fee and commission income	115	89	121	108	433	379	14
Net gains/losses on financial transactions	24	18	29	24	95	75	27
Other income	3	4	1	7	15	15	0
Total income	**581**	**544**	**576**	**556**	**2 257**	**2 155**	**5**
Staff costs	-174	-166	-163	-166	-669	-655	2
Other expenses	-51	-33	-36	-39	-159	-194	-18
Internal purchased and sold services	-88	-84	-83	-80	-335	-287	17
Depreciation, amortisation and impairment of property, equipment and intangible assets	-3	-3	-4	-3	-13	-14	-7
Total expenses	**-316**	**-286**	**-286**	**-288**	**-1 176**	**-1 150**	**2**
Profit before loan losses	**265**	**258**	**290**	**268**	**1 081**	**1 005**	**8**
Net loan losses	-372	-24	-66	-4	-466	-716	-35
Gains/losses on disposal of property, equipment and intangible assets	2	3	2	6	13	7	86
Operating profit	**-105**	**237**	**226**	**270**	**628**	**296**	**112**
Profit allocation	25	21	24	24	94	85	11
Operating profit after profit allocation	**-80**	**258**	**250**	**294**	**722**	**381**	**90**
Internal income	7	-70	-86	-88	-237	-334	29
C/I ratio, %	52.1	50.6	47.7	49.7	50.0	51.3	
Loan loss ratio, %	1.53	0.10	0.27	0.02	0.48	0.85	
Assets	114 495	109 756	111 358	107 048	114 495	108 299	6
Liabilities	108 784	104 048	105 823	100 666	108 784	102 078	7
Allocated capital	5 711	5 708	5 535	6 382	5 711	6 221	-8
Return on allocated capital, %	-4.3	14.0	14.1	14.4	9.7	4.8	
Average number of employees	609	608	605	611	608	624	-3
Number of branches	57	57	57	57	57	57	0

Business volumes, Denmark

Average volumes, DKK bn	2017	2016	Change, %
Loans to the public	**72.8**	**69.6**	**5**
of which households	*44.1*	*40.8*	*8*
companies	*28.7*	*28.8*	*0*
Deposits from the public	**31.9**	**27.6**	**16**
of which households	*12.8*	*11.9*	*8*
companies	*19.1*	*15.7*	*22*

57 branches



FINANCIAL PERFORMANCE

Operating profit rose by 112 per cent to SEK 628 million (296), chiefly due to lower loan losses. Profit before loan losses improved by 8 per cent to SEK 1,081 million (1,005), partly as a result of greater customer activity. Exchange rate movements had a positive impact on operating profit of SEK 5 million, and expressed in local currency, profit before loan losses rose by 6 per cent. The return on allocated capital increased to 9.7 per cent (4.8).

Net interest income rose by 2 per cent to SEK 1,714 million (1,686), which was attributable in full to exchange rate movements, and, expressed in local currency, remained largely unchanged year on year. Increased lending volumes contributed SEK 69 million, while lower lending margins reduced net interest income by SEK -72 million. Improved deposit margins and higher deposit volumes increased net interest income by SEK 8 million.

Fees for the Swedish Resolution Fund and the deposit guarantee increased by SEK 31 million, burdening net interest income by SEK -74 million (-43).

Net fee and commission income rose by 14 per cent to SEK 433 million (379). The increase was attributable to greater customer activity in most commission areas, but particularly in the savings business, thus yielding higher brokerage fees and asset management commissions. Exchange rate movements had a positive impact of SEK 7 million on net fee and commission income.

Net gains/losses on financial transactions grew to SEK 95 million (75), primarily due to an increase in early loan repayment charges, but also a result of improved currency gains.

Expenses rose by 2 per cent to SEK -1,176 million (-1,150). Adjusted for the effect of exchange rate movements, expenses remained largely unchanged.

Loan losses went down to SEK -466 million (-716), and the loan loss ratio fell to 0.48 per cent (0.85).

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 grow. During the year, the average volume of lending to households increased by 8 per cent, and deposits from households increased by 8 per cent. Corporate lending remained largely unchanged, while corporate deposits rose by 22 per cent. Overall the average volume of lending grew by 5 per cent to DKK 72.8 billion (69.6), and deposits grew by 16 per cent to DKK 31.9 billion (27.6).

New savings in the Bank's mutual funds in Denmark rose sharply, totalling SEK 2.3 billion (0.9) for the year.

During the year, the Bank established a branch in Hørsholm. At year-end, Handelsbanken had 57 branch offices in Denmark.

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.

Quarterly performance Handelsbanken Finland

SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Total 2017	Total 2016	Change, %
Net interest income	319	301	291	292	1 203	1 218	-1
Net fee and commission income	118	110	121	113	462	419	10
Net gains/losses on financial transactions	18	7	13	14	52	87	-40
Other income	4	4	6	4	18	10	80
Total income	**459**	**422**	**431**	**423**	**1 735**	**1 734**	**0**
Staff costs	-107	-95	-100	-94	-396	-380	4
Other expenses	-48	-46	-44	-42	-180	-210	-14
Internal purchased and sold services	-80	-72	-78	-73	-303	-239	27
Depreciation, amortisation and impairment of property, equipment and intangible assets	-6	-4	-5	-4	-19	-14	36
Total expenses	**-241**	**-217**	**-227**	**-213**	**-898**	**-843**	**7**
Profit before loan losses	**218**	**205**	**204**	**210**	**837**	**891**	**-6**
Net loan losses	-51	6	-15	3	-57	-36	58
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	-	0	0	
Operating profit	**167**	**211**	**189**	**213**	**780**	**855**	**-9**
Profit allocation	43	37	38	32	150	131	15
Operating profit after profit allocation	**210**	**248**	**227**	**245**	**930**	**986**	**-6**
Internal income	27	-81	-87	-87	-228	-262	13
C/I ratio, %	48.0	47.3	48.4	46.8	47.6	45.2	
Loan loss ratio, %	0.16	-0.02	0.05	-0.01	0.05	0.03	
Assets	188 330	185 050	182 036	180 279	188 330	178 132	6
Liabilities	182 684	179 524	176 753	174 110	182 684	171 880	6
Allocated capital	5 646	5 526	5 283	6 169	5 646	6 252	-10
Return on allocated capital, %	11.6	14.0	13.4	12.4	12.8	13.0	
Average number of employees	519	519	505	482	506	491	3
Number of branches	45	45	45	45	45	45	0

Business volumes, Finland

Average volumes, EUR m	2017	2016	Change, %
Loans to the public	**12 996**	**12 736**	**2**
of which households	*4 061*	*3 975*	*2*
companies	*8 935*	*8 761*	*2*
Deposits from the public	**4 267**	**3 442**	**24**
of which households	*1 596*	*1 451*	*10*
companies	*2 671*	*1 991*	*34*

45 branches

FINANCIAL PERFORMANCE

Operating profit decreased by 9 per cent to SEK 780 million (855). Expressed in local currency, operating profit declined by 10 per cent, due to higher costs. Return on allocated capital was 12.8 per cent (13.0).

Income remained largely unchanged at SEK 1,735 million (1,734), though income declined by 2 per cent expressed in local currency.

Net interest income declined by 1 per cent, or SEK 15 million, to SEK 1,203 million (1,218). Exchange rate movements increased net interest income by SEK 20 million. Government fees to the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -101 million (-53). Higher lending volumes had a positive impact of SEK 15 million, and higher deposit volumes improved net interest income by SEK 5 million. The remaining negative effect was attributable to lower margins.

Net fee and commission income rose by 10 per cent to SEK 462 million (419), due to higher payment commissions and rising commissions from savings business.

Net gains/losses on financial transactions decreased to SEK 52 million (87), chiefly because the period of comparison included one-off income related to the sale of Visa Europe.

Total expenses rose by 7 per cent to SEK -898 million (-843). Adjusted for exchange rate movements, expenses increased by 5 per cent.

Staff costs grew by 4 per cent, although expressed in local currency, the growth was just below 3 per cent. The average number of employees rose by 3 per cent to 506 (491). During the second half-year, the Bank employed new staff to further strengthen its corporate business and its work with regulatory matters.

Loan losses were SEK -57 million (-36), and the loan loss ratio was 0.05 per cent (0.03).

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 10 per cent more than in the preceding year, while lending to households grew by 2 per cent.

The average volume of corporate deposits climbed by 34 per cent, while corporate lending grew by 2 per cent compared with the preceding year.

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.

Quarterly performance Handelsbanken Norway SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Total 2017	Total 2016	Change, %
Net interest income	953	930	898	885	3 666	3 355	9
Net fee and commission income	104	101	102	103	410	381	8
Net gains/losses on financial transactions	21	23	19	27	90	114	-21
Other income	3	1	6	4	14	81	-83
Total income	**1 081**	**1 055**	**1 025**	**1 019**	**4 180**	**3 931**	**6**
Staff costs	-192	-201	-192	15	-570	-676	-16
Other expenses	-62	-54	-53	-54	-223	-206	8
Internal purchased and sold services	-118	-106	-103	-97	-424	-379	12
Depreciation, amortisation and impairment of property, equipment and intangible assets	-3	-4	-3	-4	-14	-8	75
Total expenses	**-375**	**-365**	**-351**	**-140**	**-1 231**	**-1 269**	**-3**
Profit before loan losses	**706**	**690**	**674**	**879**	**2 949**	**2 662**	**11**
Net loan losses	-36	-19	-56	-46	-157	-347	-55
Gains/losses on disposal of property, equipment and intangible assets	0	1	0	0	1	0	
Operating profit	**670**	**672**	**618**	**833**	**2 793**	**2 315**	**21**
Profit allocation	26	20	23	21	90	91	-1
Operating profit after profit allocation	**696**	**692**	**641**	**854**	**2 883**	**2 406**	**20**
Internal income	-362	-550	-618	-666	-2 196	-2 463	11
C/I ratio, %	33.9	34.0	33.5	13.5	28.8	31.6	
Loan loss ratio, %	0.06	0.03	0.09	0.08	0.06	0.17	
Assets	247 576	247 284	241 855	244 388	247 576	246 940	0
Liabilities	231 739	231 877	226 334	227 580	231 739	231 057	0
Allocated capital	15 837	15 407	15 521	16 808	15 837	15 883	0
Return on allocated capital, %	13.7	14.0	12.9	15.9	14.1	13.3	
Average number of employees	673	692	662	662	672	668	1
Number of branches	49	49	49	49	49	50	-2

Business volumes, Norway **Average volumes,** NOK bn	2017	2016	Change, %
Loans to the public	**237.8**	**229.0**	**4**
of which households	*88.7*	*85.9*	*3*
companies	*149.1*	*143.1*	*4*
Deposits from the public	**69.3**	**65.6**	**6**
of which households	*19.9*	*19.3*	*3*
companies	*49.4*	*46.3*	*7*

49 branches

FINANCIAL PERFORMANCE

Operating profit increased by 21 per cent to SEK 2,793 million (2,315). It was affected by a non-recurring item in the first quarter which reduced staff costs by SEK 206 million, 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 per cent expressed in local currency.

Return on allocated capital was 14.1 per cent (13.3).

Income grew by 6 per cent, adjusted for exchange rate effects, it increased by 5 per cent.

Net interest income increased by SEK 311 million, or 9 per cent, to SEK 3,666 million (3,355), which was primarily the result of growing lending volumes and lower funding costs. Higher lending volumes had a positive impact of SEK 77 million, while higher deposit volumes contributed SEK 18 million. Exchange rate movements positively affected net interest income by SEK 39 million. The fees for the Swedish Resolution Fund and the deposit guarantee reduced net interest income by SEK -192 million (-98).

Net fee and commission income increased by 8 per cent to SEK 410 million (381). Adjusted for exchange rate movements, net fee and commission income rose by 6 per cent, chiefly due to higher fund management commissions.

Net gains/losses on financial transactions decreased by 21 per cent to SEK 90 million (114). The decrease was chiefly attributable to a capital gain in the period of comparison related to the sale of Visa Europe.

Adjusted for the aforementioned non-recurring item that was due to the transition to a defined contribution pension plan, staff costs rose by SEK 100 million, or 15 per cent, of which SEK 9 million was attributable to exchange rate effects. The new financial sector tax in Norway – a 5 per cent charge payable on employer's contributions – had an impact of SEK -28 million on staff costs. Adjusted for these effects, staff costs increased by 8 per cent in local currency, 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 went down to SEK -157 million (-347), and the loan loss ratio fell to 0.06 per cent (0.17).

BUSINESS DEVELOPMENT

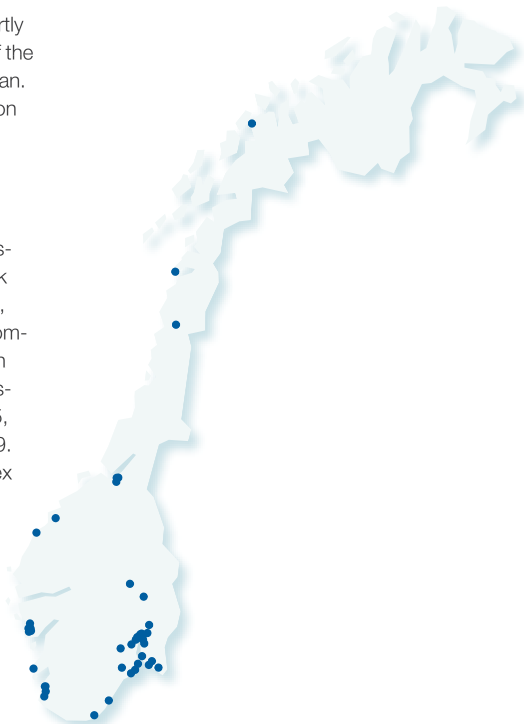
According to the annual EPSI customer satisfaction survey, Handelsbanken was the bank with the most satisfied corporate customers, and similarly, Handelsbanken's private customers were also found to be more satisfied than the average for banks in Norway. Private customers gave the Bank an index value 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 3 per cent compared with the previous year, while lending to households grew by 3 per cent. The average volume of corporate lending increased by 4 per cent, while corporate deposits were up by 7 per cent.

In total, the average volume of lending rose by 4 per cent to NOK 237.8 billion (229.0), while total deposits grew by 6 per cent to NOK 69.3 billion (65.6).

New savings in the Bank's mutual funds in Norway rose sharply, totalling SEK 4.3 billion (0.7) for the year.

Handelsbanken had 49 branches (50) in Norway at year-end.



Handelsbanken the Netherlands

Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank, as well as asset management operations in Optimix Vermogensbeheer. The regional bank offers banking services at 28 branches throughout the Netherlands.

Quarterly performance Handelsbanken The Netherlands SEK m	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**	**Total 2017**	**Total 2016**	**Change, %**
Net interest income	155	142	135	125	557	438	27
Net fee and commission income	55	35	33	32	155	75	107
Net gains/losses on financial transactions	13	2	3	2	20	5	300
Share of profit of associates		0	1	1	2	2	0
Other income	0	1	0	0	1	1	
Total income	**223**	**180**	**172**	**160**	**735**	**521**	**41**
Staff costs	-76	-72	-74	-67	-289	-210	38
Other expenses	-27	-20	-20	-18	-85	-60	42
Internal purchased and sold services	-29	-23	-24	-22	-98	-77	27
Depreciation, amortisation and impairment of property, equipment and intangible assets	-5	-3	-3	-2	-13	-7	86
Total expenses	**-137**	**-118**	**-121**	**-109**	**-485**	**-354**	**37**
Profit before loan losses	**86**	**62**	**51**	**51**	**250**	**167**	**50**
Net loan losses	1	1	2	-2	2	0	
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
Operating profit	**87**	**63**	**53**	**49**	**252**	**167**	**51**
Profit allocation	1	0	2	0	3	3	
Operating profit after profit allocation	**88**	**63**	**55**	**49**	**255**	**170**	**50**
Internal income	-45	-60	-62	-60	-227	-210	-8
C/I ratio, %	61.2	65.6	69.5	68.1	65.7	67.6	
Loan loss ratio, %	-0.01	-0.01	-0.02	0.02	-0.01	0.00	
Assets	47 478	44 974	42 398	43 194	47 478	35 293	35
Liabilities	46 013	43 531	41 023	41 918	46 013	34 042	35
Allocated capital	1 465	1 443	1 375	1 276	1 465	1 251	17
Return on allocated capital, %	18.8	13.7	12.4	12.0	14.3	12.5	
Average number of employees	283	275	274	259	273	206	33
Number of branches	28	27	27	26	28	25	12

Business volumes, The Netherlands **Average volumes,** EUR m	**2017**	**2016**	**Change, %**
Loans to the public	**3 687**	**2 953**	**25**
of which households	*1 959*	*1 434*	*37*
companies	*1 728*	*1 519*	*14*
Deposits from the public	**830**	**482**	**72**
of which households	*91*	*62*	*47*
companies	*739*	*420*	*76*

28 branches

FINANCIAL PERFORMANCE

Operating profit increased by 51 per cent to SEK 252 million (167), mainly due to continuing growth in business volumes. Income rose by 41 per cent, while expenses increased by 37 per cent. Adjusted for exchange rate movements, operating profit improved by 48 per cent expressed in local currency. Return on allocated capital improved to 14.3 per cent (12.5).

Net interest income rose by 27 per cent to SEK 557 million (438). Increased lending volumes contributed SEK 112 million, and higher deposit volumes contributed SEK 2 million. Exchange rate movements had a positive impact of SEK 7, while higher government fees had an adverse effect on net interest income of SEK -10 million.

Net fee and commission income increased to SEK 155 million (75), as a result of the asset management company Optimix, which has been a part of Handelsbanken in the Netherlands since 1 September 2016 and which contributed SEK 136 million (53). The 2017 full-year figure for performance fees within Optimix came in at the year-end, amounting to SEK 15 million (15).

Expenses rose by 37 per cent to SEK -485 million (-354), as a result of the continuing expansion, including the acquisition of asset management company Optimix. The C/I ratio improved to 65.7 per cent (67.6), and the average number of employees increased by 33 per cent to 273 (206).

Loan losses consisted of net recoveries and totalled SEK 2 million (0). The loan loss ratio was -0.01 per cent (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 37 per cent to EUR 1,959 million (1,434), while deposits from households increased by 47 per cent to EUR 91 million (62). Corporate lending rose by 14 per cent to EUR 1,728 million (1,519). The average volume of corporate deposits was up by 76 per cent to EUR 739 million (420). Business volumes with small and medium-sized companies continued to grow.

The Bank opened two new branches during the first six months: in Alkmaar and in 's-Hertogenbosch. In December, a meeting place was opened in Amstelveen, thus bringing the number of units in the Netherlands to 28.

The asset management company Optimix was acquired on 1 September 2016. Assets under management totalled EUR 2.3 billion (2.0) at the end of the year, including the company's own funds.

Handelsbanken Capital Markets

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

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.

Quarterly performance **Handelsbanken Capital Markets** SEK m	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Total 2017	Total 2016	Change, %
Net interest income	116	120	118	118	472	557	-15
Net fee and commission income	789	744	859	782	3 174	3 081	3
Net gains/losses on financial transactions	195	157	228	399	979	984	-1
Risk result – insurance	34	19	53	36	142	142	0
Other income	14	2	3	7	26	8	225
Total income	**1 148**	**1 042**	**1 261**	**1 342**	**4 793**	**4 772**	**0**
Staff costs	-568	-541	-588	-544	-2 241	-2 368	-5
Other expenses	-273	-201	-225	-223	-922	-871	6
Internal purchased and sold services	23	6	4	19	52	-56	-193
Depreciation, amortisation and impairment of property, equipment and intangible assets	-22	-21	-22	-18	-83	-76	9
Total expenses	**-840**	**-757**	**-831**	**-766**	**-3 194**	**-3 371**	**-5**
Profit before loan losses	**308**	**285**	**430**	**576**	**1 599**	**1 401**	**14**
Net loan losses	-1	9	11	-75	-56	-49	
Gains/losses on disposal of property, equipment and intangible assets	-1	0	0	-	-1	0	
Operating profit	**306**	**294**	**441**	**501**	**1 542**	**1 352**	**14**
Profit allocation	-417	-409	-424	-379	-1 629	-1 342	21
Operating profit after profit allocation	**-111**	**-115**	**17**	**122**	**-87**	**10**	
Internal income	-670	-616	-699	-750	-2 735	-2 851	4
C/I ratio, %	114.9	119.6	99.3	79.5	100.9	98.3	
Loan loss ratio, %	0.01	-0.08	-0.10	0.67	0.12	0.10	
Assets	284 454	345 629	324 566	313 273	284 454	279 905	2
Liabilities	280 140	341 466	320 088	308 301	280 140	274 872	2
Allocated capital	4 314	4 163	4 478	4 972	4 314	5 033	-14
Return on allocated capital, %	-8.1	-8.6	1.1	7.7	-1.5	0.2	
Average number of employees	1 591	1 638	1 627	1 643	1 625	1 678	-3

Assets under management SEK bn	**2017**	**2016**
Mutual funds, excl. PPM and unit-linked insurance	362	314
PPM	32	26
Unit-linked insurance	107	93
of which external funds	*-3*	*-2*
Total mutual funds	**498**	**431**
Structured products	13	17
Portfolio bond insurance	24	21
of which in Handelsbanken mutual funds and structured products	*-10*	*-8*
Traditional insurance	8	8
of which in Handelsbanken mutual funds and structured products	*-1*	*-1*
Discretionary and Institutional assets, excl. insurance[1]	224	207
of which in Handelsbanken mutual funds and structured products	*-144*	*-127*
Total assets under management, excl. securities in custody	**612**	**548**
Securities in custody, excl. mutual funds	344	332
Securities in custody, excl. mutual funds, foundations associated with Handelsbanken	53	52

[1] Including the whole volume managed by Heartwood, of which SEK 26bn in Heartwood's mutual funds.

FINANCIAL PERFORMANCE

Operating profit rose by 14 per cent to SEK 1,542 million (1,352), due to lower expenses. Total income was marginally higher at SEK 4,793 million (4,772). Net fee and commission income grew by 3 per cent to SEK 3,174 million (3,081), driven mainly by higher mutual fund commissions. Net gains/losses on financial transactions were marginally lower, totalling SEK 979 million (984).

Total expenses decreased by 5 per cent to SEK -3,194 million (-3,371). The decrease was mainly attributable to staff costs falling by 5 per cent to SEK -2,241 million (-2,368), partly as a result of a 3 per cent fall in the average number of employees to 1,625 (1,678).

Loan losses amounted to SEK -56 million (-49), corresponding to a loan loss ratio of 0.12 per cent (0.10).

BUSINESS DEVELOPMENT

Asset management operations continued to show a strong performance and net savings in Handelsbanken's mutual funds in Sweden amounted to SEK 22 billion in 2017, corresponding to a market share of 19.5 per cent. Handelsbanken was thus the largest player for new savings on the mutual funds market in Sweden. Net savings in the Bank's mutual funds elsewhere in the Nordic region showed strong growth, amounting to SEK 6.4 billion during the year. All of the Nordic home markets reported the highest mutual fund volumes to date, except in Finland, where volumes were on a par with the previous quarter. Total net savings in the Group's funds amounted to SEK 28.2 billion.

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

The total fund volume, including exchange-traded funds, increased by 16 per cent from the beginning of the year to SEK 498 billion (431). Total assets under management in the Group rose during the same period by 12 per cent to SEK 612 billion (548).

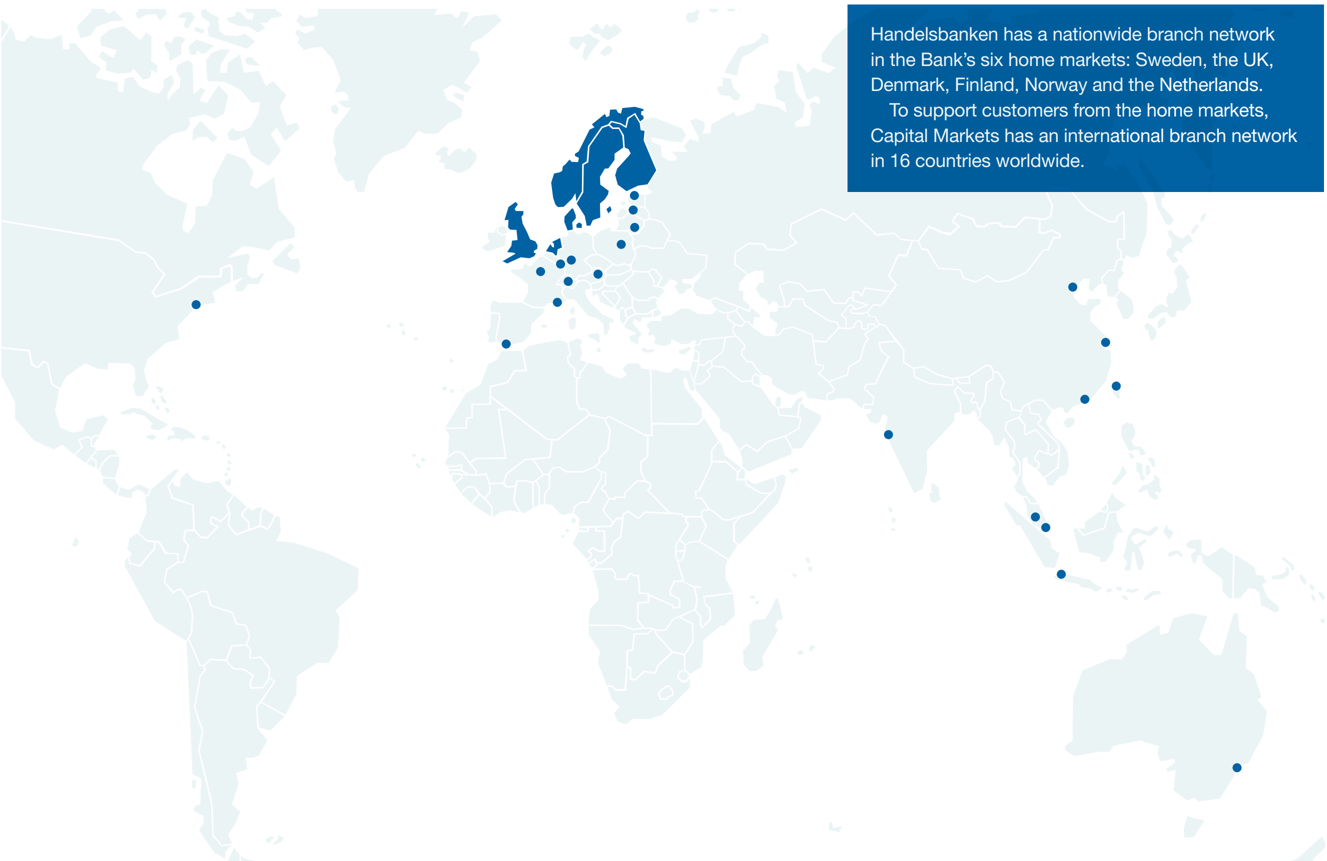
Morningstar, a mutual fund research company, ranked Handelsbanken Fonder highest of the Nordic banks when it evaluated the 30 largest fund managers on the Swedish market.

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. In September, a broad Nordic index fund with a sustainability profile was also launched. The Pension & Life business area performed well and income increased by 14 per cent, while expenses rose by 7 per cent. The occupational pension area showed a particularly strong performance, with an 18 per cent increase in premiums paid in. The net flow during the year was SEK 4.5 billion. Assets under management at Handelsbanken Liv increased by 13 per cent during the year to SEK 139 billion (123).

The Bank's business volumes in terms of capital market funding also showed a strong performance. 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. In total, the Bank arranged 124 bond issues during the year for a value of EUR 13.6 billion.

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

The average volume of lending in Handelsbanken International, i.e. the operations outside the Bank's home markets, totalled SEK 32.2 billion (35.6). During the same period, deposits rose by 32 per cent to SEK 61.5 billion (46.6).



Handelsbanken has a nationwide branch network in the Bank's six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

To support customers from the home markets, Capital Markets has an international branch network in 16 countries worldwide.

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).

Handelsbanken's shares and shareholders

Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange.

There are two classes of Handelsbanken's share: class A and class B. Class A shares are by far the most common and represent more than 98 per cent of all shares, both in terms of the number of shares and the turnover. Class A shares each carry one vote while class B shares have one-tenth of a vote. The share capital was SEK 3,013 million, divided among 1,944,173,551 shares. Each share thus represented SEK 1.55 of the share capital.

STOCK EXCHANGE TRADING

Handelsbanken's shares are traded on several different market places. Turnover is largest on Nasdaq Stockholm, but for the past couple of years, the shares have also been traded on other venues, such as BATS. In 2017, an average of 3.3 million class A shares in Handelsbanken were traded each day on Nasdaq Stockholm. The Handelsbanken share is in the group of the most traded shares on the Stockholm stock exchange. Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange.

DIVIDEND

One of the purposes of Handelsbanken's profitability goal is to offer shareholders long-term high growth in value, expressed in increasing earnings per share over a business cycle. The Bank aims for the ordinary dividend to show long-term, stable growth which reflects the value creation. But the dividend level must not lead to the authorities' capital requirements not being met. The Board is proposing that the 2018 AGM resolve on an ordinary dividend of SEK 5.50 per share (5.00) and an extra dividend of SEK 2.00 per share. The complete proposal on appropriation of profits is presented on page 164.

CREATING SHAREHOLDER VALUE

Handelsbanken is one of few banks in Europe that generated positive shareholder value during the years of the financial and debt crisis. Handelsbanken is the only commercial bank on the Stockholm stock exchange that did not need to ask its shareholders for new capital during this period. During the past five years, Handelsbanken has generated positive shareholder value of SEK 121 billion. Market capitalisation has grown by SEK 71 billion, while Handelsbanken has paid out SEK 50 billion in dividends.

SHARE PRICE PERFORMANCE

As at 31 December 2017, Handelsbanken's market capitalisation was SEK 218 billion (246). The Swedish stock market rose by 4 per cent during the year, but the Stockholm stock exchange bank index fell by 5 per cent.

Handelsbanken's shares	2017	2016	2015	2014	2013
Earnings per share, total operations, SEK	8.28	8.43	8.57	7.96	7.51
after dilution	8.20	8.31	8.39	7.84	7.42
Ordinary dividend per share, SEK	5.50[1]	5.00	4.50	4.17	3.83
Total dividend per share, SEK	7.50[1]	5.00	6.00	5.83	5.50
Dividend growth, ordinary dividend, %	10[1]	11	8	9	7
Price of class A share, 31 December, SEK	112.20	126.60	112.90	122.20	105.33
Price of class B share, 31 December, SEK	113.00	123.40	116.30	117.67	100.50
Highest share price during year, SEK	135.70	134.60	142.00	124.27	106.53
Lowest share price during year, SEK	109.10	92.00	108.40	101.70	78.10
Share price performance, %	-11	12	-8	16	36
Total return, %	-7	17	-3	21	41
Dividend yield, %	4.9[1]	3.9	4.0	3.4	3.6
Adjusted equity per share, SEK	72.90	69.28	65.14	64.13	59.24
Stock exchange price/equity, %	154	183	173	191	178
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	3 320 334	3 856 880	3 425 715	3 250 808	3 722 265
Class B	41 655	37 222	60 342	58 700	51 021
P/E ratio	13.5	15.0	13.2	15.3	14.0
Market capitalisation, SEK bn	218	246	215	233	201
No. of converted shares from the convertible subordinated loan issued in 2008, millions	0.0	0.0	0.0	0.0	8.5
No. of converted shares from the convertible subordinated loan issued in 2011, millions		37.1			
No. of shares as at 31 December, millions	1 944.2	1 944.2	1 907.0	1 907.0	1 906.9
Holding of repurchased own shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	-	-	-
Number of outstanding shares as at 31 December, millions	1 944.2	1 944.2	1 907.0	1 907.0	1 906.9
Dilution effect, end of period, millions	30.3	30.1	65.7	64.9	35.9
Number of outstanding shares after dilution, millions	1 974.5	1 974.3	1 972.7	1 971.9	1 942.8
Average number of outstanding shares, millions	1 944.2	1 927.1	1 907.0	1 907.0	1 904.4
after dilution	1 974.3	1 972.7	1 971.9	1 959.0	1 942.6

[1] Dividend as recommended by the Board.

Handelsbanken's class A share ended the year at SEK 112.20, a decline of 11 per cent. Including dividends, the total return was -7 per cent.

REPURCHASE OF SHARES

At the AGM in March 2017, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2018. This mandate was not used in 2017.

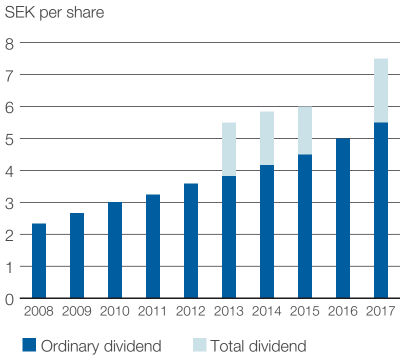
CONVERTIBLE LOAN

In spring 2014, the Bank issued a subordinated convertible loan for SEK 3.2 billion on market terms directed at the Group's employees. Holders can convert to class A shares in Handelsbanken between 1 May 2019 and 30 November 2019. The convertible is fully dividend-protected which means that the ordinary conversion price is adjusted downwards by an amount corresponding in percentage terms to the dividend paid on a class A share. The conversion price has been recalculated at SEK 109.92 after the dividend paid in spring 2017. The Bank can also demand conversion.

OWNERSHIP STRUCTURE

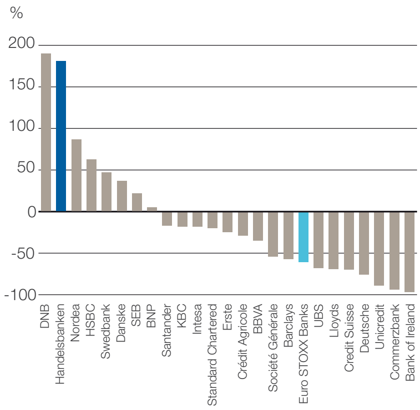
In recent years, the proportion of non-Swedish shareholders has increased, from 30 per cent at the end of 2008, to 49 per cent (49) at year-end. Handelsbanken has about 115,000 shareholders. Almost two thirds of these owned fewer than 1,001 shares. Two per cent of the shareholders owned more than 20,001 shares each, and together they held 91 per cent of the share capital. Two shareholders have a holding exceeding 10 per cent of all shares: Oktogonen Foundation and Industrivärden. In addition to these two, the Edinburgh-based asset manager Baillie Gifford has a shareholding that exceeds 5 per cent.

Share dividends in the past 10 years



2017 according to Board proposal. A 3:1 stock split was carried out in May 2015. Historical dividends have been adjusted for this.

Total return for the period 30 June 2007–31 December 2017



Source: SNL, as at 31 December 2017 (dividends reinvested).

The largest Swedish shareholders 31 December 2017	Number of shares	% of capital	% of votes
Industrivärden	196 423 948	10.10	10.27
Oktogonen Foundation	195 872 046	10.07	10.24
Lundbergs	60 575 000	3.12	3.17
Swedbank Robur funds	54 116 743	2.78	2.83
Alecta	40 769 000	2.10	2.13
Handelsbanken funds	31 495 407	1.62	1.65
Didner & Gerge funds	18 220 178	0.94	0.95
SEB funds	16 947 098	0.87	0.89
Third Swedish National Pension Fund	14 091 278	0.72	0.74
SPP funds	12 408 864	0.64	0.65
The J. Wallander & T. Hedelius Stiftelse, The T. Browaldh Stiftelse	12 300 000	0.63	0.64
AFA Insurance	11 770 541	0.61	0.62
Folksam	10 247 154	0.53	0.54
Avanza Funds	8 559 678	0.44	0.45
Fourth Swedish National Pension Fund	7 842 334	0.40	0.41

Shareholdings per shareholder 31 December 2017			Shareholdings			
Number of shares		Number of shareholders	Number of class A shares	Number of class B shares	% of share capital	% of votes
1–500	shares	57 535	6 751 192	2 875 585	0.5	0.4
501–1,000	shares	17 666	10 434 805	3 010 859	0.7	0.5
1,001–5,000	shares	28 606	57 776 556	9 411 047	3.5	3.1
5,001– 20,000	shares	8 988	75 076 016	8 383 147	4.3	4.0
20,001–	shares	2 637	1 758 883 653	11 570 691	91.0	92.0
Total		**115 432**	**1 908 922 222**	**35 251 329**	**100.0**	**100.0**

Shares divided into share classes 31 December 2017 Share class	Number	% of capital	% of votes	Average prices/ repurchased amount	Share capital
Class A	1 908 922 222	98.19	99.82		2 958 829 444
Class B	35 251 329	1.81	0.18		54 639 560
Total	**1 944 173 551**	**100.00**	**100.00**		**3 013 469 004**

Sustainability, environment and employees

Handelsbanken's business opportunities and successes depend on the confidence that customers, investors, the public and public authorities have in us and our employees. A condition for this confidence is that the Bank's operations embody high ethical standards and responsible actions, and that employees of the Bank conduct themselves in a manner that instils confidence. For detailed information about Handelsbanken's work with sustainability, we refer to the Bank's separate Sustainability Report.

SUSTAINABILITY

Sustainability is completely integrated into Handelsbanken's corporate culture and working methods throughout the Group's operations in all markets where the Bank operates. For Handelsbanken, sustainability is about acting responsibly and with a long-term perspective where we as a Bank can make a difference, directly or indirectly, through our own operations. This has economic, social, and environmental perspectives. By acting responsibly, we build long-term relations with our customers, employees, owners, investors and the wider community.

The Bank's sustainability work is also governed by internal documents such as policies and guidelines issued by the Board and Group Chief Executive, including the Sustainability policy, the Policy on ethical standards, and the Policy against corruption, which are implemented in instructions for the Bank's various operating areas.

Handelsbanken also supports international initiatives and guidelines such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Environment Programme Finance Initiative (UNEP FI), the UN Principles for Responsible Investment (PRI), the UN Guiding Principles on Business and Human Rights, the International Labour Organization's core conventions and the Children's Rights and Business Principles.

Handelsbanken also wants to contribute to the Agenda 2030 for Sustainable Development and to integrate the Sustainable Development Goals in its materiality analysis and reporting.

MATERIAL SUSTAINABILITY TOPICS

In 2017, Handelsbanken updated the materiality analysis done in previous years as part of the process of continuing to define the Bank's most material sustainability topics. The topics are grouped into six sub-areas to more clearly present the outcomes:

- the Bank and its customers
- the Bank's role in the community
- the Bank's indirect impact
- the Bank as an employer
- the Bank's business culture
- the Bank as an investment.

RESPONSIBLE BUSINESS CULTURE

Handelsbanken is a bank with long-term stability which, regardless of the situation in the world around us, is there for our customers. With its stable finances and stable presence, Handelsbanken aims to fulfil its role as a responsible participant in society, for example by acting in a manner that minimises the number of customers who may have payment difficulties. Similarly, Handelsbanken's strong local presence contributes to development in the community. Naturally, through our local branch offices the Bank is involved in the local business community, but branches and staff also contribute their knowledge and commitment to other local community matters.

Business culture is also about a company's approach to issues such as corruption and taxes. Handelsbanken works against corruption through risk prevention, such as in its annual operational risk analyses. Also, in the areas of money laundering and other economic crime, banks play an important role in their work preventing such crimes and investigating and reporting suspected cases. Handelsbanken is also one of Sweden's biggest payers of corporate tax, and Handelsbanken's separate sustainability report specifies revenues generated, profits and the taxes and government fees that the Bank has paid in the countries where we operate.

HUMAN RIGHTS

Handelsbanken's work to protect and respect human rights is based on international norms and agreements and is essential for long-term value creation. This is true in our own operations and in operations that are associated with the Bank through products, services, and business relationships.

SUSTAINABILITY RISK

Sustainability risk can arise in any of the Bank's different roles – as a lender, asset manager, service provider, purchaser or an employer. Sustainability risk spans areas such as human rights, the environment, climate, corruption, and money laundering. It is important to anticipate and manage sustainability risk, for financial and legal reasons as well as for the Bank's reputation.

Handelsbanken's activities for managing sustainability risk follow the Bank's decentralised model and are aligned with the Bank's low risk tolerance. The Bank's business operations are responsible for identifying and managing sustainability risk and doing so in the framework for the established processes for risk management.

ENVIRONMENTAL PERFORMANCE

Handelsbanken works continuously to minimise emissions of greenhouse gases and other environmental impacts. Our environmental impact derives mainly from energy consumption, business travel and transport, and use of resources such as paper. For 2017, total CO_2 emissions from Handelsbanken's operations were 9,967 tonnes, down 4 per cent from 2016, mainly because the Bank increased the proportion of renewable electricity. Since 2013, the Bank has reduced its CO_2 emissions by 42 per cent and total electricity consumption has gone down by 19 per cent.

Handelsbanken's greatest opportunity to make a positive contribution to the environment and climate lies in our business operations, that is, through the companies which we lend money to or invest our customers' funds in. In both lending and investments, we carry out an integrated analysis and assessment of the sustainability challenges and opportunities faced by each company.

EMPLOYEES

In 2017, Handelsbanken had 11,832 employees, working in more than 20 countries, just over 40 per cent of whom were employed outside Sweden.

AN ATTRACTIVE, LONG-TERM EMPLOYER

Above all, working at Handelsbanken is about relationships with other people and sharing the Bank's core values. For us, it is vital that our employees are driven by putting the customer first, enjoy taking a large amount of individual responsibility, and want to take their own initiatives.

Handelsbanken's Group-wide guidelines for its employees are based on the Bank's corporate culture, working methods, and fundamental view of people.

CONSTANT DEVELOPMENT

Handelsbanken's strength derives from the combined expertise of its employees. The main driver of professionalism is learning in our daily work, where all employees are responsible for continuously developing themselves and the operations.

The employees and the business can move forward together because all employees play an active role in formulating their own unit's business plan each year. After the plan is set, individual competency mapping, planning dialogues and performance reviews are done, linking the business operations' goals with each employee's goals. The result is an individual action plan for each employee which is followed up regularly during the year and then forms the basis of an annual salary dialogue review between employee and manager.

Internal labour market and cultural ambassadors

Handelsbanken's strong corporate culture and values are vital to the Bank's success, so internal recruitment and long-term employment are therefore important to us. While working at the Bank, employees have the opportunity to develop in different professional roles, to work in different areas of the Bank, and also in different countries where Handelsbanken operates. A condition for this is that each individual's work-life balance is respected. The Handelsbanken Group continues to have low external staff turnover. In 2017, the figure was 4.7 per cent (4.0).

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture. This is why most managers are recruited internally. A structured approach to management succession planning is crucial in satisfying the Bank's competency needs – now and in the future. In 2017, 97 per cent (99) of all managers in Sweden were recruited internally, while 92 per cent (93) were for the Group as a whole.

The Wheel – the interaction between the Bank's operations and its employees

The Wheel reflects the relationship between the operations and the employee's development. Managers and employees work together to create their own unit's operational plan each year. After the plan is set, planning dialogues and performance reviews are carried out, linking the business operations' goals with each employee's goals. The result is that all employees have an individual action plan which is followed up regularly during the year and forms the basis of a salary dialogue review between employee and manager.

GENDER EQUALITY, DIVERSITY AND AN INCLUSIVE CULTURE

Working with gender equality, diversity and an inclusive corporate culture is a fundamental part of Handelsbanken's values. This entails making the most of the employees' combined potential, and of broadening the recruitment base to become, to an even greater extent, a bank that reflects the community in which we operate. In the light of this, all types of discrimination and harassment are wholly unacceptable, as made clear in the Group-wide guidelines for employees.

Initiatives are being taken in several parts of the Group to further increase knowledge and awareness of gender equality and diversity.

Handelsbanken's gender equality goal is to be a company where women and men have the same opportunities, conditions and power to shape the Bank and their own career. In all countries where Handelsbanken operates, a gender equality plan to support the Group's equality goals must be produced, with the aim of creating an equal gender distribution in the various professional roles, work groups and units at the Bank. In the Group as a whole, 40 per cent (40) of managers were women; the corresponding figure for the total number of employees in the Group was 49 per cent (50). At year-end, 47 per cent (48) of the Bank's managers in Sweden were women, with the corresponding figure for the total number of employees in Sweden being 52 per cent (53).

Handelsbanken is working to rectify unwarranted pay differentials between women and men. In Sweden, this work has advanced for several years in co-operation with the union organisations, so it is now an integral part of ordinary business operations. The Bank and the unions closely monitor trends in gender-equal salaries at the Bank. Managers at Handelsbanken have a mandate and the tools to correct any differentials that are identified in the annual salary mapping.

WORK ENVIRONMENT AND HEALTH

Handelsbanken's guidelines for health and the work environment describe how we continuously improve our work environment and the conditions for good health. Our overall goal for the work environment is that employees should be able to enjoy good health, develop on a personal level and function in an optimal way. To achieve that goal, we are making efforts based on a number of health factors. All employees are responsible for their own health and for contributing to a positive work environment.

Each manager is responsible for performing regular work environment surveys, based on our health factors, with their employees and union representative or employee representative. These include topics relating to the physical and psychosocial work environment, security, gender equality, diversity and inclusiveness. Based on the results, managers and employees formulate a work environment plan containing activities to maintain and develop a positive, health-promoting work environment and to counteract health risks. The work environment plan is then integrated with the business plan and, in this way, becomes a natural part of how the operation develops.

The plans are regularly followed up in order to evaluate and continuously improve the Bank's efforts for the work environment and health. Handelsbanken also monitors and analyses trends in the sickness absence rate and reported incidents with the aim of increasing proactive initiatives.

RELATIONS WITH UNIONS

Handelsbanken's traditionally good relationships with unions are a valuable part of the Bank's culture. The Bank promotes the right of all employees to join a trade union or employee organisation.

There is an ongoing dialogue between union representatives and managers concerning operations – such as when changes and new services are to be launched – where valuable information is exchanged at the very early stages. Alongside this dialogue with the union and other types of employee organisations in each country, there is also Handelsbanken's European Works Council (EWC), a forum for joint and cross-border questions in the countries in Europe where the Group has operations.

OKTOGONEN – THE BANK'S PROFIT-SHARING SCHEME

One condition for achieving the Bank's corporate goal of better profitability than the average of peer banks in its home markets is that the Bank's employees outperform their peers in the rest of the sector. In every year but three since 1973, Handelsbanken has allocated part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

Allocations are subject to Handelsbanken achieving its corporate goal. If the goal is met, one third of the extra profits can be allocated to the employees. The amount allocated is limited to 10 per cent of the ordinary dividend to the shareholders. If the Bank reduces the dividend paid to its shareholders, no allocation can be made to the foundation.

Each employee receives an equal part of the allocated amount, regardless of their position, form of employment or tasks. 98 per cent of the Group's employees are now covered by Oktogonen.

Handelsbanken's Sustainability Report

Handelsbanken publishes a complete Sustainability Report where the Group's sustainability work is reported, including the business model, policies, risks and key figures. The Sustainability Report covers the Group as a whole and constitutes the formal sustainability reporting in accordance with the Swedish Annual Accounts Act for the companies that are subject to the reporting requirement. The Sustainability Report is published at handelsbanken.se/ireng and handelsbanken.se/csreng.


Handelsbanken

Corporate Governance Report

Handelsbanken is a Swedish public limited company, whose shares are listed on Nasdaq Stockholm. Here the Board submits its Corporate Governance Report for 2017. Handelsbanken applies the Swedish Corporate Governance Code.

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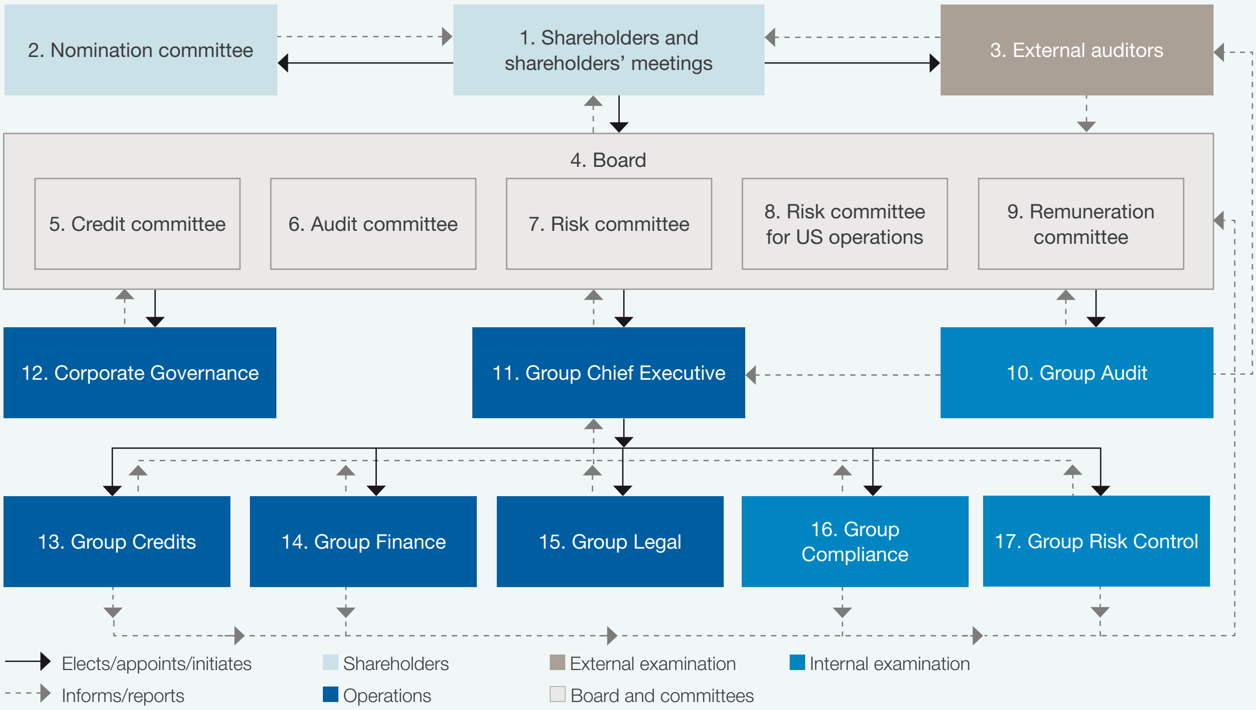
Corporate Governance structure

Corporate governance at Handelsbanken – an overview



The diagram provides a summary of corporate governance at Handelsbanken. The shareholders take decisions at the AGM. For certain questions, the shareholders' decisions are prepared by the nomination committee. The shareholders appoint a Board, which in turn appoints a CEO to manage the day-to-day operations. The Board (referred to as the Central Board, at Handelsbanken) organises itself into various committees and has a corporate governance unit at its disposal. To support the work of governing the Bank, the CEO has Group Finance, Group Credits and Group Legal. There are also a number of control functions at the Bank. In addition, the shareholders exercise control through auditors appointed by the AGM.

1. SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders exercise their right to decide on matters concerning Handelsbanken at shareholders' meetings, which are the Bank's highest decision-making body. Every year, an annual general meeting is held at which the Board, the Chairman of the Board and auditors are appointed. It can also decide how the nomination committee is to be appointed. See also page 51.

2. NOMINATION COMMITTEE

The nomination committee's task is to prepare and submit proposals to the AGM regarding the appointment of the Chairman and other members of the Board and fees to the Chairman and other members of the Board. The committee also proposes the appointment of the auditors, and their fees. The AGM decides how the nomination committee will be appointed.

3. EXTERNAL AUDITORS

The auditors are appointed by the AGM for the period until the end of the following year's AGM. The auditors are accountable to the shareholders at the AGM. They carry out an audit and submit an audit report covering matters such as the Annual Report, including this Corporate Governance Report and the administration of the Board and the CEO. In addition, the auditors report orally and in writing to the Board's audit committee concerning how their audit was conducted and their assessment of the Bank's administrative order and internal control. The auditors also submit a summary report of their audit to the Board as a whole.

4. THE BOARD

The Board is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its shareholders. The Board is to continuously assess the Bank's financial situation and ensure that the Bank is organised in such a way that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily monitored. The Board establishes policies and instructions for how this should be executed, and establishes a work procedure for the Board, and also instructions for the CEO.

These central policy documents state how responsibility and powers of authority are allocated among the Board as a whole and the committees, and also between the Chairman of the Board and the CEO. The Board appoints the CEO, Executive Vice Presidents and the Head of Group Audit and stipulates the employment terms for these persons. The Board also decides the employment terms for the Heads of Group Compliance and Group Risk Control. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the results of this evaluation.

5. CREDIT COMMITTEE

The Board's credit committee decides on credit cases where the amount exceeds the decision limit that the Central Board has delegated to another unit. However, cases of special importance and credits to Board members and certain persons in managerial positions are decided by the Board as a whole. A representative from the unit in the Bank to which the credit case applies presents the case to the credit committee.

6. AUDIT COMMITTEE

The Board's audit committee monitors the Bank's financial reporting by examining important accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management with regard to financial reporting, as well as the external auditors' impartiality and independence. It evaluates the audit work and assists the nomination committee in appointing auditors. The committee also receives reports from the Bank's internal and external auditors.

7. RISK COMMITTEE
The Board's risk committee monitors risk control and risk management in the Handelsbanken Group. The committee prepares decisions regarding the Bank's risk strategy and tolerance, for example, and examines reports from Group Compliance and Group Risk Control.

8. RISK COMMITTEE FOR US OPERATIONS
The Board's risk committee for the US operations deals with the risks in Handelsbanken's overall US operations in accordance with US regulations.

9. REMUNERATION COMMITTEE
The Board's remuneration committee evaluates the employment conditions for the Bank's executive officers in the light of prevailing market terms. The committee's tasks include preparing the Board's proposals to the AGM concerning guidelines for remuneration to executive officers, monitoring and evaluating the application of these guidelines, and preparing the Board's decisions on remuneration and other terms of employment for executive officers, as well as for the Heads of Group Compliance, Group Audit and Group Risk Control. The committee also makes an independent assessment of Handelsbanken's remuneration policy and remuneration system.

10. GROUP AUDIT
Group Audit (internal audit) performs an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. A key task for Group Audit is to assess and verify processes for risk management, internal control and corporate governance. The Chief Audit Officer is appointed by the Board and reports regularly to the audit committee, orally and in writing, and also submits an annual summary report to the whole Board.

11. PRESIDENT AND GROUP CHIEF EXECUTIVE (CEO)
The CEO is appointed by the Board to lead Handelsbanken's day-to-day operations. In addition to instructions from the Board, the CEO is obliged to comply with the provisions of the Swedish Companies Act and a number of other statutes concerning the Bank's accounting, management of funds and operational control.

12. CORPORATE GOVERNANCE
The Corporate Governance unit ensures that decisions made at shareholders' meetings and by the Board, as well as changes in legislation, regulations and the Corporate Governance Code, are implemented in policy documents from the Board, with the aim of stipulating general responsibilities and powers of authority. These are then passed on within the organisation, chiefly through guidelines and instructions from the CEO.

13. GROUP CREDITS
Group Credits is responsible for formulating and maintaining the Bank's credit process and for preparing every major credit case that the Board's credit committee or the Board as a whole decides on. The head of the department, Handelsbanken's Chief Credit Officer, reports to the CEO and is a member of the Board's credit committee. The Chief Credit Officer also reports to the Board regarding loan losses and risks in the credit portfolio.

14. GROUP FINANCE
Group Finance is responsible for control systems, reporting, bookkeeping, accounting and taxes. It is also responsible for the Group's liquidity, funding, and capital and for the Group's overall risk management regarding financial risk, liquidity risk, and insurance risk. (See note G2 on pages 84–113.) The Head of Group Finance, Handelsbanken's CFO, reports to the CEO and also regularly reports on behalf of the CEO to the Board's audit committee and risk committee and to the Board as a whole regarding market risks, liquidity, funding and capital.

15. GROUP LEGAL
Group Legal is responsible for legal matters within the Group and provides other units with legal advisory services. The department monitors developments in regulations, laws, standards and guidelines in Handelsbanken's home markets. Group Legal is responsible for operational governance, so it works to ensure decisions taken by the CEO – as well as changes in legislation, public authorities' regulations and guidelines relating to internal governance, risk management and control – are implemented in internal guidelines and instructions, with the aim of establishing responsibilities and powers of authority within the Bank.

More information
More information about Handelsbanken's corporate governance is available at handelsbanken.se/ireng. The website includes the following information:
- previous corporate governance reports from 2007 onwards
- Articles of Association
- information about the nomination committee
- minutes of shareholders' meetings from 2008 onwards.

16. GROUP COMPLIANCE
The Compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices and norms, are complied with in the operations pursued by the Handelsbanken Group. The Compliance function also manages public authority contacts related to supervisory cases. The function supports the operations and helps them develop internal rules and implement regulations. The Compliance function must also identify and report risks regarding compliance and check compliance with internal rules. A key task is also to inform the units concerned about the regulations and the risks that may arise in the operations due to inadequate compliance. Compliance officers have been appointed for all business areas and regional banks and most central units, as well as for all countries where the Bank operates. Group Compliance has the functional responsibility for compliance. The Head of Group Compliance reports regularly to the CEO, the risk committee and the Board.

17. GROUP RISK CONTROL
Group Risk Control is responsible for monitoring and reporting all the Group's material risks at an aggregate level. This responsibility comprises credit and market risks (interest rate, exchange rate, equity price and commodity price risk), operational risk, liquidity risks and insurance risks, as well as risks associated with the Group's remuneration system. Group Risk Control reports continually to the CEO and on a regular basis to the risk committee, the remuneration committee and the Board. The Head of Group Risk Control, Handelsbanken's Chief Risk Officer, also provides information to the CFO on an ongoing basis. Group Risk Control reports directly to the CEO, acts independently, and is separate from the operations under review. Group Risk Control has function responsibility for all risk control in the Handelsbanken Group.

CORPORATE GOVERNANCE AT HANDELSBANKEN

Corporate governance concerns how rights and obligations are allocated among the various bodies of the Bank, in accordance with prevailing laws and regulations. Corporate governance also encompasses the systems for decision-making, and the structure through which shareholders control the Bank, directly and indirectly. Handelsbanken's shareholders exercise corporate governance principally by electing the Board. The Board appoints and gives instructions to the CEO.

The following are fundamental to corporate governance at Handelsbanken: on the one hand the documents adopted by the Board, for example the Board's rules of procedure, instructions to the CEO and the Chief Audit Officer, and credit instructions and policy documents regarding the Bank's operations (see also pages 55–57), and on the other hand the instructions and guidelines issued by the CEO. These documents are revised every year but can be adjusted more often when necessary.

However, the foundation of functioning corporate governance is not only formal documents but also the Bank's corporate culture, corporate goal, working methods and remuneration system.

A central part of governance of Handelsbanken comprises managing the risks that arise in operations. Risk management is described in detail in a separate risk section in the Annual Report, note G2 on pages 84–113, in the Bank's Pillar 3 report, and also briefly in this Corporate Governance Report.

The Bank's culture and long-term goal

Handelsbanken's corporate goal is to have better profitability than the average of peer banks in its home markets. This is mainly to be achieved by having more satisfied customers and lower costs than those of competitors. One of the purposes of this goal is to offer shareholders long-term high growth in value.

Handelsbanken has a decentralised work method and a strong local presence due to its nationwide branch networks and a long-term approach to customer relations. The Bank's decentralised working model involves profound trust in employees' willingness and ability to take responsibility. This working model has been consistently applied for many decades and has resulted in the Bank's very strong corporate culture.

The Oktogonen profit-sharing scheme sharpens the employees' focus on profitability, and is thus a method of reinforcing a corporate culture that is characterised by cost-awareness and prudence. Allocations to the Oktogonen scheme are made if Handelsbanken's profitability is better than the average of peer banks on Handelsbanken's home markets.

Handelsbanken takes a long-term view of both its employees and its customers. The Bank wishes to recruit young employees for long-term employment at the Bank by offering development opportunities that make the Bank self-sufficient in terms of skilled employees and managers.

This long-term approach also applies to the way in which the Bank relates to its customers. It is manifested in, for example, the ambition of always giving the customer the best possible advice – without looking at what is most profitable for the Bank in the short term. This enables the Bank to build long-term relationships with both customers and employees.

Application of the Swedish Corporate Governance Code

Handelsbanken applies the Swedish Corporate Governance Code with no deviations. The code is publicly available on the Swedish Corporate Governance Board's website.

General information on regulation and supervision of banks

The operations of Swedish banks are regulated by law, and banking operations may only be run with a licence from the Swedish Financial Supervisory Authority.

The regulations for banking operations are very extensive, and are not described in detail in this report. A list of the key regulations is available on the Swedish Financial Supervisory Authority's website. Handelsbanken's main principle is that operations outside Sweden are subject both to Swedish regulations and to the host country's regulations, if these are stricter or require deviations from Swedish rules.

The Swedish Financial Supervisory Authority extensively supervises the Bank's operations in Sweden and in all countries where the Bank runs branches, in other words, when the foreign operation is part of the Swedish legal entity Svenska Handelsbanken AB. Equivalent authorities in other countries exercise limited supervision over the branches' operations but have full supervision over the Bank's subsidiaries outside Sweden. The supervisory work is co-ordinated in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority.

In addition to laws and ordinances, the Swedish supervision is also based on regulations and general guidelines from the Swedish Financial Supervisory Authority. The Supervisory Authority requires extensive reporting on various matters, such as the Bank's organisational structure, decision-making structure and internal control.

The Supervisory Authority's work also includes systematically visiting various parts of the Bank. The purpose of this is to follow up the Bank's actual compliance with the terms and conditions of granted licences and other detailed regulations.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Rights of shareholders

At the end of 2017, Handelsbanken had more than 115,000 shareholders. They have the right to decide on matters related to the company at the AGM or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represented more than 98 per cent of all outstanding shares at the end of 2017. Class A shares each carry one vote, while class B shares carry one-tenth of a vote each. Handelsbanken's Articles of Association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than 10 per cent of the total number of votes in the Bank. Class A shares and class B shares entitle holders to the same proportion of the profit.

Shareholders who wish to have a matter considered by the AGM must submit a written request to the Board sufficiently far in advance so that the matter can be included in the notice of the meeting. The Bank's website contains information as to when this request must have reached the Board.

At the AGM, the Bank's shareholders make various decisions of major importance to the Bank's governance. Shareholders' decisions include:

- adopting the income statement and balance sheet
- appropriation of profits
- discharge from liability for the Board and the CEO for the past financial year
- how many members should be on the Board of the Bank, who these members should be, and who should be the Bank's auditors
- determining fees to Board members and auditors
- principles for remuneration to executive officers.

The shareholders at a shareholders' meeting can also make decisions regarding the Bank's Articles of Association. The Articles of Association constitute the fundamental governing document for the Bank. They specify which operations the Bank is to conduct, the limits on the amount of share capital, the right of shareholders to participate at shareholders' meetings and the items to be presented at the AGM. The Articles of Association state that the number of Board members must be at least eight and at most 15. They are elected for one year at a time. Handelsbanken's Articles of Association contain no stipulation regarding the appointment and discharging of Board members nor concerning amendments to the Articles of Association.

Information in preparation for meetings is published at handelsbanken.se/ireng. Minutes of previous meetings are also available in English at handelsbanken.se/ireng.

Major shareholders

At the end of 2017, two shareholders had more than 10 per cent of the votes: AB Industrivärden, with 10.27 per cent, and the Oktogonen Foundation, with 10.24 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 43.

Annual general meeting 2017

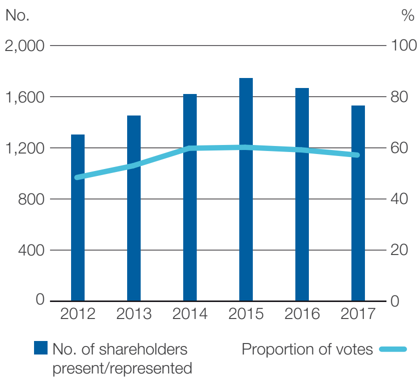
The annual general meeting took place on 29 March 2017.

A total of 1,533 shareholders were represented at the meeting. They represented almost 56 per cent of all votes in the Bank. All Board members were present at the meeting. Also participating were Helena Stjernholm, nomination committee chair, as well as Anders Bäckström of KPMG AB and Jesper Nilsson of Ernst & Young AB – the principal auditors from the auditing companies elected by the AGM. The meeting was chaired by Sven Unger, a lawyer.

The decisions made by the shareholders at the meeting included the following:

- A dividend of SEK 5.00 per share.
- Authorisation for the Board to resolve on acquisition of not more than 120 million shares in the Bank, as well as divestment of shares.
- Authorisation for the Board to resolve on issuance of convertibles with conditions for tier 1 capital instruments. The convertibles entail mandatory conversion in certain cases, but no right of conversion for the holders. Conversion may result in a maximum of 180 million shares.
- The Board is to consist of 11 members.
- The re-election of nine Board members and the election of two new Board members, CEO Anders Bouvin and Jan-Erik Höög, for the period until the next AGM.
- The election of Pär Boman as Chairman of the Board.
- Fees to be paid to the Board members as follows: SEK 3,150,000 to the Chairman of the Board, SEK 900,000 to the Vice Chairman, and SEK 640,000 to the other Board members. Fees for committee work are as follows for each member of the respective committee: SEK 375,000 for the credit committee, SEK 130,000 for the remuneration committee, SEK 375,000 for the risk committee, SEK 250,000 for the risk committee for the US operations and SEK 375,000 for the audit committee. It was decided that the fee to the chairperson of the audit committee would be SEK 450,000. Board members who are employees of Handelsbanken shall not receive a fee.
- The AGM re-elected Ernst & Young AB and elected PricewaterhouseCoopers AB to serve as auditors until the end of the AGM to be held in 2018.

Attendance at AGMs 2012–2017



The shareholders at the meeting also adopted the following guidelines for remuneration and other terms of employment for executive officers, as proposed by the Board:

- The total remuneration is to be on market terms.
- Remuneration is only paid in the form of a fixed salary, pension provision and customary benefits.
- By special decision of the Board, the Bank can provide housing.
- Variable remuneration benefits, such as bonuses or commission on profits, are not paid.
- The executive officers in question are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank.
- The retirement age is normally 65. The pension benefits are defined contribution and may be payable in addition to pension plans under collective agreements.
- The period of notice on the part of a senior manager is six months, and on the part of Handelsbanken a maximum of 12 months. If the Bank terminates the contract later than five years after the person's appointment as one of the Bank's executive officers, the maximum period of notice is 24 months. No other termination benefits are paid. Other time periods may apply due to collective agreements and labour legislation.
- The Board shall have the right to deviate from the established guidelines if there are special reasons in an individual case.

The guidelines do not affect remuneration previously decided for executive officers. The guidelines are applied to the Group Chief Executive, other Executive Directors, and any members of Handelsbanken's Central Board who are also employees of the Bank.

Auditors

Jesper Nilsson has been an authorised public accountant since 2007; he is principal auditor for Ernst & Young AB at Handelsbanken and chairs Handelsbanken's auditing team. Mr Nilsson is also an auditor for Intrum, Creades, and Alecta. Jesper Nilsson was born in 1964.

Johan Rippe has been an authorised public accountant since 1999 and is principal auditor for PricewaterhouseCoopers AB at Handelsbanken. Mr Rippe is also an auditor for Stena, Getinge, and Lundin Petroleum, Deputy CEO of PricewaterhouseCoopers AB, and a member of the board of FAR, the institute for the accountancy profession in Sweden. Mr Rippe was born in 1968.

NOMINATION COMMITTEE

The shareholders at the 2010 AGM resolved to establish instructions for how the nomination committee is to be appointed. According to the decision, the instructions will apply until they are changed by a future AGM. The instructions state that the nomination committee shall comprise five members: the Chairman of the Board and one representative from each of the Bank's four largest shareholders as at 31 August the year before the AGM is held.

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the Chairman of the Board's task to contact the largest owners, so that they will appoint one representative each to sit on the nomination committee, together with the Chairman. The 2018 nomination committee comprises:

Representative	Owners	Voting power in % as at 31 Aug 2017
Helena Stjernholm, Chair	Industrivärden	10.2
Christian Dahl	Oktogonen Foundation	10.2
Mats Guldbrand	Lundberg ownership group	3.1
Bo Selling	Alecta	2.2
Pär Boman, Board Chairman		

Information on the composition of the nomination committee has been available on the Bank's website since 14 September 2017.

The nomination committee's task in preparation for the AGM on 21 March 2018 is to submit proposals for the election of a chairman of the AGM, the Chairman of the Board and other members of the Board, the fees to the Board Chairman and other Board members, and remuneration for committee work. In addition, the Handelsbanken Board has decided that proposals regarding the election of and fees to auditors be made by the nomination committee.

Recruitment and diversity-related work

In its work, the nomination committee takes into account matters relating to diversity, including gender distribution, in the Board. Handelsbanken's Board has adopted a policy to promote diversity in the Board. The policy stipulates that, to promote independent opinions and critical questioning, it is desirable that the Board should be characterised by sufficient diversity in terms of age, gender, geographical origin, and educational and professional background. The proportion of women on the Board of the Bank is 45 per cent, and the proportion of members of a nationality other than the country where Handelsbanken is domiciled is 36 per cent. In compiling its proposal for the AGM, the nomination committee will also consider the evaluation of the Board carried out by the Chairman of the Board.

THE BOARD

After the shareholders at the 2017 AGM appointed Pär Boman to be Chairman of the Board, Fredrik Lundberg was appointed Vice Chairman at the first Board meeting immediately after the AGM. At the same time, the Board appointed the members of the credit committee, audit committee, risk committee, remuneration committee and the risk committee for the US operations. Information about the Board is shown on pages 60–61.

Composition of the Board

The Board consists of 11 members. When the Board is to be elected, the nomination committee proposes members. The nomination committee includes the Oktogonen Foundation, which also proposes two of the members in the nomination committee's proposal.

The Board members have broad, extensive experience from the business community. Several are, or have been, chief executives of major companies, and most of them are also board members of major companies (see pages 60–61). Several members have worked on the Bank's Board for a long time and are very familiar with the Bank's operations. The nomination committee's proposals at previous AGMs, including their reasoning, are available at handelsbanken.se/ireng.

Independence of Board members

The Swedish Corporate Governance Code stipulates that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of those of the company's shareholders that control 10 per cent or more of the shares and votes in the Bank. The composition of the Board fulfils the Code's requirements for independence.

Regulations governing the Board's work

The fundamental rules regarding the distribution of tasks among the Board, the Board committees, the Chairman, the CEO and Group Audit are expressed in the Board's rules of procedure, as well as in its instructions to the CEO and to the Chief Audit Officer.

Chairman of the Board

The Board's rules of procedure state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the Bank's operations, and that new members receive appropriate introduction and training. The Chairman must be available to the CEO as an advisor and discussion partner, but must also prepare the Board's evaluation of the CEO's work.

The Chairman's duties include chairing the credit, remuneration and risk committees, and the risk committee for the US operations, as well as being a member of the audit committee. The Chairman is responsible for ensuring that the Board's work is evaluated annually. The 2017 Board evaluation was performed by means of a survey and through discussions between the Chairman and each member. The Chairman informed the Board of the outcome of the evaluation and led a Board discussion on this. He also informed the nomination committee about the Board evaluation.

The Chairman is responsible for maintaining contact with the major shareholders concerning ownership issues. As chairman of the Bank's pension foundation, pension fund and staff foundation, he has overall responsibility for ownership issues associated with the shareholdings of these three entities.

There is no other division of work for the Board except as concerns the committees.

The Board's work in 2017

During the year, the Board had nine meetings, including a lengthy strategy meeting.

The figure on page 53 gives an overview of the Board's work in 2017 relating to regularly occurring major items at ordinary Board meetings. In addition, matters discussed at each committee meeting are reported at the next Board meeting.

Committee work

Credit committee

The credit committee consisted of eight members: the Chairman of the Board (Pär Boman, who also chairs the credit committee), the Vice Chairman (Fredrik Lundberg), the chair of the audit committee (Bente Rathe), the CEO (Anders Bouvin), the Chief Credit Officer (Per Beckman), and three Board members appointed by the Board (Jon Fredrik Baksaas, Ole Johansson, and Lise Kaae).

The credit committee normally meets once a month to take decisions on credit cases that exceed a set limit but need not be decided on by the whole Board, due to the importance of the case or legal requirements. The heads of the regional banks and Handelsbanken International presented cases to the credit committee from their own units in 2017 and participated when other cases were presented, with the objective of providing them with a good picture of the Board's approach to risk. Credit cases that are decided by the whole Board are presented by the Chief Credit Officer. If a delay in the credit decision would inconvenience the Bank or the borrower, the credit instructions allow the CEO and the Chief Credit Officer to decide on credit cases during the interval between credit committee meetings.

In 2017, the credit committee had 13 meetings.

Audit committee

The audit committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Jon Fredrik Baksaas, Ole Johansson, and Bente Rathe). The latter members are independent of the Bank, its management, and major shareholders. The committee appointed Bente Rathe as its Chair.

The work of the audit committee includes the following:

- monitoring the financial reporting, as well as the effectiveness of the Bank's internal control, internal audit and risk management systems in relation to financial reporting
- providing recommendations and proposals concerning the financial reporting
- preparing the Board's decision regarding an audit plan for the work of Group Audit and taking into account reports from Group Audit
- regular contact with the external auditors. These auditors report to the committee on significant matters that have emerged from the statutory audit, especially regarding shortcomings in the internal control of the financial reporting
- keeping up to date with the Swedish Supervisory Board of Public Accountants' quality control
- submitting a recommendation regarding the election of auditors.

All interim reports and annual highlights reports are reviewed by the audit committee. Items are presented by the CEO, the CFO, the Chief Audit Officer and the persons with main responsibility from the audit companies appointed by the AGM.

In 2017, the audit committee had five meetings.

Risk committee

The risk committee comprised the Chairman of the Board (Pär Boman, who also chairs the committee) and three Board members appointed by the Board (Jon Fredrik Baksaas, Ole Johansson, and Bente Rathe). The latter members are independent of the Bank, its management, and major shareholders.

The work of the risk committee includes the following:

- receiving reports from the Heads of Group Risk Control and Group Compliance
- preparing the Board's decisions regarding the establishment of the internal capital adequacy assessment
- studying the validation and evaluation of the internal risk classification system
- preparing the Board's decisions regarding risk tolerance and risk strategy

- receiving the evaluation of the risk calculation methods used for limiting financial risks, calculating capital requirements and calculating economic capital
- preparing the Board's decisions regarding the establishment of Handelsbanken's recovery plan
- receiving the presentation of Group Risk Control's quarterly reports
- receiving the presentation of Group Compliance's six-month and full-year reports.

The Head of Group Risk Control, who is also the Bank's CRO, and the Head of Group Compliance present their reports to the risk committee in person. The members of the committee can also ask questions of the CRO and Head of Group Compliance when representatives of Bank management are not present. The Bank's CEO, CFO, and Chief Credit Officer also attend meetings of the risk committee.

In 2017, the Board's risk committee had five meetings.

Risk committee for US operations

The risk committee for Handelsbanken's US operations comprised the Chairman of the Board (Pär Boman, who also chairs the committee) and Board member Jon Fredrik Baksaas, who was appointed by the Board. At least one member of the committee must have experience of identifying, assessing and managing risk exposure in large, complex companies.

The duties of the risk committee for the US operations include the following:

- receiving information from the US risk and compliance committee regarding the risk profile and all material risks for the US operations as a whole
- receiving information from the US risk and compliance committee regarding the risk management framework for the US operations as a whole, including whether this is being complied with.

The Head of Group Risk Control, who is also the Bank's CRO, presents reports to the risk committee for the US operations. The Bank's CEO (or the person to whom the task is delegated) and the Head of Handelsbanken's branch in the United States also attend meetings of this risk committee.

In 2017, the risk committee for the US operations had two meetings.

Remuneration committee

The remuneration committee comprised the Chairman of the Board (Pär Boman, who also chairs the committee) and two Board members appointed by the Board (Ole Johansson and Bente Rathe), who are independent of the Bank, its management, and major shareholders.

The tasks of the remuneration committee include making an independent assessment of Handelsbanken's remuneration policy and remuneration system. In addition, the remuneration committee prepares matters regarding remuneration to be decided on by the Board and the AGM. After the shareholders at the AGM have decided on guidelines for the terms and conditions of remuneration to executive officers, the Board decides on remuneration to these officers and the heads of the control functions: Group Audit, Group Risk Control and Group Compliance. Each year, the remuneration committee evaluates Handelsbanken's guidelines as well as its remuneration structures and levels in accordance with the Swedish Corporate Governance Code. A statement from the committee in this regard is published on handelsbanken.se/ireng prior to the AGM.

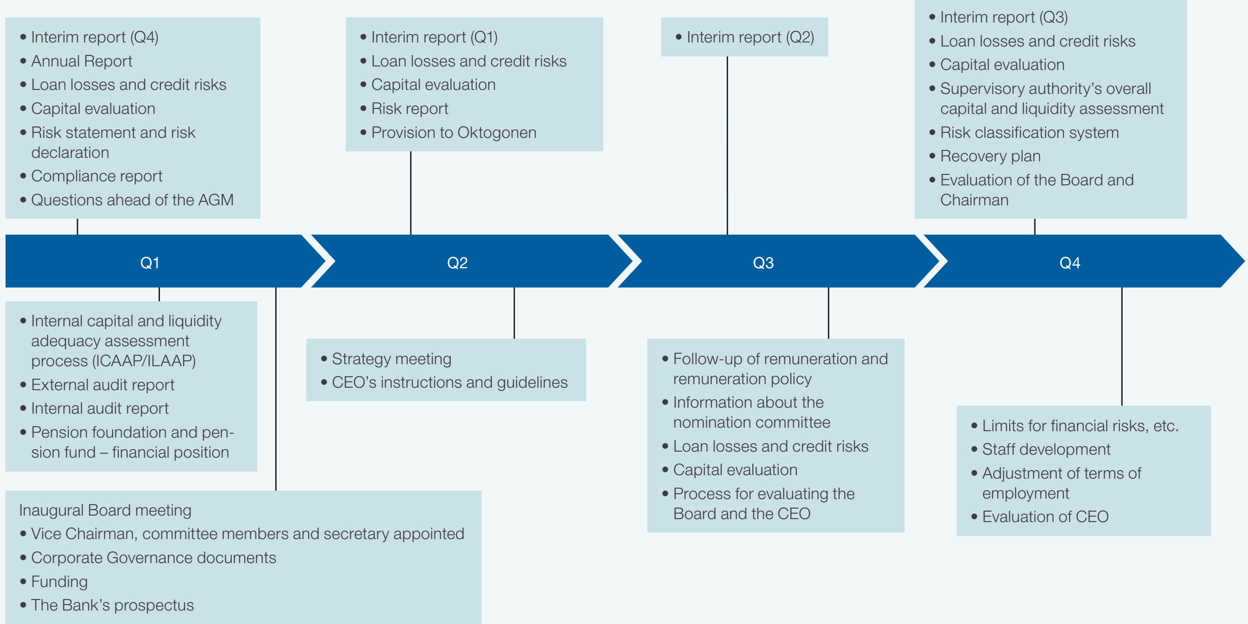
In 2017, the remuneration committee had nine meetings.

THE BANK'S MANAGEMENT

Group Chief Executive

CEO Anders Bouvin was born in 1958, has a BA degree (filosofie kandidat) in Business and Economics, and also an honorary doctorate from the London Institute of Banking & Finance. He has worked at Handelsbanken since 1985. In 2002, Anders Bouvin became a member of what was then called the Group Management, as Executive Vice President and Head of Handelsbanken Denmark. Since then, Mr Bouvin has been Head of Regional Bank Northern Great Britain and Head of Handelsbanken UK. With the exception of his position as Vice Chair of the Swedish Bankers' Association, Anders Bouvin has no significant assignments outside Handelsbanken. His shareholdings in the Bank and those of close relatives are 5,000 shares, as well as 45,808 shares held indirectly via the Oktogonen profit-sharing scheme. In addition, Anders Bouvin has a holding of staff convertible notes in Handelsbanken, issued on market terms to the Bank's employees in 2014.

Board work 2017[1] – Regularly occurring major items at normal board meetings[2]



[1] The committee's meetings are not presented in the chart.
[2] Utilisation of market risk limits, liquidity, funding and the business situation are dealt with at all meetings.

His holding in the 2014 convertible totals SEK 5,869,254 which, at a conversion price of SEK 109.92, corresponds to 53,395 shares. Neither the CEO nor his close relatives has any material shareholdings or other ownership interests in companies with which the Bank has significant business relations.

Operational structure

Handelsbanken has long had a decentralised working method, where almost all major business decisions are taken at the local bank branches, close to customers. Operations are pursued to a large extent within the parent company, but also in subsidiaries.

Branch operations

Branch operations are geographically organised into regional banks: five in Sweden, five in the UK, and one each in Denmark, Finland, Norway and the Netherlands. Together, these countries comprise the Bank's home markets. Each regional bank is led by a head. The regional banks in the UK are co-ordinated under the Head of UK. In Sweden, business support functions have been pooled centrally under a Chief Operating Officer.

In Denmark, Finland, Norway, and the Netherlands, the head of the regional bank is also the General Manager. These heads, as well as the Head of UK operations and the general managers for the international operations outside the home markets, are responsible to the public authorities in their respective countries for all operations that the Bank and its subsidiaries pursue in those countries.

Business areas

There are five business areas within Handelsbanken. Three of these business areas are part of the Handelsbanken Capital Markets segment: Pension & Life, Markets & Asset Management and Handelsbanken International. The joint functions of these three business areas, such as back-office operations, IT development, finance, HR, communications, risk control and compliance, are co-ordinated under a joint head. The remaining two business areas are Stadshypotek and Retail & E-services. Each business area has Group-wide responsibility for its products and services.

The Pension & Life business area includes the Bank's entire pensions-related offering, as well as the Handelsbanken Liv subsidiary. The Markets & Asset Management business area includes trading in financial instruments, corporate finance, and asset management, with the Handelsbanken Fonder and Xact Kapitalförvaltning subsidiaries. The Handelsbanken International business area includes all the Bank's international operations outside its home markets. For every country outside the home markets in which Handelsbanken pursues operations there is a General Manager who reports to the Head of Handelsbanken International.

The Stadshypotek business area comprises the Stadshypotek AB subsidiary, which pursues mortgage loan operations and other property financing. The Retail & E-services business area develops services for e-commerce and traditional retailing under its own brand. This business area includes the wholly owned subsidiary Ecster AB.

Decision-making process

To a large extent, responsibilities and powers of authority at Handelsbanken have been assigned to individual members of staff, rather than groups or committees. However, there are collective decisions regarding credit decisions made in credit committees and the boards of regional banks. It is also required that the members are unanimous regarding these decisions.

Officers with responsibility for certain business areas or functions, and general managers outside Sweden are designated Executive Directors in Handelsbanken. These persons comprise the group of executive officers according to the definition in the Swedish Companies Act. The group is also covered by the concept of senior management used by the Swedish Financial Supervisory Authority in its regulations FFFS 2011:1. These persons are subject to the remuneration guidelines applied by the annual general meeting. For more information about Executive Directors, see page 62.

The CEO regularly meets representatives of the business-operating units, staff functions and control functions for the purpose of consultation and information. This group is referred to as Senior Management (see pages 62–63).

FRAMEWORK FOR CONTROL

Risk Forum

Handelsbanken has a Risk Forum, the purpose of which is to discuss the Bank's overall risk situation ahead of Board meetings, and to ensure that sufficient risk assessments are carried out prior to all decisions of a material nature. In addition to the CEO, the Risk Forum includes the CFO and the Heads of Group Risk Control, Group Compliance and Group Legal, as well as others.

Internal control for operations

Responsibility for internal control has been delegated from the CEO to managers who report directly to the CEO and who are in charge of internal control within their respective units. In turn, these managers have delegated responsibility for internal control to managers who report to them. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

Group Audit

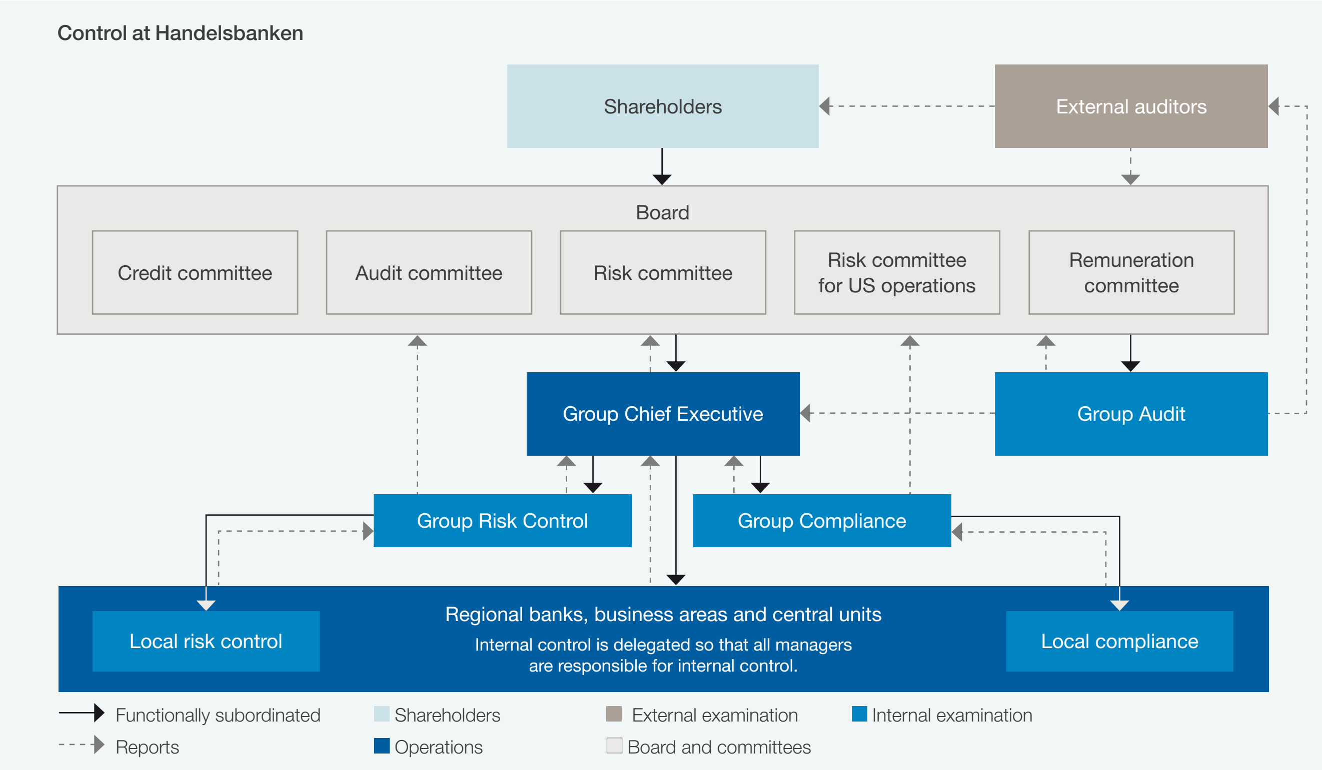
Long before external requirements for internal auditing were introduced, the Bank had an internal audit function that was independent of the line organisation. The organisation has centrally and regionally placed internal auditors. The regional internal audit departments are part of Group Audit, which constitutes an integrated internal audit function. Group Audit comprises some 100 employees. The Chief Audit Officer is appointed by and reports to the Board. Thus, Group Audit is the Board's controlling body. The selected organisation and long tradition give Group Audit the authority and integrity required to enable the auditors elected by the AGM to rely on measures and data from Group Audit.

Group Audit is tasked with performing an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. This includes assessing and verifying processes for risk management, internal control and corporate governance. Their assignment is based on a policy established by the Board and is performed on the basis of a risk-based methodology in accordance with internationally accepted standards issued by the Institute of Internal Auditors. The planned auditing tasks are documented every year in an audit plan which is established by the Board. Group Audit's conclusions, the actions to be taken and their status, are reported regularly to the audit committee and every year to the Board as a whole. The Chief Audit Officer is also the contact person for Handelsbanken's separate system for whistleblowing.

Group Audit is regularly subject to independent external quality reviews. In addition, the Bank's external auditors perform an annual quality review of the work of Group Audit.

Group Compliance

Compliance is the responsibility of all employees in the Group. Establishing compliance functions centrally – for regional banks, business areas, and central departments, as well as for each country where the Bank has operations – does not release any employee from the responsibility of complying with the external and internal regulations applying to the operations. The compliance function must follow up and check that laws, regulations and internal rules, as well as accepted business practices and standards, are complied with in the operations pursued by the Handelsbanken Group. The regulations are often complex, and in some cases the individual employee may have limited experience. It is therefore important that Compliance is able to provide support and guidance. In its supporting role, Compliance must provide advice and support to business operations, assist in drawing up internal rules and implementing regulations, and also provide information about new and amended rules for operations.



Group Compliance is an independent unit with the functional responsibility for compliance matters in the Group. The CEO appoints the Chief Compliance Officer. The Chief Compliance Officer reports quarterly to the CEO on compliance in the Group. The Chief Compliance Officer reports on compliance in the Group twice a year directly to the Board's risk committee and once a year to the Board as a whole. In addition, material observations are reported regularly to the CEO.

Group Risk Control

The Bank is characterised by a clear allocation of responsibilities by which each part of the business operations bears full responsibility for risk management. There is local risk control at each regional bank and within the various business areas, which check, for example, that risks are within the limits and are correctly valued. The local risk control performs risk analyses and verifies that transactions are conducted in a manner that does not entail undesirable risks. Local risk control reports to Group Risk Control and to the management of the operations.

Group Risk Control identifies, measures, analyses and reports all the Group's material risks. This includes monitoring and checking the Group's risk management and evaluating whether Handelsbanken's risk management framework is fit-for-purpose and effective. Group Risk Control also checks that the risks and risk management comply with the Bank's risk strategy and risk tolerance. Together with local risk control units, Group Risk Control is also responsible for checking that financial instruments are correctly valued. This responsibility also includes ensuring that senior management has reliable information about risks to use in critical situations. Group Risk Control has functional responsibility for risk control at Handelsbanken.

The Head of Group Risk Control reports directly to the CEO. Information is also provided to the CFO on a regular basis. The Head of Group Risk Control reports regularly to the Board's risk committee and remuneration committee, and once a year to the Board as a whole. The Board is regularly informed about material risks at the Bank. Group Risk Control is also in charge of the Bank's extensive risk reporting to the supervisory authorities.

A more detailed description of the Bank's risk management and control is contained in note G2 on pages 84–113, and also in the Bank's Pillar 3 report.

POLICY DOCUMENTS

The following is a brief summary of the policy documents which the Board of Handelsbanken has established and which apply at the time this Annual Report is published.

Credit policy

Credits may only be granted if there are good grounds for expecting the borrower to meet his/her/its commitments. Credits must normally have satisfactory collateral. Handelsbanken strives to maintain its historically low level of loan losses compared to other banks, thus contributing to the Bank's profitability target and retaining its sound position.

Policy for independent risk control

Handelsbanken must have a risk control function that is independent of the functions that are to be monitored. Risk control must be enforced regarding all material risks at Handelsbanken. The risk control function must verify that all major risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions, and also must supervise and monitor the Group's risk management. The risk control function must also verify that every business unit monitors all its material risks in an efficient manner. Risk control is organised into both central and local risk control. Central risk control, called Group Risk Control, reports to the CEO.

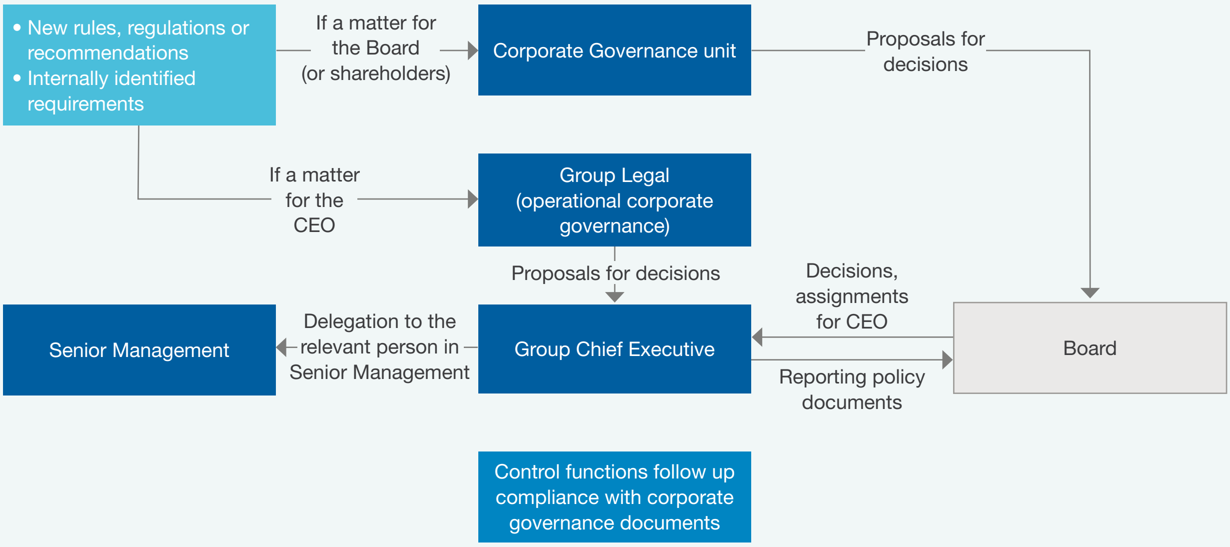
Policy for operational risk

Handelsbanken's tolerance of operational risk is low. 'Operational risk' refers to processing errors, errors in internal processes, faulty systems, or external events, for example. Operational risk must be managed so that operational losses remain small in comparison with previous losses incurred. The responsibility for operational risk is an integral part of managerial responsibility throughout the Group.

Capital policy

The purpose of the capital policy is to ensure that the Group's supply of capital is satisfactory. The Group must at all times be well capitalised in relation to risk, and fulfil the goals established by the Board and the capital adequacy requirements established by supervisory authorities, even in situations of financial stress (see the section on risk in note G2 on pages 84–113). Handelsbanken's capital situation must also justify a continued high rating from the most important rating agencies.

Production and follow-up of corporate governance documents – an overview



This chart shows an overview of the process of producing and following up corporate governance documents. External factors – such as new regulations – or internal requirements may lead to a policy or guidelines needing to be drawn up or amended. The Corporate Governance unit formulates proposals for policies from the Board, which are then adopted by the Board. Group Legal is responsible for formulating proposals for guidelines from the CEO, which are then submitted to the CEO for a decision. The CEO ensures that the policies and guidelines are implemented, and can delegate this task to a member of Senior Management. The Bank's control functions have the task of monitoring compliance with these documents within the organisation.

Financial policy

The purpose of the Group's funding and liquidity management is to ensure that Handelsbanken is able to meet its payment commitments in the short and long term. The Group's funding must be well diversified in terms of markets, currencies and maturities. In stressed market conditions, Handelsbanken must have an adequate liquidity reserve to be able to continue its operations for predetermined periods of time, without new funding in the financial markets.

Policy for financial risks

'Financial risks' refers to market risks and liquidity risks. Market risks are in turn divided into interest rate risks, equity price risks, currency risks and commodity price risks. Financial risks shall only occur as a natural step in customer business, in connection with Handelsbanken's funding and liquidity management, and in its role as a market maker. Through this policy, the Board establishes overall measurement methods for financial risks.

Information policy

Handelsbanken's information must be correct, objective, and easy to understand. It must respect the recipient of the information and be provided at the right time and in the right manner. The information must contribute to strengthening Handelsbanken's brand and the trust of its customers, the capital markets, and society in general. Information provided to the capital markets must be correct, relevant, clear, reliable and in compliance with stock market regulations in all other respects. Information is to be made public as soon as possible and simultaneously to the stock market, investors, analysts, news services and other media. At press conferences and the like, the media and analysts should normally participate at the same time.

Sustainability policy

This policy sets the direction for Handelsbanken's sustainability activities, in terms of Handelsbanken's approach to material topics relating to customers, the Group's actions as an employer and institution in society, and also the relationship with owners and investors. Handelsbanken aims to integrate financial, social and environmental sustainability into all its business operations.

Handelsbanken's success is dependent on the confidence of customers, employees, owners, public authorities and other stakeholders that the Group is acting in a responsible manner. In order for this confidence to be maintained, there must be transparency in the Group's sustainability activities.

The policy is available at handelsbanken.se/csreng.

Policy on ethical standards

Employees of Handelsbanken must conduct themselves in a manner that upholds confidence in Handelsbanken. All operations in the Group must be characterised by high ethical standards. Financial advice must be based on the customer's requirements. Conflicts of interest must be identified and handled in a manner that is fair to all parties involved. In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's immediate superior. There must be no discrimination on grounds such as gender or religion. The policy on ethical standards also describes how employees who suspect internal fraud or other irregularities should act, for example with the aid of Handelsbanken's whistleblowing system.

The policy is available at handelsbanken.se/csreng.

Policy for managing conflicts of interest

Conflicts of interest are a natural part of a business operation, which means that these types of conflicts may arise within the Group's operations. It is the responsibility of all heads of units to continuously identify potential conflicts of interest in their operations. If a conflict of interest is identified, the first priority is to ensure that the customer's interests are not adversely affected. If this is not possible, the customer must be informed of the conflict of interest.

The policy is available at handelsbanken.se/csreng.

Policy against corruption

This policy establishes the importance of preventing and never accepting corruption, and of always taking action where there is suspicion of corruption.

Employees of the Group must carry out their responsibilities in all their activities at the Group and their external assignments in a manner that upholds confidence in Handelsbanken, and must therefore not participate in actions that may involve bribery or any other improper influence.

The policy is available at handelsbanken.se/csreng.

Policy for remuneration, pensions and suitability assessment

The total remuneration is intended to contribute to the achievement of the Handelsbanken Group's corporate goal, by attracting, retaining and developing skilled staff, and ensuring good management succession. Handelsbanken considers that fixed remuneration contributes to healthy operations. This is therefore the main principle, and variable remuneration is to be applied with great caution. The total variable remuneration paid out during one year must not exceed 0.4 per cent of the common equity tier 1 capital.

Remuneration for work performed is set individually. Salaries are set locally in accordance with Handelsbanken's decentralised work method and are based on salary-setting factors which are determined in advance. This policy does not affect the rights and obligations agreed upon by employers' and employees' organisations through collective agreements.

The Head of Group HR is responsible for applying the Group's remuneration system. The control functions and their local units must identify, monitor, analyse and report material risks or deficiencies in the remuneration system.

Pensions are part of the total remuneration to the Group's employees. The total remuneration is to be on market terms. The pension terms in the countries where the Group pursues its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

A more detailed description of Handelsbanken's remuneration principles is shown on this page and details of remuneration are shown in note G8 on pages 116–119.

The responsible HR function performs suitability assessments when Board members are elected for the Bank's subsidiaries. Group HR performs suitability assessments ahead of decisions to appoint members of Senior Management, or of the Chief Audit Officer.

Policy for internal audit operations

Group Audit is to evaluate the efficiency and appropriateness of the Group's processes for risk management, internal governance and control. The audit function must impartially and independently examine the Group's operations, accounts and governance process, ensure that material risks are identified and managed in a satisfactory manner, and ensure that material financial information is reliable, correct and delivered on time. Group Audit reports directly to the Board; it provides reports for the Board and its audit committee, as well as for the CEO.

Policy for managing and reporting events of material importance

Incidents of material importance must be reported to the Swedish Financial Supervisory Authority. This refers to incidents that may jeopardise the stability of the parent company or a subsidiary, or the protection of customers' assets.

Policy for the Bank's use of the external auditors' services

Engaging the Bank's elected auditors for services other than auditing is to be avoided when this can be done without inconvenience. A decision on this must be made by the Chief Audit Officer or, in the case of more extensive assignments, by the Board's audit committee. This policy is adopted by the Board's audit committee on behalf of the Board.

Policy for compliance

Compliance means the observance of laws, regulations, directives from public authorities and internal rules, as well as accepted business practices or accepted standards. Handelsbanken has a low tolerance of compliance risk. Using a risk-based approach, the compliance function is to support and verify compliance. It also analyses shortcomings and risks relating to compliance. Group Compliance reports directly to the CEO; it provides reports for him, as well as for the Board and its risk committee. The compliance function must be independent of the functions that are monitored.

Policy for handling customer complaints

The branch responsible for the customer is responsible for receiving and handling a customer complaint. Complaints must be dealt with promptly and professionally, while maintaining a dialogue with the customer, taking into consideration the current regulations in the area to which the complaint relates.

Policy for employees' private securities and currency transactions

This policy applies to all Handelsbanken Group employees – temporary as well as permanent – closely-related persons and service providers. Its purpose is to prevent any person who is subject to the policy from carrying out his/her own securities transactions that involve market abuse, misuse or improper disclosure of confidential information under the regulations that apply to Handelsbanken and its employees, in accordance with prevailing legislation, directives from public authorities and voluntary agreements.

Accounting policy

This policy applies to Handelsbanken's accounting function. The consolidated accounts are prepared in accordance with IFRS, as adopted by the EU, plus additional standards 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. The parent company's annual report is 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. International units must prepare accounts in accordance not only with the Group's rules, but with the regulations that apply in the country where they are required to maintain accounting records.

Policy on measures against money laundering and terrorist financing and the observance of international sanctions

This policy is based on the Swedish Act on Money Laundering and Terrorist Financing (Prevention) and the Swedish Act on Certain International Sanctions. Handelsbanken shall not participate in transactions which may be suspected of being linked to criminal activities, or transactions of which the employees do not understand the implications. Handelsbanken's work method is based on knowledge of customers, and an understanding of customers' operations. Knowledge of the customer must be achieved and maintained for as long as the customer relationship exists. Handelsbanken shall monitor and comply with decisions and sanctions pursuant to the Swedish Act on Certain International Sanctions.

PRINCIPLES FOR REMUNERATION AT HANDELSBANKEN

The Bank's principles for remuneration to employees are long established. In general, Handelsbanken has low tolerance of risk and is of the opinion that fixed remuneration contributes to healthy operations. This is, therefore, the main principle. Only fixed remuneration is paid to the Bank's executive officers and to employees who make decisions on credits or limits, or who work at the Bank's control functions. This also applied to employees who are assessed as having a material impact on the Bank's risk profile, called 'risk-takers' in the Bank.

Variable remuneration is applied with great caution and to a very limited extent. It is only offered to employees in the Capital Markets business areas, in certain subsidiaries with mutual fund operations and in the UK subsidiary, Heartwood. In these operations, variable remuneration may only be paid to employees at units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to credit risk, market risk or liquidity risk. Fewer than 2 per cent of the Group's employees are eligible to receive variable remuneration. The total amount allocated during one year for variable remuneration paid to the Handelsbanken Group's employees must not exceed 0.4 per cent of the Bank's common equity tier 1 capital. For 2017, a total of SEK 60 million was allocated for variable remuneration, corresponding to approximately 0.7 per cent of total salaries. Handelsbanken complies with the Swedish Financial Supervisory Authority's regulations governing remuneration policies in credit institutions, investment firms and fund management companies, which include provisions for formulating and adopting remuneration policies. The heads of the areas concerned, as well as the CRO and Chief Compliance Officer, take part in the remuneration committee's preparation and assessment of the Board's remuneration policy and the Bank's remuneration system.

A more detailed description of fixed and variable remuneration at Handelsbanken is given here. Other information concerning remuneration paid by the Bank in accordance with the current regulations is presented in note G8 on pages 116–119. This note also provides information about amounts for salaries, pensions and other benefits, and loans to Executive Directors.

Fixed remuneration

In Sweden and certain other countries, the Bank is party to collective agreements on general terms and conditions of employment during the employment period and on terms and conditions of pensions after employees have reached retirement age. The aim of the Bank's policy on salaries is to increase the Bank's competitiveness and profitability, to enable the Bank to attract, retain and develop skilled staff, and to ensure good management succession planning. Good profitability and productivity performance at the Bank create the necessary conditions for salary growth for the Bank's employees.

The Bank takes a long-term view of its staff's employment. Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and pension. At Handelsbanken, salary-setting takes place at local level. The main principle is that salaries are set locally in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

Salaries are based on factors known in advance: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, the market, and being a cultural ambassador for the Bank.

Principles for remuneration to executive officers

The shareholders at the AGM decide on guidelines for remuneration to the Group Chief Executive and other executive officers. The guidelines are applied to the Group Chief Executive, other Executive Directors, and any members of the Handelsbanken Board who are also employees of the Bank. For the guidelines from the 2017 AGM, see the Annual general meeting 2017 section on page 51.

The Board decides on remuneration to the officers who are subject to the AGM's remuneration guidelines (with the exception of the two Board members who are Handelsbanken employees), a total of 14 individuals (as at 31 December 2017). The Board also determines remuneration for heads of control functions and Executive Vice Presidents who are not executive officers.

In accordance with guidelines from the AGM, remuneration is paid only in the form of fixed salary and pension provisions, and also customary benefits such as a company car. Handelsbanken may provide housing as part of the remuneration if approved by a special decision of the Board. No variable remuneration is paid, nor are there any agreements on severance pay. The period of notice on the part of the officer is a maximum of six months, and on the part of Handelsbanken a maximum of 12 months or, if the Bank terminates the contract later than five years after the person becomes a member of the group of executive officers, the period of notice is a maximum of 24 months.

According to the AGM guidelines, the retirement age for new officers is normally 65 years of age. For officers who remain in their positions after reaching the standard retirement age, a mutual period of notice of no more than six months applies.

Executive officers receive an allocation in Handelsbanken's profit-sharing scheme Oktogonen on the same conditions as all other employees of the Bank and are also entitled to convert salary to pension on the same conditions as other employees. Note G8 on pages 116–119 provides further information about remuneration to executive officers. Fees for serving on the boards of other companies on behalf of the Bank are to be paid to the Bank.

Ahead of the 2018 AGM, the Board will propose guidelines for remuneration and other terms of employment for executive officers as follows. The guidelines must not affect any remuneration previously decided for executive officers.

- The total remuneration is to be on market terms.
- Remuneration is only paid in the form of a fixed salary, pension provision and customary benefits. By special decision of the Board, the Bank can provide housing. Variable remuneration benefits such as bonuses or commission on profits are not paid.
- The executive officers in question are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank.
- The retirement age is normally 65. Pension benefits are defined contribution and may be payable in addition to pension plans under collective agreements.
- The period of notice on the part of the executive officer is six months, and on the part of Handelsbanken a maximum of 12 months. If the Bank terminates the employment contract later than five years after the person becomes one of the Bank's executive officers, the period of notice is a maximum of 24 months. No other termination benefits are paid. Other time periods may apply due to collective agreements and labour legislation.
- The Board shall have the right to deviate from the established guidelines if there are special reasons in an individual case.

These guidelines apply to the Group Chief Executive and other Executive Directors and Board Members of the parent company who are also employees of the Bank.

Variable remuneration

At Handelsbanken, the Board decides on the remuneration policy. The main principle of the policy is that remuneration is paid in the form of fixed remuneration. However, the policy allows for variable remuneration. The Board decides on the total amount.

Variable remuneration is based on Handelsbanken's factors for setting salaries and it must be designed so that it does not encourage unhealthy risk-taking. The financial result on which the variable remuneration is based is adjusted for risk and charged with the actual cost of the capital and liquidity required by the operations. Normally, variable remuneration is only paid in cash. In subsidiaries which run mutual fund operations and in Heartwood, the variable remuneration is entirely or partially paid out as mutual fund units.

The main rule for variable remuneration is that at least 40 per cent is to be deferred for at least three years. For particularly large amounts of variable remuneration, 60 per cent is deferred for four years. Payment and the right of ownership to the variable remuneration do not accrue to the person with the entitlement until after the end of the deferment period. Deferred variable remuneration can be removed or reduced if losses, increased risks or increased expenses arise during the deferment period, or if payment is deemed to be unjustifiable in view of the Bank's financial situation. No employee may receive variable remuneration of more than 100 per cent of his/her fixed remuneration.

The Board's report on internal control regarding financial reporting

The presentation of Handelsbanken's internal control process for financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The process was designed to ensure compliance with the Bank's principles for financial reporting and internal control, and to ensure that the financial reporting has been prepared pursuant to the law, applicable accounting standards, and other requirements related to listed companies.

Control environment

The control environment described above in this Corporate Governance Report is fundamental to Handelsbanken's internal control regarding financial reporting: organisational structure, division of responsibilities, guidelines and steering documents.

Risk assessment is another part of the internal control process and comprises identification and management of the risks that may affect financial reporting, as well as the control activities aimed at preventing, detecting and correcting errors and deviations.

Risk assessment

The annual self-evaluations carried out at regional banks, subsidiaries, central departments and international units are an essential part of the Bank's risk assessment. Risks related to financial reporting are part of this total analysis.

In a self-evaluation, the events that constitute potential risks to the operation are evalutated, and then the probability and consequences of each risk are estimated. Particular focus is placed on the risk of fraud and the risk of loss or embezzlement of assets. A plan of action is then drawn up, based on the self-evaluation. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 84–113 and in the Bank's Pillar 3 Report.

Control activities

Various control activities are incorporated in the entire financial reporting process.

Group Finance is responsible for consolidated accounts, consolidated financial reports and for financial and administrative control systems. The unit's responsibilities also include the Group's liquidity, the internal bank, own funds, tax analysis and Group-wide reporting to public authorities. The capital requirement is, however, calculated by Group Risk Control. Group Finance must also ensure that the staff concerned are aware of and have access to instructions of significance to the financial reporting. Risk Control identifies, checks and reports risks of errors in the Bank's assumptions and assessments that form the basis of the Bank's financial reporting.

Reported amounts and analyses of income statements and balance sheets are reconciled and checked regularly within the accounting and control organisation.

Heads of accounting and control at regional banks, subsidiaries, central departments and international units are responsible for ensuring that the control activities in the financial reporting for their respective units are fit-for-purpose – i.e. that they are designed to prevent, detect and correct errors and deviations – and are in compliance with internal guidelines and instructions. At each quarterly closing of accounts, each unit certifies that the key controls have been carried out, with no discrepancies evident, and that its balance sheet and income statement are correct. The Head of Group Finance (i.e. the CFO) reports the status regarding the internal control of financial reporting to the audit committee at each quarterly closing of accounts.

The CRO is responsible for setting up and maintaining a valuation committee. The committee's role is to support risk control, Group Finance and the local risk and treasury functions in the decision-making processes for valuation and reporting matters. The committee deals with the valuation of financial assets and liabilities, including derivatives at fair value and also financial guarantees, both own holdings and holdings on behalf of others. The committee must ensure that the valuation complies with external regulations, internal guidelines and current market practices.

High information security is a precondition for good internal control of financial reporting. Thus there are regulations and guidelines to ensure availability, accuracy, confidentiality and traceability of information in the business systems.

As part of the quality control work for financial reporting, the Board has set up an audit committee consisting of the Chairman of the Board and three Board members. The committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the efficiency of the internal control, internal audit and risk management systems for financial reporting. For more details, see the section under the Committee work heading on page 52.

Information and communication

The Bank has information and communication paths with the aim of achieving completeness and correctness in its financial reports. The Group's general accounting instructions and special procedures for producing financial reports are communicated to the staff concerned via the Group's intranet. The system used for financial reporting encompasses the entire Group.

Follow-up

Group Audit, Group Compliance, Group Risk Control, and the accounting/control units monitor compliance with internal policies, instructions, and other policy documents. Monitoring takes place at central level, but also locally in regional banks, subsidiaries, central departments, and international units. The policy established by the Board for internal audit states that it must examine internal governance and control, and must evaluate the reliability of the Group's financial reporting. Internal audit is described in more detail on page 54. The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.

The Board





Name	Pär Boman Chairman	Fredrik Lundberg Vice Chairman	Karin Apelman Board Member	Jon Fredrik Baksaas Board Member	Anders Bouvin Board Member
Year elected	2006	2002	2016	2003	2017
Year of birth	1961	1951	1961	1954	1958
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish
Position and significant board assignments	Chairman of Svenska Cellulosa AB SCA and Essity AB • Vice Chairman AB Industrivärden • Board member Skanska AB.	President and CEO of L E Lundbergföretagen AB • Chairman of Holmen AB, Hufvudstaden AB, AB Industrivärden, Indutrade AB • Board member L E Lundbergföretagen AB, Skanska AB.	Vice Chair Svenska Kraftnät • Board member, Bliwa Livförsäkring, ömsesidigt, STINT (the Swedish Foundation for International Co-operation in Research and Higher Education).	Board member Telefonaktiebolaget LM Ericsson.	President and Group Chief Executive of Handelsbanken • Vice Chairman Swedish Bankers' Association.
Background	2006–2015 President and CEO of Handelsbanken • 2002–2005 EVP, Head of Handelsbanken Markets • 1998–2002 EVP, Head of Handelsbanken Denmark • Employed by Handelsbanken since 1991.	CEO L E Lundbergföretagen AB since 1981 • Active in Lundbergs since 1977.	2007–2016 Swedish Export Credits Guarantee Board (EKN), Director General • 2001–2007 LFV Air Navigation Services of Sweden, CFO • 1994–2001 SAAB Aircraft Leasing, Deputy CEO • 1990–1994 SAS, Leasing & Project Finance and Corporate Finance & Assistant Treasurer • 1987–1990 SAAB Aircraft Credit, Vice President • 1986–1987 Sven Hagströmer AB, Corporate Finance • 1981–1985 Swedish Export Credits Guarantee Board (EKN).	2008–2016 Board member GSM Association, Chairman 2013–2016 • 2002–2015 Telenor Group, President and CEO • 1989–2002 Telenor Group, various positions in finance, financial control and general management • 1988–1989 Employee of Aker AS • 1985–1988 Stolt Nielsen Seaway AS • 1979–1985 Det Norske Veritas, Norway and Japan.	2010–2016 EVP, Head of Handelsbanken UK • 2007–2010 EVP, Head of Regional Bank Northern Great Britain • 2002–2007 EVP, Head of Handelsbanken Denmark • 1999–2002 Head of Handelsbanken's branch in New York • 10 years' experience of the Swedish branch operations • Employed by Handelsbanken since 1985.
Education	Engineer and Business/Economics degree.	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Business Administration.	Graduate in Business Administration and PED from IMD.	B.A. degree (filosofie kandidat) in Business and Economics Hon DSc from The London Institute of Banking & Finance.
Remuneration 2017[1]	SEK 4,612,500	SEK 1,265,000	SEK 640,000	SEK 1,888,750	SEK 0
Credit committee Participation	Chairman 13/13	13/13	-	8/13[2]	13/13
Audit committee Participation	5/5	-	-	5/5	-
Remuneration committee Participation	Chairman 9/9	-	-	-	-
Risk committee Participation	Chairman 5/5	-	-	5/5	-
Risk committee for US operations Participation	Chairman 2/2	-	-	2/2	-
Board meetings Participation	Chairman 9/9	9/9	8/9	9/9	7/9[2]
Own shareholdings and those of immediate family	53,388, of which 23,388 in indirect holdings[3].	55,775,000	0	3,800	50,808, of which 45,808 in indirect holdings[3]. 2014 convertible at nominal amount: SEK 5,869,254.
Dependent/ independent	Not independent of the Bank and its management (former CEO). Not independent of major shareholders (Vice Chairman of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Chairman of AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (CEO). Independent of major shareholders.
Number of assignments[4] **Actual number of assignments**[5]	5[6] 12	4[6] 10	2 5	3 4	2 2

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2017 was SEK 13,825,000.
[2] Member of the Board/committee from March 2017.
[3] Indirect holdings of shares in Handelsbanken via the Oktogonen profit-sharing foundation.
[4] Number of assignments based on the Swedish Banking and Financing Business Act (2004:297), Chapter 10, Section 8 b, by which assignments in the same group or in companies in which the Bank has a qualifying holding may be counted as a single assignment. Assignments in organisations that are primarily non-commercial, including certain foundations and not-for-profit associations, are not included.
[5] Number of assignments disregarding the basis of calculation stated in footnote 4.
[6] Received permission from the Swedish Financial Supervisory Authority to hold an additional assignment as board member under the Swedish Banking and Financing Business Act (2004:297) Chapter 10, Section 8 b, paragraph 3.

Kerstin Hessius **Board Member**	**Jan-Erik Höög** **Board Member**	**Ole Johansson** **Board Member**	**Lise Kaae** **Board Member**	**Bente Rathe** **Board Member**	**Charlotte Skog** **Board Member**
2016	2017	2012	2015	2004	2012
1958	1969	1951	1969	1954	1964
Swedish	Swedish	Finnish	Danish	Norwegian	Swedish
CEO Third National Swedish Pension Fund • Board member Vasakronan AB, Hemsö Fastighets AB, Trenum AB, Svensk-Danska Broförbindelsen SVEDAB AB and Øresundsbro Konsortiet.	Head of Private Banking and Deputy Head of Business Support, Handelsbanken South East Sweden • Chairman of the Oktogonen Foundation.	Chairman of Aker Arctic Technology Inc and Hartwall Capital Oy Ab • Vice Chairman Konecranes Oyj Apb.	CEO HeartLand A/S • Board member Whiteway A/S and various companies in the Heartland Group.	Chair of Ecohz AS and Cenium AS (both companies are subsidiaries of Strawberry Invest AS) • Vice Chair, Polaris Media ASA.	Bank officer at Handelsbanken • Chair, Finansliv Sverige AB • Board member Financial Sector Union of Sweden, Oktogonen Foundation.
2001–2004 Stockholm Stock Exchange, CEO • 1999–2000 Sveriges Riksbank, Deputy Governor of the central bank • 1998 Danske Bank, Chief Executive, Asset Management • 1990–1997 ABN Amro Bank/ Alfred Berg • 1989–1990 Finanstidningen • 1986–1989 Swedish National Debt Office • 1985–1986 Sveriges Riksbank (central bank) • 1984–1985 Swedish Agency for Public Management.	Has held various positions at Handelsbanken • Employee since 1991.	1975–2011 various positions within Wärtsilä (Metra) Group, except for a period at Valmet 1979–1981 • CEO 2000–2011.	1992–2008 PricewaterhouseCoopers.	1999–2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, Chair of Mutual Fund and Asset Management Company) • 1996–1999 CEO Gjensidige Bank AS • 1993–1996 CEO Elcon Finans AS • 1991–1993 Deputy CEO Forenede Forsikring • 1989–1991 CFO Forenede Forsikring • 1977–1989 Head of Credits and CFO E.A. Smith AS.	Has held various positions at Handelsbanken • Employee since 1989.
Graduate in Business Administration.	Economics Programme Upper Secondary School, DIHM Diploma in Business Administration (IHM Business School).	Diploma in Economics and Business Administration.	Authorised Public Accountant.	Graduate in Business Administration and MBA.	Economics Programme Upper Secondary School.
SEK 640,000	SEK 0	SEK 1,852,500	SEK 1,005,000	SEK 1,921,250	SEK 0
-	Deputy member -	13/13	12/13	12/13	Deputy member 1
-	-	5/5	-	Chair 5/5	-
-	-	9/9	-	9/9	-
-	-	5/5	-	5/5	-
-	-	-	-	-	-
9/9	7/9[2]	9/9	9/9	9/9	9/9
8,700	26,911, of which 26,911 in indirect holdings[3]. 2014 convertible at nominal amount: SEK 1,188,742.	73,880	2,560	0	26,263, of which 25,547 in indirect holdings[3]. 2014 convertible at nominal amount: SEK 251,744.
Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (employee). Not independent of major shareholders (Chairman of Oktogonen Foundation).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (employee). Not independent of major shareholders (Board Member of Oktogonen Foundation).
4 11	2 3	4 9	3 91	3 4	4 8

Company Secretary and Head of Corporate Governance

Klas Tollstadius
Company Secretary and Head of Corporate Governance • Year of birth 1954 • Employed at Handelsbanken since 1991 • Shareholdings* 36,664, of which 24,043 in indirect holdings** • 2014 convertible: SEK 5,617,510

* Direct holdings of shares or convertibles refer to own holdings or those of closely related persons.
** Indirect holdings of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

Senior Management

and Audit and Whistleblowing Function

Executive Directors [1] in Senior Management

Name	Position	Year of birth	Employed	Shareholdings	Convertible 2014 [2]
Nina Arkilahti	CEO, Handelsbanken Finland	1967	1995	Shareholdings* 20,007, of which 12,810 in indirect holdings**	SEK 5,617,510
Per Beckman	Chief Credit Officer, Group Credits	1962	1993	Shareholdings* 12,797, of which 12,797 in indirect holdings**	SEK 5,617,510
Anders Bouvin	President and Group Chief Executive	1958	1985	Shareholdings* 50,808, of which 45,808 in indirect holdings**	SEK 5,869,254
Per Elcar	Head, Markets & Asset Management	1962	2002	Shareholdings* 25,109, of which 8,399 in indirect holdings**	SEK 1,188,742
Maria Hedin	Chief Risk Officer, Group Risk Control	1964	2010	Shareholdings* 3,982, of which 3,736 in indirect holdings**	SEK 5,176,431
Joakim Jansson	Head, Business Support Capital Markets	1976	2006	Shareholdings* 6,213, of which 6,213 in indirect holdings**	SEK 1,188,742
Agneta Lilja	Chief Information Officer, Group IT	1961	1985	Shareholdings* 44,927, of which 44,927 in indirect holdings**	SEK 5,617,510
Rolf Marquardt	Chief Financial Officer, Group Finance	1964	2002	Shareholdings* 9,074, of which 9,074 in indirect holdings**	SEK 1,188,742
Lars Moesgaard	CEO, Handelsbanken Denmark	1968	1988	Shareholdings* 8,022, of which 6,579 in indirect holdings**	SEK 1,188,742
Stina Petersson	Chief Human Resources Officer, Group HR	1965	1985	Shareholdings* 37,522, of which 37,522 in indirect holdings**	SEK 1,188,742
Mikael Sørensen	CEO, Handelsbanken UK	1966	1994	Shareholdings* 6,387, of which 6,387 in indirect holdings**	SEK 5,617,510
Dag Tjernsmo	CEO, Handelsbanken Norway	1962	1988	Shareholdings* 15,579, of which 15,579 in indirect holdings**	SEK 5,436,030
Jens Wiklund	CEO, Handelsbanken the Netherlands	1975	1997	Shareholdings* 5,921, of which 5,921 in indirect holdings**	SEK 835,878
Carina Åkerström	Deputy Group Chief Executive. Head, Handelsbanken Stockholm	1962	1986	Shareholdings* 26,454, of which 26,454 in indirect holdings**	SEK 5,617,510

[1] *Executive Directors are members of Senior Management and are the Bank's executive officers according to the definition in the Swedish Companies Act and also senior management as defined by the Swedish Financial Supervisory Authority.*

Other members of Senior Management

Name	Position	Year of birth	Employed	Shareholdings	Convertible 2014 [2]
Pål Bergström	Chief Compliance Officer, Group Compliance	1967	2015	Shareholdings* 6,259, of which 6,259 in indirect holdings**	–
Katarina Berner Frösdal	COO, Handelsbanken Sweden	1956	1979	Shareholdings* 1,735, of which 1,735 in indirect holdings**	SEK 5,617,510
Klas Bornälv	Head, Group Infrastructure	1971	1997	Shareholdings* 12,538, of which 12,538 in indirect holdings**	SEK 1,188,742
Magnus Ericson	Head, Handelsbanken Northern Sweden	1968	1988	Shareholdings* 23,262, of which 22,262 in indirect holdings**	SEK 1,188,742
Anders Fagerdahl	Head, Handelsbanken South East Sweden	1969	1988	Shareholdings* 25,958, of which 25,958 in indirect holdings**	SEK 1,188,742
Mikael Hallåker	Chairman of subsidiary. Acting Chief Communications Officer, Group Communications	1959	2001	Shareholdings* 9,604, of which 9,604 in indirect holdings**	SEK 1,188,742
John Hodson	Head, Handelsbanken Southern UK	1961	2007	Shareholdings* 1,788, of which 1,788 in indirect holdings**	SEK 1,340,957
Elisabet Jamal Bergström	Chief Sustainability Officer, Group Sustainability	1968	1994	Shareholdings* 14,726, of which 11,114 in indirect holdings**	SEK 251,744
Katarina Ljungqvist	Head, Handelsbanken Western Sweden	1965	1989	Shareholdings* 26,170, of which 26,170 in indirect holdings**	SEK 5,617,510
Nick Lowe	Head, Handelsbanken Central UK	1958	2007	Shareholdings* 1,504, of which 1,504 in indirect holdings**	SEK 5,152,092
Suzanne Minifie	Head, Handelsbanken Yorkshire and North East UK	1972	2006	Shareholdings* 1,450, of which 1,450 in indirect holdings**	SEK 1,188,742
John Parker	Head, Handelsbanken Northern UK	1955	2006	Shareholdings* 2,206, of which 2,206 in indirect holdings**	SEK 5,769,607
Juha Rantamaa	Head, Group IT Operations & Development	1964	2011	Shareholdings* 10,531, of which 10,531 in indirect holdings**	SEK 1,188,742
Hannu Saari	Chief Financial Crime Prevention Officer, Group Financial Crime Prevention	1963	1997	Shareholdings* 6,551, of which 6,551 in indirect holdings**	SEK 1,188,742
Louise Sander	CEO, Handelsbanken Liv Pension & Life	1969	2013	Shareholdings* 1,186, of which 1,186 in indirect holdings**	SEK 1,188,742
Göran Stille	Chairman of subsidiary	1966	1987	Shareholdings* 22,697, of which 12,797 in indirect holdings**	SEK 5,617,510
Ulrica Stolt Kirkegaard	CEO, Stadshypotek	1968	1994	Shareholdings* 15,962, of which 15,439 in indirect holdings**	SEK 5,251,744
Chris Teasdale	Head, Handelsbanken South West UK	1970	2007	Shareholdings* 1,848, of which 1,848 in indirect holdings**	SEK 820,000
Martin Wasteson	Chief Legal Officer, Group Legal	1971	2012	Shareholdings* 1,735, of which 1,735 in indirect holdings**	–
Pontus Åhlund	Head, Handelsbanken Central Sweden	1963	1983	Shareholdings* 46,665, of which 38,098 in indirect holdings**	SEK 5,617,510

Audit and Whistleblowing Function, independent of Senior Management

Tord Jonerot	Chief Audit Executive, Group Audit	1958	1990	Shareholdings* 25,123, of which 25,123 in indirect holdings**	SEK 5,617,510

* Direct holdings of shares or convertibles refer to own holdings or those of closely related persons.
** Indirect holdings of shares in Handelsbanken via the Oktogonen profit-sharing foundation.
[2] See note G38.

Financial reports Group

CONTENTS

Income statement Group

Group SEK m		2017	2016
Interest income	*Note G3*	42 092	39 950
Interest expense	*Note G3*	-12 326	-12 007
Net interest income		**29 766**	**27 943**
Fee and commission income	*Note G4*	11 539	10 780
Fee and commission expense	*Note G4*	-1 821	-1 624
Net fee and commission income		**9 718**	**9 156**
Net gains/losses on financial transactions	*Note G5*	1 271	3 066
Risk result – insurance	*Note G6*	142	142
Other dividend income		591	228
Share of profit of associates	*Note G19*	14	25
Other income	*Note G7*	172	203
Total income		**41 674**	**40 763**
Staff costs	*Note G8*	-12 472	-12 542
Other expenses	*Note G9*	-5 889	-5 401
Depreciation, amortisation and impairment of property, equipment and intangible assets	*Note G24, G25*	-619	-495
Total expenses		**-18 980**	**-18 438**
Profit before loan losses		**22 694**	**22 325**
Net loan losses	*Note G10*	-1 683	-1 724
Gains/losses on disposal of property, equipment and intangible assets	*Note G11*	14	32
Operating profit		**21 025**	**20 633**
Taxes	*Note G34*	-4 923	-4 401
Profit for the year from continuing operations		**16 102**	**16 232**
Profit for the year pertaining to discontinued operations, after tax	*Note G12*	-	13
Profit for the year		**16 102**	**16 245**
Attributable to			
Shareholders in Svenska Handelsbanken AB		16 099	16 244
Minority interest		3	1
Earnings per share, continuing operations, SEK	*Note G13*	8.28	8.42
after dilution	*Note G13*	8.20	8.30
Earnings per share, discontinued operations, SEK	*Note G13*	-	0.01
after dilution	*Note G13*	-	0.01
Earnings per share, total operations, SEK	*Note G13*	8.28	8.43
after dilution	*Note G13*	8.20	8.31

Statement of comprehensive income Group

Group SEK m	2017	2016
Profit for the year	16 102	16 245
Other comprehensive income		
Items that will not be reclassified to the income statement		
Defined benefit pension plans	3 919	3 993
Tax on items that will not be reclassified to the income statement	-864	-876
Total items that will not be reclassified to the income statement	**3 055**	**3 117**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	-2 350	-3 145
Available-for-sale instruments	-470	-1 160
Translation difference for the year	-2 241	1 183
of which hedges of net investments in foreign operations	*-1 509*	*-142*
Tax on items that may subsequently be reclassified to the income statement	844	833
of which cash flow hedges	*517*	*692*
of which available-for-sale instruments	*-5*	*110*
of which hedges of net investments in foreign operations	*332*	*31*
Total items that may subsequently be reclassified to the income statement	**-4 217**	**-2 289**
Total other comprehensive income	**-1 162**	**828**
Total comprehensive income for the year	**14 940**	**17 073**
Attributable to		
Shareholders in Svenska Handelsbanken AB	14 940	17 072
Minority interest	0	1

The period's reclassifications to the income statement are presented in Statement of changes in equity.

Discontinued operations only affect Translation difference for the year in Other comprehensive income.

In 2017, other comprehensive income totalled SEK -1,162m (828) 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 the closing of the annual accounts 2016, net pensions, net of pension obligations and plan assets, were a liability. At year-end 2017, net pensions were an asset. During the January–December period, other comprehensive income increased by SEK 3,055m (3,177) 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 2.20% 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 valued at amortised cost, while the derivatives which are hedging these items are valued 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. In 2017, the value changes on hedge derivatives in cash flow hedges were SEK -1,833m (-2,453) after tax. The value changes derived partly from exchange rate movements, but above all from changes in the discount rates of the respective currency. During the year, SEK -22m (5) 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 a negative effect on other comprehensive income of SEK -475m (-1,050) 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 affected other comprehensive income by SEK -1,909m (1,214) after tax during the year.

Balance sheet Group

Group SEK m		2017	2016
ASSETS			
Cash and balances with central banks		226 314	199 362
Other loans to central banks	*Note G14*	38 920	25 527
Interest-bearing securities eligible as collateral with central banks	*Note G17*	129 006	97 205
Loans to other credit institutions	*Note G15*	20 250	31 347
Loans to the public	*Note G16*	2 065 761	1 963 622
Value change of interest-hedged item in portfolio hedge		36	35
Bonds and other interest-bearing securities	*Note G17*	49 601	63 909
Shares	*Note G18*	14 052	20 412
Investments in associates	*Note G19*	297	255
Assets where the customer bears the value change risk	*Note G20*	135 617	118 646
Derivative instruments	*Note G22*	56 070	82 633
Reinsurance assets		14	9
Intangible assets	*Note G24*	9 861	9 393
Property and equipment	*Note G25*	2 238	2 387
Current tax assets		242	38
Deferred tax assets	*Note G34*	399	962
Assets held for sale			1
Net pension assets	*Note G8*	1 239	-
Other assets	*Note G26*	10 715	5 615
Prepaid expenses and accrued income	*Note G27*	6 345	6 222
Total assets	*Note G39*	**2 766 977**	**2 627 580**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note G28*	174 820	178 781
Deposits and borrowing from the public	*Note G29*	941 967	829 336
Liabilities where the customer bears the value change risk	*Note G30*	135 617	118 745
Issued securities	*Note G31*	1 276 595	1 261 765
Derivative instruments	*Note G22*	24 876	31 738
Short positions	*Note G32*	2 072	1 572
Insurance liabilities	*Note G33*	549	574
Current tax liabilities		394	514
Deferred tax liabilities	*Note G34*	6 853	7 875
Provisions	*Note G35*	153	731
Net pension liabilities	*Note G8*	-	2 161
Other liabilities	*Note G36*	15 863	9 427
Accrued expenses and deferred income	*Note G37*	12 718	14 580
Subordinated liabilities	*Note G38*	32 896	33 400
Total liabilities	*Note G39*	**2 625 373**	**2 491 199**
Minority interest		11	6
Share capital		3 013	3 013
Share premium reserve		5 629	5 628
Reserves		8 106	9 268
Retained earnings		108 746	102 222
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB		16 099	16 244
Total equity		**141 604**	**136 381**
Total liabilities and equity		**2 766 977**	**2 627 580**

Statement of changes in equity Group

Group 2017 SEK m	Share capital	Share premium reserve	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl. profit for the year	Minority interest	Total
Opening equity 2017	3 013	5 628	1 656	2 487	974	4 151	118 466	6	136 381
Profit for the year							16 099	3	16 102
Other comprehensive income			3 055	-1 833	-475	-1 909		0	-1 162
Total comprehensive income for the year			**3 055**	**-1 833**	**-475**	**-1 909**	**16 099**	**3**	**14 940**
Dividend							-9 721		-9 721
Effects of convertible subordinated loans	0	1							1
Change in minority interests							1	2	3
Closing equity 2017	**3 013**	**5 629**	**4 711**	**654**	**499**	**2 242**	**124 845**	**11**	**141 604**

Group 2016 SEK m	Share capital	Share premium reserve	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl. profit for the year	Minority interest	Total
Opening equity 2016	2 956	3 204	-1 461	4 940	2 024	2 937	113 664	4	128 268
Profit for the year							16 244	1	16 245
Other comprehensive income			3 117	-2 453	-1 050	1 214		0	828
Total comprehensive income for the year			**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 in minority interests							0	1	1
Closing equity 2016	**3 013**	**5 628**	**1 656**	**2 487**	**974**	**4 151**	**118 466**	**6**	**136 381**

During the period January to December 2017, convertibles for a nominal value of SEK 1m (2,513) relating to subordinated convertible bonds had been converted into 22,151 class A shares (37,105,318). At the end of the financial year the number of Handelsbanken shares in the trading book was 0 (0).

Specification of changes in equity

Change in hedge reserve SEK m	2017	2016
Hedge reserve at beginning of year	2 487	4 940
Unrealised value changes during the year	-1 601	2 324
Reclassified in the income statement[1]	-232	-4 777
Hedge reserve at end of year	**654**	**2 487**

Change in fair value reserve SEK m	2017	2016
Fair value reserve at beginning of year	974	2 024
Unrealised market value change during the year for remaining and new holdings	-472	706
Reclassified in the income statement[2]	-3	-1 756
Fair value reserve at end of year	**499**	**974**

Change in translation reserve SEK m	2017	2016
Translation reserve at beginning of year	4 151	2 937
Change in translation difference pertaining to branches	-1 902	651
Change in translation difference pertaining to subsidiaries	-13	565
Reclassified in the income statement[3]	6	-2
Translation reserve at end of year	**2 242**	**4 151**

[1] Tax reclassified to the income statement pertaining to this item SEK 65m (1,347).
[2] Tax reclassified to the income statement pertaining to this item SEK 0m (121).
[3] Tax reclassified to the income statement pertaining to this item SEK 1m (0).

Cash flow statement Group

Group SEK m	2017	2016
OPERATING ACTIVITIES		
Operating profit, total operations	21 025	20 674
of which paid-in interest	*42 045*	*40 049*
of which paid-out interest	*-14 902*	*-12 596*
of which paid-in dividends	*686*	*315*
Adjustment for non-cash items in profit/loss		
Loan losses	1 872	1 910
Unrealised changes in value	907	-2 317
Depreciation, amortisation and impairment	619	495
Paid income tax	-5 723	-5 544
Changes in the assets and liabilities of operating activities		
Other loans to central banks	-13 393	8 591
Loans to other credit institutions	11 097	18 401
Loans to the public	-103 787	-99 011
Interest-bearing securities and shares	-12 883	-35 764
Due to credit institutions	-3 960	15 001
Deposits and borrowing from the public	112 631	75 480
Issued securities	14 831	16 398
Derivative instruments, net positions	20 080	-5 529
Short positions	646	-1 006
Claims and liabilities on investment banking settlements	-393	-1 784
Other	-3 678	-1 943
Cash flow from operating activities	**39 891**	**4 052**
INVESTING ACTIVITIES		
Acquisition of subsidary	-	-408
Acquisitions of and contributions to associates	-76	-19
Disposals of shares	14	5 481
Disposals of interest-bearing securities	-	1 003
Acquisitions of property and equipment	-724	-443
Disposals of property and equipment	273	828
Acquisitions of intangible assets	-701	-558
Disposals of intangible assets	-	12
Cash flow from investing activities	**-1 214**	**5 896**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-	-2 512
Issued subordinated loans	-	-
Dividend paid	-9 721	-11 442
Cash flow from financing activities	**-9 721**	**-13 954**
of which exchange rate difference	*-504*	*4 177*
Cash flow for the year	**28 956**	**-4 006**
Liquid funds at beginning of year	199 362	202 630
Cash flow from operating activities	39 891	4 052
Cash flow from investing activities	-1 214	5 896
Cash flow from financing activities	-9 721	-13 954
Exchange rate difference on liquid funds	-2 004	738
Liquid funds at end of year	**226 314**	**199 362**

The cash flow statement has been prepared in accordance with the indirect method, which means that operating profit has been adjusted for transactions that did not entail paid-in or paid-out cash such as depreciations and loan losses.

Liquid funds are defined as cash and balances with central banks.

Notes Group

G1 Accounting policies and other basis for preparing the financial reports

CONTENTS

1. STATEMENT OF COMPLIANCE

Basis of the accounts

The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. In addition, the accounting policies also comply with 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 parent company's accounting policies are shown in note P1.

Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the Board on 6 February 2018 and will be presented for adoption by the AGM on 21 March 2018.

2. CHANGED ACCOUNTING POLICIES

The accounting policies, classifications and calculation methods applied by the Group during the financial year agree in all essentials with the policies applied in the 2016 annual report.

3. CHANGES IN IFRS NOT YET APPLIED

IFRS 9 Financial instruments

IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement, has been adopted for application by the EU. The standard comprises three areas: classification and measurement, impairment and general hedge accounting. The standard must be applied as of the 2018 financial year. Handelsbanken does not intend to apply the standard ahead of the stipulated date. Nor does Handelsbanken intend to recalculate the comparative figures for 2017 in the 2018 annual report as a consequence of IFRS 9. Adjustments of the carried values of financial assets and liabilities at the date of transition on 1 January 2018 will be reported in retained earnings. Handelsbanken intends to continue to apply the hedge accounting rules in IAS 39 in accordance with the transitional rules in IFRS 9. New accounting policies in the areas that will be affected by IFRS 9 are presented in detail in each section of the accounting policies below. This section provides an overall description of the new rules in 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 (loans and interest-bearing securities) 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 opted to present these instruments at fair value through other comprehensive income at initial recognition. 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 assessment is that the classification and measurement rules will not have any material impact on its financial reports. No significant reclassifications between fair value and amortised cost are expected for the first application period.

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 measured at amortised cost and debt instruments measured at fair value through other comprehensive income, as well as financial guarantees and credit commitments, are subject to the new model for reporting expected loan losses. The model comprises three different stages for reporting loan losses. Stage 1 comprises assets for which the credit risk has not increased significantly since initial recognition. Stage 2 comprises assets where there has been a material 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. Overall, the transition to IFRS 9 leads to an increase in loan loss provisions of SEK 0.6 billion, which is adjusted against equity by SEK -0.5 billion after tax. Handelsbanken will not apply the transitional regulations which have been decided regarding capital adequacy. Instead, it will allow IFRS 9 to have full impact on its capital adequacy. The relevant capital ratios will not be negatively impacted by the transition. The reason for this is that the Capital Requirements Regulation allows loan loss provisions in the accounts to be set off against expected losses according to the Regulation. These latter expected losses are adjusted for a downturn, while IFRS 9 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 must 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 related to revenue. Handelsbanken'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 and adopted by the EU. Assuming that 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 contracts and contracts of minor value) must be recognised as an asset (right-of-use asset) and as a liability in the lessee's balance sheet. In the income state-ment, the straight-line expense for the operating lease is replaced by a charge for depreciation on the leased asset and an interest expense attributable to the liability. There are also 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 accounts is expected to come from accounting for rental contracts. The Bank is currently analysing the financial effects of the new standard.

IFRS 17 Insurance contracts
IFRS 17 Insurance contracts has been published by the IASB. Assuming that IFRS 17 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2021 financial year. IFRS 17 entails a change in how insurance contracts are reported, presented and measured, and leads to increased disclosure. The Bank is currently analysing the financial effects of the new standard.

Others changes in IFRS
None of the other changes in the accounting regulations issued for application are assessed to have a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

4. BASIS OF CONSOLIDATION AND PRESENTATION

Subsidiaries
All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. The Bank is deemed to have direct control of a company when it is exposed to, or is entitled to, variable returns from its holdings in the company and can affect the return by means of its influence over the company. A controlling influence is normally achieved if Handelsbanken holds more than 50 per cent of the voting power at shareholders' meetings or the equivalent.

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the time of acquisition. The cost of the business combination comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. Acquisition-related expenses are recognised when they arise. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

When accounting for business combinations, the acquired operations are recognised in the Group's accounts from the acquisition date. The acquisition date is the date when controlling influence of the acquired entity starts. The acquisition date may differ from the date when the transaction is legally established.

Where the accounting policies applied for an individual subsidiary do not correspond to the policies applied in the Group, an adjustment is made to the consolidated accounts when consolidating the subsidiary.

Structured entities
A structured entity is a company that has been formed to achieve a limited and well-defined purpose, where the voting rights are not the definitive factor in determining whether a controlling influence exists. Handelsbanken's holding in structured entities is restricted to holdings in mutual funds. Funds for which the Bank is asset manager and where the Bank owns more than 50 per cent of the shares are consolidated in their entirety in the balance sheet under Assets/Liabilities where the customer bears the value change risk. Ownership of between 20 and 50 per cent is consolidated in certain cases if the circumstances indicate that the Bank has a controlling interest, for example if the fund has a broad management mandate and generates a high proportion of variable return. Funds which the Bank owns through unit-linked insurance contracts are not consolidated. Further information about holdings in non-consolidated structured entities is provided in note G21.

Associated companies
Companies in which Handelsbanken has a significant influence are reported as associates. Significant influence entails the right to participate in decisions concerning the company's financial and operating strategies but does not give a controlling influence over these. A significant influence is normally achieved when the share of voting power in the company is at least 20 per cent and at most 50 per cent. Associates are reported in the consolidated accounts in accordance with the equity method. This means that the holding is initially reported at cost. The carrying amount is increased or decreased to recognise the Group's share of the associated company's profits or losses after the date of acquisition. Any dividends from associates are deducted from the carrying amount of the holding. The share of profits of associates is recognised as Share of profit of associates on a separate line in the Group's income statement.

Assets held for sale and reporting discontinued operations
Non-current assets or a group of assets (disposal group) are classified as held for sale when the carrying amount will be mainly recovered through sale and when a sale is highly probable. If the asset is classified as an asset held for sale, special valuation principles are applied. These principles essentially mean that, with the exception of items such as financial assets and liabilities, assets held for sale and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. Thus, property, plant and equipment or intangible assets held for sale are not depreciated or amortised. Any impairment losses and subsequent revaluations are recognised directly in the income statement. Gains are not recognised if they exceed accumulated impairment loss. Assets and liabilities held for sale are reported as a separate line item in the Group's balance sheet until the time of sale.

Independent operations of a material nature which can be clearly separated from the Group's other operations and which are classified as held for sale using the policies described above are recognised as discontinued operations. Subsidiaries acquired solely for resale are also recognised as discontinued operations. In recognition as a discontinued operation, the operation's profit is reported on a separate line in the income statement, separate from other profit/loss items. Profit or loss from discontinued operations comprises the after-tax profit or loss of discontinued operations, the profit or loss after tax that arises when measuring assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised profit or loss from the disposal of discontinued operations.

5. SEGMENT REPORTING
The segment reporting presents income/expenses and assets/liabilities broken down by business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by the company management as part of corporate governance. The principles for segment reporting are described further in note G45.

6. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES
The consolidated accounts are presented in Swedish kronor, the Group's presentation currency. The functional currency for the Group's operations outside Sweden usually differs from the Group's presentation currency. The currency used in the economic environment where the operations are primarily conducted is regarded as the functional currency.

Translation of transactions in a currency other than the functional currency
Transactions in a currency other than the functional currency – foreign currency – are translated initially into the functional currency at the rate prevailing on the transaction date. Monetary items in foreign currencies and non-monetary items in foreign currencies that are measured at fair value are converted at the balance sheet date using the prevailing closing rate. Gains and losses arising from the currency translation of monetary items and non-monetary items measured at fair value are recognised in the income statement as exchange rate effects in Net gains/losses on financial transactions. Translation differences that have arisen from non-monetary items classified as available-for-sale financial assets (until 31 December 2017) and are classified as measured at fair value through other comprehensive income (as of 1 January 2018) are recognised as a component of Other comprehensive income and accumulated in equity. Exchange rate differences arising when translating monetary items comprising part of a net investment in a foreign operation are recognised in the same way.

Translation of foreign operations to the Group's presentation currency
When translating the foreign units' (including branches') balance sheets and income statements from the functional currency to the Group's presentation currency, the current method has been used. This means that assets and liabilities are translated at the closing day rate. Equity is translated at the rate applicable at the time of investment or earning. The income statement has been translated at the average annual rate. Translation differences are recognised as a component of Other comprehensive income and are included in the translation reserve in equity.

7. RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET
Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date.

Financial assets are removed from the balance sheet when the contractual rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party. A financial liability is removed from the balance sheet when the obligation is fulfilled, ceases or is cancelled.

The policies for recognition of financial instruments in the balance sheet are of special importance when accounting for repurchase transactions, securities loans and leases. (See the separate sections concerning these.)

8. FINANCIAL INSTRUMENTS
Accounting policies applied until 31 December 2017
Measurement categories
For the purposes of measurement, in compliance with IAS 39, all financial assets are placed in the following measurement categories:
1. loans and receivables
2. assets held to maturity
3. assets at fair value through profit or loss
   • held for trading
   • which upon initial recognition were classified at fair value through profit or loss
4. available-for-sale assets.

Financial liabilities are classified as follows:
1. liabilities at fair value through profit or loss
   • liabilities held for trading
   • liabilities which upon initial recognition were classified at fair value through profit or loss
2. other financial liabilities.

The classification in the balance sheet is independent of the measurement category. Thus, different measurement principles may be applied for assets and liabilities carried on the same line in the balance sheet. A classification into measurement categories of the financial assets and liabilities which are recognised on the balance sheet is shown in note G39.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit or loss, the transaction costs are recognised in the income statement under Net gains/losses on financial transactions. For other financial instruments, the transaction costs are included in the acquisition value.

Loans and receivables
Unlisted interest-bearing assets are classified as Loans and receivables. Loans and receivables are carried at amortised cost, i.e. the discounted present value of all future cash flows relating to the instrument where the discount rate is the asset's effective interest rate at the time of acquisition. Loans and receivables are subject to impairment testing when there are indications of an impairment loss. See section 10 for more details. Any impairment losses are recognised in the income statement. Thus, loans and receivables are recognised at their net amount, after deduction for probable and actual loan losses. Early redemption fees for loans and receivables which are repaid before maturity are recognised immediately in the income statement under Net gains/losses on financial transactions.

Assets held to maturity
Listed interest-bearing assets which the Group intends and has the capacity to hold to maturity are reported in the Assets held to maturity category. Assets that are classified to be held to maturity are carried at amortised cost. Assets held to maturity are subject to impairment testing when there are indications of an impairment loss. See section 10 for more details.

Assets and liabilities held for trading
Assets and liabilities held for trading consist of listed financial instruments and derivatives. Financial instruments held for trading are recognised at fair value in the balance sheet. Interest, dividends and other value changes related to these instruments are recognised in the income statement under Net gains/losses on financial transactions.

Financial assets and liabilities which upon initial recognition were classified at fair value through profit or loss
The option of classifying financial instruments at fair value through profit or loss has been applied for financial assets and liabilities that are not held for trading but for which the internal management and valuation is based on fair values. This valuation principle has also been applied to avoid inconsistencies when valuing assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis (for example, assets and liabilities resulting from unit-linked insurance contracts).

Changes in the fair value of financial instruments that are measured at fair value are recognised in the income statement under Net gains/losses on financial transactions. Interest related to loans and interest-bearing securities which upon initial recognition were classified as measured at fair value through profit or loss are recognised in Net interest income.

Available-for-sale financial assets

The majority of the Group's holdings of financial instruments for which there is an active market but which are not held for trading are classified as available-for-sale financial assets.

Financial assets which have been classified as available for sale are recognised at fair value in the balance sheet. Changes in market value of the assets are recognised as a component of Other comprehensive income and are included in the fair value reserve in equity. Changes in fair value are not recognised in the income statement until the asset has been realised or an impairment loss has occurred. Interest related to this category of assets is recognised directly in net interest income in the income statement. Exchange rate effects relating to monetary assets which are available for sale are recognised in Net gains/losses on financial transactions. Impairment testing of available-for-sale financial assets is performed when there is an indication of impairment; see section 10 concerning impairment losses for financial assets. Dividends on shares classified as available for sale are continuously recognised in profit or loss as Other dividend income.

Reclassification of financial instruments

During the financial year 2008, Handelsbanken reclassified some portfolios of interest-bearing securities. The regulations in IAS 39 only allow for reclassification of certain financial assets and only under exceptional circumstances. No further reclassification has been performed since the reclassification in 2008. The impact of the reclassification is described in note G39.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, for example a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as a liability in the balance sheet on the Accrued expenses and deferred income line. The guarantee is subsequently measured at the higher of the amortised premium or the amount that represents the expected cost of settling the obligation to which the guarantee gives rise. In addition, the total guaranteed amount relating to guarantees issued is reported off balance as a contingent liability. A utilised guarantee is reported as a probable or actual loan loss, depending on the circumstances.

Premiums for purchased financial guarantees are accrued and recognised as decreased interest income in net interest income if the debt instrument to which the guarantee refers is recognised there. Loan commitments are reported off-balance until the settlement date of the loan. Fees received for loan commitments are accrued in net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled, in which case the fee received is included in the effective interest rate of the loan.

Combined financial instruments

An embedded derivative is a component of a combined (hybrid) financial instrument that also includes a non-derivative host contract, which means that some of the combined instrument's cash flows vary in a way similar to the cash flows of a stand-alone derivative. An embedded derivative is separated from the host contract and recognised separately in Derivatives on the balance sheet when its economic characteristics are not closely related to the host contract's. This is the case, for example, for issues of equity-linked bonds and other structured products where the derivative is recognised separately from the host contract at fair value through profit or loss.

The inherent value of the option to convert in an issued convertible debt instrument is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible instrument. The liability component is recognised at fair value in the balance sheet at the time of issue. After initial recognition, the liability component is carried at amortised cost at the original effective interest rate.

Combined financial instruments held for trading and combined financial instruments where the economic characteristics and risks of the instrument's various components are similar (such as variable rate lending with an interest rate cap) are not reported separately.

Accounting policies that will be applied before and after 1 January 2018

Repurchase agreements and reverse repurchase agreements

Repurchase agreements, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a predetermined price. Securities sold in a repurchase agreement remain on the balance sheet during the life of the transaction. The sold instrument is also reported off the balance sheet as collateral pledged. Depending on the counterparty, payment received is recognised under Due to credit institutions or as Deposits and borrowing from the public. Securities bought in a reverse repurchase agreement are accounted for in the corresponding way: they are not recognised on the balance sheet during the life of the transaction. Depending on the counterparty, the payment made is recognised under Other loans to central banks, Loans to other credit institutions or Loans to the public. Collateral received which are sold on under repurchase agreements are reported as off-balance-sheet commitments.

Agreements for borrowing and lending of securities

Lent securities remain on the balance sheet and are also reported off-balance as Assets pledged. Borrowed securities are not recognised on the balance sheet unless they are sold, in which case a value corresponding to the sold instrument's fair value is recognised as a liability. Borrowed securities which are lent to a third party are reported as off-balance-sheet commitments.

Derivative instruments

All derivatives are recognised on the balance sheet at fair value. Derivatives with positive fair values are recognised on the assets side under Derivative instruments. Derivatives with negative fair values are recognised on the liabilities side under Derivative instruments. Realised and unrealised gains and losses on derivatives are recognised in the income statement under Net gains/losses on financial transactions.

Offsetting financial assets and liabilities

Financial assets and liabilities are set off on the balance sheet if the Bank has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability. Further information about set-off of financial assets and liabilities is provided in note G23.

Accounting policies that will be applied as of 1 January 2018

Measurement categories

Pursuant to IFRS 9, all financial assets are allocated to one of the following measurement categories:

1. amortised cost
2. fair value through other comprehensive income
3. fair value through profit or loss
   a. held for trading, assets that are managed and evaluated on a fair value basis etc.
   b. financial assets which upon initial recognition were designated as measured at fair value through profit or loss.

Financial liabilities are classified as follows:

1. amortised cost
2. fair value through profit or loss
   a. held for trading
   b. financial liabilities which upon initial recognition were designated as measured at fair value through profit or loss.

The classification in the balance sheet is independent of the measurement category. Thus, different measurement principles may be applied for assets and liabilities carried on the same line in the balance sheet.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit or loss, the transaction costs are recognised in the income statement under Net gains/losses on financial transactions. For other financial instruments, the transaction costs are included in the acquisition value.

Assessment of the business model

The business model for managing financial assets defines classification into measurement categories. The business model is determined at the portfolio level, as this best reflects how the operations are governed and how information is reported to and evaluated by bank management. The following information is significant when determining the business model for a portfolio based on weight of evidence:

- the guidelines and objectives specified for a portfolio and how these are implemented in the operations
- how the portfolio is assessed and reported to bank management
- the risks that affect the performance of the business model and how those risks are managed
- the frequency, volume, and timing of sales of financial assets in the portfolio in previous periods, the reasons for such sales, and the expectations about future sales.

Financial assets held for trading, or managed and evaluated on a fair value basis, are always classified as fair value through profit or loss, because they are held neither with the intention of collecting contractual cash flows nor for the purpose of both collecting contractual cash flows and being sold.

Assessment whether contractual cash flows are solely payments of principal and interest

Whether or not contractual cash flows are solely payments of principal and interest is significant for the classification into measurement categories. For this test, 'principal' is defined as the financial asset's fair value upon initial recognition. 'Interest' is defined as consideration for the time value of money, credit risk, other fundamental lending risks (such as liquidity risk) and costs (such as administrative expenses) as well as a profit margin.

To assess whether the cash flows are solely payments of capital and interest, the contractual terms of the financial asset are reviewed. This includes assessing whether the financial asset contains a contractual term that could change the timing or amounts of the contractual cash flows. The review of the contractual terms includes the following, among other factors:

- contractual terms that change the amounts and timing of the contractual cash flows if a particular, specified event occurs
- terms that modify the consideration for the time value of money, such as a variable interest rate that is reset monthly to a one-year interest rate
- contractual terms that cause leverage
- prepayment and extension terms
- terms that limit Handelsbanken's claim to cash flows from specified assets.

Amortised cost

A financial asset is to be measured at amortised cost if both of the following conditions are met:

- The financial asset is held in a business model whose objective is to hold the asset in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans and holdings of interest-bearing securities that fulfil the above conditions are reported in the amortised cost category.

The basic rule is that financial liabilities are recognised at amortised cost. The exceptions are financial liabilities held for trading, such as derivatives, and liabilities that upon initial recognition are designated as measured at fair value.

Amortised cost consists of the discounted present value of all future payments relating to the instrument where the discount rate is the effective interest rate at the time of acquisition.

Financial assets in the amortised cost category are subject to impairment. See section 9 for more details. Any impairment losses are recognised in the income statement. Thus, financial assets in the amortised cost category are recognised net, after deduction for expected and actual loan losses.

Interest income, loan losses, and foreign exchange gains/losses on financial instruments measured at amortised cost are recognised in the income statement. Early repayment charges for loans which are redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities, are recognised immediately in the income statement under Net gains/losses on financial transactions.

Fair value through other comprehensive income

A financial asset is to be measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the asset.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Holdings of interest-bearing securities in the Bank's liquidity portfolio which satisfy the above conditions and which are not designated as measured at fair value through profit or loss are recognised in the fair value through other compre-hensive income category.

Interest income, loan losses, and foreign exchange gains/losses on debt instruments measured at fair value through other comprehensive income are recognised in the income statement. Unrealised changes in value are recognised in other comprehensive income and upon sale are reclassified to the income statement.

Debt instruments measured at fair value through other comprehensive income are subject to impairment. See section 9 for more details.

Upon initial recognition, investments in equity instruments that are not held for trading may be classified as measured at fair value through other comprehensive income. Subsequent changes in value, including foreign exchange gains/losses, are then recognised in other comprehensive income. Realised changes in value are reclassified to retained earnings and not to the income statement. Dividend income is recognised in the income statement. For certain unlisted shareholdings in companies that provide support activities to the Bank, Handelsbanken has chosen to classify these holdings at fair value through other comprehensive income. The reasons for this is that the shareholdings are long-term and strategically significant to the banking operations in the Group.

Fair value through profit or loss

A financial asset is to be measured at fair value through profit or loss if the conditions for reporting it at amortised cost or at fair value through other comprehensive income are not met.

Financial assets and liabilities held for trading are always classified as fair value through profit or loss, as are financial assets managed and evaluated on a fair value basis.

The measurement category 'fair value through profit or loss' mainly consists of listed equities, shares in mutual funds, interest-bearing securities, and derivatives. Interest, dividends and other value changes related to these instruments are recognised in the income statement under Net gains/losses on financial transactions.

Financial instruments which upon initial recognition were designated as measured at fair value through profit or loss

There is an option, at initial recognition, to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the asset.

There is a corresponding option to irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise in measurement of the liability, or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided to bank management internally on that basis.

This valuation principle has been applied to avoid inconsistencies when valuing assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis, such as liabilities resulting from unit-linked insurance contracts and certain holdings in the liquidity portfolio which are hedged with economic hedges.

Changes in the fair value of financial instruments that are measured at fair value through profit or loss are recognised under Net gains/losses on financial transactions. Interest attributable to interest-bearing securities which upon initial recognition were classified at fair value through profit or loss is recognised in Net interest income.

Reclassification of financial instruments

Financial assets are not reclassified after initial recognition unless in the rare case of the Bank changing its business model for the management of a portfolio of financial assets.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, for example a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as a liability in the balance sheet on the Accrued expenses and deferred income line. The guarantee is subsequently measured at the higher of the amortised premium or the provision for the expected loss (see section 9 for more details). In addition, the total guaranteed amount relating to guarantees issued is reported off balance as a contingent liability.

Premiums for purchased financial guarantees are accrued and recognised as decreased interest income in net interest income if the interest on the debt instrument to which the guarantee refers is recognised there.

Loan commitments are reported off-balance until the settlement date of the loan. Fees received for loan commitments are accrued in net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled, in which case the fee received is included in the effective interest rate of the loan.

Combined financial instruments

An embedded derivative is a component of a combined (hybrid) financial instrument that also includes a non-derivative host contract, which means that some of the combined instrument's cash flows vary in a way similar to the cash flows of a stand-alone derivative.

If a combined financial instrument contains a host contract that is a financial liability, an embedded derivative must be separated from the host contract and recognised as a derivative if

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract (for example, variable rate lending with an interest rate cap is not separated),
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- the combined financial instrument is not measured at fair value through profit or loss (that is, a derivative that is embedded in a financial liability measured at fair value through profit or loss is not separated).

Such separate recognition is applied, for example, to issues of equity-linked bonds and other structured products.

Separate recognition is not applied to combined financial instruments that contain a host contract that is a financial asset. Financial assets with embedded derivatives are regarded as a whole when assessing whether their contractual cash flows are solely payments of principal and interest.

The inherent value of the option to convert in an issued convertible debt instrument is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible instrument. The liability component is recognised at fair value in the balance sheet at the time of issue. After initial recognition, the liability component is carried at amortised cost at the original effective interest rate.

9. PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants.

For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information received can be verified by means of regularly occurring transactions. The current market price corresponds to the price between the bid price and the offer price which is most representative of fair value under the circumstances. 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. The valuation models used are based on input data which essentially can be verified using market observations such as market interest rates and share prices. If necessary, an adjustment is made for other variables which a market participant would be expected to take into consideration when setting a price. The assumptions used in the valuation are based on internally generated experience and are continuously examined by the risk control function. The result is compared with the actual outcome so as to identify any need for adaptations of assumptions and forecasting models.

Interest-bearing securities

Interest-bearing securities issued by governments and Swedish mortgage bonds are valued using current market prices. Corporate bonds are valued using valuation techniques based on market yields for the corresponding maturity adjusted for credit and liquidity risk. The values are regularly examined in order to ensure that the valuation reflects the current market price. The examinations are mainly performed by obtaining prices from several independent price sources and by reconciliation with recently performed transactions in the same or equivalent instruments.

Shares

Shares listed on an active market are valued at market price. When valuing listed shares, the choice of model is determined by what is deemed appropriate for the individual instrument.

Holdings of unlisted shares mainly consist of various types of jointly owned operations related to the Bank's core business. In general, such holdings are valued at the Bank's share of the company's net asset value. For unlisted shares for which the company agreement regulates the price at which the shares can be divested, the holdings are valued at the divestment price determined in advance. In all material respects, unlisted shares are classified as available for sale. As of 1 January 2018, they will essentially be classified as measured at fair value through other comprehensive income. Unrealised value changes for these holdings are recognised in Other comprehensive income. Realised value changes are recognised for the current financial year in Net gains/losses on financial transactions. As of 1 January 2018, realised value changes will remain in equity. When valuing unlisted shares in private equity funds, valuation principles used are those adopted by the European Venture Capital & Private Equity Association. In these models, the market value of the investments is derived from a relative valuation of comparable listed companies in the same sector. Adjustments are made for profit/loss items that prevent comparison between the investment and the compared company, and the value of the investment is then determined on the basis of profit multiples such as P/E and EV/EBITA. Value changes and capital gains on holdings in private equity funds which comprise part of the investment assets in the insurance operations are not recognised directly in the income statement but are included in the basis for calculating the yield split in the insurance operations. See section 13 for more information.

Derivatives

Derivatives which are traded on an active market are valued at market price. Most of the Group's derivative contracts, including interest rate swaps and various types of linear currency derivatives, are valued using valuation models based on market rates and other market prices. The valuation of non-linear derivative contracts that are not actively traded is also based on a reasonable assumption of market-based input data such as volatility.

When performing model valuation for derivatives, in some cases there are differences between the transaction price and the value measured by a valuation model upon initial recognition. Such differences occur when the applied valuation model does not fully capture all the components that affect the value of the derivative. Material unrealised results due to positive differences between the transaction price and the value measured by a valuation model (day 1 effect) are not recognised in profit/loss upon initial recognition, but are amortised over the life of the derivative. In addition, the Bank makes an independent valuation of the total credit risk component (own credit risk as well as counterparty risk) in outstanding model-valued derivatives. Changes in fair value due to changed credit risk are recognised in profit/loss to the extent that the overall effect exceeds non-recognised day 1 effects.

Loans measured at fair value through profit or loss

Loans measured at fair value through profit or loss are valued at the present value of expected future cash flows. When performing the calculation, the market interest rate is adjusted for credit risk. The credit risk premium is assumed to be the same as the original margin as long as there is no proof that the counterparty's repayment capacity has significantly deteriorated. Information about repayment capacity is obtained from the Bank's internal rating system. Value changes of loans measured at fair value through profit or loss are recognised in Net gains/losses on financial transactions.

Assets and liabilities where the customer bears the value change risk

Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk. Assets and liabilities where the customer bears the value change risk have essentially been classified as measured at fair value through profit or loss.

10. LOAN LOSSES

Accounting policies applied until 31 December 2017

Loans and receivables recognised at amortised cost

All units with customer and credit responsibility in the Handelsbanken Group regularly perform individual assessments of the need for recognising impairment losses for loans and receivables that are recognised at amortised cost. Impairment testing is performed where there are objective circumstances indicating that the recoverable amount of the loan is less than its carrying amount. Objective evidence could, according to the circumstances, be late or non-payment, bankruptcy, changed credit rating, or a decline in the market value of the collateral.

When performing impairment testing, the recoverable value of the loan is calculated by discounting the estimated future cash flows related to the loan and any collateral (including guarantees) by the effective interest rate of the loan. If the collateral is a listed asset, the valuation of the collateral is based on the quoted price; otherwise the valuation is based on the yield value or the market value estimated in some other manner. Collateral in the form of property mortgages is valued in the same way as repossessed real property. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount and is recognised as a loan loss in the income statement. A reported loan loss reduces the carrying amount of the loan in the balance sheet, either directly (actual loss) or by a provision account for loan losses (probable loss).

In addition to this individual assessment of loans, a collective assessment is made with the purpose of identifying the need to recognise an impairment loss that cannot yet be allocated to individual loans. The analysis is based on a distribution of individually valued loans in terms of the risk class. An impairment loss is recognised if this is justifiable taking into account changes in the risk classification and expected loss. Impairment losses which have been recognised for a group of loans are transferred to impairment losses for individual loans as soon as there is available information about the impairment in value at an individual level. A group impairment test is also performed for homogeneous groups of smaller loans with a similar risk profile.

Loan losses for the period comprise actual losses and probable losses on credits granted, minus recoveries and reversals of previous impairment losses recognised for probable loan losses. Actual loan losses may refer to entire loans or parts of loans and are recognised when there is no realistic possibility of recovery. This is the case, for example, when a trustee in bankruptcy has estimated bankruptcy dividends, when a scheme of arrangement has been accepted, or a concession has been extended in some other way. An amount forborne in connection with reconstruction of a loan or group of loans is always classified as an actual loss. If the customer is following a payment plan for a loan which was previously classified as an actual loan loss, the amount of the loss is subject to new testing. Recoveries comprise reversed amounts on loan losses previously reported as actual losses. Information about probable and actual loan losses is provided in note G10.

Interest rate effects arising due to discounting effects when the period until the expected payment is decreasing result in a reversal of previously provisioned amounts which are recognised as interest income in accordance with the effective interest method.

Disclosures concerning impaired loans

Information concerning impaired loans is provided gross, before a provision for probable loan losses, and net, after a provision for probable loan losses. Loans are defined as impaired if it is not probable that all contracted cash flows will be fulfilled. The full amount of all loans which have been classified as impaired are carried as impaired loans even if parts of the loan are covered by collateral. Loans which have been written off as actual loan losses are not included in impaired loans.

Valuation of repossessed property and equipment to protect claims

Upon initial recognition, repossessed property and equipment is recognised at fair value in the balance sheet. Repossessed property and equipment (including repossessed lease assets) which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell. Repossessed property which is not expected to be divested in the near future is recognised as investment property at fair value through profit or loss. Unlisted shareholdings taken over to protect claims are recognised as available-for-sale financial assets.

Impairment losses on available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised when there is objective evidence that one or more events of default have occurred with an impact on the expected future cash flows for the asset. For interest-bearing financial assets, examples of events of default that may indicate an impairment loss are a probable future bankruptcy, evidence of considerable financial difficulties on the part of the issuer, or evidence of permanent changes in the market where the asset is traded. For equity instruments, a permanent or considerable decline in the fair value is an indication of the need to recognise an impairment loss. When recognising an impairment loss, the part of the cumulative loss that was previously recognised in the fair value reserve in equity is recognised in the income statement.

Previously recognised impairment losses on interest-bearing securities classified as available-for-sale financial assets are reversed in the income statement if the fair value of the asset has increased since the impairment loss was recognised and the increase can be objectively related to an event occurring after the impairment loss was recognised. Previous impairment losses on equity instruments classified as available-for-sale financial instruments are not reversed.

Accounting policies that will be applied as of 1 January 2018

Expected loan losses

Financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income, as well as financial guarantees and credit commitments, are subject to the model for reporting expected loan losses. The model means that expected loan losses must be recognised.

The assets whose impairment needs to be tested are split into three stages depending on the degree of credit impairment. Stage 1 comprises assets for which the credit risk has not increased significantly since initial recognition. Stage 2 comprises assets for which the credit risk has significantly increased since initial recognition. Stage 3 comprises defaulted assets.

In stage 1, a provision is recognised corresponding to the loss expected to occur within 12 months. In stages 2 and 3, provisions are recognised corresponding to the loss expected to occur during the entire remaining maturity of the asset. The calculation of provisions takes into account forward-looking factors. Provisions in all stages are based on probability-weighted outcomes.

Assets in stage 3 are tested for impairment at an individual level. All units with customer and credit responsibility in the Group regularly perform these tests. Impairment testing is performed where there are objective circumstances indicating that the recoverable amount of the loan is less than its carrying amount. Objective evidence could, according to the circumstances, be late or non-payment, bankruptcy, changed credit rating, or a decline in the market value of the collateral. When performing impairment testing, the recoverable value of the loan is calculated by discounting the estimated future cash flows related to the loan and any collateral (including guarantees) by the effective interest rate of the loan. If the collateral is a listed asset, the valuation of the collateral is based on the quoted price; otherwise the valuation is based on the yield value or the market value estimated in some other manner. Collateral in the form of property mortgages is valued in the same way as repossessed real property. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount and is recognised as a loan loss in the income statement. A reported loan loss reduces the carrying amount of the loan in the balance sheet, either directly (actual loss) or by a provision account for loan losses (expected loss).

In addition to individual impairment testing, collective impairment testing is performed for homogeneous groups of smaller loans with a similar risk profile.

A utilised financial guarantee is reported as an expected or actual loan loss, depending on the circumstances.

Loan losses for the period

Loan losses for the period comprise actual losses and expected losses on credits granted, minus recoveries and reversals of previous impairment losses recognised for expected loan losses.

Actual loan losses may refer to entire loans or parts of loans and are recognised when there is no realistic possibility of recovery. This is the case, for example, when a trustee in bankruptcy has estimated bankruptcy dividends, when a scheme of arrangement has been accepted, or a concession has been extended in some other way. An amount forborne in connection with reconstruction of a loan or group of loans is always classified as an actual loss. If the customer is following a payment plan for a loan which was previously classified as an actual loan loss, the amount of the loss is subject to new testing. Recoveries comprise reversed amounts on loan losses previously reported as actual losses.

Loan losses related to debt instruments which are measured at fair value through other comprehensive income are recognised in the line item Net gains/losses on financial transactions.

Interest

In stages 1 and 2, recognition of interest income is based on gross accounting, which means that the full amount of interest income is recognised in net interest income. In stage 3, interest income is recognised net, that is, taking into account impairment. Interest rate effects arising due to discounting effects when the period until the expected payment is decreasing result in a reversal of previously provisioned amounts which are recognised as interest income in accordance with the effective interest method.

Valuation of repossessed property and equipment to protect claims

Upon initial recognition, repossessed property and equipment is recognised at fair value in the balance sheet. Repossessed property and equipment (including repossessed lease assets) which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell. Repossessed property which is not expected to be divested in the near future is recognised as investment property at fair value through profit or loss. Unlisted shareholdings taken over to protect claims are normally recognised at fair value through profit or loss.

Modified financial assets

If the cash flows from a financial asset which is classified as measured at amortised cost have been renegotiated or modified (such as loans that have been subject to forbearance), but the cash flows have not significantly changed, the modification does not cause the financial asset to be removed from the balance sheet. In such a case, the gross carrying amount of the financial asset and the adjustment amount are recognised as a modification gain or loss in the income statement.

11. HEDGE ACCOUNTING

The Group applies different methods for hedge accounting, depending on the purpose of the hedge. Derivatives – mainly interest rate swaps and cross-currency interest rate swaps – are used as hedging instruments. In addition, when hedging currency risks related to net investments in foreign operations, liabilities in the functional currency of the respective foreign operation are used as a hedging instrument. As part of the Group's hedging strategies, the value changes of a hedging instrument are sometimes divided into separate components and included in more than one hedge relationship. Therefore, one and the same hedging instrument can hedge different risks. Division of hedging instruments is only done if the hedged risks can clearly be identified, the efficiency can be reliably measured, and the total value change of the hedging instrument is included in any hedge relationship.

Cash flow hedges are applied to manage exposures to variations in cash flows relating to changes in the floating interest rates on lending and funding. The expected maturity for this type of lending and funding is normally much longer than the fixing period, which is very short. Cash flow hedging is also used to hedge exchange rate risk in future cash flows deriving from lending and funding. Exchange rate risks deriving from intragroup monetary items can also be subject to this type of hedging, if they give rise to currency exposures which are not fully eliminated on consolidation. Derivatives which are hedging instruments in cash flow hedges are measured at fair value. If the derivative's value change is effective – that is, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the derivative's value change are recognised in the income statement under Net gains/losses on financial transactions. When a cash flow hedge is terminated prematurely, the accumulated gain or loss, which was previously recognised in other comprehensive income, is amortised in Net gains/losses on financial transactions in the period when the hedged cash flows are expected to occur. If cash flow hedges are terminated prematurely and the hedged cash flows are no longer expected to occur, the accumulated value change is reclassified in the hedge reserve to Net gains/losses on financial transactions.

Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to exposure to changes in market prices. Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. Hedged risks in hedging packages at fair value comprise the interest rate and currency risk on lending and funding at fixed interest rates and also lending with interest rate caps. The hedging instruments in these hedging relationships consist of interest rate swaps, cross-currency interest rate swaps and interest rate options. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial transactions. When portfolio hedging is applied, the value of the hedged item is reported as a separate line item in the balance sheet in conjunction with Loans to the public. When a fair value hedge is prematurely terminated, the gain or loss generated on the hedged item is amortised in Net gains/losses on financial transactions during the remaining time to maturity. When a fair value hedge is prematurely terminated, and the hedged item no longer exists, the value change generated is reversed directly in Net gains/losses on financial transactions. Accumulated value changes on portfolio hedges which have been terminated prematurely are reported in the balance sheet under Other assets.

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. Cross-currency interest rate swaps and loans in foreign currencies are used as hedging instruments. The hedged item in these hedges is made up of net investments in the form of direct investments, as well as claims on foreign operations that are not expected to be settled in the foreseeable future. Loans in foreign currency that hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange rate differences for such loans is recognised as a component of Other comprehensive income and in the translation reserve in equity. The effective part of changes in value in cross-currency interest rate swaps that hedge exchange rate risk in claims on foreign operations is recognised in the same manner. The ineffective components of hedges of net investments in foreign operations are recognised in the income statement under Net gains/losses on financial transactions.

12. LEASES

The Group's leases are defined as either finance or operating leases. A finance lease substantially transfers all the risks and rewards incidental to legal ownership of the leased asset from the lessor to the lessee. Other leases are operating leases. All leases where the Group is the lessor have been defined as financial leases. Lease agreements of this kind are accounted for as loans in the balance sheet, initially for an amount corresponding to the net investment. Lease fees received are recognised on a continual basis as interest income/repayments.

For the period until 31 December 2017, impairment testing on finance lease agreements was performed according to the same principles as for other lending carried at amortised cost. As of 1 January 2018, finance leases are subject to the model for expected loan losses, in the same way as other financial assets measured at amortised cost.

Operating lease contracts are not reported in the balance sheet. Expenses relating to operating leases where the Group is the lessee are recognised on a straight-line basis as Other expenses.

13. INSURANCE OPERATIONS

The Group's insurance operations are run through the subsidiary Handelsbanken Liv. Products consist mainly of legal life insurance in the form of traditional life insurance, unit-linked insurance and risk insurance in the form of health insurance and waiver of premium.

Classification and unbundling of insurance contracts

Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. 'Insurance risk' refers to risk other than financial risk that is transferred from the contract's owner to the issuer. Contracts that do not transfer significant insurance risk are classified in their entirety as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are split and recognised separately in accordance with the principles described below.

Accounting for insurance components in insurance contracts

Premium income and insurance claims paid for insurance contracts are recognised in the income statement as a net amount under the item Risk result – insurance. The change in the Group's insurance liability is also reported under this item. Premiums received which have not yet been recognised as income are carried as a liability for paid-in premiums under Insurance liabilities in the balance sheet. The balance-sheet item Insurance liabilities also includes liabilities for sickness annuities, life annuities and other outstanding claims. The insurance liability is valued by discounting the expected future cash flows relating to insurance contracts entered into. The valuation is based on assumptions concerning interest, longevity, health, and future charges. The assumptions concerning longevity vary depending on when the policy was taken out and takes into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions on the insured's future health are based on internally acquired experience and vary depending on the product. Interest rate assumptions are based on current market rates and depend on the maturity of the liability. The Group's insurance liabilities are subject to regular review, at least annually, to ensure that the reported insurance liability is sufficient to cover expected future claims. If necessary, an additional provision is made. The difference is recognised in the income statement.

Accounting for investment contracts and financial components of insurance contracts

In-payments and out-payments referring to customers' savings capital originating in investment contracts and financial components of insurance contracts are recognised directly over the balance sheet as deposits and withdrawals.

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised in the balance sheet as borrowing from the public. These liabilities are valued at the higher of the guaranteed amount and the current value of the insurance contract. The guaranteed amount earns interest at the guarantee rate of interest and corresponds to the amortised cost of the insurance contract. The current value of the insurance contract is equal to the value of the assets managed on behalf of the policyholders, and earns interest with a return that is based on the total return for the assets with a deduction for any yield split. The yield split implies that the insurer is allocated a contracted part of the total return if this return exceeds the guaranteed return during the calendar year. The calculation is performed annually and is accumulated for each individual insurance contract. This means that the conditional bonus is reduced in those cases where the yield in an individual year is less than the guaranteed interest rate and vice versa. The share that accrues to the Group under the yield split model is reported as Fee and commission income. If the yield is less than the guaranteed yield per contract, the difference is recognised in the income statement under Net gains/losses on financial transactions.

Assets and liabilities arising from unit-linked insurance contracts are recognised at fair value in the balance sheet as Assets/Liabilities where the customer bears the value change risk.

Premium fees and administrative charges for investment contracts and financial components of insurance contracts are accrued and recognised in the income statement under Fee and commission income. Acquisition costs are recognised directly in the income statement.

Reinsurance

The reinsurer's share of the Group's insurance liabilities is recognised as Reinsurance assets in the balance sheet.

14. INTANGIBLE ASSETS

Recognition in the balance sheet

An intangible asset is an identifiable non-monetary asset without physical form. An intangible asset is only recognised in the balance sheet if the probable future economic benefits attributable to the asset will flow to the Group and the acquisition cost can be reliably measured. This means that internally generated values in the form of goodwill, trademarks, customer databases and similar are not recognised as assets in the balance sheet.

Investments in software developed in-house are carried as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or software. In the case of in-house development of new software, or development of existing software for new business operations, the expenditure incurred that can be reliably measured, is capitalised from the time when it is probable that economic benefit will arise. Expenditure arising from borrowing costs is capitalised from the date on which the decision was made to capitalise expenditure for development of intangible assets.

When accounting for business combinations, the acquisition price is allocated to the value of acquired identifiable assets, liabilities and contingent liabilities in the acquired business. These assets may also include intangible assets that would not have been recognised in the balance sheet if they had been acquired separately or internally generated. The part of the acquisition price in a business combination that cannot be allocated to identifiable assets and liabilities is recognised as goodwill.

Goodwill and intangible assets with an indefinite useful life
Goodwill and other intangible assets with an indefinite useful life are recorded at cost less possible impairment losses. These assets are tested annually for impairment when preparing the annual report or when there is an indication that the asset is impaired. Impairment testing is performed by calculating the recoverable amount of the assets, i.e. the higher of the value in use and the fair value less costs to sell. As long as the recoverable amount exceeds the carrying amount, no impairment loss needs to be recognised. Impairment losses are recognised directly in the income statement.

Since it is not possible to differentiate cash flows arising from goodwill from cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is followed up at business segment level. Material assessments and assumptions in impairment testing of goodwill are described in note G24. Previously recognised goodwill impairment losses are not reversed.

Intangible assets with a finite useful life
Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. Currently this means that customer contracts are amortised over 20 years and that internally developed software is normally amortised over five years. In certain infrastructure projects, the useful life is assessed to be more than five years. For these types of investment, the amortisation period is up to 15 years. Brand names which are subject to amortisation are amortised over five years. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are reviewed for impairment when there is an indication that the asset may be impaired. The impairment test is performed according to the same principles as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

15. PROPERTY AND EQUIPMENT
The Group's tangible non-current assets consist of property and equipment. With the exception of real property that constitutes investment assets in the insurance business, and repossessed properties to protect claims, these assets are recorded at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are reviewed annually. The tangible assets that consist of components with different estimated useful lives are sub-divided into different categories with separate depreciation plans. Such depreciation of components is normally only applied for real property. Only components of the property whose acquisition costs are substantial in relation to the total acquisition cost are separately depreciated. The remaining parts of the real property (building structure) are depreciated as a whole over their expected useful life. Currently, the useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for building fixtures and fittings 10 years. Personal computers and other IT equipment are usually depreciated over three years and investments in bank vaults and similar investments in premises over 10 years. Other equipment is normally depreciated over five years.

Impairment testing of property and equipment is carried out when there is an indication that the value of the asset may have decreased. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in the income statement. An impairment charge is reversed if there is an indication that there is no longer any impairment loss and there has been a change in the assumptions underlying the estimated recoverable amount.

16. PROVISIONS
Provisions consist of recognised expected negative outflows of resources from the Group and which are uncertain in terms of timing or amount. Provisions are reported when the Group, as a consequence of past events, has a legal or constructive obligation, and it is probable that an outflow of resources will be required to settle the obligation. For recognition it must be possible to estimate the amount reliably. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

Provisions are reported for restructuring. Restructuring refers to major organisational changes, for example when employees receive termination benefits relating to early termination of employment, or branches are closed. In order for a provision to be reported, a restructuring plan must have been established and communicated so that a valid expectation has been created in those affected, that the enterprise will carry out the restructuring. A restructuring provision only includes the direct expenditures arising from the restructuring and which are not related to the future operations.

17. EQUITY
Equity comprises the components described here.

Share premium reserve
The share premium reserve comprises the options component of issued convertible notes and the amount that in the issue of shares and conversion of convertible debt securities exceeds the quotient value of the shares issued.

Hedge reserve
Unrealised changes in value on derivative instruments which comprise hedge instruments in cash flow hedges are reported in the hedge reserve.

Fair value reserve
The fair value reserve comprises unrealised changes in value on financial assets classified as available for sale. As of 1 January 2018, the fair value reserve comprises unrealised changes in value of financial assets classified as measured at fair value through other comprehensive income.

Translation reserve
The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the presentation currency of the consolidated accounts.

Defined benefit pension plans
Defined benefit pension plans comprises actuarial gains and losses on the pension obligation as well as the return that exceeds the return based on the discount rate on plan assets.

Retained earnings including profit for the year
Retained earnings comprise the profits generated from the current and previous financial years. Dividends and repurchases of own shares are reported as deductions from Retained earnings.

The effects of the transition to IFRS 9 will be recognised in retained earnings.

Minority interest
The minority interest consists of the portion of the Group's net assets that is not directly or indirectly owned by holders of the parent company's ordinary shares. The minority interest is recorded as a separate component of equity.

Accounting for own shares
Repurchased own shares are not carried as assets but are offset against Retained earnings under equity.

18. INCOME

General information

Accounting policies applied until 31 December 2017
Income is recognised in the income statement when it is probable that future economic benefits will be gained and these benefits can be reliably measured. The following general principles apply to recognition of income for various types of fees and charges:

- Fees that are earned gradually as the services are performed, such as management fees in asset management, are recognised as income at the rate these services are delivered.
- Fees attributable to a specific service or action are recognised as income when the service has been performed. Examples of such fees are brokerage and payment commissions.
- Fees that constitute part of the effective interest of a financial instrument are accrued in cases where the instrument is measured at amortised cost in accordance with the effective interest method. For financial instruments at fair value, such fees are recognised as income immediately.

Accounting policies that will be applied as of 1 January 2018
Fee and commission income and Other income (excluding rental income) are recognised in the income statement when an agreement with a customer meets all of the following criteria:

1. the parties to the contract have approved the contract and are committed to perform their respective obligations
2. performance obligations have been established for services to be transferred
3. the payment terms have been established for the services to be transferred
4. the transaction price can be allocated to each individual service in the agreement
5. it is probable that consideration will be collected in exchange for the services that will be transferred to the customer.

The following applies to recognition of income for various types of fees and charges:

- Fees that are earned gradually as the services are performed, such as management fees in asset management, are recognised as income at the rate these services are delivered. In practice, these are on a straight-line basis.
- Fees attributable to a specific service or action are recognised as income when the service has been performed. Examples of such fees are brokerage and payment commissions.

Net interest income
Interest income and interest expense are calculated and recognised by applying the effective interest method or, where considered appropriate, by applying a method that results in an amount that constitutes a reasonable estimate of the results of a calculation based on the effective interest method. Effective interest contains fees which are considered an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate corresponds to the rate used to discount future contractual cash flows for the carrying amount of the financial asset or liability.

Interest income and interest expense are recognised as Net interest income in the income statement, with the exception of interest flows deriving from financial instruments held for trading (until 31 December 2017) and financial instruments measured at fair value through profit or loss (as of 1 January 2018). Net interest income also includes interest deriving from derivative instruments that hedge items whose interest flows are recognised in Net interest income. In addition to interest income and interest expense, net interest income includes fees for state guarantees, such as deposit guarantees and the stability fee.

In order to arrive at a net interest income figure that is free from interest deriving from financial assets and liabilities held for trading (until 31 December 2017) or that are recognised at fair value through profit or loss and held for trading (as of 1 January 2018), and simultaneously to gain an overall view of the activity in the trading book, interest income and interest expense relating to these financial assets and liabilities are recognised in Net gains/losses on financial transactions.

Net fee and commission income
Income and expense for various kinds of services are recognised in the income statement under Fee and commission income and Fee and commission expense, respectively. This means that brokerage income and various types of management fees are recognised as commissions. Other forms of income recognised as commission are payment commissions and card fees, premiums referring to financial guarantees issued, as well as commissions from insurance operations. Positive yield split in the insurance operations is also recognised as commission. Guarantee commissions that are comparable to interest and such fees that constitute integrated components of financial instruments and therefore included when calculating the effective interest, are recognised under Net interest income and not commissions.

Net gains/losses on financial transactions

Accounting policies applied until 31 December 2017
Net gains/losses on financial transactions includes all items with an impact on profit or loss that arise when measuring financial assets and liabilities at fair value through profit or loss and when all financial assets and liabilities are realised. Specifically, the items reported here are:

- capital gains or losses from the disposal and settlement of financial assets and liabilities
- unrealised changes in the value of assets and liabilities which upon initial recognition were classified as Assets measured at fair value through profit or loss, excluding the value change component recognised as interest
- realised and unrealised changes in the value of financial assets and liabilities classified as held for trading
- interest from financial instruments held for trading, with the exception of interest originating from derivatives that are hedging instruments whose interest flows are reported in net interest income
- dividend income on financial assets classified as held for trading
- unrealised changes in fair value of the hedged risk in assets and liabilities that are hedged items in fair value hedges, and amortisation of these unrealised changes in value on hedges which have been prematurely terminated
- unrealised changes in the value of derivatives which comprise hedging instruments in fair value hedges
- ineffective components of changes in the value on hedging instruments which are hedging cash flows and hedging net investments in foreign operations
- negative yield split in the insurance operations, i.e. the losses arising when the yield on financial assets in the insurance business is less than the change in guaranteed yield.

Accounting policies that will be applied as of 1 January 2018

Net gains/losses on financial transactions includes all items with an impact on profit or loss that arise when measuring financial assets and liabilities at fair value through profit or loss and when financial assets and liabilities are realised (with the exception of certain equity instruments). Specifically, the items reported here are:

- capital gains or losses from the disposal and settlement of financial assets and liabilities, with the exception of capital gains/losses on equity instruments classified as measured at fair value through other comprehensive income. These capital gains/losses are not reclassified to the income statement but remain in equity
- unrealised changes in the value of financial assets and liabilities that upon initial recognition were identified as measured at fair value through profit or loss, excluding the value change component recognised as interest
- realised and unrealised changes in the value of financial assets and liabilities classified as measured at fair value through profit or loss
- interest from financial instruments classified as measured at fair value through profit or loss and as held for trading, with the exception of interest originating from derivatives that are hedging instruments whose interest flows are recognised in net interest income
- loan losses related to debt instruments measured at fair value through other comprehensive income
- dividend income on financial assets classified as measured at fair value through profit or loss
- unrealised changes in fair value of the hedged risk in assets and liabilities that are hedged items in fair value hedges, and amortisation of these unrealised changes in value on hedges which have been prematurely terminated
- unrealised changes in the value of derivatives which comprise hedging instruments in fair value hedges
- ineffective components of changes in the value on hedging instruments which are hedging cash flows and hedging net investments in foreign operations
- negative yield split in the insurance operations, i.e. the losses arising when the yield on financial assets in the insurance business is less than the change in guaranteed yield.

Dividend received

Dividends on shares classified as available for sale (until 31 December 2017) and classified as measured at fair value through other comprehensive income (as of 1 January 2018) are recognised in profit and loss as Other dividend income. Dividends on shares classified as financial assets held for trading (until 31 December 2017) and classified as measured at fair value through profit or loss (as of 1 January 2018) are recognised in Net gains/losses on financial transactions. Dividends on shares in associates are not included in the Dividends item in the income statement. Recognition of the share of profits of associates is discussed in section 4.

19. EMPLOYEE BENEFITS

Staff cost

Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

Accounting for pensions

Post-employment benefits consist of defined contribution plans and defined benefit plans. Plans under which the Group pays fixed contributions into a separate legal entity, and subsequently has no legal or constructive obligation to pay further contributions if the legal entity does not hold sufficient assets to fulfil its obligations to the employee, are recognised as defined contribution plans. Premiums paid for defined contribution plans are recognised in the income statement as staff costs as they arise. Other post-employment plans are accounted for as defined benefit plans. For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension obligation. For the majority of defined benefit plans, the Group has kept plan assets separate in pension foundations and a pension fund. For defined benefit plans, the pension obligations minus the plan assets are reported as a net liability in the balance sheet. Actuarial gains and losses on the pension obligation and any return which exceeds the return according to the discount rate on plan assets are reported in Other comprehensive income.

The pension cost recognised for defined benefit plans is the net amount of the following items, all included in staff costs:

\+ Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.

\+ Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current corporate bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.

\- Estimated yield (interest) on the plan assets. Interest on the plan assets is reported in profit/loss using the same interest rate as when establishing the year's interest expense.

\+ The estimated cost of special payroll tax is accrued using the same principles as for the underlying pension cost.

Calculation of costs and obligations resulting from the Group's defined benefit plans depends on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 21 and note G8.

20. TAXES

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's, or previous periods', taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are carried at nominal value. Tax is recognised in the income statement, in Other comprehensive income or directly in equity depending on where the underlying transaction is reported.

21. ESTIMATES AND KEY ASSUMPTIONS

In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected in a number of cases by estimates and assumptions about the future. Such assumptions always imply a risk that the carrying amounts of assets and liabilities might be adjusted. The assessments and assumptions applied always reflect the management's best and fairest assessments and are continually subject to examination and validation. The assessments and assumptions that have had a material impact on the financial reports are discussed below.

Estimates and key assumptions concerning the following areas are provided in specific notes:
- financial instruments measured at fair value in note G40, Fair value measurement of financial instruments
- goodwill impairment testing in note G24, Intangible assets
- claims in civil suits in note G35, Provisions.

Actuarial calculation of defined benefit pension plans
Calculation of the Group's expense and obligations for defined benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of defined benefit obligations for employees in Sweden is based on DUS14, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend.

The discount rate is based on first-class corporate bonds. In this context, covered mortgage bonds are considered to be corporate bonds. The maturity corresponds to the estimated average maturity of the pension obligation, this being 20 years. Since there is no liquid market for covered mortgage bonds with this maturity period, the discount rate is instead set on the basis of a yield curve. The yield curve is constructed as a spread over the Swedish swap curve. The spread, which is based on covered mortgage bonds, excluding own issues, is applied to the swap curve. In this way, a yield curve is modelled and a 20-year yield can be derived from this.

Note G8 provides a sensitivity analysis of the Group's defined benefit obligation for all major actuarial assumptions. This shows how the obligation would have been affected by reasonable possible changes in these assumptions.

Loan losses
Accounting policies applied until 31 December 2017
The value of the Group's loans is reviewed regularly and individually for each loan. If needed, the loan is written down to the assessed recoverable amount. The estimated recoverable amount is based on an assessment of the counterparty's financial repayment capacity and assumptions on the realisable value of any collateral. The final outcome may deviate from the original provisions for loan losses. The assessments and assumptions used are subject to regular examinations by the internal credit organisation. See also note G2 for a detailed description of internal risk control and how the Bank manages credit risk.

Accounting policies that will be applied as of 1 January 2018
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 estimate in the Capital Requirements Regulation, the loan loss estimate must be based on forward-looking current assessments of EAD, PD, and LGD, given weights assigned to various possible forecasts of macroeconomic trends.

The Bank has initially decided to use three macroeconomic scenarios (base, upturn, and downturn) to take into account the non-linear aspects of expected loan losses. The model takes into account the following material macro factors, broken down by country:
- unemployment
- key/central bank rates
- GDP
- inflation
- property prices.

The various scenarios will be used to adjust the relevant parameters for calculating expected loan losses, and a probability-weighted average of the expected losses in each 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 in credit risk is based on three factors:
- Quantitative criteria – an increase of 250 per cent 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 'backstops', such as the reason a customer is 'risk reported'.
- 'Backstops' – forbearance and loans that are overdue by more than 30 days.

G2 Risk and capital management

This note is an extract from Handelsbanken's publication Risk and Capital Management – Information according to Pillar 3. The numbering of the tables is therefore specific to that report.

Handelsbanken works on the basis of a well-tested business model which has been unchanged for more than 40 years. The Bank has a decentralised way of working and a strong local presence through nationwide branch networks. The Bank attaches great importance to availability and long-term customer relations, has low tolerance of risk and achieves international growth by applying its business model to selected markets. Lending in the Bank's branch operations gives rise to credit risks; the Bank strives to limit all other risks as much as possible.

For the past few decades, Handelsbanken's loan loss ratio has been significantly lower than the average of other Nordic banks. The Bank's goal is always that no credit will lead to a loss. This approach completely determines the branches' granting of credit and work with their credit portfolios.

By maintaining large liquidity reserves and by matching cash flows, the Bank has worked for a long time to safeguard its low liquidity risk. This is also a natural consequence of the Bank's low risk tolerance.

In addition, market risks at Handelsbanken have further decreased in the past few years, from already low levels to very low at present.

RISK TOLERANCE

Handelsbanken has a low risk tolerance. Credit risks arise as part of lending in branch operations. The Bank's goal is always that no credit will lead to loss. This approach completely determines the branches' granting of credit and work with their credit portfolios. The Bank is a relationship bank which focuses on customers with a good repayment capacity and strong financial position. The quality requirement must never be neglected in favour of higher credit volumes, higher prices or market share.

There is low tolerance of market risk and liquidity risk. Market risks only occur as part of customer business, in connection with the Bank's funding and liquidity management, in its role as a market maker and in the pension system. The Bank's low tolerance of market risk has resulted in a comparatively low proportion of the Bank's earnings coming from net gains/losses on financial transactions. All funding and liquidity risk management is centralised to Group Treasury. Liquidity risk is limited by means of requirements on matching cash flows and satisfactory liquidity reserves of high quality.

Tolerance is also low for operational risk and compliance risk. As far as possible, the Bank endeavours to prevent these risks and to reduce losses in this area. Losses must remain low.

RISK STRATEGY

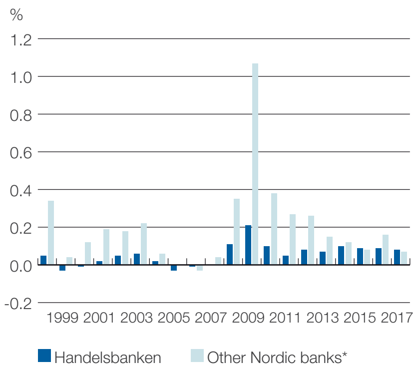
Handelsbanken offers a wide range of different banking and insurance products. These entail various risks that are systematically identified, measured and managed in all parts of the Group. Handelsbanken's restrictive approach to risk means that the Bank deliberately avoids high-risk transactions, even if the expected remuneration may be high at that time.

This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. The risk culture is integral to every aspect of the Bank's work and is deeply rooted among the Bank's employees. The Bank is characterised by a clear allocation of responsibilities, where each part of the business operations bears full responsibility for its business and for risk management. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations. However, the decentralised business model is combined with strong centralised controls. The low risk tolerance is also reflected in the view of remuneration. The main principle is that remuneration must be fixed, as this encourages the long-term perspective that is a central feature of Handelsbanken's business model. Employees with the authority to make business decisions which entail risk for the Bank can only receive fixed remuneration with no variable components. The employees are one of the largest owners of the Bank via the Oktogonen Foundation, which also contributes to a high level of risk awareness and a long-term approach.

Lending has a strong local presence, in which close customer relationships and local knowledge promote low credit risk. In addition, the Group must be well-capitalised at all times in relation to the risks in the operations and hold liquid assets so that it can always meet its payment commitments when they fall due, including in situations of financial stress when funding is not possible in the financial markets. In this way, Handelsbanken aims for a business model which is not affected by fluctuations in the business cycle.

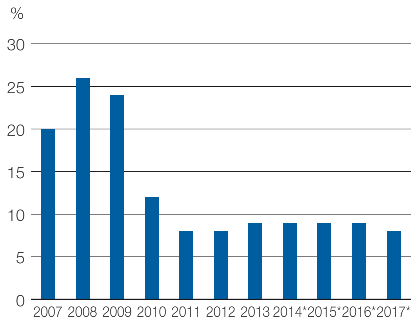
This restrictive approach to risk means that the Bank is a stable and long-term business partner for its customers, regardless of the business cycle or market situation. It contributes to good risk management and sustaining a high service level even when operations and the markets where the Bank operates are under strain. The same principles for the Bank's approach to risks apply in all countries where

Figure 2 Loan losses as a percentage of lending 1998–2017



* Only Swedish banks are included for the period up to and including 2000.

Figure 3 Net gains/losses on financial transactions as proportion of profit 2007–2017



Source: Annual reports.
* Excluding non-recurring items.

Figure 4 Risks at Handelsbanken

	Description
Credit risk	Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.
Market risk	Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risk, equity price risk, exchange rate risk and commodity price risk.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.
Compliance risk	Compliance risk is the risk that the Bank does not comply with laws, regulations and internal rules, or accepted business practices or standards.
Remuneration risk	Remuneration risk is the risk of loss or other damage arising due to the remuneration system.
Insurance risk	Insurance risk is the risk in the outcome of an insurance that depends on the insured party's longevity or health.

the Bank operates and they are guiding principles in the Bank's continued international expansion.

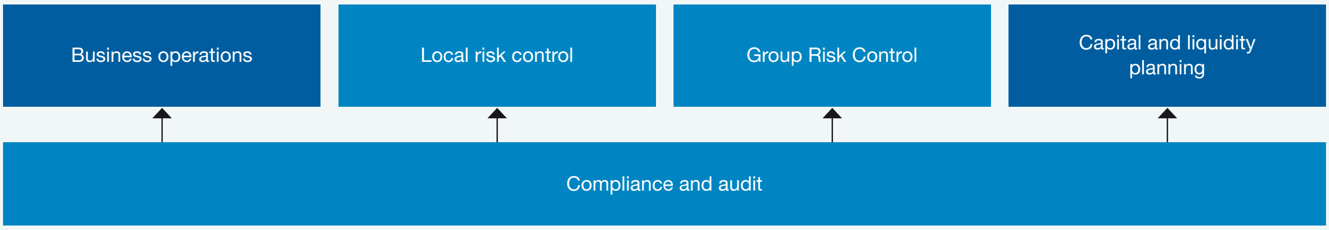
RESILIENT RISK MANAGEMENT

Handelsbanken's capital situation and liquidity situation are strong. The Bank has continuous access to the financial markets via its short-term and long-term funding programmes. The Bank has a large liquidity reserve of high quality, which provides a high degree of resistance to possible disruptions in the financial markets. Group Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of balances with central banks, government bonds and covered bonds. In addition, there is an extensive unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements for more than three years in a stressed scenario entirely without access to new market funding. Operations can be maintained for a considerable period of time even in an extreme situation when the foreign exchange markets are closed.

The Bank's capital situation continued to grow stronger during the year, and its earnings have been stable. Coupled with low loan losses, this has contributed to the strong position.

Handelsbanken's low tolerance of risk, sound capitalisation and strong liquidity situation mean that the Bank is well equipped to operate under the new, stricter regulations and also under substantially more difficult market conditions than those experienced in recent years.

Figure 5 Handelsbanken's risk management and risk control



Business operations

The Bank is characterised by a clear allocation of responsibilities, where each part of the business operations bears full responsibility for its business and for all risk management. Those who know the customer and market conditions best are in the best position to assess the risk and can also act at an early stage if problems arise. Each branch and each profit centre is responsible for dealing with any problems that arise. This creates strong incentives for high risk awareness and for prudence in the business operations.

However, the decentralised credit decisions are conditional on a joint credit process, for which Group Credits is responsible. Group Credits prepares the credit limits which the Board or the credit committee set up by the Board decide on. Group Credits also ensures that credit assessments throughout the Group are consistent and that loans are granted in accordance with the credit policy decided by the Board.

Financial risks in the Bank's business operations mainly arise at Group Treasury, Handelsbanken Capital Markets, and Handelsbanken Liv, and are managed there. Handelsbanken has a highly decentralised business model, but all funding and liquidity management in the Group is centralised in Group Treasury. The market risks that arise to meet customers' demand for financial instruments with exposure to the fixed income, currency, equity or commodities markets are managed in Handelsbanken Capital Markets. Operational risk occurs in all of the Bank's operations, and the responsibility for managing operational risk is an integral part of managerial responsibility at all levels in Handelsbanken. The management of market risks, the management of the Bank's operational risk, and funding and liquidity management are all governed by policies established by the Board.

Local risk control

There is a local risk control function in each country where the Bank has operations, at each regional bank, at central main departments and in subsidiaries. Local risk control works to identify, measure, analyse, and report risks in the operations. Local risk control also checks the limits for market, liquidity, counterparty, and operational risks and evaluates breaches of these limits and credit limits. In addition, local risk control must also ensure that risk analysis is performed for new products and services, IT systems, and essential processes and must evaluate the business operations' work with operational risk. At country level, local risk control is tasked with monitoring credit risks and the credit process. A special local risk control function within Group IT monitors risks in IT and information security. Local risk control reports to Group Risk Control and also to the management of the operations.

Group Risk Control

As business decisions become more decentralised, the need for central monitoring of the risk and capital situation increases. Group Risk Control is therefore a natural and vital component of the Bank's business model.

Group Risk Control has the task of identifying, measuring, analysing and reporting all the Group's material risks. It monitors that the risks and risk management comply with the Bank's low tolerance of risks and that management has reliable information to use as a basis for managing risks in critical situations. Group Risk Control also has functional responsibility for ensuring that local risk control measures risks in a fit-for-purpose and consistent manner in the Group, and that the Bank's management and Board receive regular reports and analyses of the current risk situation.

Stress tests – capital and liquidity planning

If – despite the work in the three components described above – Handelsbanken were to suffer serious losses, the Bank holds capital and a liquidity reserve to ensure its survival both during and after extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital requirement, combined with a calculation of economic capital and stress tests. Liquidity planning ensures that the Group can always meet its payment commitments when they fall due, even in situations of financial stress when funding is not possible in the financial markets. Stress tests and scenario analyses identify the measures that need to be prepared or implemented to ensure a satisfactory liquidity situation and capitalisation at any given time and which measures are needed to restore the Group's capital and liquidity in a recovery situation following a serious crisis.

Compliance and audit

In addition to the elements described above, operations are examined by compliance, at central, business area and subsidiary level, and also by the internal and external auditors. The Compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices and norms, are complied with in Handelsbanken's operations. Actions to ensure compliance are one part of internal control, and responsibility for ensuring compliance rests not only on the compliance function but also on product owners, managers and employees in the Handelsbanken Group.

CREDIT RISK

Credit risk is the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.

CREDIT RISK STRATEGY

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with local presence ensures high quality in credit decisions. The Bank is a relationship bank where the branches maintain regular contact with the customer, which gives the branch an in-depth knowledge of each individual customer and a continually updated picture of the customer's financial situation.

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers, which means it seeks customers with high creditworthiness. The quality requirement is never neglected in favour of higher credit volumes or to achieve higher returns. The Bank also avoids participating in financing where there are complex customer constellations or complex transactions which are difficult to understand.

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations. Credits must therefore normally be adequately secured.

The local branch's close contact with its customers also enables the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly than would have been possible with a more centralised management of problem loans. The branch also has full financial responsibility for granting credits, and therefore addresses problems that arise when a customer has payment difficulties, and also bears any loan losses. If necessary, the local branch obtains support from the regional head office and central departments. The Bank's way of working means that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to this type of risk. This approach forms an important part of the Bank's culture. The work method and approach described are important reasons for the Bank reporting very low loan losses over a long period.

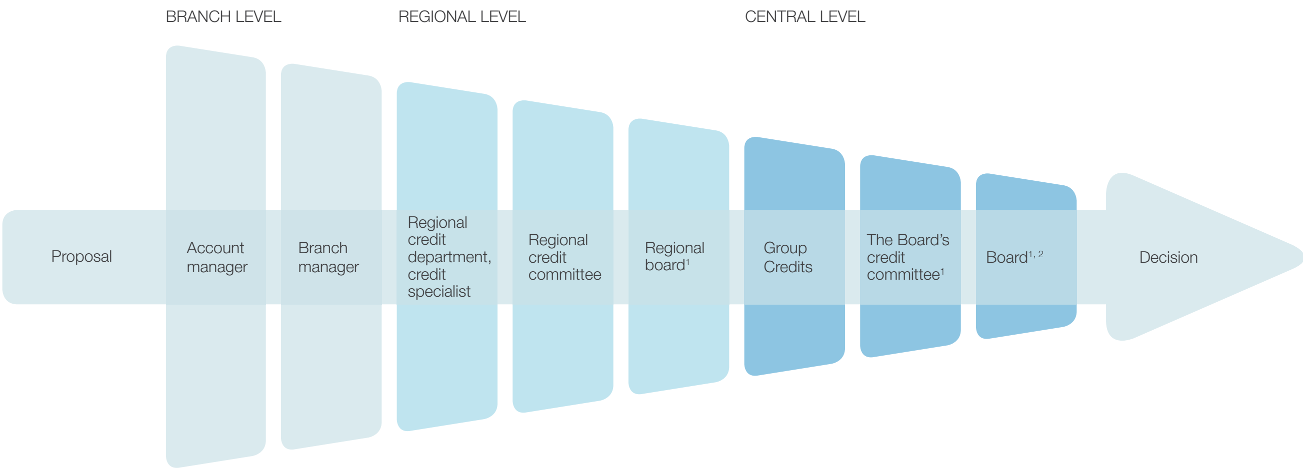
CREDIT ORGANISATION

In Handelsbanken's decentralised organisation, each branch responsible for customers has total credit responsibility. Customer and credit responsibility lies with the branch manager or with the employees appointed by the manager at the local branch.

In Handelsbanken's decentralised organisation, the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, at regional level, in the Board's credit committee, or by the Board. Credit decision documentation includes general and financial information regarding the borrower and an assessment of their repayment capacity, loans and credit terms, as well as a valuation of collateral. For regional bank boards, the Board's credit committee and the Board, the credit decision refers to the total amount of the credit limit with possible headroom for unsecured credits.

For borrowers whose total loans exceed SEK 3 million, the credit decision is made in the form of a credit limit. In the case of loans to private individuals against collateral in a residential property, a credit limit is required for amounts exceeding SEK 6 million. For loans to housing co-operative associations against collateral in the residential property, a limit is required for amounts exceeding SEK 12 million.

Figure 7 Credit process and decision levels at Handelsbanken



Breakdown of limit decisions[3]

	Branch level	Regional level	Central level
Proportion of number of limits	71%	27%	2%
Proportion of limit amount	12%	31%	57%

[1] The decision refers to the total amount of the credit limit with possible headroom for unsecured credits.
[2] Decides only if the case is assessed to be of special or general interest and decides on credits to Board members and certain executive officers.
[3] Excluding sovereign and bank limits decided at central level.

Credit limits granted are usually valid for one year. When extending a credit limit, the decision procedure required is the same as for a new credit limit.

Branch managers and most branch staff have personal decision limits allowing them to decide on credits to the customers they are responsible for.

For decisions on larger credit limits, there are regional and central decision levels. Each additional level of decision adds credit expertise. Each decision level has the right to reject credit limits both within their own decision level and also credit limits which would otherwise have been decided at a higher level. All participants throughout the decision process, regardless of level, must be in agreement in order for a positive credit limit decision to be made. If there is the slightest doubt among any of the participants, the credit application is rejected. The largest credits have been reviewed by Group Credits and decided by the Board or the credit committee set up by the Board. However, no credit application may be processed in the Bank without the recommendation of the branch manager who is responsible for the credit.

The decision procedure for credits and credit limits is illustrated in figure 7. The figure also shows the percentage of credit limit decisions and amounts at the various decision levels.

In Handelsbanken's decentralised organisation, where a high proportion of the number of credit and credit limit decisions are made by individual branches, it is important that there is a well-functioning re-examination process to ensure that the decisions are high quality. The branch manager examines the quality of the staff's decisions, and the regional credit departments examine the quality of decisions made by branch managers.

The purpose of the quality review is to ensure that the Bank's credit policy and internal instructions are complied with, that credit quality is maintained, and that credit and credit limit decisions show that there is good credit judgement and a sound business approach. A corresponding examination of the quality is also performed for credit limit decisions made at higher levels in the Bank. Credit limits granted by regional credit committees and regional bank boards are examined by Group Credits, which also prepares and examines credit limits decided by the Board or the credit committee set up by the Board.

CREDIT PORTFOLIO

The Bank's credit portfolio is presented in this section based on the balance sheet item categories.

Breakdown of the portfolio

Based on the consolidated balance sheet, credits are categorised as loans to the general public or loans to credit institutions, and off-balance-sheet items broken down by type of product. 'Exposure' refers to the sum of items on and off the balance sheet.

Handelsbanken strives to maintain its historically low level of loan losses compared to other banks, thus contributing to Handelsbanken's profitability target and retaining its sound financial position. In granting credits, the Bank never strives toward goals such as a predetermined volume or market share in particular sectors, but rather is selective when choosing its customers, and credit customers must be of high quality. The demands on quality must never be neglected in favour of achieving high credit volume. This is clearly stated in the Bank's credit policy, established each year by the Board.

Table 8 Group Credit risk exposures

Group Credit risk exposures SEK m	**2017**	**2016**
Loans to the public[1]	2 065 761	1 963 622
of which reverse repos	*6 607*	*7 493*
Loans to other credit institutions	20 250	31 347
of which reverse repos	*1 338*	*4 088*
Interest-bearing securities eligible as collateral with central banks	129 006	97 205
Bonds and other interest-bearing securities	49 601	63 909
Derivative instruments[2]	56 070	82 633
Contingent liabilities	75 666	78 530
of which guarantees, credits	*10 177*	*9 643*
of which guarantees, other	*57 878*	*63 108*
of which letters of credit	*7 611*	*5 779*
Other commitments	443 383	425 267
of which unutilised part of granted overdraft facilities	*131 121*	*128 967*
of which loan commitments	*290 643*	*272 729*
of which other	*21 619*	*23 571*
Total	**2 839 737**	**2 742 513**
Cash and balances with central banks	226 314	199 362
Other loans to central banks	38 920	25 527
Total	**3 104 971**	**2 967 402**

[1] SEK 377m (926) of this amount is loans which upon initial recognition were classified at fair value in the income statement.
[2] Refers to the total positive market values. Including legally viable netting agreements, the exposure is SEK 39,232m (61,990).

Table 9 Geographical breakdown

Geographical breakdown 2017	Loans						Off-balance-sheet commitments					
SEK m	Public	Credit institutions excl. central banks	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Investments	Guarantees	Loan commitments	Unutilised part of granted overdraft facilities	Letters of credit	Other	Total
Sweden	1 315 476	15 007	82	6 683	55 580	149 317	21 071	152 957	89 381	4 364	17 912	1 827 830
UK	213 847	472	84 766	492	41	-	6 146	40 196	7 124	54	1 262	354 400
Norway	245 189	124	3 918	7 170	-	-	6 420	34 878	17 065	46	976	315 786
Denmark	98 470	27	2 150	24 199	22	11	6 809	16 526	7 433	823	1	156 471
Finland	126 741	36	84 925	-	33	0	4 863	23 405	7 758	272	177	248 210
The Netherlands	40 352	75	397	-	-	-	124	5 442	364	1	162	46 917
USA	4 528	2 499	48 025	-	379	28518	13152	10 328	387	1245	-	109 061
Germany	4 454	12	5	-	-	-	5 104	2 286	476	134	1 129	13 600
Poland	1 527	1	63	376	-	-	1 573	1	163	-	-	3 704
Other countries	15 177	1 997	1 983	-	15	761	2 793	4 624	970	672	-	28 992
Total	**2 065 761**	**20 250**	**226 314**	**38 920**	**56 070**	**178 607**	**68 055**	**290 643**	**131 121**	**7 611**	**21 619**	**3 104 971**

Geographical breakdown 2016	Loans						Off-balance-sheet commitments					
SEK m	Public	Credit institutions excl. central banks	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Investments	Guarantees	Loan commitments	Unutilised part of granted overdraft facilities	Letters of credit	Other	Total
Sweden	1 245 654	23 161	145	4 821	81 275	127 946	23 989	136 579	85 583	2 874	15 038	1 747 065
UK	193 450	150	61 772	394	92	-	6 066	35 426	6 741	50	2 699	306 840
Norway	244 445	300	6 203	-	-	-	8 267	40 139	19 261	87	4 307	323 009
Denmark	95 540	27	120	20 269	31	11	4 930	13 780	7 662	613	3	142 986
Finland	122 534	25	98 710	-	149	-	4 506	18 977	7 179	216	190	252 486
The Netherlands	32 285	75	395	-	-	-	153	6 814	393	-	-	40 115
USA	5 283	5 495	30 386	-	958	32 421	15 795	13 208	476	1 392	-	105 414
Germany	4 567	61	159	-	-	-	3 497	1 558	644	146	1 326	11 958
Poland	3 016	6	25	43	-	-	1 482	1	139	-	8	4 720
Other countries	16 848	2 047	1 447	-	128	736	4 066	6 247	889	401	-	32 809
Total	**1 963 622**	**31 347**	**199 362**	**25 527**	**82 633**	**161 114**	**72 751**	**272 729**	**128 967**	**5 779**	**23 571**	**2 967 402**

Table 10 Loans to the public, breakdown by sector and counterparty type

Loans to the public, breakdown by sector and counterparty type	2017			2016		
SEK m	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	1 040 638	-710	1 039 928	982 640	-745	981 895
of which mortgage loans	*850 962*	*-39*	*850 923*	*800 092*	*-33*	*800 059*
of which other loans with property mortgages	*128 728*	*-133*	*128 595*	*120 121*	*-146*	*119 975*
of which other loans, private individuals	*60 948*	*-538*	*60 410*	*62 427*	*-566*	*61 861*
Housing co-operative associations	205 984	-18	205 966	187 016	-20	186 996
of which mortgage loans	*172 264*	*-11*	*172 253*	*156 835*	*-12*	*156 823*
Property management	565 190	-523	564 667	540 194	-691	539 503
Manufacturing	27 393	-471	26 922	27 633	-522	27 111
Retail	21 282	-201	21 081	21 947	-270	21 677
Hotel and restaurant	8 369	-35	8 334	8 516	-32	8 484
Passenger and goods transport by sea	8 499	-1 325	7 174	9 375	-1 244	8 131
Other transport and communication	16 088	-25	16 063	14 614	-36	14 578
Construction	20 216	-697	19 519	18 103	-161	17 942
Electricity, gas and water	22 040	-128	21 912	25 224	-39	25 185
Agriculture, hunting and forestry	13 064	-46	13 018	11 727	-31	11 696
Other services	22 208	-215	21 993	19 608	-113	19 495
Holding, investment, insurance companies, mutual funds etc.	67 805	-249	67 556	66 730	-316	66 414
Sovereigns and municipalities	13 611	0	13 611	15 891	0	15 891
Other corporate lending	18 533	-53	18 480	19 047	-75	18 972
Total loans to the public, before collective provision	**2 070 920**	**-4 696**	**2 066 224**	**1 968 265**	**-4 295**	**1 963 970**
Collective provisions for individually assessed loans			-463			-348
Total loans to the public			**2 065 761**			**1 963 622**

Table 11 Loans to the public after deduction of provisions, geographical breakdown by sector

Loans to the public after deduction of provisions, geographical breakdown by sector 2017 SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	772 051	65 741	89 200	59 039	37 527	10 464	5 906	1 039 928
of which mortgage loans	*729 891*	*0*	*59 430*	*41 686*	*19 916*	*0*	*0*	*850 923*
of which other loans with property mortgages	*8 374*	*61 108*	*17 653*	*13 520*	*12 628*	*10 120*	*5 192*	*128 595*
of which other loans, private individuals	*33 786*	*4 633*	*12 117*	*3 833*	*4 983*	*344*	*714*	*60 410*
Housing co-operative associations	165 061	0	17 694	890	22 321	0	0	205 966
Property management	244 295	125 504	104 219	20 297	37 298	27 628	5 426	564 667
Manufacturing	11 922	2 396	2 621	1 420	2 781	988	4 794	26 922
Retail	10 762	3 506	4 033	1 222	1 362	0	196	21 081
Hotel and restaurant	2 282	3 436	505	2 012	94	0	5	8 334
Passenger and goods transport by sea	3 179	9	1 957	158	1 871	0	0	7 174
Other transport and communication	9 063	1 548	3 601	436	1 106	292	17	16 063
Construction	8 336	2 730	7 315	339	758	0	41	19 519
Electricity, gas and water	8 284	305	4 994	61	7 844	197	227	21 912
Agriculture, hunting and forestry	11 458	822	70	66	52	0	550	13 018
Other services	11 467	4 389	3 757	837	1 531	0	12	21 993
Holding, investment, insurance companies, mutual funds etc.	48 371	1 922	1 192	7 974	3 345	0	4 752	67 556
Sovereigns and municipalities	4 612	0	247	153	8 599	0	0	13 611
Other corporate lending	4 522	1 556	3 954	3 593	309	784	3 762	18 480
Total loans to the public, before collective provision	**1 315 665**	**213 864**	**245 359**	**98 497**	**126 798**	**40 353**	**25 688**	**2 066 224**
Collective provisions for individually assessed loans	-189	-17	-170	-27	-57	-1	-2	-463
Total loans to the public	**1 315 476**	**213 847**	**245 189**	**98 470**	**126 741**	**40 352**	**25 686**	**2 065 761**

Loans to the public after deduction of provisions, geographical breakdown by sector 2016 SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	727 562	59 468	91 969	53 964	35 452	8 165	5 315	981 895
of which mortgage loans	*682 857*	*0*	*60 017*	*36 371*	*20 814*	*0*	*0*	*800 059*
of which other loans with property mortgages	*11 309*	*54 741*	*18 167*	*13 478*	*10 260*	*7 805*	*4 215*	*119 975*
of which other loans, private individuals	*33 396*	*4 727*	*13 785*	*4 115*	*4 378*	*360*	*1 100*	*61 861*
Housing co-operative associations	149 245	0	16 911	908	19 932	0	0	186 996
Property management	240 020	111 510	103 659	19 637	33 888	23 194	7 595	539 503
Manufacturing	11 966	2 764	2 680	1 481	3 086	2	5 132	27 111
Retail	10 604	3 686	3 728	1 362	1 215	0	1 082	21 677
Hotel and restaurant	2 217	3 137	141	1 846	97	0	1 046	8 484
Passenger and goods transport by sea	3 370	2	2 086	452	2 095	0	126	8 131
Other transport and communication	9 364	1 194	2 135	360	1 201	304	20	14 578
Construction	7 129	2 824	6 468	497	989	0	35	17 942
Electricity, gas and water	8 841	243	6 227	66	8 988	192	628	25 185
Agriculture, hunting and forestry	10 723	673	57	97	132	0	14	11 696
Other services	10 165	4 042	2 659	1 283	1 332	0	14	19 495
Holding, investment, insurance companies, mutual funds etc.	45 508	2 212	1 200	9 325	3 287	29	4 853	66 414
Sovereigns and municipalities	4 149	0	254	629	10 464	395	0	15 891
Other corporate lending	4 932	1 733	4 373	3 656	409	4	3 865	18 972
Total loans to the public, before collective provision	**1 245 795**	**193 488**	**244 547**	**95 563**	**122 567**	**32 285**	**29 725**	**1 963 970**
Collective provisions for individually assessed loans	-139	-39	-100	-25	-33	-1	-11	-348
Total loans to the public	**1 245 656**	**193 449**	**244 447**	**95 538**	**122 534**	**32 284**	**29 714**	**1 963 622**

Collateral

Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value in the case of a sale in unfavourable circumstances in connection with insolvency. The value of certain assets may change considerably in an insolvency situation leading to a forced sale.

For unsecured long-term credit commitments to companies, the Bank often enters into an agreement with the customer on special credit terms which allow the Bank to renegotiate or terminate the loan in the case of unfavourable performance.

A large part of lending to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities with a special agreement that the security will be resold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

In special circumstances, the Bank may buy credit derivatives or financial guarantees to hedge the credit risk in claims, but this is not part of the Bank's normal lending process.

Table 12 Credit risk exposure on the balance sheet, broken down by collateral

Credit risk exposure on the balance sheet, broken down by collateral SEK m	**2017**	**2016**
Residential property[1]	1 411 424	1 308 242
of which private individuals	*979 296*	*920 344*
Other property	301 061	307 334
Sovereigns, municipalities and county councils[2]	336 624	296 676
Guarantees as for own debt[3]	23 236	10 844
Financial collateral	20 130	22 858
Collateral in assets	24 896	24 343
Other collateral	17 703	19 093
Unsecured	217 755	232 032
Total credit risk exposure on the balance sheet	**2 352 829**	**2 221 422**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Table 13 Loans to the public, broken down by collateral

Loans to the public, broken down by collateral SEK m	**2017**	**2016**
Residential property[1]	1 411 424	1 308 242
of which private individuals	*979 296*	*920 344*
Other property	301 061	307 334
Sovereigns, municipalities and county councils[2]	66 306	68 477
Guarantees as for own debt[3]	22 783	10 330
Financial collateral	15 162	16 973
Collateral in assets	24 896	24 343
Other collateral	17 703	19 093
Unsecured	206 426	208 830
Total loans to the public	**2 065 761**	**1 963 622**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Credit risk concentrations

Handelsbanken's branches focus strongly on establishing long-term relationships with customers of sound creditworthiness. If a branch identifies a good customer, it should be able to do business with this customer, whether or not the Bank as a whole has major exposure to the business sector that the customer represents. In granting credit, the Bank thus has no built-in restrictions to having relatively extensive exposures in individual sectors. However, the Bank monitors and calculates concentrations for various business sectors and geographic areas. The Bank also measures and monitors exposures to major individual counterparties. Special limits are applied to restrict the maximum credit exposure to individual counterparties, to augment the credit risk assessment. If the credit portfolio has a concentration in a particular sector or counterparty that can be assumed to increase risk, this concentration is monitored. Concentration risks are identified in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the internal capital adequacy assessment. The Swedish Financial Supervisory Authority also calculates a special capital charge under Pillar 2 for concentration risks in the credit portfolio. This ensures that Handelsbanken has sufficient capital, also taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to reduce them using various risk mitigation measures.

In addition to mortgage loans and lending to housing co-operative associations, Handelsbanken has significant lending to property management of SEK 565 billion (540). Here, 'property management' refers to all companies classified as 'property companies' for risk-assessment purposes. It is common for groups of companies operating in other industries to have subsidiaries managing the properties in which the group conducts business, and such property companies are also considered to belong to property management here. However, the underlying credit risk in such cases is not solely property-related, because the counterparty's repayment capacity is determined by business operations other than property management. Also, private individuals with larger property holdings are classified as property companies for risk-assessment purposes.

A very large part of property lending consists of property mortgages with low loan-to-value ratios, which reduces the Bank's loan-loss risk. In addition, a large proportion of property lending is to government-owned property companies, municipal housing companies and other housing-related operations where the borrowers consistently have strong, stable cash flows and thus very high creditworthiness. Thus a large part of lending to the property sector is to companies with a very low probability of financial difficulty. The Bank's exposure to the property sector is specified in the tables below.

The proportion of exposures to property counterparties with a poorer rating than the Bank's risk class 5 (normal risk) is very low. 98 per cent (99) of total property lending in Sweden is in risk class 5 or better. The corresponding figures for property lending in the UK are 98 per cent (97), Denmark 96 per cent (96), Finland 98 per cent (98), Norway 96 per cent (97), and the Netherlands 99 per cent (99). For counterparties in poorer risk classes than normal, the majority are in risk classes 6–7, with only small volumes in the higher risk classes 8–9. For information about Handelsbanken's risk ratings, see the section titled Calculation of capital requirements for credit risk.

In the past few years, Handelsbanken's lending to property companies has grown thanks in part to the Bank's substantial credit growth in the UK as a result of an expansion of the branch network. A large part of this growth has been in property-related credits. In the UK, Handelsbanken has had the same strict requirements on repayment capacity, LTVs and collateral quality as in its other home markets.

Table 18 Specification of loans to the public – Property management

Specification of loans to the public – Property management	2017			2016		
SEK m	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Loans in Sweden						
State-owned property companies	4 329	0	4 329	3 228	0	3 228
Municipal-owned property companies	8 874	0	8 874	9 771	0	9 771
Residential property companies	106 014	-20	105 994	99 598	-26	99 572
of which mortgage loans	*92 260*	*0*	*92 260*	*85 134*	*-1*	*85 133*
Other property management	125 224	-126	125 098	127 578	-130	127 448
of which mortgage loans	*52 932*	*-2*	*52 930*	*52 925*	*-2*	*52 923*
Total loans in Sweden	**244 441**	**-146**	**244 295**	**240 175**	**-156**	**240 019**
Loans outside Sweden						
UK	125 701	-197	125 504	111 800	-289	111 511
Norway	104 319	-100	104 219	103 767	-108	103 659
Denmark	20 367	-70	20 297	19 755	-118	19 637
Finland	37 302	-4	37 298	33 891	-4	33 887
The Netherlands	27 628	0	27 628	23 194	0	23 194
Other countries	5 432	-6	5 426	7 612	-16	7 596
Total loans outside Sweden	**320 749**	**-377**	**320 372**	**300 019**	**-535**	**299 484**
Total loans – Property management	**565 190**	**-523**	**564 667**	**540 194**	**-691**	**539 503**

Table 19 Specification of loans to the public – Property management, type of collateral and country

Specification of loans to the public – Property management, type of collateral and country	2017					2016				
SEK m	Total	Companies owned by or property lending guaranteed by government or municipality	Residential property	Commercial property and other collateral	Unsecured	Total	Companies owned by or property lending guaranteed by government or municipality	Residential property	Commercial property and other collateral	Unsecured
Sweden	244 441	13 598	118 902	100 362	11 579	240 175	14 129	103 681	109 681	12 684
UK	125 701	0	61 015	61 388	3 298	111 800	0	54 193	54 853	2 754
Norway	104 319	0	16 224	80 553	7 542	103 767	0	16 304	79 339	8 124
Denmark	20 367	0	10 829	7 620	1 918	19 755	0	10 166	8 388	1 201
Finland	37 302	18 083	5 777	12 848	594	33 891	14 561	5 401	12 585	1 344
The Netherlands	27 628	0	13 992	13 192	444	23 194	0	11 072	12 073	49
Other countries	5 432	551	808	3 373	700	7 612	267	643	2 867	3 835
Total	**565 190**	**32 232**	**227 547**	**279 336**	**26 075**	**540 194**	**28 957**	**201 460**	**279 786**	**29 991**

Table 20 Specification of loans to the public – Property management, risk class and country

Specification of loans to the public – Property management, risk class and country 2017
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%	Accum. % of total
1	22 433	950	1 287	76	8 167	19	1 241	34 173	6.05	6
2	64 187	23 702	23 010	3 780	9 856	10 404	1 988	136 927	24.23	30
3	91 895	65 576	53 368	8 927	11 199	14 653	1 358	246 976	43.70	74
4	47 323	28 664	16 243	5 043	6 218	2 070	681	106 242	18.80	93
5	15 788	4 600	6 282	1 697	1 248	257	74	29 946	5.30	98
6	1 545	595	2 701	431	94	207	61	5 634	1.00	99
7	649	194	637	110	389	18	0	1 997	0.35	99
8	208	94	330	99	31	0	0	762	0.13	100
9	90	39	172	18	27	0	2	348	0.06	100
Defaults	323	1 287	289	186	73	0	27	2 185	0.39	100
Total	**244 441**	**125 701**	**104 319**	**20 367**	**37 302**	**27 628**	**5 432**	**565 190**	**100**	

Specification of loans to the public – Property management, risk class and country 2016
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%	Accum. % of total
1	21 647	744	1 858	82	5 474	39	1 104	30 948	5.73	6
2	60 262	21 710	26 369	2 618	10 812	8 197	3 886	133 854	24.78	31
3	97 610	54 935	50 727	8 167	11 431	12 399	1 329	236 598	43.80	74
4	44 490	25 662	14 909	5 998	5 000	1 999	914	98 972	18.32	93
5	13 444	5 326	7 081	2 113	546	302	314	29 126	5.39	98
6	1 327	1 695	1 095	220	108	214	26	4 685	0.87	99
7	805	625	1 063	112	411	44	0	3 060	0.57	99
8	185	85	336	59	26	0	0	691	0.13	100
9	93	21	99	12	10	0	0	235	0.04	100
Defaults	312	997	230	374	73	0	39	2 025	0.37	100
Total	**240 175**	**111 800**	**103 767**	**19 755**	**33 891**	**23 194**	**7 612**	**540 194**	**100**	

Table 21 Specification of loans to the public – Property management, risk class, type of collateral and unsecured

Specification of loans to the public – Property management, risk class, type of collateral and unsecured 2017
SEK m

	Loans	Collateral				
Risk class		Residential property	Commercial property	Guarantees from government and municipality	Other collateral	Unsecured
1	34 173	16 373	4 223	9 134	2 786	1 657
2	136 927	58 951	56 058	6 357	2 862	12 699
3	246 976	99 806	131 987	4 554	3 760	6 869
4	106 242	45 731	52 336	3 781	1 669	2 725
5	29 946	10 224	16 885	618	738	1 481
6	5 634	937	4 338	1	239	119
7	1 997	473	1 217	10	98	199
8	762	135	552	0	62	13
9	348	83	222	3	28	12
Defaults	2 185	342	1 324	4	85	430
Total	**565 190**	**233 055**	**269 142**	**24 462**	**12 327**	**26 204**

Specification of loans to the public – Property management, risk class and, type of collateral unsecured 2016
SEK m

	Loans	Collateral				
Risk class		Residential property	Commercial property	Guarantees from government and municipality	Other collateral	Unsecured
1	30 948	15 336	5 722	6 755	973	2 162
2	133 854	48 936	62 140	6 483	2 609	13 686
3	236 598	92 978	125 902	4 967	4 008	8 743
4	98 972	36 085	54 224	3 228	1 722	3 713
5	29 126	9 679	17 721	236	575	915
6	4 685	1 247	3 168	1	177	92
7	3 060	655	2 173	14	124	94
8	691	170	438	0	58	25
9	235	63	97	3	45	27
Defaults	2 025	363	946	0	152	564
Total	**540 194**	**205 512**	**272 531**	**21 687**	**10 443**	**30 021**

CALCULATION OF CAPITAL REQUIREMENTS FOR CREDIT RISK

Risk rating system

Handelsbanken's risk rating system comprises a number of different systems, methods, processes and procedures to support the Bank's classification and quantification of credit risk.

Handelsbanken's internal rating system is used to measure the credit risk in all operations reliably and consistently. The risk rating builds on the Bank's internal rating, which is based on an assessment of each counterparty's repayment capacity. The rating is determined by the risk of financial strain and by the assessed resistance to this strain. The method and classification are based on the rating model that the Bank has applied for several decades.

The internal rating is the most important component of the Bank's model for calculating the capital requirement in accordance with the IRB Approach. The rating is dynamic; it is reassessed if there are signs that the counterparty's repayment capacity has changed. The rating is also reviewed periodically as stipulated in the regulations. The rating is made by the person responsible for granting the credit and is subsequently checked by independent bodies.

Risk classification methods

To quantify its credit risks, the Bank calculates the probability of default (PD), the exposure the Bank is expected to have if a default occurs (exposure amount), and the proportion of the loan that the Bank would be expected to lose in the case of default (loss given default, LGD). Default is defined as the counterparty either being more than 90 days late in making a payment or being assessed as unable to pay as contractually agreed, for example if declared bankrupt.

The PD value is expressed as a percentage where, for example, a PD value of 0.5 per cent means that one borrower of 200 with the same PD value is expected to default within one year. A credit in default does not necessarily mean that the Bank will incur a loss since in most cases there is collateral for the exposure. Nor does a default mean that it is out of the question that the counterparty will pay at some time in the future, since the payment problems may be temporary.

For corporate and institutional exposures as well as for exposures to states, central banks, government agencies and municipalities (sovereign exposures), the internal rating set for each counterparty is directly converted into a risk class on a scale from 1 to 10 (where risk class 10 refers to defaulted counterparties). Corporate exposures are divided into four counterparty types and sovereign exposures into two counterparty types, based on the business evaluation template used for the counterparty. PD is calculated individually for each risk class and counterparty type. For exposures that are subject to a capital requirement according to the IRB Approach without own estimates of LGD and CCF, prescribed values are applied for the loss given default (LGD). The prescribed value that may be used is determined by the collateral provided for each exposure.

For retail exposures, the risk class is also based on the internal rating assigned to all credit customers. The rating is not translated directly into a risk class as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counterparty's debt-servicing record and whether there are one or more borrowers. An average default rate is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the 10 risk classes. Different models are used for exposures to private individuals and to small companies (that are also classified as retail exposures), but the principle is the same.

For retail exposures and exposures to medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Bank's own loss history. For exposures to large corporates that are subject to a capital requirement using the IRB Approach with own estimates of LGD and CCF, the LGD is determined on the basis of internal losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations, different LGD values are applied depending on the loan-to-value ratio of the collateral. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the type of product and similar factors.

For each exposure class, the PD is calculated for each of the risk classes that refer to non-defaulted counterparties or agreements. The PD is based on calculations of the historical percentage of defaults for different types of exposure. The average default rate is then adjusted using different margins, such as margins of conservatism.

In 2017, Handelsbanken won approval to use new PD models for corporates. These are based on the historical default frequency, by risk class and by portfolio. The estimates for each portfolio are based partly on the Bank's internal data and partly on data from other sources, such as external credit rating agencies, and will apply for the duration of an imagined business cycle in which one of five years is a downturn year and the Swedish banking crisis in the 1990s is taken into account, as required by the Swedish Financial Supervisory Authority. To these estimates are added significant margins of conservatism, and the PD for these portfolios are normally not expected to vary year on year. The estimates by risk class are based on the Bank's internal default data and a model that determines the relationship of probability of default between different risk classes. The margins are then summed so that each portfolio's aggregate PD coincides with the estimate of portfolio PD. This means that the PD for each risk class may vary over time although the portfolio PD does not, as the distribution of counterparties among the risk classes varies over time.

When establishing LGD, the risk measure must reflect the loss rates during economically

Figure 29 Proportion of exposure amount per product type by PD interval excluding defaulted credits – Corporate exposures, 2017

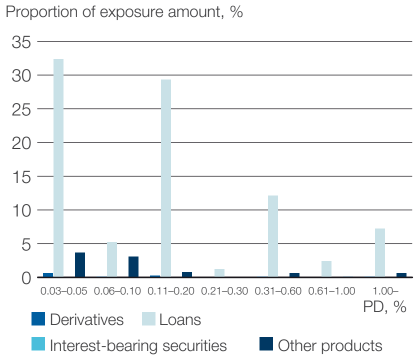


Figure 30 Proportion of exposure amount per product type by PD interval excluding defaulted credits – Institutional exposures, 2017

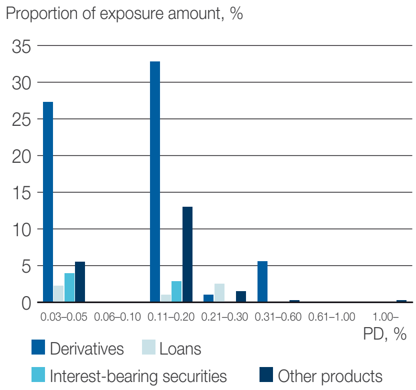


Figure 31 Proportion of exposure amount per product type by PD interval excluding defaulted credits – Retail exposures, 2017

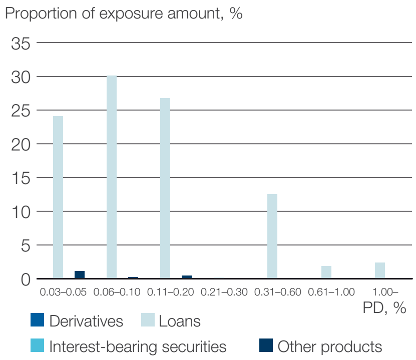
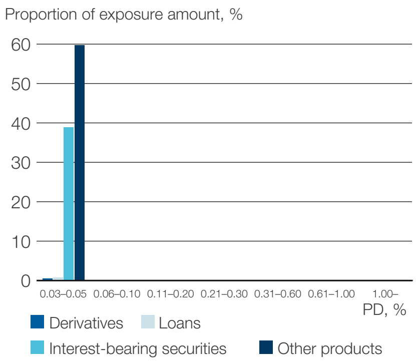


Figure 32 Proportion of exposure amount per product type by PD interval excluding defaulted credits – Sovereign exposures, 2017



unfavourable circumstances, known as 'downturn LGD'. For collateral in property, the downturn LGD is based on observed loss rates from the property crisis in the early 1990s. For other collateral relating to retail exposures, observed LGD is adjusted for downturns by a factor which depends on the PD and type of product. For corporate exposures in the IRB Approach with own estimates of LGD and CCF, the LGD is adjusted for downturns so that the Bank's observed losses in the crisis years of 1991–1996 can be explained by the risk measures with a good margin. For exposures with property collateral, in many cases LGD is estimated on the basis of the property's LTV. Since the value of the property, and consequently also the LTV, usually varies with the business cycle, this means that the capital requirement will also have a cyclical dependency to some extent.

When the exposure amount is to be calculated, certain adjustments are made to the carried exposure. Examples of this are committed loan offers or revolving credits, where the Bank agrees with the customer that the customer may borrow up to a certain amount in the future. This type of commitment constitutes a credit risk that must also be covered by adequate capital. Normally this means that the credit granted is adjusted using a certain credit conversion factor (CCF) for the part of the credit that is unutilised at the time of reporting. For certain product categories for corporate exposures and institutional exposures, the credit conversion factors are determined by the regulatory code, while for retail exposures and certain product categories for large corporates, medium-sized companies, property companies and housing co-operative associations, the Bank uses its own calculated conversion factors. Here, it is the product referred to that mainly governs the conversion factor, but the utilisation level may also be relevant.

In addition to the capital adequacy calculation, measures of risk (PD, exposure amounts, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC). This means that conservatism adjustments in the risk measurements are also included in the cost of capital in individual transactions and in calculations of economic capital, which means that the loss levels that the risk measurements imply are conservative. The method used means that the Bank's historical losses have a direct impact on risk calculations and capital requirements.

For corporate, institutional, and retail exposures, as well as for sovereign and central bank exposures, figures 29, 30, 31, and 32 show how the exposures are distributed among bonds and other interest-bearing securities, loans, derivatives, and other products. Other products include guarantees and committed loan offers, for example. The figures show how the exposure amounts, excluding credits in default, are distributed among different PD intervals in each exposure class. The PD values used are those applied when calculating the capital requirement.

COUNTERPARTY RISKS

Counterparty risk arises when the Bank has entered into a derivative contract or a contract for the loan of securities with a counterparty. Thus, in addition to derivatives, the capital adequacy regulations treat both repurchase transactions and equity loans as counterparty risks.

In calculating the capital requirement and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. Handelsbanken applies the mark-to-market method to calculate exposure amounts for derivatives contracts for capital adequacy purposes. To determine the current replacement cost for all contracts with a positive value, the contracts are assigned their prevailing market values. To estimate the possible future credit exposure, the nominal amount of the contract is multiplied by the percentage rate stipulated in the regulations, which depends on the type of derivative and the maturity of the exposure.

Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. If the contract has a positive value, the default of the counterparty means a potential loss for the Bank.

Mitigation of counterparty risk

Counterparty risk occurs from the trade date up until delivery and means that the Bank can suffer costs for winding down the position if the counterparty cannot fulfil its obligations. This risk exists in all derivative transactions and in securities transactions in which the Bank has not hedged the payment in advance.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The size of the exposures may vary substantially due to fluctuations in the price of the underlying asset. In order to take account of the risk that the exposure may increase, supplements are added to the value of the exposure when setting credit limits. These add-ons are calculated using standard amounts that depend on the type of contract and the time to maturity. The exposures are calculated and followed up daily.

The counterparty risk in derivatives is reduced through close-out netting agreements, which involve offsetting positive values against negative values in all derivative transactions with the same counterparty. Netting agreements are supplemented with credit support annex (CSA) agreements, for issuing collateral for the net exposure, which further reduces the credit risk. The collateral for these transactions is mainly cash, but government instruments are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited.

A small number of the collateral agreements entered into by the Bank include terms and conditions concerning rating-based threshold amounts for Handelsbanken. These conditions mean that the Bank must provide further collateral for the counterparty in question, in the event of external parties lowering the Bank's rating. At year-end, a downgrading from AA/Aa2 to AA-/Aa3 would have meant the Bank having to provide additional collateral of SEK 34 million (75).

The majority of Handelsbanken's contracts contain close-out netting, and the contracts with the largest exposures also contain CSA agreements.

Derivatives which are cleared via central counterparties also give rise to capital requirements. Central counterparties are clearing houses which act as the counterparty for both the buyer and seller in various transactions, and thus take over the responsibility for fulfilling the parties' obligations. All parties which use a central counterparty must provide collateral for all transactions. In most cases, the risk weight for centrally cleared derivatives is considerably lower than for other types of derivatives. The risk-weighted exposure amount for derivative transactions with central counterparties was SEK 114 million (72) at year-end.

Non-cleared derivative transactions also result in capital requirements for credit valuation adjustment (CVA) risk. This risk is related to the counterparty's credit quality. The capital requirement for CVA risk was SEK 391 million (594) at year-end.

Payment risk

Payment risk arises in transactions where the Bank has fulfilled its commitments in the form of foreign exchange conversion, payments or delivery of securities, but cannot at the same time ensure that the counterparty has fulfilled its commitments to the Bank. The risk amount equals the amount of the payment transaction. The payment risks are not included in the credit limit of each customer; instead, they are covered by a separate limit. At Handelsbanken, the risk of value changes in spot transactions is categorised as payment risk, while the risk of value changes in derivative transactions is categorised as credit risk.

Setting a limit for the payment risk is a vital part of Handelsbanken's constant aim to limit risks. This includes developing technical solutions which reduce the period of time during which there is a payment risk. In these efforts, Handelsbanken co-operates with various banking sector clearing institutions. The Bank has also established collaborations with the banks considered to be the strongest and the most creditworthy.

Handelsbanken participates in clearing collaborations such as CLS (formerly Continuous Linked Settlement) for currency trading. Handelsbanken is part-owner of CLS together with around 60 of the largest international FX banks. Handelsbanken is also a partner and direct member of EBA (Euro Banking Association) and its euro payment system.

Table 50 Counterparty risk broken down into exposure classes, exposure amounts and risk-weighted exposure amounts, IRB Approach
Exposure amount broken down into derivatives, equity loans and securities financing transactions.

Counterparty risk broken down into exposure classes, exposure amounts and risk-weighted exposure amounts, IRB Approach	2017		2016	
SEK m	Exposure amount	Risk-weighted exposure amount	Exposure amount	Risk-weighted exposure amount
Exposure classes IRB Approach				
Institutional exposures	55 891	8 697	85 119	11 222
Corporate exposures	17 180	3 400	22 670	3 941
Sovereign exposures	8 223	183		
Total IRB Approach	**81 294**	**12 280**	**107 789**	**15 163**

Table 51 Counterparty risk broken down into exposure classes, exposure values and risk-weighted exposure amounts, standardised approach
Exposure value broken down into derivatives, equity loans and securities financing transactions.

Counterparty risk broken down into exposure classes, exposure values and risk-weighted exposure amounts, standardised approach	2017		2016	
SEK m	Exposure value	Risk-weighted exposure amount	Exposure value	Risk-weighted exposure amount
Exposure classes standardised approach				
Sovereign and central bank exposures	-	-	3 132	67
Other	6 134	352	5 200	468
of which cleared via central counterparties	*5 708*	*114*	*3 577*	*72*
Total standardised approach	**6 134**	**352**	**8 332**	**535**
Total IRB and standardised approach	**87 428**	**12 632**	**116 121**	**15 698**

Table 52 Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure SEK m	2017	2016
Positive gross market value for derivative contracts	76 892	109 686
Netting gains[1]	37 660	47 697
Current set-off exposure	39 232	61 989
Collateral[1]	30 023	42 238
Net credit exposure for derivatives	9 209	19 751

[1] Collateral offset in the balance sheet is reported under netting gains.

Table 53 Counterparty risks in derivative contracts including potential future exposure

Counterparty risks in derivative contracts including potential future exposure 2017 SEK m	Current set-off exposure	Potential future exposure	Exposure amount	Risk-weighted exposure amount	Capital requirement
Sovereign exposures	2 015	1 009	3 024	183	15
Institutional exposures	28 702	23 812	52 514	8 638	691
Corporate exposures	8 455	3 504	11 959	3 515	281
Others	60	54	114	84	7
Total	**39 232**	**28 379**	**67 611**	**12 420**	**994**
of which operations in the trading book	*13 479*	*12 628*	*26 107*	*5 203*	*416*

Counterparty risks in derivative contracts including potential future exposure 2016 SEK m	Current set-off exposure	Potential future exposure	Exposure amount	Risk-weighted exposure amount	Capital requirement
Sovereign exposures	2 389	1 167	3 556	67	5
Institutional exposures	48 107	25 434	73 541	10 652	852
Corporate exposures	11 256	3 972	15 228	3 890	311
Others	238	186	424	373	30
Total	**61 990**	**30 759**	**92 749**	**14 982**	**1 198**
of which operations in the trading book	*17 349*	*12 275*	*29 624*	*5 688*	*455*

MARKET RISK

Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risk, equity price risk, exchange rate risk and commodity price risk.

At Handelsbanken, market risks arise when the Bank's customers demand services for which the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. The funding can have a different interest-fixing period than the assets which are to be funded. Market risks can also arise in Group Treasury's liquidity portfolio, which can be converted into liquidity at short notice in conjunction with possible disruptions in the markets where the Bank conducts its operations. The portfolio secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

Market risks also arise to meet customers' demand for financial instruments with exposure to the fixed income, currency, equity or commodity markets. As a consequence, it may be necessary for the Bank to hold certain positions. This situation arises, for example, when the Bank has undertaken to quote prices in its role as a market maker.

Market risks in the Bank's business operations arise – and thus are managed – mainly at Group Treasury and Handelsbanken Capital Markets, although they also exist at Handelsbanken Liv. The market risks at Handelsbanken Liv are described in a separate section. Consequently, the information on market risks given in this section refers to risks excluding Handelsbanken Liv.

MARKET RISK STRATEGY

Handelsbanken has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. Market risks must be limited by matching cash flows and interest-fixing periods, hedging open positions and taking other actions to limit risk.

Market risks at Handelsbanken have decreased further in recent years, from already low levels to very low at present. This work has been under way for a long time. It started before the financial crisis broke out and before the regulations started to assign the importance to market risks that they do today. One result of the low market risks is that a much smaller part of the Bank's earnings come from net gains/losses on financial transactions.

ORGANISATIONAL STRUCTURE

The Head of Group Treasury, who reports to the CFO, has operational responsibility for managing interest rate, currency and liquidity risks. The Bank's limit system restricts the size of the exposure to market risks. Measurement methods and limits are established by the Board. The limits for interest rate, currency and liquidity risk are allocated by the CEO and CFO to the Head of Group Treasury, who in turn allocates these to the business-operating units. Limits for equity price risk and commodity price risk are allocated directly to the Head of Business Support Capital Markets by the CFO.

The CEO and CFO also decide on supplementary risk metrics, limits and detailed guidelines. The supplementary limit measures aim to reduce the Bank's sensitivity to volatility changes in the financial markets as well as to limit the risks of specific holdings and the liquidity risk per currency. These measures also limit the risks from a maturity perspective. The CFO, CEO and Board continually receive reports on the market risks and utilisation of the limits.

MARKET RISK AT HANDELSBANKEN

Market risk is measured using several different methods. The sensitivity measures used show which changes in value would occur in the event of pre-defined changes in prices and volatilities. Position-related risk measures and probability-based Value at Risk models (VaR) are also used.

VaR

VaR is calculated for the portfolios at Handelsbanken Capital Markets and Group Treasury which are classified as trading book. VaR is a probability-based measure and expresses the losses in Swedish kronor that may arise in risk positions due to movements in the underlying markets over a specified holding period and for a given confidence level. VaR is calculated for individual classes of risk and at portfolio level with a 99-per cent confidence level and a one-day holding period. The method means that different risk classes can be handled in a uniform way so that they can be compared and aggregated into a total market risk. The overall risk in the portfolios classified as trading book was SEK 18 million (7) at year-end. VaR is reported on a regular basis to the CFO, CEO and Board.

The VaR model does not always identify risks associated with extreme market fluctuations. The calculations are therefore supplemented with regular stress tests where the portfolios are tested against scenarios based on all events in the financial markets since 1994. The results of these stress tests are also reported to the CFO, CEO and the Board's risk committee on a regular basis.

Figure 54 Decision levels for market and liquidity risks

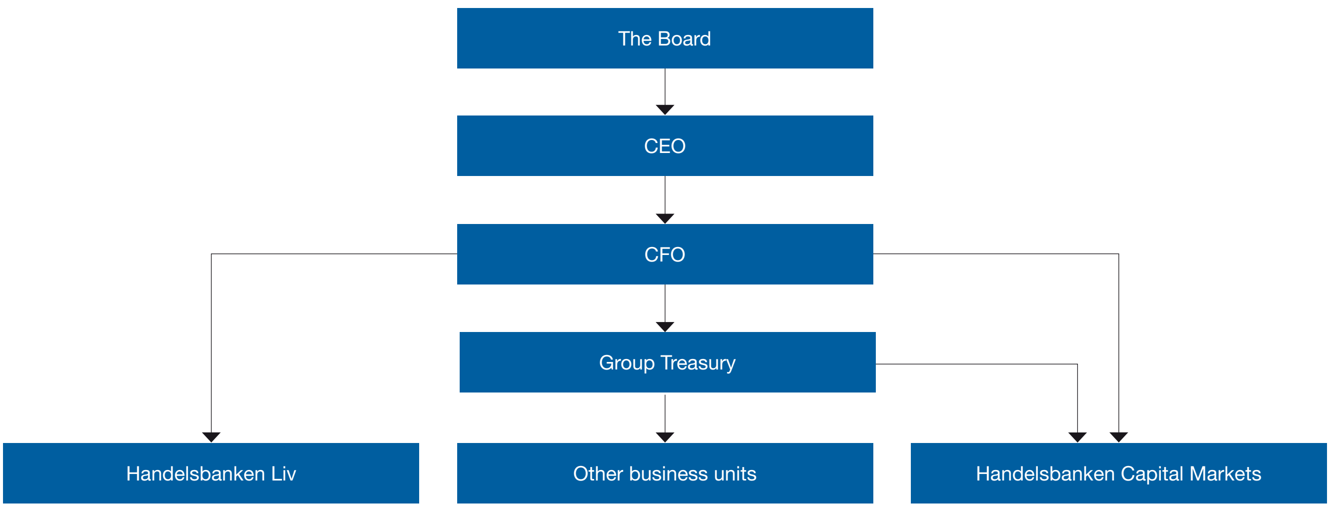


Table 55 VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]

VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]

	Total		Equities		Fixed income		Currency		Commodities	
SEK m	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Average	13	12	1	1	14	12	3	4	1	1
Maximum	21	20	1	4	22	20	6	10	4	6
Minimum	8	6	0	0	9	6	1	1	0	0
Year-end	18	7	0	1	19	6	2	2	0	2

[1] Portfolios classified as trading book are subject to special instructions and guidelines.

Table 56 Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury

Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury SEK m	2017	2016
Average	103	98
Maximum	249	253
Minimum	39	29
Year-end	186	61

Interest rate risk

Interest rate risk mainly arises at Handelsbanken Capital Markets, Group Treasury and in the lending operations. Interest rate risk is measured in several ways at the Bank. General interest rate risk is measured daily, and limits are set as the absolute sum of the least favourable changes in fair value per currency in the case of substantial instantaneous upward or downward parallel shifts of 1 percentage point for all interest rates. At year-end, the Bank's total general interest rate risk was SEK 826 million (1,401). Interest-fixing periods for deposits that lack a contractual maturity are established using an internal method. The basic assumption for such deposits is the shortest possible interest-fixing period, and adjustments are made only for that part that can be regarded as stable and insensitive to interest-rate movements based on historical observations. The risk measure includes interest-bearing items measured at fair value as well as items not measured at fair value and is therefore not appropriate when assessing the impact from profit/loss on the balance sheet and income statement.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads, that is, the difference between the interest on the current holding and the yield on a government bond with the same maturity. This risk mainly arises at Handelsbanken Capital Markets and in Group Treasury's liquidity portfolio. The risk is measured and limits set on the basis of different rating classes and is calculated as the least favourable change in market value in the case of an upward or downward shift of one basis point in all credit spreads. This is performed for each individual counterparty, and the outcomes are summed as an absolute total. The total specific interest rate risk at year-end was SEK 8 million (9).

Interest rate risk in the trading book

The trading book at Handelsbanken comprises Capital Markets' and Group Treasury's portfolios that are classified as trading book. The general interest rate risk in the trading book was SEK 62 million (81), and the specific interest rate risk was SEK 6 million (7). Yield curve twist risks, which show changes in the risks in the case of hypothetical changes in various yield curves, are measured and followed up on a regular basis. The non-linear interest rate risk – part of the risk in interest rate options, for example – is measured and a limit set with pre-defined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities. VaR and other risk measures are also used for the trading book, supplemented by various stress scenarios.

Interest rate risk in the non-trading book

In the lending operations, interest rate risk arises as a result of the lending partly having different interest-rate fixing periods than the funding. Interest rate risk is mainly managed by means of interest rate swaps. In general, interest rate risk exposure is in markets which are characterised by good liquidity. The general interest rate risk in the non-trading book measured as above was SEK 855 million (1,357), and the specific interest rate risk was SEK 2 million (2).

To estimate the effect of interest rate changes on the income statement, the net interest income effect is also measured. The net interest income effect when interest rates change is measured as the change in net interest income over a 12-month period in the case of a general increase of market rates by 1 percentage point. This effect reflects the differences in interest-rate fixing periods and volume composition between assets, liabilities and derivatives outside the trading book, assuming that the size of the balance sheet is constant. In this calculation, the interest-fixing periods for deposits that lack a contractual maturity are established using an internal method based on historical observations and only adjusting the portion that is stable and insensitive to interest-rate movements. The net interest income effect at year-end was SEK 463 million (1,116).

Table 57 General interest rate risk in the non-trading book

General interest rate risk in the non-trading book (change in fair value as the worst outcome in the case of a one percentage point parallel shift of all interest rates) SEK m	2017	2016
SEK	215	756
DKK	257	166
EUR	102	132
NOK	94	88
USD	100	66
GBP	70	135
Other currencies	17	14
Total	**855**	**1 357**

Table 58 Interest rate adjustment periods for assets and liabilities

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2017. Non-interest-bearing assets and liabilities have been excluded.

Interest rate adjustment periods for assets and liabilities 2017 SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	Over 5 yrs	Total
Assets						
Loans	1 435 047	98 532	104 282	388 319	39 581	2 065 761
Banks and other financial institutions	284 029	1 288	35	107	25	285 484
Bonds etc.	96 454	4 469	10 122	55 937	11 625	178 607
Total assets	**1 815 530**	**104 289**	**114 439**	**444 363**	**51 231**	**2 529 852**
Liabilities						
Deposits	919 422	13 693	5 865	2 910	77	941 967
Banks and other financial institutions	164 173	3 288	2 046	2 425	2 888	174 820
Issued securities	483 463	99 089	110 484	559 735	56 719	1 309 490
Other liabilities	-	-	-	-	-	-
Total liabilities	**1 567 058**	**116 070**	**118 395**	**565 070**	**59 684**	**2 426 277**
Off-balance-sheet items	-45 354	-107 034	-15 195	150 987	14 322	-2 274
Difference between assets and liabilities including off-balance-sheet items	203 118	-118 815	-19 151	30 280	5 869	101 301

Interest rate adjustment periods for assets and liabilities 2016 SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	Over 5 yrs	Total
Assets						
Loans	1 302 302	157 537	102 728	369 968	31 087	1 963 622
Banks and other financial institutions	241 937	107	56	16	9	242 125
Bonds etc.	77 861	5 321	6 502	61 447	9 758	160 889
Total assets	**1 622 100**	**162 965**	**109 286**	**431 431**	**40 854**	**2 366 636**
Liabilities						
Deposits	821 371	4 681	2 889	393	2	829 336
Banks and other financial institutions	140 961	31 243	2 148	580	3 848	178 780
Issued securities	418 039	95 677	91 718	601 304	88 427	1 295 165
Other liabilities	-	-	-	-	-	-
Total liabilities	**1 380 371**	**131 601**	**96 755**	**602 277**	**92 277**	**2 303 281**
Off-balance-sheet items	-306 545	-8 166	-18 289	202 900	63 614	-66 486
Difference between assets and liabilities including off-balance-sheet items	-64 816	23 198	-5 758	32 054	12 191	-3 131

Equity price risk

The Bank's equity price risk mainly arises at Handelsbanken Capital Markets through customer trading and in the Bank's own equity holdings.

The risk is measured as the market value change in the Bank's total equity positions in the case of an instantaneous change in equity prices by +/-10 per cent and in volatilities by +/-25 per cent. At year-end, the Bank's worst case outcome for this risk was SEK 93 million (152). The largest exposure in equities comes from the European market.

Equity price risk in the trading book

The equity price risk at Handelsbanken Capital Markets arises in customer-driven equity-related transactions. Additionally, Handelsbanken Capital Markets is a market maker for structured products, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options mainly included in the structured products.

The extent of own position-taking, which arises to meet customers' needs, is restricted by the limits decided by the Bank's Board, CEO and CFO. The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR as well as other risk measures and stress scenarios are used as a complement when measuring the equity price risk. At year-end, the Bank's VaR for equity price risk in the trading book was SEK 0 million (1).

Equity price risk outside the trading book

The Group's holdings of equities outside the trading book essentially comprise unlisted securities mainly consisting of various types of jointly owned operations related to the Bank's core business. The holdings are classified as available for sale and are measured at fair value in the balance sheet in accordance with accounting regulations. 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. The equity price risk is very small.

Table 59 Equity price risk

Equity price risk	Change in volatility					
SEK m	2017			2016		
Change in equity price	**-25%**	**0%**	**25%**	**-25%**	**0%**	**25%**
10%	117	116	116	161	162	162
-10%	-93	-92	-91	-152	-149	-145

Table 60 Equity exposures outside the trading book

Equity exposures outside the trading book SEK m	2017	2016
Classified as available for sale	1 174	1 618
of which listed	*4*	*-*
of which unlisted	*1 170*	*1 618*
Classified as available for sale	1 174	1 618
of which business-related	*1 152*	*1 605*
of which other holdings	*22*	*13*
Fair value reserve at beginning of year	1 035	2 138
Unrealised market value change during the year for remaining and new holdings	-485	773
Realised due to sale and settlements during the period	-3	-1 876
Fair value reserve at year-end	547	1 035
Included in tier 2 capital	0	0

Exchange rate risk

Handelsbanken has home markets outside Sweden and also operations in a number of other countries. Consequently, indirect currency exposure of a structural nature arises, because the Group's accounts are expressed in Swedish kronor. The structural risk is minimised by matching assets and liabilities in the same currency as far as possible. The exchange rate movements that affect the Bank's equity are shown in the table on page 68 of the Annual Report: Statement of changes in equity Group.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven intra-day trading in the international foreign exchange markets. This trading is conducted at Handelsbanken Capital Markets. The Board, CEO and CFO have set VaR limits for this exchange rate risk.

Some currency exposure also arises in the normal banking operations as part of managing customer payment flows and in funding operations at Group Treasury. The Board, CEO and CFO have set position limits for these risks.

At year-end, the aggregate net position was SEK 620 million (689). The exchange rate risk in the Bank does not depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total exchange rate risk in the trading book and the non-trading book was SEK 48 million (114), measured as the impact on the Bank of an instantaneous 5 per cent change in the Swedish krona.

Table 61 Exchange rate sensitivity

Exchange rate sensitivity (worst outcome +/-5% change SEK against the respective currency) SEK m	2017	2016
EUR	21	57
NOK	11	25
DKK	4	6
USD	6	26
GBP	3	2
Other currencies	6	7

Commodity price risk

Exposure in commodity-related instruments only occurs as a result of customer-based trading in the international commodity markets and is restricted by limits decided by the Board, CEO and CFO. Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Commodity price risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At year-end, the commodity price risk was SEK 3 million (6), measured as the maximum loss on price changes up to 20 per cent in underlying commodities and changes in volatility up to 35 per cent. At year-end, the Bank's VaR for commodity price risk was SEK 0 million (2).

Other market risks

Market risk also arises in the Bank's pension system (pension risk). This risk consists mainly of the risk of a decrease in the value of assets held for securing the Bank's pension obligations.

Fair value measurement

The Risk Control Function checks that the Group's financial instruments are valued correctly. This includes responsibility for checking the market data upon which the valuation is based and for ensuring that this check is independent of the risk-taking parties. Sources of market data are independent of the business operations. In the case of market data having been obtained from the business operations, documented controls are performed against external sources and to assess whether the data is reasonable. Market prices and market data for models must be verified at least once a month but are also essentially verified daily. Valuation models are validated by the risk control function which is independent of the developer of the model. The Valuation Committee, whose purpose is to co-ordinate valuation matters in the Handelsbanken Group, fulfils an important function in ensuring that each valuation is correct and adheres to current market practices.

The valuation of financial instruments measured at fair value is performed in accordance with IFRS 13. See note G40 for more information about the assets and liabilities measured at fair value and for additional information on the Bank's valuation process.

FUNDING AND LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations as they mature without being affected by unacceptable costs or losses.

In the wake of the financial crisis, a number of new regulations have been introduced. The Bank has implemented a number of measures, at its own initiative, for some time and thus has long met these requirements. The measures include a centralised treasury function with overall responsibility for all funding and liquidity risk management, an increased proportion of long-term funding, and internal prices that reflect the market price, liquidity risk and maturity. In addition, the transparency related to funding, liquidity risk and the proportion of pledged assets has been considerably increased.

FUNDING STRATEGY

Handelsbanken has a low tolerance of liquidity risks and works actively to minimise them in total and in each individual currency. The aim is to have good access to liquidity, a low level of variation in income and a considerable capacity to meet customers' funding needs, even in difficult times. This is achieved by maintaining a good matching of incoming and outgoing cash flows over time in all currencies essential to the Bank and by maintaining large liquidity reserves of good quality. The Bank thus minimises the economic risks in funding and can thereby decide on stable and long-term internal interest rates to the business-operating units.

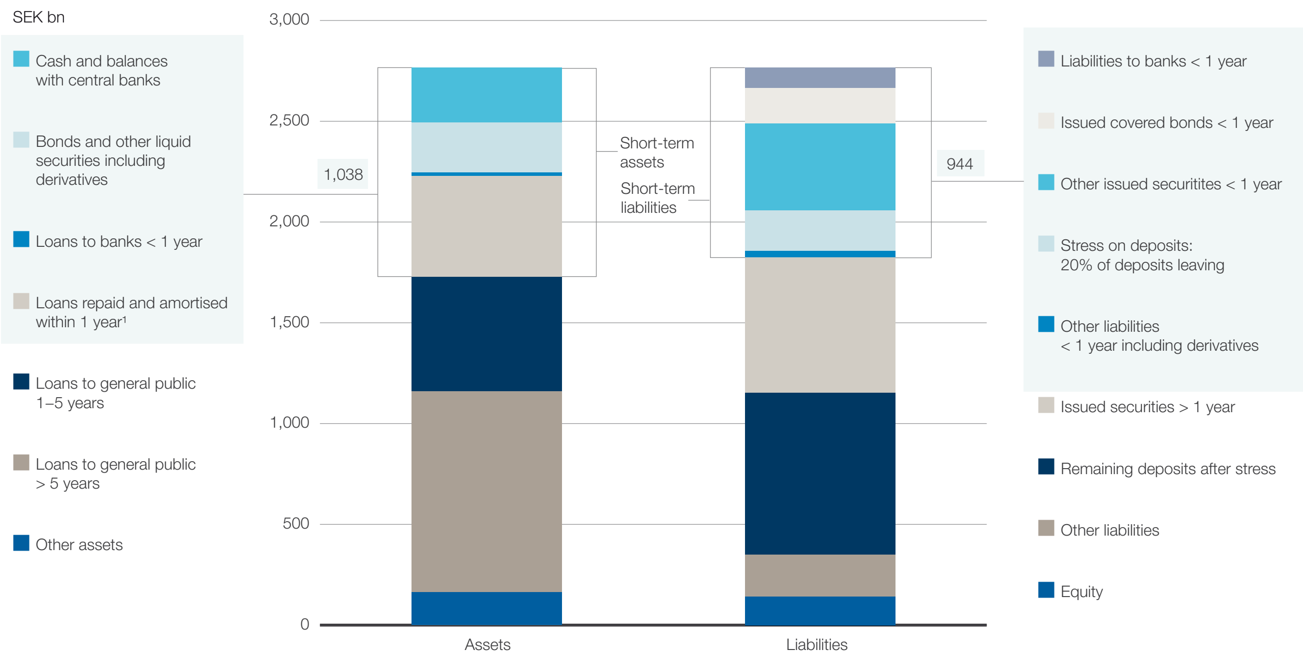
Furthermore, the Bank aims for breadth in its funding programmes and their use, so that no type of investor is treated disadvantageously. This ensures that the Bank can keep its core business intact for a long period of time, even if there is extensive disruption in the financial markets.

The starting point of this work is a well-matched balance sheet, where illiquid assets are financed using stable funding. The illiquid assets comprise credits to households and companies; these credits constitute the Bank's core business. The long-term stable funding of these assets consists of covered bonds issued by Stadshypotek, senior bonds issued by Handelsbanken, deposits from households and a certain amount of deposits from companies, subordinated liabilities and equity. Part of the core operations are short-term lending to households and companies and on the liabilities side, some of the deposits for these customers are shorter term.

A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations towards customers and investors are fulfilled, it is important to adopt a future-oriented perspective in funding and liquidity risk management. The balance sheet is therefore structured in such a way that the participants of the real economy in the form of companies and households and their needs for credit can be supported even during lengthy periods of stress in the financial markets. Current assets cover current liabilities by a good margin. Figure 63 describes the balance sheet in a stressed scenario where 20 per cent of deposits are assumed to disappear within one year and all access to new market funding disappears. Despite the stress, short-term assets are estimated to exceed short-term liabilities by a considerable amount at year-end. A long-term crisis could result in a reduced balance sheet with retained core business, whereby the volume of short-term assets is gradually used to pay back maturing short-term liabilities. In the event of an even longer crisis, measures have been prepared to create liquidity which will provide more support to the business operations.

The market has great confidence in Handelsbanken, and its assessment is that Handelsbanken has a low credit risk. One illustration of this is that the cost of insuring a credit risk on the Bank, referred to as the CDS spread, is one of the lowest among European banks, and Handelsbanken has the lowest funding costs of peer banks. Handelsbanken has a high rating with the external

Figure 63 Composition of the balance sheet from a maturity perspective



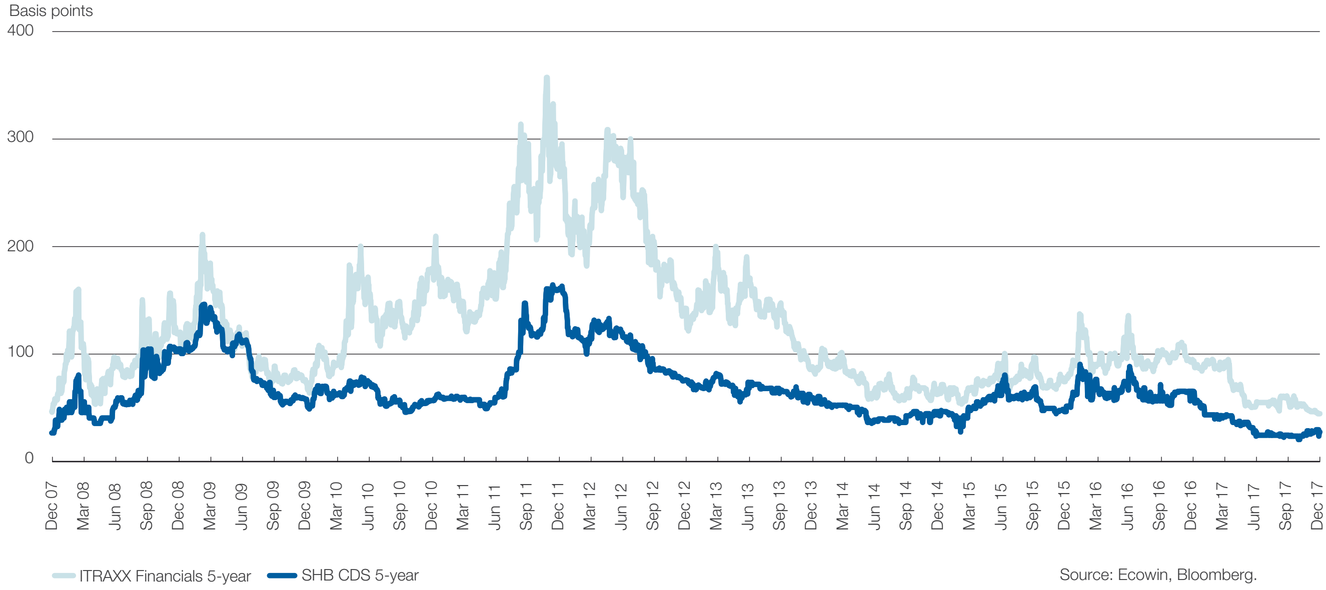
[1] Scheduled amortisations, contractual maturities and estimated additional loan repayments.

rating agencies. Handelsbanken's combined long-term rating is AA, so the Bank has the highest rating in Europe of all peer banks.

Good diversification between different types of sources of funding in various markets, currencies and forms of funding instruments is a key component of the funding strategy. This reduces the significance of individual markets or sources of funding. Handelsbanken's long-term international funding is geographically well diversified, and the Bank has issued significant volumes of bonds in the UK, the United States, Asia, Australia, the euro market and other markets. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues of certificates and CDs. Group Treasury has a number of different funding programmes for market funding at its disposal, which, in addition to the programmes shown in table 65, include covered bonds in Swedish kronor. Bonds and certificates are issued under these programmes in the Bank's and Stadshypotek's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors and geographic breakdown.

Figure 64 Handelsbanken's 5-year CDS spread compared with ITRAXX Financials

ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.



Source: Ecowin, Bloomberg.

Table 65 Funding programmes/limits in the Group

Funding programmes/limits in the Group 2017 **Programme**	**Currency**	**Programme size**	**Utilised amount**	**Countervalue,** SEK m
ECP[1]	EUR	15 000	6 984	68 728
ECP (Stadshypotek)[1]	EUR	4 000	-	-
French commercial paper	EUR	7 500	4 051	39 860
Swedish commercial paper	SEK	25 000	-	-
Swedish commercial paper (Stadshypotek)	SEK	90 000	-	-
USCP	USD	15 000	3 497	28 697
AMTN	AUD	5 000	1 275	8 175
AMTCN (Stadshypotek)	AUD	5 000	-	-
EMTN[1]	USD	50 000	17 432	143 032
EMTCN (Stadshypotek)[1]	EUR	20 000	11 252	110 729
US 144A/3(a)(2)	USD	20 000	12 150	99 692
Stadshypotek US 144A	USD	15 000	5 000	41 026
Samurai	JPY	400 000	147 800	10 779
MTN[1]	SEK	100 000	10 000	10 000
General funding >1 yr[1]	USD	15 000	3 206	26 306
Extendible notes	USD	15 000	-	-
Total				**587 024**
Total programme or limited amounts, SEK m	1 832 544			
Unutilised amount, SEK m	1 245 520			
Remaining to utilise, %	**68%**			

[1] It is possible to issue in other currencies than the original programme currency under these programmes, where currency conversion takes place at the time of issue.

ORGANISATIONAL STRUCTURE

Handelsbanken has a completely decentralised business model, but all funding and liquidity risk management in the Group is centralised to Group Treasury. Funding and liquidity risk management is governed by policies established by the Board which also decides on limits. Guidelines from the CEO and instructions from the CFO make these policies concrete. The guidelines establish parameters such as limits, the composition of the funding, and benchmarks in the case of disruptions in the funding markets. Furthermore, all liquidity risk limits are channelled to the operations via Group Treasury.

Group Treasury is also responsible for the Bank's clearing operation and monitors liquidity flows during the day to ensure that the Bank has sufficient collateral in its payment systems at any given time to meet the Bank's payment obligations. The Bank's liquidity monitoring takes place locally, near the transactions, and is supplemented by central management of collateral and the liquidity reserve for the whole Group.

The size of collateral in the clearing systems is determined on the basis of what the Bank deems is required to fulfil its obligations, both in normal circumstances and in case of larger flows. If the flow changes, the size of collateral and liquidity is adjusted, and in times of crisis, collateral can also be redistributed and the liquidity reserve can be activated. The Bank secures liquidity in its nostro accounts for expected payment and settlement undertakings through active liquidity planning and monitoring in all currencies.

MARKET FUNDING – COMPOSITION

During the year, Handelsbanken issued long-term market funding totalling SEK 227 billion (210), spread over all the currencies that are important to the Bank. Short-term funding is mainly done by issuing certificates of deposit under the various loan programmes, chiefly in Europe and the United States. These loan programmes are supplemented by funding in the international interbank market. During the year, the Bank thus continued to meet investors to the same extent as previously, updated its funding programmes and also in other respects maintained the conditions for bond funding on all relevant funding markets worldwide. This enables funding operations to be maintained in circumstances that are much more difficult than those which have existed in the past few years.

LIQUIDITY RISK

The Bank handles a large number of incoming and outgoing cash flows every day. The gap between incoming and outgoing cash flows is restricted by means of limits. Group Risk Control reports risk utilisation daily to the CFO, weekly to the CEO, and on a regular basis to the Board.

Liquidity planning is based on an analysis of cash flows for the respective currency. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where the liquidity is low. The strategy is that expected outgoing cash flows from the Bank must always be matched with incoming cash flows into the Bank that are at least of the same amount, and that a positive cash flow and cash position must be maintained – even in stressed conditions. This kind of gap analysis is supplemented by scenario tests, in which the effect on liquidity is stressed and analysed using various assumptions.

The governance of the Bank's liquidity situation is based on these stress tests, which are performed at an aggregate level and also individually for the currencies that are essential to the Bank. Resistance to more long-term disruptions in the market is therefore measured on a daily basis through stress testing of cash flows based on certain assumptions. For example, it is assumed that the Bank cannot obtain funding in the financial markets at the same time as 10 per cent of non-fixed-term deposits from households and companies disappear gradually in the first month. It is further assumed that the Bank will continue to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies will be renewed at maturity and that issued commitments and credit facilities will be partly utilised by customers. The Bank also takes into account that balances with central banks and banks will be utilised and that Group Treasury's securities can immediately supply liquidity if provided as collateral, primarily in the market and as a last resort in central banks.

Actions that generate liquidity are also used to steadily provide the Bank with liquidity. Under these conditions, the Bank will remain liquid for more than three years. Thus, the Bank is also substantially resistant to serious, long-term disruptions in the funding markets.

A condition for the Bank to be able to maintain such substantial resistance to disruptions in the financial markets as stated above is that the balance sheet is well balanced. Figure 63 shows that the volume of current assets significantly exceeds the volume of current liabilities in a stressed scenario where 20 per cent of the deposits are assumed to disappear within one year. Furthermore, the volume and quality of

Figure 66 Maturity profile long-term market funding
Refers to issued securities as at 31 December 2017 with an original maturity exceeding one year.

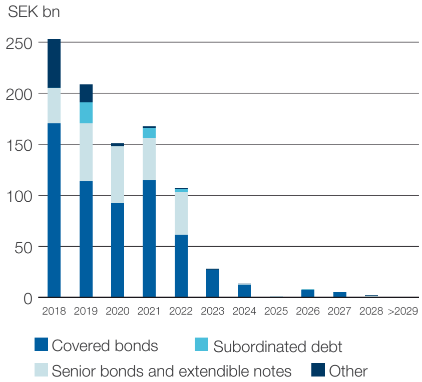


Figure 70 Stress test of liquidity, including liquidity-creating measures – accumulated liquidity position

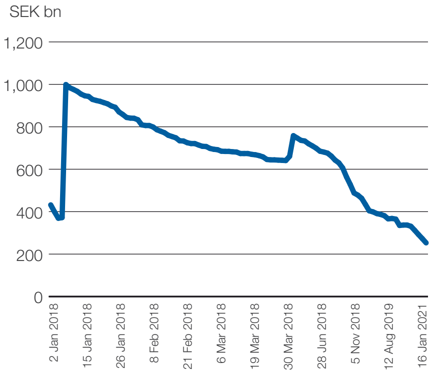


Figure 67 Short-term market funding by currency 2017
Refers to the currency breakdown as at 31 December 2017 for issued securities with original time to maturity of less than one year. Amounts in brackets SEK billion.

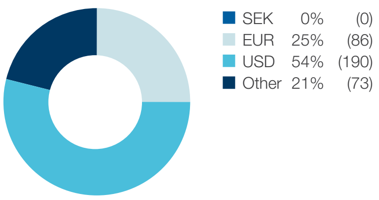


Figure 68 Long-term market funding by currency 2017
Refers to the currency breakdown as at 31 December 2017 for issued securities with original time to maturity of more than one year. Amounts in brackets SEK billion.

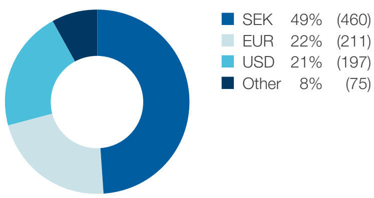
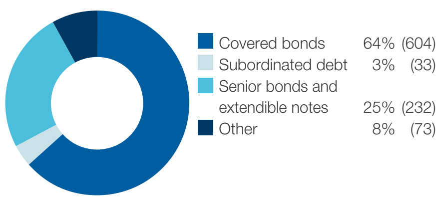


Figure 69 Long-term market funding by instrument 2017
Refers to breakdown by instrument as at 31 December 2017 for issued securities with original time to maturity of more than one year. Amounts in brackets SEK billion.



unutilised collateral must be able to give the Bank the liquidity it needs in times of crisis. Consistently steering the Bank towards positive future net cash flows, instead of point-in-time ratios, also secures this over time.

Table TB32 shows cash flows for the contracted payment commitments, including interest flows, due for payment at the latest within the stated time intervals. 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. Also shown are the assets, liabilities and interest flows that mature in the time intervals corresponding to the contractual maturity dates. Interest flows for lending in the mortgage operations are matched in time with the liabilities that funded the lending. Financial guarantees, committed loan offers, and unutilised overdraft facilities are reported in their entirety in the interval for up to 30 days. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

Since 2013, the liquidity coverage ratio (LCR) has been a binding requirement for Swedish banks, and Handelsbanken has reported it according to the Swedish Financial Supervisory Authority's definition. This measure expresses the ratio between the Bank's liquidity buffer, which consists of several different components as discussed in a later section, and the net cash flows in a highly stressed scenario during a 30-day period. The ratio must be more than 100 per cent. The requirement has applied to LCR at aggregate level and separately for US dollars and euros. As of 1 October 2015, the European Commission's delegated act contains a minimum European requirement for LCR. This minimum requirement, which applies at aggregate level, was 80 per cent in 2017, but is 100 per cent as of 1 January 2018, when the delegated act became fully implemented. In conjunction with this, the Swedish Financial Supervisory Authority's directives and requirements for the LCR were repealed. The Authority has announced that in the future they intend to exercise supervision of LCR in individual currencies within the framework of the supervisory review and evaluation process in Pillar 2.

The LCR may display a degree of volatility over time, for example when funding that was originally long term and that finances mortgage loans is replaced by new long-term funding, or when the composition of counterparty categories in short-term funding varies. At year-end, the Group's aggregated LCR according to the Swedish Financial Supervisory Authority's definition was 133 per cent (126), and the Bank's LCR according to the European Commission's delegated act was 139 per cent (142), which shows that the Bank has substantial resistance to short-term disruptions in the funding markets. This also applies in US dollars and euros. At the end of 2017, the structural liquidity measure called net stable funding ratio (NSFR) – the ratio between available stable funding and the need for stable funding – was 102 per cent (102) for the Group.

PRICING OF LIQUIDITY RISK

An important part of liquidity risk management is that deposits and lending are priced internally, taking into account the liquidity risks that they give rise to. For example, when the Bank grants a loan with a long maturity this creates the need to obtain additional long-term funding – which is more expensive than shorter-term funding. This is because investors who purchase the Bank's long-term bonds normally demand higher compensation for the maturity. This must be taken into account in the Bank's internal pricing by ensuring that the price which internal units in the Bank have to pay for the loans they obtain from Group Treasury varies according to factors such as the maturity period. No liquidity risks can be taken locally. The internal pricing is important in order to create the right incentive and to avoid unsound risk-taking. The Bank has worked with maturity-based internal prices for a long time. They ensure that the price at contract level takes into account the liquidity risk that the agreement has given rise to. This system was already fully implemented at the Bank in 2010.

Table 71 Liquidity coverage ratio (LCR)
Calculated according to the Swedish Financial Supervisory Authority's directive 2012:6 which came into force on 1 January 2013.

Liquidity coverage ratio (LCR) %	2017	2016
EUR	175	136
USD	482	322
Total	**133**	**126**

Table 72 Liquidity coverage ratio (LCR) – decomposition
The components are defined in line with the Swedish Financial Supervisory Authority's directives 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. Lending to non-financial customers corresponds to Chapter 5, Section 4. Other cash inflows corresponds to Chapter 5, Sections 6–12.

Liquidity coverage ratio (LCR) – decomposition SEK m	2017	2016
Liquid assets	**431 037**	**290 058**
Liquid assets level 1	396 615	251 189
Liquid assets level 2	34 422	38 869
Cash outflows	**366 396**	**359 659**
Deposits from customers	213 769	173 496
Market funding	107 727	151 735
Other cash outflows	44 900	34 428
Cash inflows	**43 467**	**129 176**
Inflows from maturing lending to non-financial customers	23 508	21 146
Other cash inflows	19 959	108 030

Table TB32 Maturity analysis for financial assets and liabilities

For deposit volumes the column "Unspecified maturity" refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the Group's balance sheet. Maturity tables without interest flows, including maturity tables in foreign currencies, can be found in the Fact Book at handelsbanken.se/ireng.

Maturity analysis for financial assets and liabilities 2017 SEK m	Up to 30 days	31 days–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	265 238	-	-	-	-	-	-	265 238
Interest-bearing securities eligible as collateral with central banks[1]	129 296	-	-	-	-	-	-	129 296
Bonds and other interest-bearing securities[2]	49 906	-	-	-	-	-	-	49 906
Loans to credit institutions	13 665	1 445	918	601	2 049	2 884	101	21 663
of which reverse repos	*1 340*	-	-	-	-	-	-	*1 340*
Loans to the public	56 263	249 434	183 229	192 418	409 251	1 048 010	-	2 138 605
of which reverse repos	*6 607*	-	-	-	-	-	-	*6 607*
Other	20 858	-	-	-	-	-	216 267	237 125
of which shares and participating interests	*14 052*	-	-	-	-	-	-	*14 052*
of which claims on investment banking settlements	*6 806*	-	-	-	-	-	-	*6 806*
Total assets	**535 226**	**250 879**	**184 147**	**193 019**	**411 300**	**1 050 894**	**216 368**	**2 841 833**
Due to credit institutions	90 432	48 763	3 661	4 399	1 150	6 373	22 959	177 737
of which repos	*126*	-	-	-	-	-	-	*126*
of which deposits from central banks	*34 335*	*26 309*	*553*	-	-	-	*1 496*	*62 693*
Deposits and borrowing from the public	9 411	29 483	4 928	767	2 374	5 665	889 651	942 279
of which repos	*0*	-	-	-	-	-	-	*0*
Issued securities[3]	62 324	370 578	194 043	205 022	439 494	58 788	-	1 330 249
of which covered bonds	*4 584*	*97 275*	*86 808*	*126 429*	*289 426*	*53 842*	-	*658 364*
of which certificates and other securities with original maturity of less than one year	*55 690*	*241 017*	*66 379*	-	-	-	-	*363 086*
of which senior bonds and other securities with original maturity of more than one year	*2 050*	*32 286*	*40 856*	*78 593*	*150 068*	*4 946*	-	*308 799*
Subordinated liabilities	392	781	25	21 316	13 984	-	-	36 498
Other	8 674	-	-	-	-	-	332 038	340 712
of which short positions	*2 085*	-	-	-	-	-	-	*2 085*
of which liabilities on investment banking settlements	*6 589*	-	-	-	-	-	-	*6 589*
Total liabilities	**171 233**	**449 605**	**202 657**	**231 504**	**457 002**	**70 826**	**1 244 648**	**2 827 475**
Off-balance-sheet items								
Financial guarantees and unutilised committed loan offers	443 383							

Derivatives 2017 SEK m	Up to 30 days	31 days–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	271 825	391 212	65 514	123 510	254 782	57 424	1 164 267
Total derivatives outflow	270 128	380 734	63 543	111 732	243 383	56 443	1 125 963
Net	**1 697**	**10 478**	**1 971**	**11 778**	**11 399**	**981**	**38 304**

Maturity analysis for financial assets and liabilities 2016 SEK m	Up to 30 days	31 days–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	222 401	-	-	-	-	-	-	222 401
Interest-bearing securities eligible as collateral with central banks[1]	97 464	-	-	-	-	-	-	97 464
Bonds and other interest-bearing securities[2]	64 344	-	-	-	-	-	-	64 344
Loans to credit institutions	24 274	2 465	432	151	1 109	3 637	-	32 068
of which reverse repos	*4 091*	-	-	-	-	-	-	*4 091*
Loans to the public	52 702	260 395	175 411	194 707	365 045	1 008 017	-	2 056 277
of which reverse repos	*7 493*	-	-	-	-	-	-	*7 493*
Other	22 769	-	-	-	-	-	223 839	246 608
of which shares and participating interests	*20 412*	-	-	-	-	-	-	*20 412*
of which claims on investment banking settlements	*2 357*	-	-	-	-	-	-	*2 357*
Total assets	**483 954**	**262 860**	**175 843**	**194 858**	**366 154**	**1 011 654**	**223 839**	**2 719 162**
Due to credit institutions	97 589	49 128	4 275	4 729	589	6 744	18 944	181 998
of which repos	-	-	-	-	-	-	-	*0*
of which deposits from central banks	*29 818*	*35 413*	*1 561*	-	-	-	*1 868*	*68 660*
Deposits and borrowing from the public	17 328	21 397	5 553	867	2 619	2 614	775 803	826 181
of which repos	*2*	-	-	-	-	-	-	*2*
Issued securities[3]	102 975	361 722	87 129	249 491	438 391	84 163	-	1 323 871
of which covered bonds	*87*	*105 475*	*17 241*	*205 687*	*267 098*	*48 094*	-	*643 682*
of which certificates and other securities with original maturity of less than one year	*101 745*	*222 244*	*25 435*	-	-	-	-	*349 424*
of which senior bonds and other securities with original maturity of more than one year	*1 143*	*34 003*	*44 453*	*43 804*	*171 293*	*36 069*	-	*330 765*
Subordinated liabilities	389	840	3 059	1 228	32 808	-	-	38 324
Other	4 105	-	-	-	-	-	320 193	324 298
of which short positions	*1 572*	-	-	-	-	-	-	*1 572*
of which liabilities on investment banking settlements	*2 533*	-	-	-	-	-	-	*2 533*
Total liabilities	**222 386**	**433 087**	**100 016**	**256 315**	**474 407**	**93 521**	**1 114 940**	**2 694 672**
Off-balance-sheet items								
Financial guarantees and unutilised committed loan offers	425 267							

Derivatives 2016 SEK m	Up to 30 days	31 days–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	259 217	447 077	75 052	103 839	292 940	95 384	1 273 509
Total derivatives outflow	257 865	437 574	71 189	90 801	264 335	92 441	1 214 205
Net	**1 352**	**9 503**	**3 863**	**13 038**	**28 605**	**2 943**	**59 304**

[1] SEK 89,070m (68,022) of the amount (excl. interest) has a residual maturity of less than one year.
[2] SEK 15,402m (10,136) of the amount (excl. interest) has a residual maturity of less than one year.
[3] SEK 606,772m (528,907) of the amount (excl. interest) has a residual maturity of less than one year.

LIQUIDITY RESERVE

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves. Liquidity reserves are kept in all currencies that are relevant to the Bank and are accessible for Group Treasury. The liquidity reserve is independent of funding and foreign exchange markets and can provide liquidity to the Bank at any time – some parts immediately and other parts gradually over a period of time.

The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises government bonds, covered bonds and other high-quality securities which are liquid and eligible as collateral with central banks. These can also provide the Bank with immediate liquidity. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-creating measures.

ENCUMBERED ASSETS AND COVER POOLS

Another important part of Handelsbanken's liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. One prerequisite for being able to pledge additional collateral is for the Bank to have collateral at its disposal from the outset. The Bank therefore retains substantial volumes of non-encumbered assets that could be used as collateral in the issue of covered bonds and liquid securities with very high credit ratings.

The Bank is restrictive about entering into agreements with parties other than credit institutions, such as CSA agreements that stipulate that the Bank, according to certain criteria, may be forced to provide collateral to a counterparty. Cash collateral pledged under CSA agreements for outstanding derivatives totalled SEK 5,540 million (7,279). For more information about the Bank's encumbered assets, see the Assets pledged table in Handelsbanken's Fact Book. In addition to securing the Bank's liquidity, this restrictive approach contributes to limiting the extent to which the Bank's senior lenders have lower priority than lenders who invest in covered bonds, known as subordination.

To assess the degree of subordination between investors of non-encumbered funding and encumbered funding, the volume and credit quality of the non-encumbered assets are the relevant factors. Handelsbanken's restrictive approach to risk-taking means that the non-encumbered assets are of high quality. Since Handelsbanken wishes to have a balanced utilisation of covered and senior bonds, there is a large volume of mortgage loans which are not encumbered. Other non-encumbered loans also have a low risk measured, for example, in terms of the Bank's internal rating.

Table 75 shows that the volume of non-encumbered assets for Handelsbanken is 224 per cent (210) of the outstanding volume of non-encumbered funding. At the end of the year, the Bank decided to reduce the volume of short-term deposits. This explains the decrease in balances on deposit with central banks and the ratio between non-encumbered assets in relation to the outstanding volume of non-encumbered funding compared with previous quarters.

The majority of the encumbered assets consist of Stadshypotek's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. The Bank also has voluntary over-collateralisation (OC) – assets additional to the statutory requirement of 2 per cent needed to cover the issued bonds – of 8 per cent included in the pool. These extra assets are in the pool in case the value of the mortgage loans were to fall to a level such that further assets are needed to match the volume of outstanding bonds.

When assessing the risk that it will be necessary to add further assets, the loan-to-value ratio (LTV) of the mortgage loans in the cover pool is of fundamental importance. The lower the LTV, the lower the risk that more mortgage loans are required in the pool if prices fall in the property market. Handelsbanken's average LTV – LTV Max – was 53.8 per cent (50.0) in the Swedish pool, 55.6 per cent (53.6) in the Norwegian pool, and 49.7 per cent (48.7) in the Finnish pool. The conditions are in place for a Danish pool, which Moody's has given a preliminary rating of Aaa, but this asset pool has not yet been used for issues. The Danish pool's average LTV was 63.9 per cent. This demonstrates that the Bank can withstand substantial drops in prices of underlying property assets before further mortgage loans have to be added to the pools.

The assets which the Bank has chosen to keep outside the cover pools are shown in table 75 and can be used for issues of covered bonds if necessary.

Table 73 Holdings with central banks and banks, and securities holdings in the liquidity reserve, market value

Holdings with central banks and banks, and securities holdings in the liquidity reserve, market value 2017 SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	6 766	85 624	48 079	124 765	265 234
Balances with other banks and National Debt Office, overnight	1 831	13	19	178	2 041
Government-issued securities	92 916	6 916	22 173	-	122 005
Securities issued by municipalities and other public entities	6 433	-	3 897	50	10 380
Covered bonds	31 911	1 973	-	6 625	40 509
Own covered bonds	2 338	-	-	1 402	3 740
Securities issued by non-financial companies	126	15	-	-	141
Securities issued by financial companies (excl. covered bonds)	131	144	-	-	275
Other securities	-	-	-	-	-
Total	**142 452**	**94 685**	**74 168**	**133 020**	**444 325**

Holdings with central banks and banks, and securities holdings in the liquidity reserve, market value 2016 SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	4 821	99 487	30 460	89 765	224 533
Balances with other banks and National Debt Office, overnight	7 567	22	23	100	7 712
Government-issued securities	70 483	6 430	12 519	-	89 432
Securities issued by municipalities and other public entities	2 051	287	4 447	-	6 785
Covered bonds	36 631	2 108	-	10 306	49 045
Own covered bonds	4 602	-	-	-	4 602
Securities issued by non-financial companies	1	26	-	-	27
Securities issued by financial companies (excl. covered bonds)	85	20	-	19	124
Other securities	-	-	-	-	-
Total	**126 241**	**108 380**	**47 449**	**100 190**	**382 260**

Table 74 Encumbered assets and other pledged collateral

Loans to the public are reported at amortised cost. Other pledged assets are reported at fair value.
The reported value of the liabilities related to the collateral was SEK 870bn (854).

Encumbered assets and other pledged collateral	Recognised amounts	
SEK bn	2017	2016
Loans to the public[1]	661	663
Government instruments and bonds	37	34
Equities	1	1
Cash	16	17
Other	142	125
Total[2]	**857**	**840**
Other pledged assets[3]	34	33

[1] Of which over-collateralisation in the cover pool (OC) SEK 61bn (61).
[2] Of which SEK 23bn (20) is collateral which can be freely reclaimed by the Bank.
[3] Of which SEK 26bn (27) is collateral which can be freely reclaimed by the Bank.

Table 75 Non-encumbered/non-pledged assets

Non-encumbered/non-pledged assets	2017		2016	
SEK bn	(NEA)[1]	Accumulated share of non-secured funding, %[2]	(NEA)[1]	Accumulated share of non-secured funding, %[2]
Cash and balances with central banks	**267**	**32**	**232**	**28**
Liquid bonds in liquidity portfolio	**177**	**53**	**150**	**46**
Loans to households including derivatives	**467**		**466**	
of which mortgage loans	*277*	*86*	*284*	*80*
of which loans secured by property mortgage	*9*	*87*	*11*	*81*
of which other household lending	*181*	*109*	*171*	*101*
Loans to companies including derivatives	**937**		**831**	
of which mortgage loans	*272*	*141*	*186*	*124*
of which loans to housing co-operative associations excl. mortgage loans	*54*	*148*	*48*	*129*
of which loans to property companies incl./excl. mortgage loans				
- risk category 1–3	*276*	*180*	*260*	*160*
- risk category 4–5	*99*	*192*	*98*	*172*
- of which risk category > 5	*9*	*193*	*10*	*173*
of which other corporate lending				
- risk category 1–3	*141*	*210*	*144*	*191*
- risk category 4–5	*69*	*218*	*70*	*199*
- risk category > 5	*17*	*220*	*15*	*201*
Loans to credit institutions including derivatives	**19**		**32**	
- risk category 1–3	*19*	*223*	*32*	*205*
- risk category > 3	*0*	*223*	*0*	*205*
Other lending	**0**	**223**	**0**	**205**
Other assets	**9**	**224**	**44**	**210**
Total	**1 876**	**224**	**1 755**	**210**

[1] NEA: Non-encumbered assets.
[2] Issued short and long non-secured funding and due to credit institutions.

Table 76 Collateral received available for encumbrance

The carrying amount of the liabilities and other commitments for which the collateral has been pledged amounts to SEK 5bn (4).

Collateral received available for encumbrance	Fair value of collateral received available for encumbrance		Fair value of encumbered collateral received	
SEK bn	2017	2016	2017	2016
Government instruments and bonds	15	12	3	1
Shares	1	3	7	4
Total	**16**	**15**	**10**	**5**

Table 77 Cover pool data

Cover pool data	Sweden		Norway		Finland	
SEK m	2017	2016	2017	2016	2017	2016
Stadshypotek total lending, public	1 051 541	983 160	79 179	79 564	49 377	50 724
Available assets for cover pool	967 320	902 862	75 247	75 226	46 503	47 473
Utilised assets in cover pool	618 744	626 458	25 320	31 269	16 741	5 193
Substitute assets, cash on a locked account	5 000	5 000	-	-	-	-
Maximum LTV %, weighted average ASCB definition[1]	53.81	49.97	55.55	53.63	49.68	48.72
LTV, breakdown						
0–10%	22.9	25.5	21.7	23.4	27.6	26.8
10–20%	19.8	21.3	20.0	20.3	23.3	23.3
20–30%	17.1	17.4	17.0	16.9	19.5	20.5
30–40%	14.4	13.7	14.1	14.1	13.4	15.7
40–50%	11.4	10.2	11.7	11.2	8.6	11.2
50–60%	8.0	6.9	8.8	8.2	5.2	2.5
60–70%	5.0	3.9	5.3	4.8	2.1	0
70–75%	1.4	1.1	1.4	1.1	0.4	0
Loan amount, weighted average, SEK	634 500	647 500	3 538 328	3 673 983	871 894	825 096
Loan term, weighted average, no. of months[2]	61	64	23	21	57	55
Interest fixing periods, breakdown						
Floating rate, %	54.9	47.2	97.9	100	99.9	100
Fixed rate, %	45.1	52.8	2.1	0	0.1	0

[1] Association of Swedish Covered Bond issuers.
[2] As of Q2 2016, calculated from the approval date of the loan instead of the latest date for amendment of specific terms.

OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.

The Board has established the Handelsbanken Group's tolerance for operational risk. Handelsbanken has a low tolerance of operational risk, while operational risk is an inevitable component of all operations at the Bank. Significant operational risk that could cause major operational losses must be reduced through risk-mitigation measures to a lower risk level so that the risks lie within the Bank's risk tolerance, that is, so that the consequences and/or probability of an incident become acceptable. Losses resulting from an operational risk event can be covered by insurance or other solutions.

Operational risk must be managed so that the Group's operational losses remain small. The CEO has established limits and threshold levels for operational risk. Handelsbanken's operational losses, which comprise expected and recognised operational losses and any recoveries, totalled SEK 49 million (116) in 2017. It is not unusual that the amount referring to operational losses is adjusted over time due to recoveries or other compensation received, or that additional losses are added which are related to a previously reported incident. This may affect the comparison figures for previously reported losses.

ORGANISATIONAL STRUCTURE

The responsibility for identifying, assessing and managing operational risk is an integral part of managerial responsibility at all levels in the Handelsbanken Group. The Bank's decentralised way of working and cost-consciousness promote good management of operational risk, which leads to vigilance against potential loss risks in daily procedures and events.

Operational risk is managed in the business operations, and this management is checked by local risk control and Group Risk Control. Specially appointed local co-ordinators (local OpRisk co-ordinators) for operational risk are in place at regional banks, main departments, subsidiaries and units outside the Bank's home markets to assist managers in their managing of operational risk. They are responsible for ensuring that existing methods and procedures for managing operational risk are used in the business operations, managing follow-up on reported incidents, supporting the business operations, and following up any actions decided regarding operational risk.

Local risk control functions at regional banks, main departments, subsidiaries and units outside the Bank's home markets must ensure that the units within their own operations identify, assess, report and manage operational risk as well as follow up to ensure that the actions decided are carried out. This is done by means of regular quality assurance and evaluation of the operations' work with operational risk.

Group Risk Control has the overall responsibility for the methods and procedures used to manage operational risk and for periodically assessing methods and procedures as well as their use in the operations. Group Risk Control is also responsible for ensuring that risks are evaluated before decisions are made concerning new or materially changed products, services, markets, processes or IT systems or in the case of major changes in the Group's operations or organisational structure. In addition, Group Risk Control is responsible for identifying, measuring, analysing, and reporting at the Group level all material operational risk and its development to-management and the Board. The risk reports to management and the Board also contain information about material incidents and risk-mitigation measures.

METHODS FOR IDENTIFYING, ASSESSING AND MANAGING OPERATIONAL RISK

As an aid to continual identification, assessment and management of operational risk, the Bank has a reporting and case management system for incidents, a method and procedure for self-assessment of operational risk and risk indicators.

Incident reporting

The regular collection of risk facts in the form of incident reporting takes place at branch offices and departments throughout the Group in accordance with the CEO's guidelines and supplementary instructions. All employees throughout the Group must collect facts about incidents which have affected their unit and resulted in a loss exceeding SEK 25,000. In addition, risk facts must be collected and reported concerning incidents where the losses are zero or are less than

SEK 25,000 but demonstrate material operational risk that could have a material negative impact on a unit's profit. To further promote the unit's proactive work with risk, all employees are encouraged to also collect facts about incidents which give rise to smaller losses or no loss at all.

Incidents reported are reviewed and categorised on a regular basis by the local OpRisk co-ordinator. The Bank categorises operational risk according to seven types of events:

- execution, delivery and process management
- business disruptions and system failures
- clients, products and business practices
- external crime
- damage to physical assets
- employment practices and workplace safety
- internal fraud.

Self-assessment procedure OPRA Risk Analysis

OPRA Risk Analysis is a self-assessment procedure to document and assess operational risks which may have an impact on the Bank. It is carried out at least once a year at all units. The head of the unit is responsible for this being performed. The local OpRisk co-ordinator provides support for the planning and implementation. The participants must be people with broad experience of the unit's operations. Their combined competency must cover all the areas of responsibility that have been identified for the analysis. The aim is to assess the consequence and likelihood of an event. The assessment of the impact includes both financial losses and reputation risk. Information that is important as the basis of OPRA Risk Analysis includes facts and statistics from previously reported incidents, audit reports, compliance reports, external public events in the business environment, and OPRA Risk Analyses from other units and essential processes that are relevant. The self-assessment procedure results in an action plan stating the risks to be reduced, how this will be done, who is responsible and time limits for when measures are to be taken. The action plan is a working document that is regularly followed up during the year by the business operations with the support of the local OpRisk co-ordinator. Local risk control is informed about the completed OPRA Risk Analysis, including the action plan, and it evaluates the procedure. Group Risk Control provides regular support to the local OpRisk co-ordinator's planning, implementation and follow-up and also performs an annual aggregate assessment of the evaluations from all local risk control units.

RISK INDICATORS

Risk indicators are applied in order to identify and warn of heightened operational risk. The local OpRisk co-ordinators regularly collect data and present it to the local management. Some risk indicators are collected by Group Risk Control and presented to management and the Board. If a threshold value for a risk indicator is exceeded, a consequence and probability assessment is carried out and documented by the responsible unit.

ORX

The Bank is a member of Operational Riskdata eXchange Association (ORX). The main purpose of ORX is for participating banks to exchange anonymised data concerning incidents leading to operational losses. ORX also has an important function in standardising and ensuring the quality of data on operational risks. Extensive research is being done on methods regarding operational risk, and ORX is an important forum for exchange of information.

IT OPERATIONS IN THE HANDELSBANKEN GROUP

The Bank's operations are conditional on availability and security in its IT services. The CEO establishes guidelines relating to the overall goal and strategy of IT operations in the Handelsbanken Group. Operational risk in this area is managed according to the same procedures as in other parts of the Bank, with the addition of special procedures for managing specific types of risk within the area, such as:

- monitoring IT production
- management of IT incidents
- management of cyber risk
- implementation of security tests
- implementation of risk analyses of IT systems
- review of external service providers with respect to information and IT security.

A special local risk control function within Group IT monitors risks in IT and information security.

INFORMATION AND IT SECURITY

The Bank's operations continually process sensitive information, particularly regarding the Bank's customers and customer relations. The Bank's work with information and IT security focuses on availability, correctness, confidentiality, and traceability. The information and business systems must be available based on the business requirements of the operations. All information must also be reliable, correct and complete. It should never be distributed to unauthorised persons and it may only be used to the extent required by the work assignment. In addition, it must be possible to determine afterwards who has read or changed the information, when it was changed and which changes were made. Structured development is under way in the Bank to increase the level of awareness among all employees and customers concerning the threats and risks in information security, through presentations, training programmes and information initiatives.

Work with the Bank's information security and IT security involves protecting customers' information and transactions and also the Bank's IT environment. Information security covers administrative systems, such as rules and instructions, as well as technical security solutions.

Figure 78 Breakdown of losses exceeding SEK 25 thousand, 2013–2017

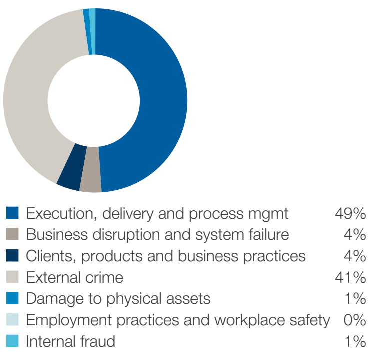


Figure 79 Breakdown of loss amount exceeding SEK 25 thousand, 2013–2017

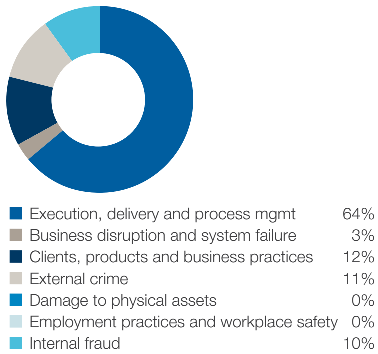
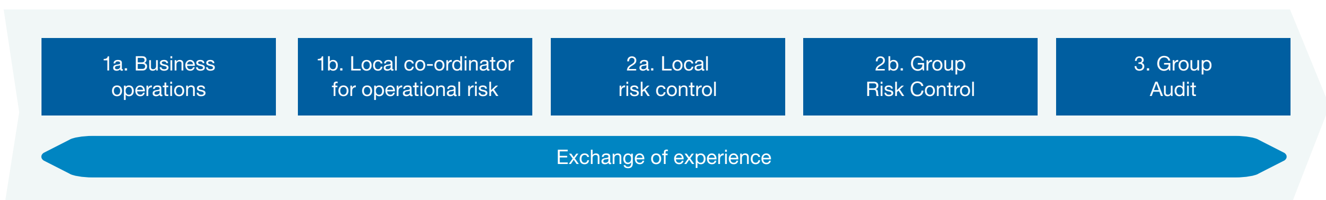


Figure 80 Operational risk management and control at Handelsbanken



INTEGRITY AND CONFIDENTIALITY – PRO-ACTIVE INFORMATION AND IT SECURITY EFFORTS

It is important that the Bank actively works with IT security to meet possible threats identified through business intelligence with respect to cyber threats, that there is preparedness for dealing with IT security incidents, and that there are procedures for managing change in the IT environment so that no breaches occur. If management of information were to prove faulty, or if information were to be released by mistake, the consequences could be serious, including weakened confidence in the Bank or financial losses.

The CEO establishes guidelines for information security at Handelsbanken. All employees in the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. Information security work is pursued in accordance with the ISO 27001 international standard. One result of this is that any risks are identified on a regular basis and that internal rules are produced so that the information is protected over time.

The Bank's work with information security and IT security, as well as its management of sensitive information, is also governed by international and national regulations.

The Bank's information security regulations are based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation where most of the largest companies in the world are members. The work with information and IT security is pursued systematically and the Bank applies a process where risk analysis plays a central role. The risk analyses are performed using the IRAM method (ISF's Information Risk Analysis Methodology).

For several years, Handelsbanken has been a 'listed team' in the Trusted Introducer community (a European network for IT security) and a full member of the Forum of Incident Response and Security Teams (FIRST). Handelsbanken also participates in FIDI Finans, a forum for sharing information between the government, the business community and other relevant organisations in Sweden regarding information security in the financial sector. The forum is led by the Swedish Civil Contingencies Agency.

FINANCIAL CRIME

The Bank aims to constantly work, in an effective, fit-for-purpose manner, to minimise the risk for the Bank or the Bank's products or services being used as part of some kind of financial crime. Financial crime includes money laundering, terrorist financing, tax crimes, various types of fraud, corruption, and other particularly serious financial crime. In 2017, the Group's efforts were organised in a central unit led by the Bank's specially designated officer. Essential starting points for the new organisation include the Bank's low tolerance of risk and the body of external regulations on money laundering and terrorist financing.

NEW PRODUCTS AND SERVICES

The Bank has a process for managing new products and services and for managing major changes to existing ones. Each business area, subsidiary and regional bank with product responsibility manages new products and services in accordance with central guidelines. There is an established decision procedure for how new products and services can be introduced, and a risk analysis is always performed that must be approved by local risk control before a new product or service is launched. The analysis must take into account the risks, including operational risk and reputation risk, for the Bank and for the customer. In addition, the analysis must take into account matters regarding sustainability, information security and data quality. Group Risk Control is involved in complex cases or when this is justified for other reasons.

ESSENTIAL PROCESSES

The Bank has identified and documented the processes which are essential to the Bank's operations. The Bank's list of essential processes is reviewed and revised on a regular basis. Risk analyses are performed annually, and when there is a material change in an essential process.

CRISIS MANAGEMENT AND CONTINUITY PLANNING

There are crisis management handbooks and continuity plans in place in all parts of the Group for dealing with serious disruptions. Continuity plans are made for organisational units, IT systems and essential processes. Crisis management helps the crisis team to quickly and systematically start to deal with a crisis situation and its effects. There is a central crisis team for the whole Group and local crisis teams in the Bank's home markets, several subsidiaries, international units outside the Bank's home markets, and in several operating areas.

The Group Crisis Team has permanent staff consisting of key members of management or those close to them. The Group Crisis Team functions as a liaison crisis team in the event of a major crisis in the Group, supports the local crisis team or teams working with an acute crisis and functions as a crisis team for the main central departments. Continuity planning focuses on taking preventive measures to minimise the consequences of a serious disruption of business operations. Local risk control performs an annual evaluation of the procedure. Group Risk Control then performs an aggregated evaluation at Group level.

OUTSOURCING AGREEMENTS

The CEO has issued guidelines that set out the conditions and requirements for outsourcing work and functions of material significance to the operations. The guidelines apply throughout the Handelsbanken Group and also cover the subsidiaries in the Group.

ORGANISATIONAL CHANGES

The Bank has instructions for business operation and/or organisational changes. These instructions state that there must be a decision procedure for decisions about major business operation and/or organisational changes, and the responsibility of the different functions in the process must be clearly stated. Before a decision is made about a business operation/organisational change, a risk analysis must be performed. Decisions and decision documentation must be documented.

REPUTATION RISK, CONDUCT RISK, AND TRAINING

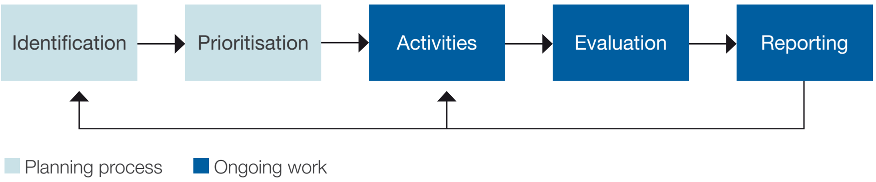
Reputation risk is the risk of losses due to damage of confidence in the Bank. This may occur for reasons such as deficiencies in ethical standards, inappropriate actions, poor information or badly planned development of new or changed products. Handelsbanken manages and minimises reputation risk in its operations through pro-active business intelligence and accompanying, relevant corrective action when needed, as well as by conducting operations to a high ethical standard. Handelsbanken employees are trained annually through mandatory security reviews that cover rules on confidentiality, combating financial crime, conflicts of interest, bribery, market manipulation and complaints management. Handelsbanken's low risk tolerance is also reflected in the view of remuneration. The Bank regards fixed remuneration as contributing to sound operations, so it is a basic rule.

SUSTAINABILITY

Sustainability risk can arise in any of the Bank's different roles – as a lender, asset manager, service provider, purchaser or an employer. Sustainability risk spans areas such as human rights, the environment, climate, corruption and money laundering. It is important to anticipate and manage sustainability risk, for financial and legal reasons as well as for the Bank's reputation.

Handelsbanken's activities for managing sustainability risk follow the Bank's decentralised model and are aligned with the Bank's generally low tolerance of risk. The Bank's business operations bear the responsibility for identifying sustainability risk and managing it. This is done within a framework of established processes for risk management.

Figure 81 The compliance process



COMPLIANCE RISK

Compliance risk is the risk that the Bank does not comply with laws, regulations and internal rules, or accepted business practices or standards.

The Handelsbanken Group has high ambitions regarding good administrative order, ethical standards and compliance with laws and regulations. In its Policy for compliance, Handelsbanken's Board has established that "the Bank has a low tolerance of compliance risks and, as far as possible, it must endeavour to prevent these risks". The objective is that no breaches of regulations should occur within the Group's operations, and that compliance risks are identified and managed.

Poor management of compliance risks may lead to increased operational and legal risks, reputation risk and the risk of intervention by the supervisory authorities. The work of compliance aims to identify compliance risks and to ensure that the necessary action is taken to mitigate them.

The guidelines for how supervisory authorities consider the compliance function should be set up and how a credit institution should work with compliance matters are established in the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1), the European Banking Authority's Guidelines on internal governance, and the European Securities and Markets Authority's Guidelines on certain aspects of the MiFID compliance function requirements. The Basel Committee's Compliance and the compliance function in banks also provides guidelines for how a bank's compliance function should be structured. Handelsbanken has implemented this work method through its policies, guidelines and instructions.

ORGANISATIONAL STRUCTURE

Handelsbanken's compliance function is organised as a central compliance department (Group Compliance), and also local compliance officers or departments (local compliance) for every business area, regional bank and central department, and in countries where Handelsbanken has local operations.

RESPONSIBILITIES

Compliance is an essential part of Handelsbanken's operations and is thus the responsibility of all managers and employees in the Group. The compliance function is responsible for identifying and assessing material compliance risks and deficiencies, performing regular controls and assessments as to how the Bank fulfils its obligations with regard to legislation, regulations and other rules applying to the licensed operations, providing recommendations, support, and advice to the Bank's units regarding compliance questions and reporting to management and the Board regarding compliance and compliance risks and deficiencies. Group Compliance has the function responsibility for all compliance work at Handelsbanken. Local compliance has the operational responsibility at each unit.

Local compliance functions are evaluated by Group Compliance, in order to assess whether they have satisfactory independence and sufficient quantitative and qualitative resources.

RISK-BASED COMPLIANCE WORK

The foundation for the compliance work is a risk-based prioritisation of the Group's most significant risk areas. These risk areas constitute the starting point for all compliance activities such as support and advice, training and controls. If compliance risks or deficiencies are identified, they are evaluated and reported using a four-level assessment scale: 'minor', 'moderate', 'major', and 'critical'. The assessments are done based on the nature of the regulations, frequency of deficiencies, and the measures taken by the operations to correct deficiencies and other findings. The Chief Compliance Officer reports significant risk areas judged to have a 'major' or 'critical' risk at least every quarter to the CEO, every six months to the Board's risk committee, and every year to the Board. The reports also contain an assessment of the actions that the operations have taken to manage the risks and deficiencies identified and recommendations to the units concerned.

COMPLIANCE RISKS

In 2017, a few compliance risks were reported as significant at Group level – that is, major or critical risks – and were subject to urgent action to reduce them to an acceptable level. In 2017, compliance risks associated with the rules concerning measures against money laundering and terrorist financing were assessed as the most significant ones. An extensive project is in progress to ensure good management of the risks and compliance in the Group in this area, which also includes addressing external factors such as recently adopted legislation and increasing supervisory aims on the part of competent authorities.

The increasingly comprehensive and detailed regulations concerning investment advice and insurance mediation previously represented a major compliance risk for Handelsbanken and for the banking system as a whole. During the year, the Bank took extensive measures – system improvements, more rigorous demands on advisors' competency and skills, and stronger first-line control procedures – which have significantly mitigated the risk.

Within the framework of the Asset Quality Review and internal risk rating, Swedish and international supervisory authorities have raised questions primarily concerning the possibility of an external party being able to reproduce the risk rating performed as part of Handelsbanken's decentralised expert model. As a result of this, the compliance risk in this area has also been deemed higher. During the year, additional measures have been taken in the form of new support instructions to ensure that the Bank can retain its expert-based working method while continuing to comply with relevant requirements.

Another area that represents a potential risk for the Bank and the banking sector as a whole is data quality. The Bank is deemed to have complete information for its risk management, but the relevant requirements are strict in terms of automatic aggregation of data in various dimensions. An internal project has completed several risk-mitigation measures in this area – including an enhanced structure for data governance and data quality, documentation of the process for essential risk reports, information related to data quality and information supply – which have mitigated the risk, although further efforts are planned and being carried out.

RISK IN THE REMUNERATION SYSTEM

Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

REMUNERATION SYSTEM

At Handelsbanken, remuneration is established individually when an employee takes up a new position and in local salary reviews. Taking into account the collective agreements that are binding upon Handelsbanken or corresponding local standardised contracts or agreements, remuneration shall be based on the Bank's model for setting salaries and the salary-setting factors it specifies: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, the market, and being a cultural ambassador for the Bank. These principles have been applied for many years. They mean that managers at all levels participate regularly in salary processes and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

To ensure that Handelsbanken has a well-designed remuneration system, risk in the remuneration system is managed as a separate risk class, with the same allocation of responsibilities as other types of risk. Handelsbanken has low tolerance of remuneration risks and actively strives to keep them at a low level. Variable remuneration is applied with great caution and is not offered to employees whose professional activities have a material impact on the Bank's risk profile.

In 2017, 202 employees (229) who have been able to earn variable remuneration earned SEK 60 million (79) in variable remuneration.

ORGANISATION AND RESPONSIBILITY

The principles for the Bank's remuneration system are stipulated in the remuneration policy which is decided upon by the Board. More detailed guidelines are decided by the CEO. The responsibility for identifying and managing remuneration risks rests with every responsible manager in the operations. Local risk control regularly monitors that the remuneration system is applied as intended. Group Risk Control is responsible for analysing the risks associated with the remuneration policy and the remuneration system annually before the Board considers and decides on the policy. In addition, Group Risk Control evaluates the application of the remuneration system. Based on this risk analysis and evaluation, an assessment is made as to whether the remuneration system is designed in a way that could threaten the Bank's financial position.

RISKS IN THE REMUNERATION SYSTEM

Handelsbanken's remuneration policy and remuneration system are deemed to generate low risks, fit in with the Bank's low tolerance of risks, and support the Bank's long-term interests. The remuneration system has a low impact on the Bank's financial risk, capital and liquidity situation. The total variable remuneration paid out during one year to employees in the Handelsbanken Group must not exceed 0.4 per cent of the Bank's common equity tier 1 capital. The data for the calculation of variable remuneration is risk-adjusted based on an assessment of present and future risks. There are rules about deferring the disbursement of variable remuneration and for completely or partly reducing the allocated deferred variable remuneration.

For more detailed information and statistics about the Bank's remuneration system, see the Corporate Governance Report and note G8 in the Annual Report.

Table 82 Variable remuneration

Variable remuneration	2017	2016
Earned variable remuneration[1], SEK m	60	79
Salaries and fees, SEK m	8 373	8 103
No. of persons able to earn variable remuneration[2]	202	229
Average number of employees	11 832	11 759
Earned variable remuneration, as a proportion of salaries and fees, %	0.7	1.0
No. of persons able to earn variable remuneration as a proportion of average number of employees, %	1.7	1.9

[1] All variable remuneration is paid in cash. The amounts are excluding social security costs. The amounts are determined after the Annual Report is published.
[2] The number of persons who are allocated variable remuneration is determined after the Annual Report is published. Of the 229 persons who were able to earn variable remuneration in 2016, 190 received an allocation.

RISK IN THE INSURANCE OPERATIONS

The risk in the insurance business mainly comprises market risks and insurance risks.

BUSINESS OPERATIONS AND RISKS IN INSURANCE OPERATIONS

Handelsbanken Liv conducts life insurance operations with traditional management, unit-linked insurance, portfolio bond insurance and risk insurance operations. Traditionally managed insurance is closed for new sales. The risk profile is measured using the standard formula prescribed by Solvency 2. Market risks and insurance risks dominate the risk profile.

MARKET RISK

Market risk refers to the combined risk that changes in risk factors in financial markets – such as changes in interest rates, property prices, equity prices, or exchange rates – will result in changes in the value of the company's investment assets and/or its commitments. Market risk arises in traditional management related to guarantee products and indirectly from savings products, unit-linked insurance, and portfolio bond insurance, where the policy holders themselves bear the risk but the company's earnings depend on the assets under management in the products.

Insurance liabilities also contain interest rate risk because the technical provisions are discounted using a risk-free interest rate. In addition to the market risk that is calculated using the standard formula prescribed by Solvency 2, the company also uses its own model for calculating the total market risk in the traditionally managed portfolios. The model, which calculates VaR with a 99.5 per cent confidence level and a holding period of three months, specifies market risk as the size of the capital contribution required to fulfil the terms of the insurance contract. The main risk for Handelsbanken Liv's traditionally managed portfolios is interest rate risk. At year-end, VaR was SEK 736 million (785).

Handelsbanken Liv has a low risk tolerance. Through the company's investment guidelines and risk policy, the board of Handelsbanken Liv gives overall instructions on how the assets will be managed given the undertakings to the policy holders and the statutory requirements, how governance and control of the investments will be done, and how the total risk level in the company's combined assets and undertakings will be managed. Assets will only be invested in a prudent manner in assets and instruments whose risks can be identified, measured, analysed, and reported.

LIQUIDITY RISK

Liquidity risk is the risk that a company will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses. Liquidity risks are managed by daily monitoring of future disbursements and by investing a significant portion of the company's investment assets in listed securities with very good liquidity.

INSURANCE RISK

Insurance risk consists primarily of life and disability insurance risks and can be divided into the following categories.

Risk category

Mortality risk

The risk of loss, or of adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. Increased mortality leads to an increase in the value of the insurance commitments.

Longevity risk

The risk of loss, or of adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. Decreased mortality leads to an increase in the value of the insurance commitments.

Disability and morbidity risk

The risk of loss, or of adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, falling ill and recovering from illness.

Lapse risk
The risk of loss, or of adverse change in the value of insurance commitments, resulting from changes in the level or volatility of lapses, terminations, renewals and surrender.

Operating expense risk
The risk of loss, or of adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, operating expenses for insurance contracts.

Revision risk
The risk of loss, or of adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in the revision rates for periodic disbursements, due to changes in regulatory requirements, the legal environment or the state of health of persons insured.

Catastrophe risk
The risk of loss, or of adverse change in the value of insurance commitments, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

The Handelsbanken Liv Group is also exposed to risks connected with accident insurance. However, these are not judged to be material compared to other risks. Most of Handelsbanken Liv's policies are taken out by small companies and private individuals. There is no risk concentration, other than that most of the policies are taken out in Sweden.

The insurance operations report their market and insurance risks as well as operational risk to the insurance company's Board and Chief Executive, to the Bank's Group Risk Control and to the Bank's Risk Committee, which acts in an advisory capacity to the Bank's CEO and CFO.

More information about Handelsbanken Liv's corporate governance system and risk management is included in Handelsbanken Liv's publication, *Gemensam rapport om solvens och finansiell ställning* (in Swedish only), available at handelsbanken.se.

ECONOMIC CAPITAL

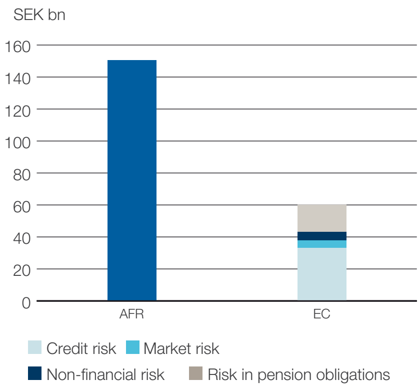
Handelsbanken's model for calculating economic capital identifies in one measurement the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

Group Risk Control is responsible for comprehensive monitoring of the Group's various risks. The Bank's model for economic capital (EC) is an instrument in this monitoring. It is also part of the Bank's assessment of the internal capital requirement which is reported quarterly to the Board. This assessment is intended to ensure that the Group has sufficient capital at all times in relation to all risks in the Group. The Group perspective means that economic capital also includes risks in the insurance operations and risks in the Bank's pension obligations.

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of EC must be made with a 99.97 per cent confidence level, which captures an event which is extremely unfavourable for the Bank. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome at a 99.97 per cent confidence level.

Diversification effects between the different risk classes are taken into account when calculating EC. Since the risks are partly independent of each other, the capital requirement for all risks is lower than the sum of the economic capital for each individual risk.

Figure 83 Total of AFR and EC including diversification 2017



The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity with the addition of other financial values on and off the balance sheet, available to cover losses with a one-year time horizon.

In risk and capital management, the Group applies a shareholder perspective. The economic capital model provides an overall view of the Group which makes it possible to optimise the risk and capital situation from the shareholder's perspective. The outcome of the calculations plays an important role when new transactions or structural changes are considered.

Credit risk is calculated using simulated outcomes of default for all the Group's counterparties and exposures.

Market risks comprise the risk in the assets classified as the trading book, the interest rate risk in the non-trading book, market risks in the insurance operations, and the risk in shareholdings in the non-trading book.

The risk in the pension obligations mainly consists of the risk of a decrease in the assets held for securing the Bank's pension obligations. Most of the pension obligations are in Sweden and are secured there in a pension foundation and insured in an occupational pension fund.

The non-financial risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected changes in financial performance in each business area. For example, these may arise due to demand or competition changing unexpectedly, thus resulting in lower volumes and squeezed margins. Property risk captures the risk of a fall in the value of the properties which the Bank owns.

At year-end, EC was SEK 60.0 billion (54.2), of which credit risks accounted for the main part of the total risk. The Board stipulates that the AFR/EC ratio should be at least 120 per cent. The ratio was 251 per cent (269) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

The risk and capital situation reported is a snapshot picture, even though the risk calculations include margins of conservatism for business cycle fluctuations. To perform a final assessment of the Group's capital adequacy requirements, account must also be taken of the stress and scenario analysis carried out as part of the Bank's capital planning.

CAPITAL PLANNING

Handelsbanken's capital planning aims to ensure that the Group has the right amount of financial resources available at all times and that the capital is of optimal composition.

The capital requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital (EC) and stress tests. The Bank's capital requirement is reported weekly to the CFO and the CEO, and at least quarterly to the Board.

As part of proactive capital planning, there is a contingency and action plan with specific measures that can be taken if the Bank needs to improve its capital position. The purpose of the contingency and action planning is to ensure that there is a warning system that identifies potential threats at an early stage and that the Group is prepared to take rapid action, if necessary.

At least annually, a long-term capital plan is drawn up, which is designed to give a comprehensive overview of the Group's current capital situation, a forecast of expected capital performance, and the outcome in various scenarios. These scenarios are designed to substantially differ from expected events and thus harmonise with the Group's low risk tolerance. The capital plan also contains proposals for how to maintain the capital situation at a satisfactory level in a strongly negative business environment, from both a regulatory and shareholder perspective.

The capital planning is divided into short-term and mid- to long-term forecasting. The part of capital planning that comprises short-term forecasts up to two years ahead principally focuses on assessing existing performance and the development of the capital requirement. This forecasting is necessary to enable continual adaptation of the size and composition of own funds.

Capital planning is performed by analysing changes in volume, risk and performance, and by monitoring events that may affect the capital requirements and capital level. Short-term forecasting includes all sub-components of the Group's own funds and, in addition to regulatory minimum requirements and buffers, the capital requirement includes Pillar 2 of the regulations. This work also includes conducting various sensitivity analyses, with a short-term perspective, of the expected change in the capital adequacy requirement and own funds. The Bank can thus be prepared to alter the size and composition of its own funds if required – for example through market operations.

The result of the short-term analysis forms the basis of any capital operations performed and is reported weekly to the CFO and CEO and, if necessary, to the Board. The analysis is based on a cautious basic scenario, with decision points in the near future for how existing earnings capacity can cope with various changes in volume, as well as the effects which arise from potential capital operations.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's available financial resources (AFR) at all times cover by a good margin all risks calculated according to the EC model.

The long-term forecast also includes an assessment of the trend for the Bank's overall capital over the period: the minimum requirements, the combined buffer requirements and the Pillar 2 requirement. The objective is to forecast the expected performance and judge whether the Bank's resilience is satisfactory in various scenarios. The planning horizon is at least five years and takes account of the Group's overall business performance trend.

A basic scenario forms the foundation of the long-term capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth, financial assumptions such as loan losses, and performance of the equity, property and fixed income markets. The basic scenario is then compared to the outcomes in a number of business cycle and crisis scenarios. The stress scenarios have been established after analysing historical links between the impacts of different macroeconomic variables on the financial markets and are selected using scenarios expected to have the most severe impact on the Bank.

At the end of 2017, the common equity tier 1 ratio was 22.7 per cent (25.1). The AFR/EC ratio was 251 per cent (269) at the same date. Thus, AFR exceeds the assessed internal capital requirement (EC) by a very good margin.
The Bank's strong position is also emphasised by the result of the various forwardlooking stress scenarios, showing that Handels-banken's long-term capital situation is very stable from both a financial and regulatory perspective.

Capital planning also monitors regulatory developments and assesses impact and needs due to additional new requirements. For example, an assessment has been made of the effects of future minimum requirement for own funds and eligible liabilities (MREL).

GROUP'S REGULATORY CAPITAL TARGETS

The Board continuously sets the targets for the Bank's capitalisation. A cornerstone of the internal capital requirement assessment of the regulatory capital situation is stress and scenario analysis of the Bank's situation, both long-term and short-term. The scenarios used are principally based on the Bank's internal risk tolerance and the direct requirements resulting from the regulations and other requirements from public authorities. In addition to the internal assessment of the capital requirement, the Swedish Financial Supervisory Authority has communicated that the target figures of Swedish banks must not be lower than the total capital requirement calculated by the Authority, regardless of the banks' internal calculations. The Bank has taken this into account when setting the target figures for the regulatory capitalisation.

The Board has decided that the common equity tier 1 ratio, which is the most relevant measure for the governance of the Bank under the current regulatory framework, under normal circumstances must be between 1 and 3 percentage points above the total common equity tier 1 capital assessment communicated to the Bank by the Swedish Financial Supervisory Authority. The other capital tiers (the tier 1 ratio and the total capital ratio) must be at least 1 percentage point above the total capital assessment communicated to the Bank by the Authority for the respective capital tiers.

In November 2017, the Financial Supervisory Authority informed Handelsbanken that it assesses that Handelsbanken's total requirement for common equity tier 1 capital at the end of Q3 2017 was SEK 102 billion, corresponding to a common equity tier 1 ratio of 20.2 per cent.

G3 Net interest income

SEK m	2017	2016
Interest income		
Loans to credit institutions and central banks	2 140	1 422
Loans to the public	38 919	39 333
Interest-bearing securities eligible as collateral with central banks	188	229
Bonds and other interest-bearing securities	676	783
Derivative instruments	-949	-2 629
Other interest income	1 342	1 317
Total interest income	**42 316**	**40 455**
Of which interest income reported in net gains/losses on financial transactions	224	505
Interest income according to income statement	**42 092**	**39 950**
Interest expense		
Due to credit institutions and central banks	-1 281	-1 086
Deposits and borrowing from the public	-1 545	-1 423
Issued securities	-15 732	-17 740
Derivative instruments	9 378	10 771
Subordinated liabilities	-1 411	-1 534
Other interest expense	-2 130	-1 579
Total interest expense	**-12 721**	**-12 591**
Of which interest expense reported in net gains/losses on financial transactions	-395	-584
	-12 326	**-12 007**
Net interest income	**29 766**	**27 943**

Includes interest income on impaired loans SEK 70m (80). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 42,605m (42,172). Total interest expense on liabilities recognised at amortised cost was SEK 21,704m (22,778).

G4 Net fee and commission income

SEK m	2017	2016
Brokerage and other securities commissions	886	916
Mutual funds	3 559	3 023
Custody and other asset management fees	722	623
Advisory services	234	317
Insurance	664	634
Payments	3 359	3 185
Loans and deposits	1 238	1 172
Guarantees	381	422
Other	496	488
Total fee and commission income	**11 539**	**10 780**
Securities	-264	-260
Payments	-1 491	-1 289
Other	-66	-75
Total fee and commission expense	**-1 821**	**-1 624**
Net fee and commission income	**9 718**	**9 156**

G5 Net gains/losses on financial transactions

SEK m	2017	2016
Trading, derivatives, FX effect etc.	1 814	832
Other financial instruments at fair value through profit/loss	-553	466
of which interest-bearing securities	*-524*	*502*
of which loans	*-29*	*-36*
Financial instruments at amortised cost	156	182
of which loans	*372*	*446*
of which liabilities	*-216*	*-264*
Financial instruments available for sale	8	1 689
Hedge accounting		
Fair value hedges	-7	-8
of which hedging instruments	*-42*	*-47*
of which hedged items	*35*	*39*
Ineffective portion of cash flow hedges	-22	5
Hedge ineffectiveness on net investment in foreign operations	-	-
Gains/losses on unbundled insurance contracts	-125	-100
Total	**1 271**	**3 066**

Trading, derivatives, FX effect, etc.
The item mainly contains unrealised and realised changes in market value and interest and dividends referring to financial assets and liabilities held for trading.

Other financial instruments at fair value through profit/loss
The item contains unrealised and realised value changes on instruments which upon initial recognition were classified at fair value through profit/loss.* Unrealised value changes on these instruments comprise interest rate and currency effects and the effects of changed credit risk. The accumulated value change due to changes in credit risk from lending which upon initial recognition was classified at fair value through profit/loss is SEK 0 million (1).

Financial instruments at amortised cost
The item contains capital gains/losses that arise when loans are redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities.

Financial instruments available for sale
The item contains realised gains/losses on financial assets classified as available for sale. Interest income from these assets is recognised under net interest income and dividends on the line Other dividend income.

Hedge accounting
Fair value hedges includes the net profit/loss of unrealised and realised fair value changes on hedging instruments and the hedged risk component in financial assets and liabilities which are part of fair value hedges. Interest income and interest expense deriving from hedging instruments are recognised in net interest income. Value changes of hedging instruments in cash flow hedges which exceed the value changes of hedged future cash flows are reported under Ineffective portion of cash flow hedges. The impact on earnings of ineffective portions of net investment hedges in foreign operations is recognised in Hedge ineffectiveness on net investment in foreign operations.

Gains/losses on unbundled insurance contracts
Gains/losses on unbundled insurance contracts corresponds to the result generated when calculating the guaranteed yield on the financial component in unbundled insurance contracts.

* Value changes deriving from financial instruments which are plan assets in the Group's insurance operations are not included in this item. They are instead reported in Net fee and commission income (note G4).

G6 Risk result – insurance

SEK m	2017	2016
Premiums written	470	475
Insurance claims paid	-378	-385
Change in provisions for unsettled claims	32	100
Other	18	-48
Total	**142**	**142**

G7 Other income

SEK m	2017	2016
Rental income	39	34
Other operating income	133	169
Total	**172**	**203**

G8 Staff costs

SEK m	2017	2016
Salaries and fees	-8 373	-8 103
Social security costs	-2 015	-1 922
Pension costs[1]	-1 302	-1 579
Provision to profit-sharing foundation	-768	-
Other staff costs	-14	-938
Total	**-12 472**	**-12 542**

[1] The components in the reported pension costs are shown in the Pension costs table.

Salaries and fees SEK m	2017	2016
Executive officers[2]	-141	-140
Others	-8 232	-7 963
Total	**-8 373**	**-8 103**

[2] Executive Directors and Board in the parent company and Chief Executives, Deputy Chief Excutives and boards in subsidiaries (on average 55 people).

Gender distribution	2017		2016	
%	Men	Women	Men	Women
Executive officers excluding boards	61	39	62	38
Of which in parent company	*64*	*36*	*69*	*31*
Of which in subsidiaries	*59*	*41*	*58*	*42*
Boards	63	37	66	34
Of which in parent company	*55*	*45*	*50*	*50*
Of which in subsidiaries	*64*	*36*	*67*	*33*

Average number of employees	2017	Men	Women	2016	Men	Women
Sweden	7 010	3 359	3 651	7 046	3 305	3 741
UK	2 151	1 253	898	2 069	1 212	857
Norway	750	405	345	753	410	343
Denmark	653	335	318	673	340	333
Finland	623	261	362	613	252	361
The Netherlands	284	196	88	218	150	68
USA	67	45	22	67	43	24
China	71	27	44	73	26	47
Luxembourg	57	35	22	57	35	22
Singapore	36	9	27	39	11	28
Germany	42	21	21	45	23	22
Poland	39	14	25	41	15	26
Other countries	49	16	33	65	23	42
Total	**11 832**	**5 976**	**5 856**	**11 759**	**5 845**	**5 914**

Remuneration[3] exceeding EUR 1 million No. of persons	2017	2016
Range EUR 1.0–1.5m	2	5
Range EUR 1.5–2.0m	0	1
Range EUR 2.0–2.5m	1	-
Range EUR exceeding 2.5m	1	-
Total	**4**	**6**

[3] Including earned pension and other salary benefits.

EMPLOYEE BENEFITS

Information about remuneration principles to all employees in the Handelsbanken Group is provided in more detail in the Corporate Governance Report on pages 57–58.

Pursuant to the Swedish Financial Supervisory Authority's directive FFFS 2011:1 and the European Commission Delegated Regulation (EU) 575/2013 and (EU) 604/2014, banks must identify employees whose duties have a material impact on the bank's risk profile. Handelsbanken has identified 1,259 (1,240) employees with such duties and has designated them as 'risk-takers'. The tables on the next page present the Handelsbanken Group's remuneration to these risk-takers pursuant to the disclosure requirements in the above regulations. In 2017, the Handelsbanken Group had no risk-takers who earned variable remuneration.

For the financial year 2017, Handelsbanken has reserved SEK 768 million to the Oktogonen profit-sharing scheme. No allocation was made for 2016.

REMUNERATION TO EXECUTIVE OFFICERS

The executive officers of the parent company are the Group Chief Executive (CEO), other Executive Directors and Board members, who are presented on pages 60–63. The remuneration to executive officers of the parent company is in accordance with the guidelines for remuneration established by the 2017 annual general meeting (AGM). See also pages 57–58.

Information regarding remuneration, pension obligations, and credits to and deposits from executive officers of Handelsbanken is also provided on these pages for the subsidiaries' Chief Executives, Deputy Chief Executives and Board members.

Remuneration to executive officers of the Handelsbanken Group is paid only in the form of fixed salary and pension provisions, as well as customary benefits such as a company car. Following a special Board decision, the Bank can provide housing as part of the remuneration. No variable remuneration is paid. Executive officers who are employees of the Bank are included in Handelsbanken's profit-sharing scheme Oktogonen and are entitled to convert salary to pension on the same conditions as all employees.

Board members in the Handelsbanken Group who are not employees of the Bank have only received a fee according to the decision of the AGM.

Board members who are employees of the Bank or the Bank's subsidiaries receive remuneration and pension benefits by virtue of their employment. No further remuneration or pension benefits are paid for serving on the Board. Information concerning fees to Board members in the parent company is shown on pages 60–61 of the Corporate Governance Report.

The pension cost stated by the Bank in the below remuneration information for executive officers consists of the service cost relating to defined benefit pensions according to IAS 19, the agreed premiums for defined contribution pensions, and any pension premiums that have been sacrificed from salary.

The CEO's remuneration and pension terms

In 2017, the CEO, Anders Bouvin, received a fixed salary of SEK 12.0 million (4.4). The comparison figure refers to the period from the time he took up the position of CEO on 15 August until 31 December 2016. Other salary benefits were SEK 0.2 million (0.1) and the pension cost was SEK 7.3 million (1.8), corresponding to 61.1 per cent (40.1) of the salary. The CEO is covered by a defined benefit pension which is earned successively until he reaches the age of 60, when it is equivalent to 65 per cent of the fixed salary. His defined contribution pension is 2 per cent of his salary until the age of 60. After the age of 60, his pension is only defined contribution, at which time it equals 35 per cent of his fixed salary. The defined benefit pension is deferred for disbursement after the completion of employment and is co-ordinated with statutory pension insurance.

According to his employment contract, the preceding CEO of the parent company, Frank Vang-Jensen, received a fixed salary of SEK 4.8 million (9.5) during his period of notice up to 30 June 2017. Other salary benefits were SEK 0.4 million (0.5) and the Bank's pension cost was SEK 1.9 million (3.8). It is a defined contribution pension. All costs related to remuneration to the previous CEO were recognised as an expense in 2016.

Remuneration[1] to risk-takers[2], business segments	2017		2016	
SEK m	Remuneration	No. of persons	Remuneration	No. of persons
Handelsbanken Sweden	588	540	550	533
Handelsbanken UK	410	291	421	282
Handelsbanken Denmark	117	82	100	75
Handelsbanken Finland	81	66	71	63
Handelsbanken Norway	105	65	97	67
Handelsbanken the Netherlands	62	50	49	43
Handelsbanken Capital Markets	181	46	210	60
Other	290	119	274	117
Total	**1 834**	**1 259**	**1 772**	**1 240**

Remuneration[1] to risk-takers[2]	2017		2016	
	Senior management[3]	Other risk-takers	Senior management[3]	Other risk-takers
Earned fixed remuneration, SEK m	121	1 713	137	1 629
Earned variable remuneration, SEK m	-	-	-	6
Total	**121**	**1 713**	**137**	**1 635**
No. of persons with fixed remuneration only	16	1 243	16	1 221
No. of persons who may receive both fixed and variable remuneration	0	0	0	3
Total number of persons	**16**	**1 243**	**16**	**1 224**
Guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-
Contracted guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-

[1] Earned remuneration, including pensions and other salary benefits, has been recognised as an expense in its entirety. No risk-takers earned variable remuneration in 2017. Variable compensation is allocated at an individual level during the financial year after it is earned and is disbursed or deferred in accordance with the Bank's policy for variable remuneration. In 2017, SEK 4m (8) in variable remuneration to risk-takers was earned in 2016 and was allocated to 3 persons (3). Of this, SEK 2m (5) was disbursed and SEK 2m (3) was deferred. The opening amount for the year's deferred variable remuneration to risk-takers was earned before 2017 and amounted to SEK 13m (13). SEK 2m (3) of this amount was disbursed during the year and the closing amount for deferred remuneration is SEK 13m (13). The right of disposal of the deferred remuneration transfers to the employees at the time of disbursement. All variable remuneration is paid in cash. The amounts are excluding social security costs. During the year, SEK 50m in termination benefits was paid to 26 risk-takers. Total contracted termination benefits during the year amount to SEK 65m, with the highest individual amount being SEK 16.7m. No guaranteed variable remuneration is paid.

[2] Employees whose duties can have a material impact on the Bank's risk profile pursuant to the Commission Delegated Regulation (EU) 604/2014). There may be risk-takers or other specially regulated employees with variable remuneration in subsidiaries whose remuneration policy is subject to other EU regulations or other regulations published by the Swedish Financial Supervisory Authority.

[3] The Swedish Financial Supervisory Authority uses the concept of senior management in its regulations FFFS 2011:1. At Handelsbanken, this corresponds to the Bank's Executive Directors.

Remuneration and pension terms for other executive officers in the parent company

Pension terms

3 (5) of the Bank's other Executive Directors receive a defined benefit retirement pension of a maximum of 65 per cent of their salary at the time of retirement, and also a pension premium of a maximum of two per cent of their salary. Their minimum retirement age is 60*, and the defined benefit retirement pension is earned successively during the period of employment; it is fully earned for these persons at the age of retirement.

A defined contribution pension with 65 as the age of retirement is received by 9 Executive Directors (9). The premium is individual and is a maximum of 50 per cent of the salary. In addition to this premium, 6 (6) of these people have a collectively agreed occupational BTP and BTPK pension.

An accrued defined benefit pension is vested and secured in the Bank's pension foundation or assured in the Bank's pension fund. If service ceases before retirement age, the person receives a paid-up policy for the defined benefit and/or defined contribution pension earned.

Remuneration

In 2017, Deputy CEO, Carina Åkerström, received a fixed salary of SEK 5.0 million (4.7). Other salary benefits were SEK 0.1 million (0.1) and the pension cost was SEK 3.1 million (3.0), corresponding to 62.4 per cent (64.9) of the salary.

Other Executive Directors, an average of 13 individuals (17) during the year, have received fixed salaries, after conversion to pension, totalling SEK 62.2 million (83.9). Other salary benefits are SEK 5.9 million (6.6) and the pension cost was SEK 24.8 million (38.5). Before conversion to pension, the pension cost was SEK 24.8 million (37.9), corresponding to 40.0 per cent (44.7) of the salary.

Fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank.

Remuneration to executive officers in subsidiaries

Fees paid to the 16 (14) board members of subsidiaries who are not employees of the Bank or its subsidiaries are SEK 4.1 million (2.8).

In 2017, the chief executives and deputy chief executives in the subsidiaries, 16 (17) individuals, received fixed salaries after conversion to pension amounting to SEK 44.1 million (36.0). Other salary benefits are SEK 2.1 million (2.4) and the pension cost was SEK 11.1 million (6.8). Before conversion to pension, the pension cost was SEK 10.8 million (6.6), corresponding to 24.4 per cent (18.1) of the salary.

Remuneration is not paid to Chief Executives and Deputy Chief Executives of subsidiaries who have other main work tasks at Handelsbanken.

* In new pension terms entered into after 1 January 2012, the age of retirement is 65.

G8 Cont.

PENSION OBLIGATIONS TO EXECUTIVE OFFICERS

As of 31 December 2017, the pension obligation** for the CEO Anders Bouvin was SEK 220.4 million (205.3). As of 31 December 2017, the pension obligation for the Deputy CEO Carina Åkerström was SEK 83.1 million (77.2), and for the other Executive Directors in the parent company – 12 individuals (14) at 31 December 2017 – pension obligations were SEK 233.7 million (308.8).

Pension obligations in the Handelsbanken Group for all current and former executive officers were SEK 2,897 million (2,772) as of 31 December 2017. Pension obligations for all current and former executive officers in the parent company were SEK 2,738 million (2,697) as of 31 December 2017. The number of people covered by these obligations in the Group is 84 (85), of whom 61 (60) are pensioners. The corresponding number for the parent company is 69 (69), of whom 55 (53) are pensioners.

CREDITS TO AND DEPOSITS FROM EXECUTIVE OFFICERS

As of 31 December 2017, credits to executive officers in the parent company were SEK 79.5 million (76.5), and in the subsidiaries SEK 67.0 million (74.8). Deposits in the parent company from these individuals totalled SEK 527.0 million (568.6). In 2017, the Bank's interest income from these persons for credits in the parent company totalled SEK 0.4 million (0.3) and in the subsidiaries SEK 0.8 million (0.8). Interest paid to these persons for deposits in the parent company was SEK 1.6 million (2.0).

As of 31 December 2017, credits to executive officers in the subsidiaries in the Handelsbanken Group were SEK 107.9 million (106.6).

Credit and deposit terms for executive officers are in accordance with the same principles as for all other employees of the Handelsbanken Group. All credits are subject to a credit assessment.

** Pension obligations are amounts which, in accordance with IAS 19, the Bank reserves for payment of future defined benefit pensions. The size of the amounts depends on financial and demographic assumptions which may change from year to year.

PENSIONS

Net pension obligations SEK m	**2017**	**2016**
Defined benefit obligation	30 455	29 670
Fair value of plan assets	31 694	27 509
Net pensions	**1 239**	**-2 161**

In addition to the defined benefit obligation and plan assets in the above table, provisions have been made in the years 1989–2004 to Svenska Handelsbankens Pensionsstiftelse (pension foundation) to a special supplementary pension (SKP). This includes plan assets whose market value amounts to SEK 10,897m (11,342). SKP entails a commitment to the Bank amounting to the same amount as the plan assets.

Part of the commitment, SEK 8,265m (8,652), is conditional.

Prior to 1 April 2017, employees in Norway had a defined benefit pension which was mainly insured with Storebrand. As of 1 April 2017, all new pensions earned in Norway are placed in a defined contribution plan. Defined benefit pensions earned before 1 April 2017 have been placed in paid-up policies and in conjunction with this, the pension obligations were transferred in their entirety to Storebrand, with the exception of employees who were sick at the time of transfer, together with a small number of employees whose defined benefit pensions are secured by the Bank. Defined benefit pensions of employees who were sick on 31 March 2017 will be placed in paid-up policies when they return to work. After this, future pension earned will be in the defined contribution plan. The transition to a defined contribution plan means that the pension obligation in Norway has decreased to SEK 125m as at 31 December 2017.

Pension costs SEK m	**2017**	**2016**
Service cost	-809	-878
Past service cost[1]	235	23
Interest on defined benefit obligation	-704	-692
Interest on plan assets	650	562
Gains and losses from settlements and curtailments	-64	-20
Social security costs, defined benefit plans	29	-9
Pension costs, defined benefit plans	**-663**	**-1 014**
Pension costs, defined contribution plans	-629	-531
Social security costs, defined contribution plans	-10	-34
Total pension costs	**-1 302**	**-1 579**

Defined benefit obligation SEK m	**2017**	**2016**
Opening balance	29 670	29 150
Service cost	809	878
Past service cost[1]	-989	-83
Interest on defined benefit obligation	704	692
Paid benefits	-853	-809
Gains and losses from settlements and curtailments	17	19
Actuarial gains (-)/losses (+)	1 174	-10
Foreign exchange effect	-77	-167
Closing balance	**30 455**	**29 670**

[1] The transition to a defined contribution plan means that the pension obligation in Norway has decreased with SEK 989m as at 31 December 2017, as well as having a positive effect on pension costs with SEK 235m.

Plan assets SEK m	**2017**	**2016**
Opening balance	27 509	23 836
Past service cost	-754	-60
Interest on plan assets	650	562
Funds contributed by the employer	178	169
Compensation to employer	-545	-510
Gains and losses from settlements and curtailments	-46	-1
Funds paid directly to employees	-366	-364
Actuarial gains (+)/losses (-)	5 096	3 983
Foreign exchange effect	-28	-106
Closing balance	**31 694**	**27 509**

Return on plan assets SEK m	**2017**	**2016**
Interest on plan assets	650	562
Actuarial gains (+)/losses (-)	5 096	3 983
Actual return	**5 746**	**4 545**

Allocation of plan assets SEK m	**2017**	**2016**
Shares listed on an active market	29 036	24 788
Shares not listed on an active market	717	847
Interest-bearing securities listed on an active market	1 493	1 826
Interest-bearing securities not listed on an active market	25	263
Other plan assets	423	-215
Total	**31 694**	**27 509**

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 130m (144) on the balance sheet date 31 December 2017. Bonds issued by Svenska Handelsbanken AB (publ) are included with a market value of SEK 479m (515). Other plan assets include a liability for compensation from the pension foundation that has not yet been paid out.

Actuarial gains (-)/losses (+), defined benefit obligation SEK m	**2017**	**2016**
Changes in demographic assumptions	-227	-
Changes in financial assumptions	1 066	41
Experience-based adjustments	335	-51
Total	**1 174**	**-10**

Future cash flows SEK m	Outcome 2017	Forecast 2018
Paid benefits	-853	-769
Funds contributed by the employer	178	136

Defined benefit pensions are mainly paid to employees in Sweden and the UK. Of the total net obligation, the Swedish plan is SEK 27,417m (25,570) and the UK plan is SEK 2,866m (2,949). In addition, there is a small defined benefit plan in Germany and in Norway which, given its size, is not considered material and is therefore not presented in more detail.

Of the total plan assets, the Swedish plan assets are SEK 29,712m (24,927) and the UK plan assets are SEK 1,940m (1,763). In addition, there is a small amount of plan assets in Germany and in Norway which, given their size, are not considered material and are therefore not presented in more detail.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

In the UK, defined benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67% of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 154,200 (2017/2018).

The pension plans are funded externally, meaning plan assets are held by trusts or similar legal entities. The trusts' (or equivalent) activities are regulated by national laws and practices, as is the relationship between the Group and the trust (or equivalent) managing the plan assets, and the framework for how the plan assets shall be composed of different types of assets. In Sweden, the Pension Obligations Vesting Act and the Mutual Benefit Societies Act are mainly applied. In the UK, the standard UK pensions and tax law is applied.

Significant assumptions	Sweden		UK	
	2017	2016	2017	2016
Discount rate, %	2.20	2.40	2.50	2.70
Expected salary increase, %	3.5	3.5	4.7	5.0
Pension indexing, %	2.0	2.0	3.2	3.4
Income base amount, %	3.0	3.0	N/A	N/A
Inflation, %	2.0	2.0	3.4	3.7
Staff turnover, %	3.0	3.0	N/A	N/A
Remaining life expectancy at retirement age, years	23.1	23.1	23.9	25.0
Average duration (Macaulay), years	18.4	18.4	22.0	22.0

Sensitivity analysis	Effects on the defined benefit obligation				
		Increased defined benefit obligation, SEK m		Decreased defined benefit obligation, SEK m	
	Changes in assumptions	2017	2016	2017	2016
Discount rate, %	0.5	2 600	3 102	-2 298	-2 693
Expected salary increase, %	1.0	1 521	1 649	-1 780	-2 176
Pension indexing, %	0.5	1 715	1 194	-1 057	-1 973
Remaining life expectancy at retirement age, years	1.0	999	976	-757	-974

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The method is described in the accounting principles (see note G1, section 20). Compared with the 2016 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

Through its defined benefit pension plans, the Bank is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. The pension plans hold a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. The Bank believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Bank's long-term strategy to manage the plans efficiently.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk: The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plans' assets are not directly affected by inflation in a material way, meaning that an increase in inflation will probably increase the deficit.

Life expectancy: The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Asset-Liability matching (ALM): The composition of the plan assets is matched to the pension liabilities composition and expected development. The overall goal is to generate a return over the medium and long term, that at least corresponds to the development of the pension liability. The majority of the plan assets are invested in equities, but investments are also made in fixed income instruments and cash. A high proportion of shares is deemed appropriate in order to manage the plans effectively.

Funding arrangements: Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies, the funding requirement is generally that the pension obligations measured according to local requirements shall be covered in full. Funding levels are monitored regularly. The Bank considers that the current contribution rate is appropriate.

G9 Other expenses

SEK m	2017	2016
Property and premises	-1 235	-1 234
External IT costs	-1 935	-1 698
Communication	-309	-317
Travel and marketing	-317	-306
Purchased services	-1 406	-1 159
Supplies	-178	-173
Other administrative expenses	-509	-514
Total	**-5 889**	**-5 401**
Of which expenses for operating leases		
Minimum lease fee	*-630*	*-698*
Variable fee	*-153*	*-80*
Total	**-783**	**-778**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.
Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes.

Remuneration to auditors and audit companies	**Ernst & Young AB**		**PricewaterhouseCoopers AB**		**KPMG**	
SEK m	2017	2016	2017	2016	2017	2016
Audit assignment	-15	-4	-5	-	-4	-13
Audit operations outside the audit assignment	-1	-	-	-	-1	-3
Tax advice	-	-	-1	-		
Other services	-	-	-	-		

Internal audit costs were SEK 145m (149) during the year.

G10 Loan losses

SEK m	2017	2016
Specific provision for individually assessed loans		
The year's provision	-1 811	-1 899
Reversal of previous provisions	225	377
Total	**-1 586**	**-1 522**
Collective provision		
The year's net provision for individually assessed loans	-120	-62
The year's net provision for homogeneous loans	-10	-10
Total	**-130**	**-72**
Off-balance-sheet items		
Losses on off-balance-sheet items	-4	-16
Reversal of previous losses on off-balance-sheet items	10	2
Change in collective provision for off-balance-sheet items	-27	-26
Total	**-21**	**-40**
Write-offs		
Actual loan losses for the year	-1 253	-2 183
Utilised share of previous provisions	1 102	1 863
Recoveries	205	230
Total	**54**	**-90**
Net loan losses	**-1 683**	**-1 724**

Impaired loans etc. SEK m	2017	2016
Impaired loans	7 944	7 746
Specific provisions for individually assessed loans	-4 578	-4 188
Provisions for collectively assessed homogeneous groups of loans with limited value	-118	-107
Collective provisions for individually assessed loans	-463	-348
Net impaired loans	**2 785**	**3 103**
Total impaired loans reserve ratio, %	64.9	59.9
Proportion of impaired loans, %	0.13	0.16
Impaired loans reserve ratio excl. collective provisions, %	59.1	55.4
Loans past due > 60 days, which are not impaired	968	1 061
Impaired loans reclassified as normal loans during the year	13	4

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. For other definitions, see pages 222–224.

Change in provision for probable loan losses 2017 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 188	-348	-107	-4 643
The year's provision	-1 811	-120	-58	-1 989
Reversal of previous provisions	225	-	11	236
Utilised for actual loan losses	1 102		37	1 139
Foreign exchange effect, etc.	94	5	-1	98
Provision at end of year	**-4 578**	**-463**	**-118**	**-5 159**

Change in provision for probable loan losses 2016 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 444	-278	-94	-4 816
The year's provision	-1 899	-62	-67	-2 028
Reversal of previous provisions	377	-	10	387
Utilised for actual loan losses	1 863		47	1 910
Foreign exchange effect, etc.	-85	-8	-3	-96
Provision at end of year	**-4 188**	**-348**	**-107**	**-4 643**

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2017	Impaired loans				
SEK m	Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Private individuals	1 388	-710	678	430	562
Housing co-operative associations	39	-18	21	4	27
Property management	2 014	-523	1 491	387	217
Manufacturing	659	-471	188	37	38
Retail	271	-201	70	38	52
Hotel and restaurant	57	-35	22	18	4
Passenger and goods transport by sea	1 500	-1 325	175	162	3
Other transport and communication	34	-25	9	6	6
Construction	766	-697	69	38	-
Electricity, gas and water	200	-128	72	10	-
Agriculture, hunting and forestry	82	-46	36	10	4
Other services	298	-215	83	31	53
Holding, investment, insurance companies, mutual funds etc.	527	-249	278	13	2
Other corporate lending	109	-53	56	17	-
Credit institutions	-	-	-	-	-
Total	**7 944**	**-4 696**	**3 248**	**1 201**	**968**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

G10 Cont.

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2016

SEK m	Impaired loans: Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
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, insurance companies, mutual 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**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2017

SEK m	Impaired loans: Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	2 052	-1 147	905	415	264
UK	2 015	-804	1 211	191	204
Norway	493	-220	273	148	168
Denmark	2 336	-1 747	589	288	23
Finland	882	-626	256	148	277
The Netherlands	-	-	-	-	-
North America	-	-	-	-	-
Rest of Europe	62	-48	14	11	31
Asia	104	-104	0	0	1
Total	**7 944**	**-4 696**	**3 248**	**1 201**	**968**

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2016

SEK m	Impaired loans: Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	2 091	-1 218	873	396	346
UK	1 108	-326	782	146	206
Norway	510	-315	195	35	225
Denmark	2 872	-1 706	1 166	173	16
Finland	880	-599	281	144	238
The Netherlands	3	-1	2	-	-
North America	-	-	-	-	-
Rest of Europe	169	-92	77	74	30
Asia	113	-38	75	76	-
Total	**7 746**	**-4 295**	**3 451**	**1 044**	**1 061**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Maturity structure for past due loans which are not impaired 2017		Loans to the public			
SEK m	Loans to credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	2 019	535	-	2 554
Past due > 1 month ≤ 2 months	-	206	97	-	303
Past due > 2 months ≤ 3 months	-	88	122	-	210
Past due > 3 months ≤ 12 months	-	271	137	-	408
Past due > 12 months	-	306	44	-	350
Total	**-**	**2 890**	**935**	**-**	**3 825**

Maturity structure for past due loans which are not impaired 2016		Loans to the public			
SEK m	Loans to credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	1 486	694	1	2 181
Past due > 1 month ≤ 2 months	-	253	79	-	332
Past due > 2 months ≤ 3 months	-	136	80	-	216
Past due > 3 months ≤ 12 months	-	413	56	-	469
Past due > 12 months	-	329	47	-	376
Total	**-**	**2 617**	**956**	**1**	**3 574**

Assets repossessed for protection of claims SEK m	2017	2016
Property	104	350
Movable property	1	4
Shares	4	10
Carrying amount	**109**	**364**

Movable property mainly consists of repossessed leased assets. In addition to repossessed property shown in the table above, repossessed property is also included in discontinued operations, see note G12. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.

G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2017	2016
Equipment	3	24
Property	11	8
Total	**14**	**32**

G12 Profit for the year pertaining to discontinued operations

SEK m	2017	2016
Income	-	971
Expenses	-	-888
Operating profit from discontinued operations	**-**	**83**
Tax pertaining to the above	-	-29
Total	**-**	**54**
Impairment	-	-41
Profit for the year pertaining to discontinued operations	**-**	**13**

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.

A description of the Bank's valuation policy for discontinued operations is provided in note G1.

G13 Earnings per share

	2017	2016
Profit for the year, continuing operations, SEK m	16 102	16 232
of which interest expense on convertible subordinated loan after tax	*-99*	*-139*
Profit for the year, discontinued operations, SEK m	-	13
of which interest expense on convertible subordinated loan after tax	*-*	*-*
Profit for the year, total operations, SEK m	16 102	16 245
of which interest expense on convertible subordinated loan after tax	*-99*	*-139*
Average number of shares converted during the year, millions	0.0	20.0
Average holdings of own shares in trading book, millions	-	-
Average number of outstanding shares, millions	1 944.2	1 927.1
Average dilution effect, number of shares, millions	30.1	45.6
Average number of outstanding shares after dilution, millions	1 974.3	1 972.7
Earnings per share, continuing operations, SEK	**8.28**	**8.42**
after dilution	8.20	8.30
Earnings per share, discontinued operations, SEK	**-**	**0.01**
after dilution	-	0.01
Earnings per share, total operations, SEK	**8.28**	**8.43**
after dilution	8.20	8.31

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares is added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

G14 Other loans to central banks

SEK m	2017	2016
Other loans to central banks in Swedish kronor	6 683	4 821
Other loans to central banks in foreign currency	32 237	20 706
Total	**38 920**	**25 527**
Of which reverse repos	*-*	*-*

Average volumes SEK m	2017	2016
Other loans to central banks in Swedish kronor	32 076	37 654
Other loans to central banks in foreign currency	35 768	30 662
Total	**67 844**	**68 316**
Of which reverse repos	*164*	*88*

G15 Loans to other credit institutions

SEK m	2017	2016
Loans in Swedish kronor		
Banks	1 810	7 432
Other credit institutions	3 664	199
Total	**5 474**	**7 631**
Loans in foreign currency		
Banks	12 833	15 502
Other credit institutions	1 943	8 214
Total	**14 776**	**23 716**
Probable loan losses	-	-
Total loans to other credit institutions	**20 250**	**31 347**
Of which reverse repos	*1 338*	*4 088*

Average volumes SEK m	2017	2016
Loans to other credit institutions in Swedish kronor	3 997	4 800
Loans to other credit institutions in foreign currency	44 958	59 945
Total	**48 955**	**64 745**
Of which reverse repos	*9 726*	*19 898*

G16 Loans to the public

SEK m	2017	2016
Loans in Swedish kronor		
Households	806 455	760 339
Companies	480 564	460 468
National Debt Office	1 831	982
Total	**1 288 850**	**1 221 789**
Loans in foreign currency		
Households	288 999	273 618
Companies	493 071	472 858
National Debt Office	-	-
Total	**782 070**	**746 476**
Probable loan losses	-5 159	-4 643
Total loans to the public	**2 065 761**	**1 963 622**
Of which reverse repos	*6 607*	*7 493*
Of which subordinated	*68*	*71*

Average volumes, excl. National Debt Office SEK m	2017	2016
Loans to the public in Swedish kronor	1 262 736	1 218 650
Loans to the public in foreign currency	759 366	718 700
Total	**2 022 102**	**1 937 350**
Of which reverse repos	*12 295*	*14 171*

G17 Interest-bearing securities

SEK m	2017 Nominal amount	2017 Fair value	2017 Carrying amount	2016 Nominal amount	2016 Fair value	2016 Carrying amount
Interest-bearing securities eligible as collateral with central banks	127 392	129 006	129 006	95 571	97 205	97 205
Bonds and other interest-bearing securities	47 094	49 601	49 601	62 020	63 909	63 909
Total	**174 486**	**178 607**	**178 607**	**157 591**	**161 114**	**161 114**
Of which unlisted securities		*100*	*100*		*255*	*255*
Of which subordinated		*30*	*30*		*-*	*-*

Interest-bearing securities broken down by issuer

SEK m	2017 Nominal amount	2017 Fair value	2017 Carrying amount	2016 Nominal amount	2016 Fair value	2016 Carrying amount
Government	127 392	129 006	129 006	95 571	97 205	97 205
Credit institutions	19 016	19 779	19 779	25 683	25 990	25 990
Mortgage institutions	26 166	27 927	27 927	33 503	35 024	35 024
Other	1 912	1 895	1 895	2 834	2 895	2 895
Total	**174 486**	**178 607**	**178 607**	**157 591**	**161 114**	**161 114**

Average volumes

SEK m	2017	2016
Interest-bearing securities	181 927	158 663
Interest-bearing securities, insurance operations	6 672	6 758
Total	**188 599**	**165 421**

G18 Shares

SEK m	2017	2016
Holdings at fair value through profit or loss		
Listed	9 009	12 937
Unlisted	3 869	5 857
Total	**12 878**	**18 794**
Holdings classified as available for sale		
Listed	4	-
Unlisted	1 170	1 618
Total	**1 174**	**1 618**
Total shares	**14 052**	**20 412**

G19 Investments in associates

There are no individually significant investments in associates held by Handelsbanken. There are certain entities that are considered strategic to the banking operation of the Group supporting, for example, payment services. All investments are non-listed.

Investments in associates SEK m	**2017**	**2016**
Carrying amount at beginning of year	255	245
Share of profit for the year	14	25
Tax	2	-7
Shareholders' contribution	76	19
Dividend	-48	-10
Acquisitions	-	2
Divestments	-3	-16
Impairment	-	-
Translation difference	1	-3
Carrying amount at end of year	**297**	**255**

Income from associates SEK m	**2017**	**2016**
Profit for the year	16	18
Other comprehensive income	-2	-1
Total comprehensive income for the year	**14**	**17**

Associates	**Corporate identity number**	**Domicile**	**Number of shares**	**Voting power, %**	**Carrying amount, SEK m 2017**	**2016**
Add Value Fund Management BV[1]	19196768	Amsterdam				4
Bankomat AB	556817-9716	Stockholm	150	20.00	74	70
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.89	0	0
BGC Holding AB	556607-0933	Stockholm	25 382	25.38	151	83
Dyson Group plc	00163096	Sheffield	26 577 254	24.01	0	23
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	23	21
Getswish AB	556913-7382	Stockholm	10 000	20.00	10	9
Upplysningscentralen UC AB[2]	556137-5113	Stockholm	2 448	24.48	39	45
Total					**297**	**255**

[1] Subsidiary as of July 2017.
[2] Information concerning the Group.

G20 Assets where the customer bears the value change risk

SEK m	**2017**	**2016**
Unit-linked and portfolio bond insurance assets	131 484	114 721
Other fund assets	4 124	3 597
Share of consolidated funds not owned	9	328
Total	**135 617**	**118 646**

G21 Interests in unconsolidated structured entities

SEK m	**Fund holdings 2017**	**2016**
Assets		
Shares	730	1 577
Assets where the customer bears the value change risk	118 626	101 359
Total interests in structured unconsolidated entities	**119 356**	**102 936**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are regulated by means of contractual arrangements. Handelsbanken's interests in unconsolidated structured entities are limited and consist of fund holdings. Funds are owned primarily through unit-linked contracts at Handelsbanken Liv and similar contracts in other countries. Investments in funds through unit-linked contracts are never consolidated, see note G1, so these are unconsolidated structured entities. Handelsbanken also owns some fund holdings in its role as market maker. Where these holdings are not consolidated, they are interests in unconsolidated entities. The maximum exposure to loss on all interests in unconsolidated structured entities is the current carrying amount of the interest. The total assets for these entities are not considered meaningful for the purpose of understanding the related risks and so have not been presented.

G22 Derivative instruments

SEK m	Nominal amount/maturity Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	Nominal amount 2017	Nominal amount 2016	Positive market values 2017	Positive market values 2016	Negative market values 2017	Negative market values 2016
Derivatives held for trading									
Interest rate-related contracts									
Options	19 235	26 851	2 334	48 420	59 528	360	494	413	560
FRA/futures	1 000 743	379 116	-	1 379 859	616 151	179	141	72	123
Swaps	450 467	1 139 123	339 073	1 928 663	1 775 365	22 843	32 213	23 646	32 838
Currency-related contracts									
Options	79 185	2 728	31	81 944	54 924	346	620	410	764
Futures	90 382	6 114	518	97 014	100 972	1 087	1 730	1 004	1 390
Swaps	409 170	43 110	3 563	455 843	481 929	3 911	6 614	4 907	8 176
Equity-related contracts									
Options	16 038	9 393	129	25 560	28 175	1 540	1 486	1 801	2 007
Futures	1 141	-	-	1 141	1 129	1	13	5	15
Swaps	12 855	2 026	10	14 891	20 130	122	420	465	961
Commodity-related contracts									
Options	148	185	53	386	519	8	10	201	276
Futures	10 273	2 727	14	13 014	19 282	557	576	537	601
Credit-related contracts									
Swaps	2 062	4 941	1 180	8 183	9 631	288	386	115	113
Total	**2 091 699**	**1 616 314**	**346 905**	**4 054 918**	**3 167 735**	**31 242**	**44 703**	**33 576**	**47 824**
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	750	5 062	-	5 812	5 645	23	28	-	-
Swaps	8 468	63 040	1 998	73 506	36 583	42	51	125	82
Total	**9 218**	**68 102**	**1 998**	**79 318**	**42 228**	**65**	**79**	**125**	**82**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	106 077	405 238	56 967	568 282	561 557	12 756	17 597	3 698	3 699
Currency-related contracts									
Swaps	209 981	258 467	23 835	492 283	496 514	32 829	47 308	7 388	5 990
Total	**316 058**	**663 705**	**80 802**	**1 060 565**	**1 058 071**	**45 585**	**64 905**	**11 086**	**9 689**
Total derivative instruments	**2 416 975**	**2 348 121**	**429 705**	**5 194 801**	**4 268 034**	**76 892**	**109 687**	**44 787**	**57 595**
Of which exchange-traded derivatives				*1 069 100*	*347 636*	*492*	*488*	*1 075*	*1 426*
Of which OTC derivatives settled by CCP				*2 055 920*	*1 374 610*	*14 717*	*12 669*	*15 574*	*13 997*
Of which OTC derivatives not settled by CCP				*2 069 781*	*2 545 788*	*61 683*	*96 530*	*28 138*	*42 172*
Amounts set off				-2 071 229	-1 747 179	-20 822	-27 054	-19 911	-25 857
Net amount				**3 123 572**	**2 520 855**	**56 070**	**82 633**	**24 876**	**31 738**
Currency breakdown of market values									
SEK						-129 791	-122 101	127 172	129 900
USD						131 549	319 374	-190 300	-33 705
EUR						214 818	109 364	30 137	-23 918
Other						-139 684	-196 950	77 778	-14 682
Total						**76 892**	**109 687**	**44 787**	**57 595**

Derivative contracts are presented gross in the note. Amounts set off consist of the offset market value and the associated nominal amounts 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.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 profit) over the life of the derivative. Such not yet recognised day 1 profit amounted to SEK 638m (585) at year-end.

G23 Offsetting of financial instruments

2017 SEK m	Derivatives	Repurchase agreements, securities lending	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	76 892	18 605	95 497
Amounts set off	-20 822	-9 309	-30 131
Carrying amount on the balance sheet	**56 070**	**9 296**	**65 366**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16 838	-	-16 838
Financial assets received as collateral	-30 023	-9 296	-39 319
Total amounts not set off on the balance sheet	**-46 861**	**-9 296**	**-56 157**
Net amount	**9 209**	**-**	**9 209**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similiar agreements			
Gross amount	44 787	9 435	54 222
Amounts set off	-19 911	-9 309	-29 220
Carrying amount on the balance sheet	**24 876**	**126**	**25 002**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16 838	-	-16 838
Financial assets pledged as collateral	-2 974	-126	-3 100
Total amounts not set off on the balance sheet	**-19 812**	**-126**	**-19 938**
Net amount	**5 064**	**-**	**5 064**

2016 SEK m	Derivatives	Repurchase agreements, securities lending	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 similiar 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 this reflects the Bank's anticipated cash flows in the settlement of two or more derivatives. 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 an intention to settle the agreed cash flows with a net amount. The remaining counterparty risk in derivatives is reduced through netting agreements, 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 3,342 million (3,565) derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 2,431 million (2,367) derived from the balance sheet item Loans to the public.

G24 Intangible assets

2017 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2017
Cost of acquisition at beginning of year	6 761	182	777	2 403	10 123
Cost of acquisition of additional intangible assets	7	-	-	694	701
Disposals and retirements	-	-	-	-56	-56
Foreign exchange effect	30	3	13	-1	45
Cost of acquisition at end of year	**6 798**	**185**	**790**	**3 040**	**10 813**
Accumulated amortisation and impairment at beginning of year	-	-48	-114	-568	-730
Disposals and retirements	-	-	-	56	56
Amortisation for the year	-	-36	-39	-191	-266
Impairment for the year	-	-	-	-9	-9
Foreign exchange effect	-	-1	-2	0	-3
Accumulated amortisation and impairment at end of year	**-**	**-85**	**-155**	**-712**	**-952**
Carrying amount	**6 798**	**100**	**635**	**2 328**	**9 861**

2016 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2016
Cost of acquisition at beginning of year	6 460	65	410	1 943	8 878
Cost of acquisition of additional intangible assets	147	124	388	558	1 217
Disposals and retirements	-	-	-	-89	-89
Foreign exchange effect	154	-7	-21	-9	117
Cost of acquisition at end of year	**6 761**	**182**	**777**	**2 403**	**10 123**
Accumulated amortisation and impairment at beginning of year	-	-32	-89	-503	-624
Disposals and retirements	-	-	-	89	89
Amortisation for the year	-	-20	-26	-152	-198
Impairment for the year	-	-	-	-1	-1
Foreign exchange effect	-	4	1	-1	4
Accumulated amortisation and impairment at end of year	**-**	**-48**	**-114**	**-568**	**-730**
Carrying amount	**6 761**	**134**	**663**	**1 835**	**9 393**

	Goodwill		Intangible assets with an indefinite useful life	
SEK m	2017	2016	2017	2016
Handelsbanken Sweden	3 331	3 331	-	-
Handelsbanken UK	159	160	-	-
Handelsbanken Finland	17	16	-	-
Handelsbanken Denmark	2 463	2 401	-	-
Handelsbanken Norway	661	697	-	-
Handelsbanken the Netherlands	157	146	-	-
Handelsbanken Capital Markets	10	10	3	3
Total	**6 798**	**6 761**	**3**	**3**

Impairment testing of goodwill and intangible assets with an indefinite useful life
Recognised goodwill mainly derives from traditional banking operations on Handelsbanken's home markets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually in connection with the closing of the annual accounts. When performing impairment testing, the value in use of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. In the table, goodwill has been allocated among the business segments. Goodwill which is followed up internally at a lower level than the business segment level is tested at the lower level.

For the first five years, estimated future cash flows are based on forecasts of risk-weighted volumes, income, expenses and loan losses. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates and the expected impact of future regulations. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The estimated cash flows are based on historical real GDP growth as well as the Riksbank's long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of 2 per cent (2). The total forecast period is 20 years. The terminal value used is the forecast value of the net assets of the tested unit. Estimated cash flows have been discounted at a rate based on a risk-free interest rate and a risk adjustment corresponding to the market's average return requirement. In the annual impairment test, the discount rate was 6 per cent (5.9) after tax. The corresponding rate before tax was 9.1 per cent (8.8).

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are the assumptions for interest rates, the business cycle, future margins and cost-effectiveness. No reasonably possible change in important assumptions would affect the reported value of goodwill.

G25 Property and equipment

Property and equipment SEK m	2017	2016
Equipment	791	712
Property	1 342	1 321
Property repossessed for protection of claims	105	354
Total	**2 238**	**2 387**

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 104m (350). Unrealised value changes on these properties had an impact of SEK -1m (1) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent, authorised valuer for valuing commercial and office buildings and industrial properties. Valuations which are only based on market observations (SEK 96m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 8m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK -1m (5). The year's sale of properties which are regularly measured at fair value amounts to SEK 246m (82) of which SEK 7m (2) was classified as level 3 before the sale. The value of new properties added during the year is SEK 2m (40), with SEK 0m (0) of this classified as level 3.

Equipment SEK m	2017	2016
Cost of acquisition at beginning of year	2 003	1 654
Cost of additional acquisition for the year	398	360
Changes due to business combinations during the year	-	16
Disposals and retirements	-244	-26
Foreign exchange effect	-22	-1
Cost of acquisition at end of year	**2 135**	**2 003**
Accumulated depreciation and impairment at beginning of year	-1 291	-1 023
Accumulated depreciation due to business combinations during the year	-	-14
Depreciation for the year according to plan	-308	-269
Disposals and retirements	250	23
Foreign exchange effect	5	-8
Accumulated depreciation and impairment at end of year	**-1 344**	**-1 291**
Carrying amount	**791**	**712**

Property SEK m	2017	2016
Cost of acquisition at beginning of year	2 261	2 160
Cost of additional acquisition for the year	-	-
Changes due to business combinations during the year	-	54
New construction and rebuilding	76	60
Disposals and retirements	-29	-22
Foreign exchange effect	5	9
Cost of acquisition at end of year	**2 313**	**2 261**
Accumulated depreciation and impairment at beginning of year	-940	-891
Accumulated depreciation due to business combinations during the year	-	-17
Depreciation for the year according to plan	-35	-35
Impairment for the year	-	0
Disposals and retirements	4	4
Foreign exchange effect	0	-1
Accumulated depreciation and impairment at end of year	**-971**	**-940**
Carrying amount	**1 342**	**1 321**

G26 Other assets

SEK m	2017	2016
Claims on investment banking settlements	6 806	2 357
Other	3 909	3 258
Total	**10 715**	**5 615**

G27 Prepaid expenses and accrued income

SEK m	2017	2016
Accrued interest income	3 735	3 684
Other accrued income	2 081	1 992
Prepaid expenses	529	546
Total	**6 345**	**6 222**

G28 Due to credit institutions

SEK m	2017	2016
Due in Swedish kronor		
Banks	56 332	29 082
Other credit institutions	6 428	7 527
Total	**62 760**	**36 609**
Due in foreign currency		
Banks	111 965	141 529
Other credit institutions	95	643
Total	**112 060**	**142 172**
Total due to credit institutions	**174 820**	**178 781**
Of which repos	*126*	-

Average volumes SEK m	2017	2016
Due to credit institutions in Swedish kronor	64 606	40 440
Due to credit institutions in foreign currency	201 743	221 398
Total	**266 349**	**261 838**
Of which repos	*321*	*562*

G29 Deposits and borrowing from the public

Deposits from the public SEK m	2017	2016
Deposits in Swedish kronor		
Households	323 084	294 119
Companies	215 870	183 451
National Debt Office	-	-
Total	**538 954**	**477 570**
Deposits in foreign currency		
Households	106 844	92 716
Companies	243 852	205 517
National Debt Office	-	-
Total	**350 696**	**298 233**
Total deposits from the public	**889 650**	**775 803**

Borrowing from the public SEK m	2017	2016
Borrowing in Swedish kronor	20 258	26 320
Borrowing in foreign currency	32 059	27 213
Total	**52 317**	**53 533**
Of which repos	-	-
Of which insurance operations	*7 922*	*8 360*
Total deposits and borrowing from the public	**941 967**	**829 336**

Average volumes SEK m	2017	2016
Deposits from the public		
Deposits from the public in Swedish kronor	516 192	460 276
Deposits from the public in foreign currency	354 483	293 497
Total	**870 675**	**753 773**
Borrowing from the public		
Borrowing in Swedish kronor	26 414	32 535
Borrowing in Swedish kronor, insurance operations	8 132	8 587
Borrowing in foreign currency	128 846	189 857
Total	**163 392**	**230 979**
Of which repos	*7 889*	*7 706*

G30 Liabilities where the customer bears the value change risk

SEK m	2017	2016
Unit-linked and portfolio bond insurance liabilities	131 484	114 720
Other fund liabilities	4 124	3 697
Share of consolidated funds not owned	9	328
Total	**135 617**	**118 745**

G31 Issued securities

SEK m	2017 Nominal amount	2017 Carrying amount	2016 Nominal amount	2016 Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	2 147	2 369	3 409	3 701
Of which				
at amortised cost	-	-	-	-
for trading	*2 147*	*2 369*	*3 409*	*3 701*
Commercial paper in foreign currency	411 088	411 420	356 665	361 868
Of which				
at amortised cost	*409 158*	*409 164*	*354 994*	*359 807*
for trading	*1 930*	*2 256*	*1 671*	*2 061*
Total	**413 235**	**413 789**	**360 074**	**365 569**
Bonds				
Bonds in Swedish kronor	448 456	466 397	442 500	460 004
Of which				
at amortised cost	*448 456*	*466 397*	*442 500*	*460 004*
for fair value hedges	-	-	-	-
Bonds in foreign currency	396 950	396 409	436 519	436 192
Of which				
at amortised cost	*396 950*	*396 409*	*436 519*	*436 192*
for fair value hedges	-	-	-	-
Total	**845 406**	**862 806**	**879 019**	**896 196**
Total issued securities	**1 258 641**	**1 276 595**	**1 239 093**	**1 261 765**

SEK m	2017	2016
Issued securities at beginning of year	1 261 765	1 245 367
Issued	1 207 398	1 250 093
Repurchased	-55 656	-52 372
Matured	-1 098 438	-1 205 320
Foreign exchange effect etc.	-38 474	23 997
Issued securities at end of year	**1 276 595**	**1 261 765**

Average volumes SEK m	2017	2016
Swedish kronor	461 826	464 861
Foreign currency	823 371	833 146
Total	**1 285 197**	**1 298 007**

G32 Short positions

SEK m	2017	2016
Short positions at fair value		
Equities	659	1 346
Interest-bearing securities	1 413	226
Total	**2 072**	**1 572**

Average volumes SEK m	2017	2016
Swedish kronor	11 269	13 701
Foreign currency	256	312
Total	**11 525**	**14 013**

G33 Insurance liabilities

SEK m	2017	2016
Liability for sickness annuities	173	176
Liability for life annuities	205	213
Liability for other unsettled claims	143	171
Liability for prepaid premiums	28	14
Total	**549**	**574**

G34 Taxes

Deferred tax assets SEK m	2017	2016
Hedging instruments	109	238
Intangible assets	5	4
Property and equipment	9	13
Pensions	273	646
Other	3	61
Total	**399**	**962**

Deferred tax liabilities SEK m	2017	2016
Loans to the public[1]	5 372	5 685
Hedging instruments	735	1 717
Intangible assets	244	258
Property and equipment	109	98
Pensions	312	-
Other	81	117
Total	**6 853**	**7 875**
Net deferred tax liabilities	**6 454**	**6 913**

Change in deferred taxes 2017 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public[1]	5 685	-313	-	-	5 372
Hedging instruments	1 479	-4	-849	-	626
Intangible assets	254	-16	-	1	239
Property and equipment	85	15	-	-	100
Pensions	-646	-179	864	-	39
Other	56	22	-	-	78
Total	**6 913**	**-475**	**15**	**1**	**6 454**

Change in deferred taxes 2016 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public[1]	6 116	-431	-	-	5 685
Hedging instruments	2 202	-1	-723	1	1 479
Intangible assets	65	59	127	3	254
Property and equipment	71	7	7	-	85
Pensions	-1 252	-290	876	20	-646
Other	153	-94	-9	6	56
Total	**7 355**	**-750**	**278**	**30**	**6 913**

Tax expenses recognised in the income statement SEK m	2017	2016
Current tax		
Tax expense for the year	-5 253	-4 922
Adjustment of tax relating to prior years	-145	-229
Deferred tax		
Changes in temporary differences	475	750
Total	**-4 923**	**-4 401**
Tax at 22% of profits before tax	**-4 626**	**-4 539**
Difference	**-297**	**138**
The difference is explained by the following items		
Non-deductible expenses	-41	-36
Non-deductible interest on subordinated loans	-283	-
Different tax rate in insurance operations	152	128
Non-taxable capital gains and dividends	75	298
Deviating tax rates in other countries	-41	-83
Other	-159	-169
Total	**-297**	**138**

[1] Of which lease assets SEK 5,372m (5,686).

G35 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2017	Total 2016
Provisions at beginning of year	503	77	151	731	113
Provisions during the year	-	18	32	50	820
Utilised	-503	-	-107	-610	-199
Written back	-	-	-18	-18	-3
Provisions at end of year	**-**	**95**	**58**	**153**	**731**

The provision for restructuring primarily relates to additional costs for early retirement of staff. The amount has been fully settled during 2017.
Provision for guarantee commitments consists of collective provision and individually assessed guarantees.
The amounts allocated for future settlement of the claims towards companies within the Group are presented under other provisions.

G36 Other liabilities

SEK m	2017	2016
Liabilities on investment banking settlements	6 589	2 533
Other	9 274	6 894
Total	**15 863**	**9 427**

G37 Accrued expenses and deferred income

SEK m	2017	2016
Accrued interest expenses	8 960	11 525
Other accrued expenses	2 277	1 801
Deferred income	1 481	1 254
Total	**12 718**	**14 580**

G38 Subordinated liabilities

SEK m	2017	2016
Subordinated loans in Swedish kronor	8 350	8 230
Subordinated loans in foreign currency	24 546	25 170
Total	**32 896**	**33 400**

Average volumes SEK m	2017	2016
Subordinated loans in Swedish kronor	8 177	9 284
Subordinated loans in foreign currency	24 637	24 323
Total	**32 814**	**33 607**

Specification, subordinated loans

Issuance/Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
IN SWEDISH KRONOR				
Swedish subordinated loans[1]		10 825		8 350
Total				**8 350**
IN FOREIGN CURRENCY				
2014/fixed-term[2]	EUR	1 500	2.656	14 751
2015/perpetual[3]	USD	1 200	5.250	9 795
Total				**24 546**
Total subordinated liabilities				**32 896**

[1] Swedish subordinated loans are individually less than 10% of the total subordinated liabilities. The total includes one perpetual subordinated loan at a floating rate. The loan is a subordinated convertible loan of nominally SEK 3.2bn issued to the Group's employees on market terms. The loan does not have the status of regulatory capital but can be converted into Handelsbanken shares. The Bank has the right to demand conversion at any time and the holder has the right to demand conversion between 1 May and 30 November 2019, at the adjusted conversion price of SEK 109.92. The initial conversion price has been adjusted for dividends and a split during the term of the loan. If the common equity tier 1 ratio for the Bank or calculated according to the consolidated situation falls below 7%, there will be automatic conversion. For information regarding other Swedish subordinated loans, see note G50.
[2] For further information about subordinated loans in EUR, see note G50.
[3] For further information about subordinated loans in USD, see note G50.

G39 Classification of financial assets and liabilities

2017 SEK m	At fair value in income statement divided into Trading	 Other[1]	Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Assets									
Cash and balances with central banks					226 314			226 314	226 314
Other loans to central banks					38 920			38 920	38 920
Interest-bearing securities eligible as collateral with central banks	7 349	120 683				974		129 006	129 006
Loans to other credit institutions					20 250			20 250	20 081
Loans to the public		377			2 065 384			2 065 761	2 073 536
Value change of interest-hedged item in portfolio hedge					36			36	
Bonds and other interest-bearing securities	13 261	30 948				5 392		49 601	49 601
Shares	11 914	964				1 174		14 052	14 052
Assets where the customer bears the value change risk		135 563			54			135 617	135 617
Derivative instruments	12 572		43 498					56 070	56 070
Other assets	16				10 699			10 715	10 715
Prepaid expenses and accrued income	102	490			5 749	4		6 345	6 345
Total financial assets	**45 214**	**289 025**	**43 498**		**2 367 406**	**7 544**		**2 752 687**	**2 760 257**
Investments in associates								297	
Other non-financial assets								13 993	
Total assets								**2 766 977**	
Liabilities									
Due to credit institutions							174 820	174 820	176 611
Deposits and borrowing from the public							941 967	941 967	941 975
Liabilities where the customer bears the value change risk		135 556					61	135 617	135 617
Issued securities	4 625						1 271 970	1 276 595	1 289 925
Derivative instruments	15 204		9 672					24 876	24 876
Short positions	2 072							2 072	2 072
Other liabilities	12						15 851	15 863	15 863
Accrued expenses and deferred income	13						12 705	12 718	12 718
Subordinated liabilities							32 896	32 896	33 889
Total financial liabilities	**21 926**	**135 556**	**9 672**				**2 450 270**	**2 617 424**	**2 633 546**
Other non-financial liabilities								7 949	
Total liabilities								**2 625 373**	

[1] Classified to be measured at fair value.

2016 SEK m	At fair value in income statement divided into Trading	 Other[1]	Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
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**	

[1] Classified to be measured at fair value.

Reclassified financial assets	2017		2016	
SEK m	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	8	1 122	10	1 290
Fair value	8	1 068	10	1 209
Value change recognised in the income statement	-	-	-	0
Value change recognised in other comprehensive income	-1	-116	1	94
Value change that would have been recognised in income statement if the assets had not been reclassified	0	0	0	0
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	24	-	5
Interest recognised as income	0	15	0	41

All holdings presented above were reclassified to loans and receivables on 1 July 2008.

G40 Fair value measurement of financial instruments

Financial instruments at fair value 2017

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	7 212	137	-	7 349
Denominated at fair value	118 810	1 873	-	120 683
Available for sale	974	-	-	974
Loans to the public	-	364	13	377
Bonds and other interest-bearing securities				
Held for trading	12 360	901	-	13 261
Denominated at fair value	29 762	1 186	-	30 948
Available for sale	4 989	403	-	5 392
Shares				
Held for trading	7 955	3 959	-	11 914
Denominated at fair value	839	-	125	964
Available for sale	4	49	1 121	1 174
Assets where the customer bears the value change risk	135 099	-	464	135 563
Derivative instruments	364	55 619	87	56 070
Total	**318 368**	**64 491**	**1 810**	**384 669**
Liabilities				
Liabilities where the customer bears the value change risk	135 092	-	464	135 556
Issued securities	-	4 625	-	4 625
Derivative instruments	377	24 411	88	24 876
Short positions	2 013	59	-	2 072
Total	**137 482**	**29 095**	**552**	**167 129**

Financial instruments at fair value 2016

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	12 927	73	-	13 000
Denominated at fair value	81 837	1 621	-	83 458
Available for sale	747	-	-	747
Loans to the public	-	909	17	926
Bonds and other interest-bearing securities				
Held for trading	21 610	718	-	22 328
Denominated at fair value	34 996	1 121	-	36 117
Available for sale	4 908	556	-	5 464
Shares				
Held for trading	10 723	7 004	-	17 727
Denominated at fair value	805	-	262	1 067
Available for sale	-	43	1 575	1 618
Assets where the customer bears the value change risk	117 826	-	762	118 588
Derivative instruments	408	82 225	-	82 633
Total	**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	**119 465**	**37 533**	**762**	**157 760**

Valuation hierarchy
In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the degree of transparency regarding market data used in the valuation. The categorisation is shown as levels 1–3 in the tables. Financial instruments which are valued at a direct and liquid market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed equities, and short 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 are affected by input data that cannot be verified using external market information are categorised as level 3. Level 3 includes unlisted shares, certain holdings of private equity funds and certain derivatives.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2016), the instrument has been moved between the levels in the table. During the financial year, 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 212 million and shares worth SEK 88 million were transferred from level 1 to level 2. On the assets side, interest-bearing securities worth SEK 556 million and shares worth SEK 16 million were transferred from level 2 to level 1. On the liabilities side, derivatives worth SEK 9 million were transferred from level 1 to level 2, and derivatives worth SEK 7 million were moved from level 2 to level 1. Changes in level 3 holdings during the year are shown in a separate table.

The holdings in level 3 mainly comprise unlisted shares. The Group's holdings of unlisted shares mainly consist of the Bank's participating interests in various types of joint 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.

In addition to unlisted shares, certain holdings of private equity funds are categorised in level 3. These are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, such as P/E ratios. Most of these holdings represent investment assets in the Group's insurance operations. Value changes in 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. In 2017, the derivatives component in some of the Bank's issued structured bonds and the related hedging derivatives was moved from level 2 to level 3. The transfer of these derivatives to level 3 is due to the fact that the internal assumptions which have a material impact on calculation of the fair value have been revised. Hedging derivatives in level 3 are traded under CSA agreements where the market values are checked and verified with the Bank's counterparties on a daily basis.

The year's realised value changes on financial instruments in level 3 totalled SEK 61 million (65), of which the entire amount is included in the calculation of the yield split in the insurance operations.

Differences between the transaction price and the value measured by a valuation model
As stated in the accounting policies in note G1, when applying a model to value derivatives, material positive differences between the valuation at initial recognition and the transaction price (so-called day 1 gains) are amortised over the life of the derivative. As a consequence of the application of this principle, SEK 144 million (143) was recognised in Net gains/losses on financial transactions during the year. At the end of the year, non-recognised day 1 gains amounted to SEK 638 million (585).

Change in financial instruments in level 3 2017

SEK m	Shares	Derivative assets	Derivative liabilities	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	1 837	-	-	17	762	-762
Acquisitions	25	-	-	-		-
Repurchases/sales	-62	-	-	-	-318	318
Matured	-	-	-	-5	-	-
Unrealised value change in income statement	-77	-	-	-	20	-20
Unrealised value change in other comprehensive income	-477	-	-	-	-	-
Transfer from level 1 or 2	-	87	-88	1	-	-
Transfer to level 1 or 2	-	-	-	-	-	-
Carrying amount at end of year	**1 246**	**87**	**-88**	**13**	**464**	**-464**

Change in financial instruments in level 3 2016

SEK m	Shares	Derivative assets	Derivative liabilities	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	1 283	-	-	10	732	-732
Acquisitions	14	-	-	-	-	-
Repurchases/sales	-90	-	-	-	-	-
Matured	-	-	-	-2	-	-
Unrealised value change in income statement	-55	-	-	-	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 year	**1 837**	**-**	**-**	**17**	**762**	**-762**

G40 Cont.

Principles for information about the fair values of financial instruments which are carried at cost or amortised cost
Information about the fair values of financial instruments which are carried at cost or amortised cost is given in note G39 and in the table below. These instruments essentially comprise lending, deposits and funding. For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

The valuation of fixed-rate lending is based on the current market rate with an adjustment for assumed credit and liquidity risk premiums on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement. Interest-bearing securities have been valued at the current market price where this has been available. Funding and interest-bearing securities for which market price information has not been available have been valued using a valuation model based on market data in the form of prices or interest for similar instruments.

In the table, the valuation used for the information about the fair value of financial instruments carried at cost or amortised cost is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premiums has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

Fair value of financial instruments at cost or amortised cost 2017

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	226 314	-	-	226 314
Other loans to central banks	31 368	7 552	-	38 920
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to other credit institutions	9 004	10 616	461	20 081
Loans to the public	606	16 729	2 055 824	2 073 159
Bonds and other interest-bearing securities	-	-	-	-
Assets where the customer bears the value change risk	-	54	-	54
Total	**267 292**	**34 951**	**2 056 285**	**2 358 528**
Liabilities				
Due to credit institutions	52 105	124 506	-	176 611
Deposits and borrowing from the public	894 402	47 573	-	941 975
Liabilities where the customer bears the value change risk	-	61	-	61
Issued securities	774 071	511 229	-	1 285 300
Subordinated liabilities	-	33 889	-	33 889
Total	**1 720 578**	**717 258**	**-**	**2 437 836**

Fair value of financial instruments at cost or amortised cost 2016

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	199 362	-	-	199 362
Other loans to central banks	20 269	5 258	-	25 527
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to other credit institutions	11 927	18 228	993	31 148
Loans to the public	1 310	12 230	1 964 368	1 977 908
Bonds and other interest-bearing securities	-	-	-	-
Assets where the customer bears the value change risk	-	58	-	58
Total	**232 868**	**35 774**	**1 965 361**	**2 234 003**
Liabilities				
Due to credit institutions	110 885	69 763	-	180 648
Deposits and borrowing from the public	771 416	57 887	-	829 303
Liabilities where the customer bears the value change risk	-	58	-	58
Issued securities	765 371	509 390	-	1 274 761
Subordinated liabilities	-	35 330	-	35 330
Total	**1 647 672**	**672 428**	**-**	**2 320 100**

G41 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2017	2016
Cash	16 360	17 411
Government instruments and bonds	36 458	33 561
Loans to the public	660 805	662 920
Shares	1 495	1 003
Assets where the customer bears the value change risk	131 788	114 771
Other	9 866	10 316
Total	**856 772**	**839 982**
Of which pledged assets that may be freely withdrawn by the Bank	*23 465*	*20 145*

Other pledged assets SEK m	2017	2016
Cash	183	457
Government instruments and bonds	26 618	23 486
Loans to the public	2 244	3 788
Shares	5 114	5 644
Other	6	0
Total	**34 165**	**33 375**
Of which pledged assets that may be freely withdrawn by the Bank	*26 083*	*27 136*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Pledged assets

Assets pledged in the form of interest-bearing securities mainly comprise securities pledged as collateral to central banks and other credit institutions, for payment systems, securities trading and clearing and also securities sold under binding repurchase agreements (repos). Assets pledged in the form of equities mainly comprise lent equities and equities in the insurance operations.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral mainly comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operative apartments with a loan-to-value ratio within 75 per cent of the market value. In the event of the company's insolvency, pursuant to the Covered Bonds Act and the Right of Priority Act, the holders of the covered bonds have prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then continue to receive contractual payments under the terms of the bond until maturity.

Assets where the customer bears the value change risk mainly comprise units in unit-linked insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

Collateral received

For reverse repurchase agreements and equity loans, securities are received that can be sold or repledged to a third party. Such securities are not reported in the balance sheet. The fair value of received securities under reverse repurchase agreements and agreements on equity loans was SEK 25,659 million (19,976) at the end of the financial year, where collateral worth SEK 10,766 million (5,519) had been sold or repledged to a third party. Information about received pledges for lending and other received collateral is shown in note G2.

Transferred financial assets reported on the balance sheet

Transferred financial assets are assets where the rights to future cash flows are directly or indirectly transferred to an external counterparty. Most of the transferred financial assets carried in the balance sheet comprise interest-bearing securities which have been sold under binding repurchase agreements and lent equities. Normally the terms for the binding repurchases and equity loans are stipulated in framework agreements between the Bank and the respective counterparty.

Binding repurchase agreements imply selling securities with an undertaking to repurchase them at a fixed price at a pre-determined time in the future. The seller of the securities thus continues to be exposed to the risk of value changes during the life of the agreement. Securities sold under repurchase agreements remain at market value in the balance sheet throughout the life of the agreement. The purchase price received is reported as a liability to the counterparty. According to the standard terms of a repurchase agreement, the right of ownership of the sold securities is transferred in its entirety from the seller to the buyer. This means that the buyer has the right to sell on, repledge or otherwise dispose of the purchased securities.

According to the standard agreements for equity loans, the exposure to the value change in the lent equity remains with the lender. Lent equities thus remain on the balance sheet throughout the life of the loan. Collateral for lent securities is normally in the form of cash or other securities. Cash collateral received is carried as a liability in the balance sheet. In the same way as for repurchase agreements, the standard agreement used for equity loans means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the borrowed securities.

Government instruments, bonds and equities provided as collateral for securities trading, clearing, etc. where the title to the instrument has been transferred to the counterparty are reported as other transferred financial assets. Transferred financial assets also include certain assets where the customer bears the value change risk. This item comprises portfolios of financial instruments where the Bank has the formal right of ownership but where the risks related to the assets and also the right to future cash flows have been transferred to a third party. The valuation of these assets reflects the valuation of the corresponding liability item.

G41 Cont.

Transferred financial assets reported on the balance sheet	2017		2016	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	6 054	1 086[1]	6 002	340[1]
Shares, other	-	-	-	-
Government instruments and bonds, repurchase agreements	5 172	126	928	2
Government instruments and bonds, other	263	-	710	-
Assets where the customer bears the value change risk	522	522	824	824
Total	**12 011**	**1 734**	**8 464**	**1 166**

[1] Received cash collateral.

G42 Contingent liabilities

SEK m	2017	2016
Guarantees, credits	10 177	9 643
Guarantees, other	57 878	63 108
Irrevocable letters of credit	6 057	4 237
Other	1 554	1 542
Total	**75 666**	**78 530**

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Companies within the Group are subjects of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in our favour. The assessment is that the amounts in dispute would not have a material effect on the Group's financial position or profit/loss.

G43 Other commitments

SEK m	2017	2016
Loan commitments	290 643	272 729
Unutilised part of granted overdraft facilities	131 121	128 967
Other	21 619	23 571
Total	**443 383**	**425 267**

Contracted irrevocable future operating lease charges broken down by maturity		
SEK m	2017	2016
Within 1 year	693	781
Between 1 and 5 years	1 740	2 031
Over 5 years	1 539	1 128
Total	**3 972**	**3 940**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

G44 Leases

Disclosures on gross investment and net investment SEK m	2017	2016
Gross investment	34 165	35 411
Unearned finance income	403	403
Net investment	33 762	35 008

Distribution by maturity SEK m	Within 1 year	Between 1 and 5 years	Later than 5 years	Total
2017				
Distribution of gross investment	4 462	16 356	13 347	**34 165**
Distribution of net investment	4 443	16 128	13 191	**33 762**
2016				
Distribution of gross investment	3 823	16 322	15 266	**35 411**
Distribution of net investment	3 810	16 113	15 085	**35 008**

All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans in the balance sheet, initially for an amount corresponding to the net investment.

Lease assets mainly consist of vehicles and machines. All leases have guaranteed residual values. The book value of the provision for impaired loans with respect to minimum lease payments is SEK 0m (0). The variable part of the lease fee included in this year's profit is SEK 88m (89).

At the end of the year in the Group there were five lease exposures each with an individual carrying amount exceeding SEK 1bn.

G45 Segment reporting

Segment reporting 2017	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Continuing operations
Net interest income	16 694	4 659	1 714	1 203	3 666	557	472	801		29 766
Net fee and commission income	4 434	602	433	462	410	155	3 174	48		9 718
Net gains/losses on financial transactions	663	127	95	52	90	20	979	-755		1 271
Risk result – insurance							142			142
Share of profit of associates						2		12		14
Other income	49	3	15	18	14	1	26	637		763
Total income	**21 840**	**5 391**	**2 257**	**1 735**	**4 180**	**735**	**4 793**	**743**		**41 674**
Staff costs	-3 465	-1 828	-669	-396	-570	-289	-2 241	-2 818	-196	-12 472
Other expenses	-1 180	-549	-159	-180	-223	-85	-922	-2 591		-5 889
Internal purchased and sold services	-3 168	-595	-335	-303	-424	-98	52	4 871		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-79	-63	-13	-19	-14	-13	-83	-282	-53	-619
Total expenses	**-7 892**	**-3 035**	**-1 176**	**-898**	**-1 231**	**-485**	**-3 194**	**-820**	**-249**	**-18 980**
Profit before loan losses	**13 948**	**2 356**	**1 081**	**837**	**2 949**	**250**	**1 599**	**-77**	**-249**	**22 694**
Net loan losses	-210	-739	-466	-57	-157	2	-56			-1 683
Gains/losses on disposal of property, equipment and intangible assets	2	-1	13	0	1	-	-1	0		14
Operating profit	**13 740**	**1 616**	**628**	**780**	**2 793**	**252**	**1 542**	**-77**	**-249**	**21 025**
Profit allocation	1 257	35	94	150	90	3	-1 629	-		
Operating profit after profit allocation	**14 997**	**1 651**	**722**	**930**	**2 883**	**255**	**-87**	**-77**	**-249**	**21 025**
Internal income[1]	601	-935	-237	-228	-2 196	-227	-2 735	5 957		
C/I ratio, %	34.2	55.9	50.0	47.6	28.8	65.7	100.9			45.5
Loan loss ratio, %	0.02	0.38	0.48	0.05	0.06	-0.01	0.12			0.08
Assets	1 716 334	366 440	114 495	188 330	247 576	47 478	284 454	1 943 297	-2 141 427	2 766 977
Liabilities	1 636 370	353 334	108 784	182 684	231 739	46 013	280 140	1 943 297	-2 156 988	2 625 373
Allocated capital	79 964	13 106	5 711	5 646	15 837	1 465	4 314		15 561	141 604
Return on allocated capital, %	15.3	10.2	9.7	12.8	14.1	14.3	-1.5			12.3
The year's investments in non-financial non-current assets	54	112	1	45	22	28	463	431		1 156
The year's investments in associated companies								76		76
Average number of employees	4 078	2 045	608	506	672	273	1 625	2 025		11 832

[1] Internal income which is included in total income comprises income from transactions with other operating segments. 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 among segments.

The business segments are recognised in compliance with IFRS 8, Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Sweden, the UK, Denmark, Finland, Norway, the Netherlands and Capital Markets. Handelsbanken's branch operations, which provide a full range of banking services, were divided into 14 regional banks in 2017. Five of these are Swedish, and nine are located outside Sweden. Each regional bank is led by a head of regional bank, and is monitored as an independent profit centre. The Capital Markets segment is Handelsbanken's investment bank, including securities trading and investment advisory services. Its operations also include asset management, insurance operations and the Bank's international operations outside its home markets.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net in the line item Internal purchased and sold services. Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. Other includes Treasury and central departments and also the cost of the allocation to Oktogonen, which is SEK 768 million (0). The Adjustments and eliminations column includes adjustments for staff costs. Adjustments for staff costs contain the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and locally calculated pension costs.

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the form of payment for internal services rendered. Internal debiting is primarily according to the cost price principle. In branch operations,

Segment reporting 2016	Home markets									
SEK m	Sweden	UK	Denmark	Finland	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Continuing operations
Net interest income	15 519	4 414	1 686	1 218	3 355	438	557	756		27 943
Net fee and commission income	4 233	519	379	419	381	75	3 081	69		9 156
Net gains/losses on financial transactions	725	219	75	87	114	5	984	857		3 066
Risk result – insurance							142			142
Share of profit of associates						2		23		25
Other income	47	3	15	10	81	1	8	266		431
Total income	**20 524**	**5 155**	**2 155**	**1 734**	**3 931**	**521**	**4 772**	**1 971**		**40 763**
Staff costs	-3 671	-1 849	-655	-380	-676	-210	-2 368	-2 335	-398	-12 542
Other expenses	-1 153	-463	-194	-210	-206	-60	-871	-2 244		-5 401
Internal purchased and sold services	-2 645	-545	-287	-239	-379	-77	-56	4 228		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-67	-46	-14	-14	-8	-7	-76	-248	-15	-495
Total expenses	**-7 536**	**-2 903**	**-1 150**	**-843**	**-1 269**	**-354**	**-3 371**	**-599**	**-413**	**-18 438**
Profit before loan losses	**12 988**	**2 252**	**1 005**	**891**	**2 662**	**167**	**1 401**	**1 372**	**-413**	**22 325**
Net loan losses	-416	-160	-716	-36	-347	0	-49			-1 724
Gains/losses on disposal of property, equipment and intangible assets	0	2	7	0	0	-	0	23		32
Operating profit	**12 572**	**2 094**	**296**	**855**	**2 315**	**167**	**1 352**	**1 395**	**-413**	**20 633**
Profit allocation	997	35	85	131	91	3	-1 342	-		
Operating profit after profit allocation	**13 569**	**2 129**	**381**	**986**	**2 406**	**170**	**10**	**1 395**	**-413**	**20 633**
Internal income[1]	116	-1 195	-334	-262	-2 463	-210	-2 851	7 199		
C/I ratio, %	35.0	55.9	51.3	45.2	31.6	67.6	98.3			45.2
Loan loss ratio, %	0.03	0.08	0.85	0.03	0.17	0.00	0.10			0.09
Assets	1 572 446	316 732	108 299	178 132	246 940	35 293	279 905	1 810 638	-1 920 805	2 627 580
Liabilities	1 494 646	305 306	102 078	171 880	231 057	34 042	274 872	1 810 638	-1 933 320	2 491 199
Allocated capital	77 800	11 426	6 221	6 252	15 883	1 251	5 033		12 515	136 381
Return on allocated capital, %	14.7	15.4	4.8	13.0	13.3	12.5	0.2			13.1
The year's investments in non-financial non-current assets	66	155	4	20	17	13	295	403		973
The year's investments in associated companies								19		19
Average number of employees	4 293	1 959	624	491	668	206	1 678	1 840		11 759

[1] Internal income which is included in total income comprises income from transactions with other operating segments. 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 among segments.

assets consist mainly of loans to the public and liabilities of deposits from the public and also internal borrowing. In the Capital Markets segment, assets mainly consist of securities that are managed within the asset management and insurance operations. The assets in the Other column are mainly internal lending to the various segments, while the liabilities are mainly external borrowings. The allocated capital for the segments is the same as the capital allocation according to the internal financial control model.

Income per product area SEK m	2017	2016
Household deposit and lending	15 206	14 060
Corporate deposit and lending	15 278	14 671
Payments	1 868	1 896
Asset management	4 281	3 646
Pension & insurance	702	689
Investment bank services	2 169	2 298
Other	2 170	3 503
Total	**41 674**	**40 763**

The product areas have been revised to better reflect the Bank's operations.

G46 Geographical information

Geographical information 2017

SEK m	Income	Operating profit	Tax	Assets
Sweden	26 156	15 405	-3 889	2 318 256
UK	5 331	1 325	-395	336 772
Norway	4 024	2 471	-586	264 918
Denmark	2 230	403	-91	134 060
Finland	1 994	906	-191	221 016
The Netherlands	740	216	-53	48 373
USA	461	207	4	310 693
China	223	112	-13	8 789
Luxembourg	195	51	-18	33 125
Singapore	111	-17	-2	10 112
Germany	87	-11	-28	10 569
France	55	3	-1	3 704
Poland	44	-23	-2	2 338
Estonia	14	-5	-	1 444
Latvia	4	-9	-	466
Austria	3	0	-	-
Lithuania	2	-9	-	128
Brazil	-	-	-	-
Eliminations	-	-	342	-937 786
Group	**41 674**	**21 025**	**-4 923**	**2 766 977**

Income, expenses and assets presented in the geographical information are composed of internal and external income, expenses and assets in the respective country. The geographical distribution of income and expenses is based on the country where the business transaction has been carried out and is not comparable with the segment reporting. Tax includes current and deferred taxes. Additional geographical information is provided in note P16 concerning the domicile of subsidiaries and associates and in note G8 concerning average number of employees.

Geographical information 2016

SEK m	Income	Operating profit	Tax	Assets
Sweden	26 212	15 288	-3 458	2 211 192
UK	5 027	1 851	-474	296 449
Norway	3 624	1 917	-393	261 574
Denmark	2 219	180	-72	124 624
Finland	1 981	973	-199	230 654
USA	670	422	-130	289 126
The Netherlands	544	179	-43	35 667
Luxembourg	169	25	-22	19 597
Germany	109	-3	-	14 935
China	59	-47	1	8 438
Singapore	55	8	-2	10 194
France	42	-49	0	3 400
Poland	27	-76	-2	13 366
Estonia	14	-13	-	1 533
Austria	6	-3	-	330
Latvia	4	-8	-	303
Lithuania	1	-9	-	90
Brazil	0	-2	-	0
Eliminations	0	0	394	-893 892
Group	**40 763**	**20 633**	**-4 400**	**2 627 580**

G47 Assets and liabilities in currencies

2017 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	83	85 625	3 916	2 139	84 768	48 079	1 704	226 314
Other loans to central banks	6 683	-	7 170	24 198	492	-	377	38 920
Loans to other credit institutions	2 059	5 700	566	45	811	9 711	1 358	20 250
Loans to the public	1 287 467	200 448	235 215	94 108	213 208	28 186	7 129	2 065 761
of which corporate	*481 250*	*133 080*	*145 245*	*33 661*	*143 347*	*27 955*	*6 324*	*970 862*
of which households	*806 217*	*67 368*	*89 970*	*60 447*	*69 861*	*231*	*805*	*1 094 899*
Interest-bearing securities eligible as collateral with central banks	100 576	6 853	-	12	-	20 804	761	129 006
Bonds and other interest-bearing securities	36 964	2 383	1 090	-	1 378	7 786	-	49 601
Other items not broken down by currency	237 125							237 125
Total assets	**1 670 957**	**301 009**	**247 957**	**120 502**	**300 657**	**114 566**	**11 329**	**2 766 977**
Liabilities								
Due to credit institutions	62 784	61 572	13 866	7 860	3 373	18 915	6 450	174 820
Deposits and borrowing from the public	559 212	104 453	57 429	39 416	146 293	29 973	5 191	941 967
of which corporate	*221 345*	*86 046*	*36 994*	*22 164*	*98 176*	*27 633*	*4 666*	*497 024*
of which households	*337 867*	*18 407*	*20 435*	*17 252*	*48 117*	*2 340*	*525*	*444 943*
Issued securities	468 766	282 725	24 175	556	93 884	376 959	29 530	1 276 595
Subordinated liabilities	8 349	14 751	-	-	-	9 796	-	32 896
Other items not broken down by currency, incl. equity	340 699							340 699
Total liabilities and equity	**1 439 810**	**463 501**	**95 470**	**47 832**	**243 550**	**435 643**	**41 171**	**2 766 977**
Other assets and liabilities broken down by currency, net		162 627	-152 299	-72 590	-56 970	321 072	29 891	
Net foreign currency position		135	188	80	137	-5	49	584

Note G2 on page 84 describes the Bank's view of exchange rate risks.

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
of which corporate	*460 084*	*128 416*	*139 985*	*36 741*	*128 371*	*28 413*	*8 287*	*930 297*
of which households	*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
of which corporate	*192 720*	*61 542*	*38 662*	*19 051*	*86 076*	*21 003*	*6 170*	*425 224*
of which households	*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

G48 Related-party disclosures

Claims on and liabilities to related parties	Associated companies		Other related parties	
SEK m	2017	2016	2017	2016
Loans to the public	875	849	-	-
Other assets	51	59	7	515
Total	**926**	**908**	**7**	**515**
Deposits and borrowing from the public	298	223	406	604
Subordinated liabilities	-	-	668	681
Other liabilities	-	0	56	58
Total	**298**	**223**	**1 130**	**1 343**

Related parties – income and expense	Associated companies		Other related parties	
SEK m	2017	2016	2017	2016
Interest income	9	13	0	1
Interest expense	0	0	-72	-71
Fee and commission income	3	1	-	-
Fee and commission expense	-266	-237	-21	-18
Net gains/losses on financial items at fair value	0	0	-	-
Other income	2	1	14	15
Other expenses	-58	-39	-58	-53
Total	**-310**	**-261**	**-137**	**-126**

A list of associated companies and information about shareholder contributions to associated companies is presented in note G19. The associated companies' operations comprise various types of services related to the financial markets. The following companies comprise the group of related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for customary banking and accounting services.

The parent company's Swedish subsidiaries have paid pension premiums for defined benefit pensions to the pension fund amounting to SEK 57m (52). The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 6,145m (6,099). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 545m (510) regarding pension costs, SEK 450m (465) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 24m (25) for measures to benefit the employees.

Information regarding loans to executive officers, and conditions and other remuneration to executive officers, is given in note G8.

G49 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

G50 Capital adequacy

The tables in this note are extracts from Handelsbanken's publication Risk and Capital Management – Information according to Pillar 3. The numbering of these tables is therefore specific to that report.

CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

CAPITAL REQUIREMENTS REGULATION

According to the capital adequacy regulations, Regulation (EU) No 575/2013 EU (CRR), which came into force in the EU on 1 January 2014, and directive 2013/36/EU (CRD IV), which was implemented in Sweden on 2 August 2014, the Bank must have common equity tier 1 capital, tier 1 capital and total own funds which at least correspond to the individual requirements relative to the total risk exposure amount for credit risk, market risk and operational risk. In addition to holding capital in accordance with the minimum requirement, the Bank must also hold common equity tier 1 capital to comply with the combined buffer requirement which in Sweden comprises the sum of a capital conservation buffer, a countercyclical buffer and a systemic risk buffer. The Bank must also perform an internal capital assessment. Handelsbanken's capital policy – most recently adopted in 2017 – states the guidelines for the internal capital assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). See also Capital adequacy for the financial conglomerate below. Since 1 February 2016, the resolution authority, which in Sweden is the National Debt Office, must set a minimum requirement for own funds and eligible liabilities (MREL) for the Bank. In 2017, the Bank met all the statutory minimum and buffer levels by a comfortable margin. More detailed information about the Bank's own funds and capital requirement is available in note G2 Risk and capital management, and in Handelsbanken's publication Risk and Capital Management – Information according to Pillar 3 (see handelsbanken.se/ireng).

DESCRIPTION OF CONSOLIDATED SITUATION

The regulatory consolidation (consolidated situation) consists of the parent company, subsidiaries and associated companies that are also included in the consolidated Group accounts, as shown in the table on page 151. The companies that are included in the consolidated accounts but are excluded from the consolidated situation are also shown in the table on page 151. Just as in the consolidated accounts, associated companies are consolidated using the equity method in the regulatory consolidated situation. Subsidiaries are further consolidated according to the acquisition method. All subsidiaries which are subject to the regulations are included in the consolidated situation. Handelsbanken has no subsidiaries where the actual own funds are less than the prescribed own funds.

DESCRIPTION OF OWN FUNDS FOR CONSOLIDATED SITUATION

Own funds consist of tier 1 capital and tier 2 capital. The tier 1 capital is divided into common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists mainly of share capital, retained earnings and other reserves in the companies that are included in the consolidation. Remaining tier 1 capital consists of additional tier 1 instruments. The tier 2 capital mainly consists of subordinated loans. Certain deductions are subsequently made from own funds. The deductions are made mainly from the common equity tier 1 capital. For the Bank's risk management, it is important that in risk terms, both the Group and the regulatory consolidation can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example, capital adequacy requirements and restrictions in corporate law. The Bank sees no other material or legal obstacles to a rapid transfer of funds from own funds, or repayment of liabilities between the parent company and its subsidiaries.

Tier 1 capital

Tier 1 capital consists of common equity tier 1 capital and additional tier 1 capital.

Common equity tier 1 capital

Common equity tier 1 capital consists chiefly of share capital, retained earnings and other reserves in the companies that are included in the regulatory consolidation. Since the Group's insurance companies are not part of the consolidation, see the table on page 151, retained earnings in these companies are not included in the common equity tier 1 capital. The items to be excluded from the common equity tier 1 capital are mainly goodwill and other intangible assets, and also capital contributions to the insurance companies in the Group or certain deferred tax assets which exceed 10 per cent of the common equity tier 1 capital. The total of capital contributions and deferred tax assets must not exceed 15 per cent of the common equity tier 1 capital. Since neither the capital contributions to the insurance companies in the Group nor the deferred tax assets exceed the threshold value, these do not reduce the common equity tier 1 capital. Neutrality adjustments are made for the effect of cash flow hedges on equity. An additional value adjustment must also be calculated and, when necessary, be made for prudent valuation of instruments at fair value. Institutions with permission to use internal ratings-based models must make a deduction for the difference between expected loan losses according to the IRB Approach and the provisions made for probable loan losses if the expected loan losses exceed the provisions made. A deduction must also be made for the net value of recognised surplus values in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. Finally, a deduction must also be made for permission to hold own shares in its capacity as market maker. The deduction must correspond to the highest market value covered by the permission.

Additional tier 1 capital

Additional tier 1 capital consists of instruments which fulfil the requirements for additional tier 1 capital. This capital must be perpetual and must be redeemable after five years at the earliest, but only with the permission of the supervisory authority. It must be possible to write down the nominal value or convert it to shares to create common equity tier 1 capital at a pre-defined level for the common equity tier 1 capital and it must be possible to unconditionally suspend interest payments.

The Bank's total additional tier 1 capital amounts to SEK 12.1 billion. Of these, additional tier 1 capital for SEK 9.8 billion was issued in 2015, which fulfils the requirements of CRR. However, the Bank's other outstanding additional tier 1 capital has been issued with permission in accordance with the previous regulations and is therefore included in the transitional rules in CRR. These amount to SEK 2.4 billion and comprise enhanced capital contributions. For enhanced capital contributions, the Bank has the right to convert the instruments into equity at an earlier stage to avoid breaching regulatory requirements. In the case of liquidation, the instruments will be classified as liabilities, including the part that was previously converted into equity, and which will then have the same residual claim to the assets of the company. This claim is subordinate to the claims of all other creditors.

Only shareholders have a more subordinated claim to the assets of the company. For enhanced capital contributions, the Bank has an unconditional right to suspend coupon payments, in other words, payment of interest can be suspended at any time. If there are no distributable funds, coupon payments must be suspended for the instrument.

G50 Cont.

Tier 2 capital

The tier 2 capital consists of subordinated loans with a maturity of at least five years. Deductions are made for subordinated loan contributions to the insurance companies within the Group.

CAPITAL REQUIREMENTS

Credit risk

The capital requirements for credit risk are calculated according to the standardised approach and the IRB Approach according to CRR. There are two different IRB approaches: the IRB Approach without own estimates of LGD and CCF (Foundation IRB Approach), and the IRB Approach with own estimates of LGD and CCF (Advanced IRB Approach).

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. For a definition of the credit conversion factor (CCF), see Handelsbanken's Fact Book.

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

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

At the year-end, the IRB Approach was applied to 81 per cent (79) of the total risk exposure amount for credit risk. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach. Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the Basel III capital adequacy regulations, CRR and CRD IV. In the tables, "CRR" means that the figures are based on the minimum capital requirements after the transitional rules have ceased to apply. The transitional rules ceased to apply on 31 December 2017.

Repos and securities loans are reported separately in the table Credit risk exposures approved for IRB Approach, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirements are 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 year to 13.9 per cent (14.3). The decrease is mainly a result of sovereign exposures being reported according to the IRB Approach as of the second quarter of 2017. This is partly offset by higher average risk weights on corporate exposures. These higher risk weights are due to new PD models with on average higher PD values, which were implemented in 2017.

Credit quality is good. Of Handelsbanken's corporate exposures, 97 per cent (97) were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's 10-point risk rating scale.

In 2017, Handelsbanken won approval to use new PD models for companies in the IRB Approach. These are based on the historical default frequency, by risk class and by portfolio. The estimates for each portfolio are based partly on the Bank's internal data and partly on data from other sources, such as external credit rating agencies, and will apply for the duration of a business cycle in which one of five years is a downturn year and the Swedish banking crisis in the 1990s is taken into account, as required by the Swedish Financial Supervisory Authority. To these estimates are added significant margins of conservatism, and the PD for these portfolios are normally not expected to vary year on year. The estimates by risk class are based on the Bank's internal default data and a model that determines the relationship of probability of default between different risk classes. The margins are then summed so that each portfolio's aggregate PD coincides with the estimate of portfolio PD. This means that the PD for each risk class may vary over time although the portfolio PD does not, as the distribution of counterparties among the risk classes varies over time.

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

For further information about changes during the year, see the Bank's interim reports for 2017 and the Bank's publication Risk and Capital Management – Information according to Pillar 3.

Market risks

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

Operational risk

Handelsbanken uses the standardised approach to calculate the capital requirements for operational risk. According to the standardised approach, the capital requirements are 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.

CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of the financial conglomerate must have own funds which are adequate in relation to the capital requirements for the financial conglomerate. Own funds for the financial conglomerate have been calculated by means of a combination of the aggregation and settlement method and the consolidation method. This means that the own funds for the consolidated situation have been combined with the capital base for the Handelsbanken Liv AB insurance group. Correspondingly, in order to calculate the requirement for the conglomerate, the solvency requirement for the insurance group has been added to the capital requirement for the consolidated situation.

Table TB40 Companies included in consolidated situation

Companies included in consolidated situation	Ownership share, %	Corporate identity number	Domicile
Handelsbanken AB (publ)[1]		502007-7862	Stockholm
SUBSIDIARIES			
Handelsbanken Finans AB[1]	100	556053-0841	Stockholm
Kredit-Inkasso AB	100	556069-3185	Stockholm
Handelsbanken Rahoitus Oy	100	0112308-8	Helsinki
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	100	310101717882194	Shanghai
Stadshypotek AB[1]	100	556459-6715	Stockholm
Svenska Intecknings Garanti AB Sigab (inactive)	100	556432-7285	Stockholm
Handelsbanken Fondbolagsförvaltning AB	100	556070-0683	Stockholm
Handelsbanken Fonder AB	100	556418-8851	Stockholm
Handelsinvest Investeringsforvaltning A/S	100	12930879	Copenhagen
Xact Kapitalförvaltning AB	100	556997-8140	Stockholm
AB Handel och Industri	100	556013-5336	Stockholm
Heartwood Wealth Management Limited	100	4132340	London
Heartwood Nominees Limited (inactive)	100	2299877	London
Heartwood Second Nominees Limited (inactive)	100	3193458	London
Private Office Limited (inactive)	100	4332528	London
Optimix Vermogensbeheer N.V.	100	33194359	Amsterdam
Add Value Fund Management B.V.	80	19196768	Amsterdam
Optimix Beheer en Belegging B.V. (inactive)	100	33186584	Amsterdam
Other			
Ejendomsselskabet af 1. maj 2009 A/S[1]	100	59173812	Hillerød
Forva AS	100	945812141	Oslo
Handelsbanken Markets Securities, Inc[1]	100	11-3257438	New York
Lokalbolig A/S	60	78488018	Hillerød
Rådstuplass 4 AS	100	910508423	Bergen
SIL (Nominees) Limited (inactive)	100	1932320	London
Svenska Property Nominees Limited (inactive)	100	2308524	London
Lila stugan i Stockholm AB (inactive)	100	556993-9084	Stockholm
Ecster AB	100	556993-2311	Stockholm
Blå stugan i Stockholm (inactive)	100	556993-9357	Stockholm
Subsidary of Handelsbanken Liv Försäkrings AB			
Handelsbanken Fastigheter AB	100	556873-0021	Stockholm
ASSOCIATES			
Bankomatcentralen AB	20	556197-2265	Stockholm
BGC Holding AB	25.38	556607-0933	Stockholm
Bankgirocentralen BGC AB[2]	100	556047-3521	Stockholm
Torig AB	100	556564-5404	Stockholm
Finansiell ID-teknik BID AB	28.3	556630-4928	Stockholm
UC AB	24.48	556137-5113	Stockholm
UC Affärsfakta AB[2]	100	556613-0042	Stockholm
UC Marknadsinformation AB[2]	100	556948-5518	Stockholm
UC Bostadsvärdering AB[2]	100	556576-7133	Stockholm
UC allabolag AB[2]	100	556730-7367	Stockholm
Bankomat AB	20	556817-9716	Stockholm
Getswish AB	20	556913-7382	Stockholm

[1] Credit institution.
[2] Ownership in subsidiaries and associates.

Companies not included in consolidated situation	Ownership share, %	Corporate identity number	Domicile
Handelsbanken Liv Försäkrings AB (group excl. Handelsbanken Fastigheter AB)	100	516401-8284	Stockholm
Svenska Re S.A.	100	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	100	516401-6767	Stockholm
Dyson Group plc	27	163096	Sheffield
EFN Ekonomikanalen AB	100	556930-1608	Stockholm
SHB Liv Försäkringsaktiebolag	100	2478149-7	Helsinki
Svenska RKA International Insurance Services AB (inactive)	100	556324-2964	Stockholm

G50 Cont.

Table 84 Balance sheet

Balance sheet	2017		2016	
SEK m	Consolidated situation	Banking group	Consolidated situation	Banking group
ASSETS				
Cash and balances with central banks	226 314	226 314	199 362	199 362
Other loans to central banks	38 920	38 920	25 527	25 527
Interest-bearing securities available as collateral with central banks	125 898	129 006	94 247	97 205
Loans to other credit institutions	20 250	20 250	31 347	31 347
Loans to the public	2 066 890	2 065 761	1 964 751	1 963 622
Value change of interest-hedged item in portfolio hedge	36	36	35	35
Bonds and other interest-bearing securities	46 220	49 601	60 311	63 909
of which interest-bearing instruments classified as available for sale (carrying amount)	*5 393*	*5 393*	*5 464*	*5 464*
of which interest-bearing instruments classified as available for sale, accumulated value change	*-67*	*-67*	*-62*	*-107*
Shares and participating interests	13 088	14 052	19 345	20 412
of which shares classified as available for sale (carrying amount)	*1 174*	*1 174*	*1 618*	*1 618*
of which shares classified as available for sale, accumulated value change	*554*	*554*	*1 041*	*1 041*
Investments in associates	6 574	297	6 510	255
Assets where the customer bears the value change risk	5 023	135 617	4 500	118 646
Derivative instruments	56 070	56 070	82 632	82 633
of which cash flow hedges	*654*	*654*	*2 487*	*2 487*
Reinsurance assets	-	14	-	9
Intangible assets	9 720	9 861	9 288	9 393
Property and equipment	2 238	2 238	2 387	2 387
Current tax assets	238	242	26	38
Deferred tax assets	399	399	962	962
of which related to cash flow hedges	-	-	-	-
of which related to interest-bearing instruments classified as available for sale	*19*	*19*	*22*	*22*
Pension assets	1 283	1 239	-	-
Assets held for sale	-	-	1	1
Other assets	10 351	10 715	5 338	5 615
Prepaid expenses and accrued income	6 288	6 345	6 153	6 222
Total assets	**2 635 800**	**2 766 977**	**2 512 722**	**2 627 580**
LIABILITIES AND EQUITY				
Liabilities to credit institutions	174 795	174 820	178 734	178 781
Deposits and borrowing from the public	939 792	941 967	826 274	829 336
Liabilities where the customer bears the value change risk	5 023	135 617	4 599	118 745
Issued securities	1 276 595	1 276 595	1 261 765	1 261 765
Derivative instruments	24 877	24 876	31 745	31 738
of which cash flow hedges	-	-	-	-
Short positions	2 072	2 072	1 572	1 572
Insurance liabilities	-	549	-	574
Current tax liabilities	368	394	488	514
Deferred tax liabilities	6 813	6 853	7 832	7 875
of which related to cash flow hedges	*184*	*184*	*702*	*702*
of which related to interest-bearing instruments classified as available for sale	*7*	*7*	*6*	*6*
Provisions	143	153	719	731
Pension obligations	-	-	2 121	2 161
Liabilities related to assets held for sale	-	-	-	-
Other liabilities	15 580	15 863	9 210	9 427
Accrued expenses and deferred income	12 589	12 718	14 412	14 580
Subordinated liabilities	32 896	32 896	33 400	33 400
of which tier 1 capital loans	*12 146*	*12 146*	*13 167*	*13 167*
of which loans with remaining time to maturity > 5 yrs	*17 745*	*17 745*	*17 354*	*17 354*
of which loans with remaining time to maturity < 5 yrs	-	-	-	-
of which other loans	*3 004*	*3 004*	*2 879*	*2 879*
Total liabilities	**2 491 543**	**2 625 373**	**2 372 871**	**2 491 199**
Minority interest	11	11	6	6
Share capital	3 013	3 013	3 013	3 013
Holdings of own shares	-	-	-	-
Share premium reserve	5 629	5 629	5 628	5 628
of which equity from combined financial instruments	*466*	*466*	*1 045*	*1 045*
Other reserves	8 116	8 106	9 273	9 268
Retained earnings	112 210	108 746	101 857	102 222
Profit for the year (belonging to shareholders of Svenska Handelsbanken AB)	15 278	16 099	20 074	16 244
Total equity	**144 257**	**141 604**	**139 851**	**136 381**
Total liabilities and equity	**2 635 800**	**2 766 977**	**2 512 722**	**2 627 580**

Table 85 Transitional own funds

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013. Excluded rows are deemed not relevant for Handelsbanken at present.

Transitional own funds		2017			2016	
SEK m		Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
	Common equity tier 1 capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	8 177		26 (1), 27, 28, 29, EBA list 26 (3)	7 597	
	of which: share capital	8 177		EBA list 26 (3)	7 597	
	of which: convertible securities	-		EBA list 26 (3)		
2	Retained earnings	112 210		26 (1) (c)	101 857	
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	8 445		26 (1)	10 084	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	697		26 (2)	10 352	
6	**Common equity tier 1 (CET1) capital before regulatory adjustments**	**129 529**			**129 890**	
	Common equity tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-409		34, 105	-645	
8	Intangible assets (net of related tax liability) (negative amount)	-9 787		36 (1) (b), 37, 472 (4)	-9 355	
11	Fair value reserves related to gains or losses on cash flow hedges	-654		33 (a)	-2 487	
12	Negative amounts resulting from the calculation of expected loss amounts	-2 357		36 (1) (d), 40, 159, 472 (6)	-1 527	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-		33 (b)	-	
15	Defined benefit pension fund assets (negative amount)	-		36 (1) (e), 41, 472 (7)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-569		36 (1) (f), 42, 472 (8)	-636	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
22	Amount exceeding the 15% threshold (negative amount)	-		48 (1)	-	
23	of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities	-		36 (1) (i), 48 (1) (b), 470, 472 (11)	-	
25	of which: deferred tax assets arising from temporary differences	-		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
25a	Losses for the current financial year (negative amount)	-		36 (1) (a), 472 (3)	-	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-		36 (1) (l)	-	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		36 (1) (j)	-	
28	**Total regulatory adjustments to common equity tier 1 (CET1) capital**	**-13 776**			**-14 650**	
29	**Common equity tier 1 (CET1) capital**	**115 753**			**115 240**	
	Additional tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	9 794		51, 52	10 815	
32	of which: classified as liabilities under applicable accounting standards	9 794			10 815	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	2 352	2 352	486 (3)	2 353	2 353
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**12 146**			**13 168**	

G50 Cont.

Transitional own funds		2017			2016	
SEK m		Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
	Additional tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-400	-400	52 (1) (b), 56 (a), 57, 475 (2)	-400	-400
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		56 (d), 59, 79, 475 (4)	-	
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-		56 (e)	-	
43	**Total regulatory adjustments to additional tier 1 (AT1) capital**	**-400**			**-400**	
44	**Additional tier 1 (AT1) capital**	**11 746**			**12 768**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**127 499**			**128 008**	
	Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	17 745		62 ,63	17 354	
51	**Tier 2 (T2) capital before regulatory adjustments**	**17 745**			**17 354**	
	Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		63 (b) (i), 66 (a), 67, 477 (2)	-	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1 129		66 (d), 69, 79, 477 (4)	-1 129	
57	**Total regulatory adjustments to tier 2 (T2) capital**	**-1 129**			**-1 129**	
58	**Tier 2 (T2) capital**	**16 616**			**16 225**	
59	**Total capital (TC = T1 + T2)**	**144 115**			**144 233**	
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	509 032			458 787	
	Of which: additional capital to insurance companies in the Group not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)	15 633		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	15 633	
	Of which: deferred tax claims not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)	788		475, 475 (2) (b), 475 (2) (c), 475 (4) b)	1 856	
60	**Total risk-weighted assets**	**509 032**			**458 787**	
	Capital ratios and buffers					
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	22.7		92 (2) (a), 465	25.1	
62	Tier 1 capital (as a percentage of total risk exposure amount)	25.0		92 (2) (b), 465	27.9	
63	Total capital (as a percentage of total risk exposure amount)	28.3		92 (2) (c)	31.4	
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	6.7		CRD 128, 129, 130	6.4	
65	of which: capital conservation buffer requirement	2.5			2.5	
66	of which: countercyclical buffer requirement	1.2			0.9	
67	of which: systemic risk buffer requirement	3.0			3.0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0		CRD 131	0.0	
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	18.2		CRD 128	20.6	

Transitional own funds	2017			2016	
SEK m	Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Capital ratios and buffers					
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		36 (1) (i), 45, 48, 470, 472 (11)	-	
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-315		36 (1) (c), 38, 48, 470, 472 (5)	-743	
Applicable caps on the inclusion of provisions tier 2 capital					
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		62	-	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	1 048		62	1 011	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-		62	-	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	2 090		62	1 796	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)					
80 Current cap on CET1 instruments subject to phase-out arrangements	116		484 (3), 486 (2) and (5)	174	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		484 (3), 486 (2) and (5)	-	
82 Current cap on AT1 instruments subject to phase-out arrangements	4 890		484 (4), 486 (3) and (5)	7 335	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		484 (4), 486 (3) and (5)	-	
84 Current cap on T2 instruments subject to phase-out arrangements	2 963		484 (5), 486 (4) and (5)	4 444	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		484 (5), 486 (4) and (5)	-	

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Table TB37 Capital instruments main features, CET1

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments main features, CET1		
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000193120	SE0000152084
Governing law(s) of the instrument	Swedish law	Swedish law
Regulatory treatment		
Transitional CRR rules	Common equity tier 1 capital	Common equity tier 1 capital
Post-transitional CRR rules	Common equity tier 1 capital	Common equity tier 1 capital
Eligible at solo/(sub)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Share capital, class A	Share capital, class B
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	SEK 8,029m	SEK 148m
Nominal amount of instrument	SEK 2,959m	SEK 55m
Issue price	SEK 8,029m	SEK 148m
Redemption price	N/A	N/A
Accounting classification	Equity	Equity
Original date of issuance	1871	1990
Perpetual or dated	Perpetual	Perpetual
Original maturity date	N/A	N/A
Issuer call subject to the previous supervisory approval	N/A	N/A
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends		
Fixed or floating dividend/coupon	N/A	N/A
Coupon rate and any related index	N/A	N/A
Existence of a dividend stopper	N/A	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
Existence of step-up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A
Write-down features	No	No
If write-down, write-down trigger(s)	N/A	N/A
If write-down, full or partial	N/A	N/A
If write-down, permanent or temporary	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Lowest, next senior is additional tier 1 capital	Lowest, next senior is additional tier 1 capital
Non-compliant transitioned features	No	No
If yes, specify non-compliant features	N/A	N/A
Non-compliant transitioned features	No	No
If yes, specify non-compliant features	N/A	N/A

Table TB38 Capital instruments main features, AT1
Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments main features, AT1			
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0002450601	XS0406264092	XS1194054166
Governing law(s) of the instrument	Swedish law	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law
Regulatory treatment			
Transitional CRR rules	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Post-transitional CRR rules	Non-eligible	Tier 2 capital	Tier 1 capital
Eligible at solo/(sub)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 2m	SEK 2,350m	SEK 9,794m
Nominal amount of instrument	SEK 2m	SEK 2,350m	USD 1,200m
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	12 June 2008	19 Dec 2008	25 Feb 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual
Original maturity date	No maturity date	No maturity date	No maturity date
Issuer call subject to the previous supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	21 May 2013, Tax call, 100% of nominal amount	19 Mar 2019, Tax/Regulatory call, 100% of nominal amount	1 Mar 2021, Tax/Regulatory call, 100% of nominal amount
Subsequent call dates, if applicable	Callable at any time with 40-day qualification period	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date
Coupons/dividends			
Fixed or floating dividend/coupon	Floating	Fixed	Fixed
Coupon rate and any related index	0.18%	11.00%	5.25%
Existence of a dividend stopper	Yes	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	Partially discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Fully discretionary
Existence of step-up or other incentive to redeem	Yes	Yes	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	Fully discretionary	N/A	N/A
If convertible, fully or partially	Fully or partially	N/A	N/A
If convertible, conversion rate	SEK 62.52 per share	N/A	N/A
If convertible, mandatory or optional conversion	Optional	N/A	N/A
If convertible, specify instrument type convertible into	Share capital, class A	N/A	N/A
If convertible, specify issuer of instrument it converts into	Svenska Handelsbanken AB	N/A	N/A
Write-down features	Yes	Yes	Yes
If write-down, write-down trigger(s)	Expected breach of capital requirement	Expected breach of capital requirement	Common equity tier 1 ratio 8% consolidated, 5.125% parent company
If write-down, full or partial	Full or partial	Full or partial	Full or partial
If write-down, permanent or temporary	Temporary	Temporary	Temporary
If temporary write-down, description of write-up mechanism	Fully discretionary	Fully discretionary	Fully discretionary
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all instruments except shares, next in priority are subordinated loans	Subordinate to all instruments except shares, next in priority are subordinated loans	Subordinate to all instruments except shares, next in priority are subordinated loans
Non-compliant transitioned features	Yes	Yes	N/A
If yes, specify non-compliant features	Step-up and dividend stopper	Step-up and dividend stopper	N/A

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Table TB39 Capital instruments main features, T2

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments main features, T2			
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1014674227	XS1717456914	XS1717459694
Governing law(s) of the instrument	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law
Regulatory treatment			
Transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital
Post-transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital
Eligible at solo/(sub)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated loan	Subordinated loan
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 14,751m	SEK 1,297m	SEK 1,697m
Nominal amount of instrument	EUR 1,500m	SEK 1,300m	SEK 1,700m
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	15 Jan 2014	15 Nov 2017	15 Nov 2017
Perpetual or dated	Dated	Dated	Dated
Original maturity date	15 Jan 2024	15 Nov 2027	15 Nov 2027
Issuer call subject to the previous supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	15 Jan 2019, Tax/Regulatory call, 100% of nominal amount	15 Nov 2022, Tax/Regulatory call, 100% of nominal amount	15 Nov 2022, Tax/Regulatory call, 100% of nominal amount
Subsequent call dates, if applicable	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date
Coupons/dividends			
Fixed or floating dividend/coupon	Fixed	Fixed	Floating
Coupon rate and any related index	2.66%	1.41%	0.44%
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory(in terms of timing)	Mandatory	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
Existence of step-up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A
If convertible, full or partial	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	No	No	No
If write-down, write-down trigger(s)	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all senior lending	Subordinate to all senior lending	Subordinate to all senior lending
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A

Table 89 Change in own funds
Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Change in own funds SEK m	2017	2016
Common equity tier 1 capital – opening amount	**115 240**	**100 535**
Profit for the period	15 278	20 074
Dividend	-14 581	-9 721
Conversions	99	2 518
Minority interests	0	0
Deferred tax	-427	-545
Capital contributions outside consolidated situation	0	0
Securitisation positions	0	0
Goodwill and other intangible assets	-432	-1 109
Value adjustments for positions measured at fair value	237	-91
Own shares	67	-193
Negative amounts resulting from the calculation of expected loss amounts	-830	-132
Items affected via other comprehensive income		
AFS shares	-10	40
AFS interest	12	53
Pensions (IAS 19)	3 510	3 797
Exchange rate effects	-750	1 247
Net investment hedging	-1 177	-111
Other, incl. changes in investment portfolio	-483	-1 122
Common equity tier 1 capital – closing amount	**115 753**	**115 240**
Additional tier 1 capital – opening amount	**12 768**	**11 933**
Additional tier 1 instruments		
Issues	0	0
Calls	0	0
Exchange rate effects	-1 021	837
Conversions	-1	-1
Regulatory adjustments capital	0	-1
Additional tier 1 capital – closing amount	**11 746**	**12 768**
Total tier 1 capital	**127 499**	**128 008**
Tier 2 capital – opening amount	**16 225**	**16 021**
Tier 2 capital instruments		
Issues	2 994	0
Calls	-2 999	0
Exchange rate effects	396	648
Adjustment for time to maturity	0	-444
Tier 2 capital – closing amount	**16 616**	**16 225**
Total own funds	**144 115**	**144 233**

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Table 90 EU OV1 – Overview of RWAs

The table shows risk exposure amounts (REA) for credit, counterparty, market and operational risk at year-end and the previous year. Credit risk is calculated by the standardised approach, the Foundation IRB Approach and the Advanced IRB Approach. Market risk and operational risk is calculated by the standardised approach. REA for credit risk has increased compared to the previous year. REA for counterparty risk has decreased compared to the previous year. REA for market risk is in line with the previous year. REA for operational risk has increased compared to the previous year.

EU OV1 – Overview of RWAs			RWAs		Minimum capital requirements
SEK m			T	T–1	T
	1	Credit risk (excluding CCR)	419 557	364 538	33 565
Article 438(c)(d)	2	Of which the standardised approach	83 473	80 355	6 678
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	48 496	44 733	3 880
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	282 520	234 491	22 602
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	5 068	4 959	405
Article 107 Article 438(c)(d)	6	CCR	12 640	15 704	1 011
Article 438(c)(d)	7	Of which mark to market	12 632	15 698	1 011
Article 438(c)(d)	8	Of which original exposure			
	9	Of which the standardised approach			
	10	Of which internal model method (IMM)			
Article 438(c)(d)	11	Of which risk exposure amount for contributions ot the default fund of a CCP	8	6	1
Article 438(c)(d)	12	CVA	4 890	7 429	391
Article 438 e	13	Settlement risk	0	0	0
Article 449(o)(i)	14	Securitisation exposures in the non-trading book (after the cap)	22	24	2
	15	Of which IRB Approach	22	24	2
	16	Of which IRB supervisory formula approach (SFA)			
	17	Of which internal assessment approach (IAA)			
	18	Of which standardised approach			
Article 438 e	19	Market risk	10 310	10 910	825
	20	Of which the standardised approach	10 310	10 910	825
	21	Of which IMA			
Article 438 e	22	Large exposures			
Article 438(f)	23	Operational risk	61 613	60 182	4 929
	24	Of which basic indicator approach			
	25	Of which standardised approach	61 613	60 182	4 929
	26	Of which advanced measurement approach			
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)			
Article 500	28	Floor adjustment			62 125
	29	**Total**	**509 032**	**458 787**	**102 848**

Table 62 EU MR1 – Market risk under the standardised approach

The following table shows capital requirements and REA for market risk according to the standardised approach (CRR) at year-end 2017.

EU MR1 – Market risk under the standardised approach		2017		2016	
		a	b	a	b
SEK m		REA	Capital requirements	REA	Capital requirements
	Outright products				
1	Interest rate risk	10 089	808	10 669	854
1a	*of which general risk*	*7 145*	*572*	*7 474*	*598*
1b	*of which specific risk*	*2 944*	*236*	*3 195*	*256*
2	Equity risk	113	9	54	4
2a	*of which general risk*	*34*	*3*	*12*	*1*
2b	*of which specific risk*	*74*	*6*	*40*	*3*
2c	*of which CIUs*	*5*	*0*	*2*	*0*
3	Foreign exchange risk	-	-	-	-
4	Commodity risk	60	5	113	9
	Options				
7	Scenario approach	48	3	74	6
7a	*of which interest rate risk*	*5*	*0*	*14*	*1*
7b	*of which equity risk*	*43*	*3*	*59*	*5*
7c	*of which foreign exchange risk*	*-*	*-*	*-*	*-*
7d	*of which commodity risk*	*0*	*0*	*1*	*0*
8	Securitisation (specific risk)	-	-	-	-
9	Settlement risk	0	0	0	0
10	**Total**	**10 310**	**825**	**10 910**	**873**

Table 91 Capital adequacy analysis
The table shows capital ratios. The total exposure has increased compared to the previous year.

Capital adequacy analysis %	2017	2016
Common equity tier 1 ratio, CRR	22.7	25.1
Tier 1 ratio, CRR	25.0	27.9
Total capital ratio, CRR	28.3	31.4
Total risk exposure amount, CRR, SEK m	509 032	458 787
Own funds in relation to capital requirement according to Basel I floor	142.0	148.0
Institution-specific buffer requirement	6.7	6.4
of which capital conservation buffer requirement	*2.5*	*2.5*
of which countercyclical capital buffer requirement	*1.2*	*0.9*
of which systemic risk buffer requirement	*3.0*	*3.0*
Common equity tier 1 capital available for use as a buffer	18.2	20.6

Table 92 Capital adequacy financial conglomerate
The table shows the relation between capital and capital requirement for the financial conglomerate. The levels are in line with the previous year.

Capital adequacy financial conglomerate SEK m	2017	2016
Own funds after reduction and adjustments	147 387	145 971
Capital requirement	107 751	102 557
Surplus	**39 636**	**43 414**

Table 40 Credit risk exposures approved for IRB Approach

Credit risk exposures approved for IRB Approach	Exposure amount		Of which off-balance-sheet		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sovereign exposures	**357 719**		**18 456**		**7 474**		**598**		**2.1**	
Corporate exposures	**852 845**	**821 000**	**121 454**	**125 992**	**237 107**	**194 650**	**18 969**	**15 572**	**27.8**	**23.7**
Corporate lending	835 665	798 330	121 384	125 836	233 707	190 709	18 697	15 257	28	23.9
of which other lending, IRB Approach without own estimates of LGD and CCF	*109 608*	*116 048*	*62 936*	*68 506*	*32 467*	*35 946*	*2 598*	*2 876*	*29.6*	*31*
of which other lending, IRB Approach with own estimates of LGD and CCF	*726 057*	*682 282*	*58 448*	*57 330*	*201 240*	*154 763*	*16 099*	*12 381*	*27.7*	*22.7*
of which large corporates	*152 189*	*126 774*	*32 991*	*33 749*	*58 176*	*57 176*	*4 654*	*4 574*	*38.2*	*45.1*
of which medium-sized companies	*80 590*	*81 640*	*9 914*	*9 928*	*37 839*	*32 486*	*3 027*	*2 599*	*47*	*39.8*
of which property companies	*493 278*	*473 868*	*15 543*	*13 653*	*105 225*	*65 101*	*8 418*	*5 208*	*21.3*	*13.7*
Counterparty risk	17 180	22 670	70	156	3 400	3 941	272	315	19.8	17.4
Housing co-operative associations	**195 265**	**187 897**	**4 680**	**4 624**	**9 974**	**7 555**	**798**	**604**	**5.1**	**4**
Retail exposures	**1 026 668**	**982 270**	**51 744**	**54 308**	**72 574**	**72 398**	**5 806**	**5 792**	**7.1**	**7.4**
Private individuals	1 001 733	955 346	45 593	47 561	65 742	65 258	5 259	5 221	6.6	6.8
of which property loans	*925 491*	*874 253*	*21 280*	*19 879*	*51 092*	*48 178*	*4 087*	*3 854*	*5.5*	*5.5*
of which other	*76 242*	*81 093*	*24 313*	*27 682*	*14 650*	*17 080*	*1 172*	*1 367*	*19.2*	*21.1*
Small companies	24 935	26 924	6 151	6 747	6 832	7 140	547	571	27.4	26.5
of which property loans	*6 929*	*7 650*	*7*	*27*	*1 707*	*1 706*	*137*	*137*	*24.6*	*22.3*
of which other	*18 006*	*19 274*	*6 144*	*6 720*	*5 125*	*5 434*	*410*	*434*	*28.5*	*28.2*
Institutional exposures	**72 223**	**105 185**	**12 426**	**13 235**	**13 929**	**17 397**	**1 114**	**1 392**	**19.3**	**16.5**
Lending to institutions	16 332	20 066	6 195	4 231	5 232	6 175	418	494	32	30.8
Counterparty risk	55 891	85 119	6 231	9 004	8 697	11 222	696	898	15.6	13.2
of which repos and securities loans	*7 667*	*14 070*	*6 231*	*9 004*	*173*	*631*	*14*	*50*	*2.3*	*4.5*
of which derivatives	*48 224*	*71 049*	*-*	*-*	*8 524*	*10 591*	*682*	*848*	*17.7*	*14.9*
Equity exposures	**1 512**	**1 340**	**-**	**-**	**5 068**	**4 959**	**405**	**397**	**335.1**	**370**
of which listed equities	*661*	*-*	*-*	*-*	*1 916*	*-*	*153*	*-*	*290*	*-*
of which other equities	*851*	*1 340*	*-*	*-*	*3 152*	*4 959*	*252*	*397*	*370*	*370*
Non credit-obligation asset exposures	**2 238**	**2 387**	**-**	**-**	**2 238**	**2 387**	**179**	**191**	**100**	**100**
Securitisation positions	**20**	**22**	**-**	**-**	**22**	**24**	**2**	**2**	**106**	**105.9**
of which traditional securitisation	*20*	*22*	*-*	*-*	*22*	*24*	*2*	*2*	*106*	*105.9*
of which synthetic securitisation	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total IRB Approach	**2 508 490**	**2 100 101**	**208 760**	**198 159**	**348 386**	**299 370**	**27 871**	**23 950**	**13.9**	**14.3**

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Table 41 Credit risk exposures according to standardised approach[1]

Credit risk exposures according to standardised approach[1]	Exposure value		Of which off-balance-sheet		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sovereign and central banks	236	255 748	21	4 029	-	77	-	6	0	0
Municipalities	-	54 908	-	6 332	-	22	-	2	0	0
Multilateral development banks	568	636	1	0	-	0	-	0	0	0
International organisations	35	49	-	0	-	0	-	0	0	0
Institutions	7 290	4 215	498	298	506	343	40	27	6.9	8.1
Corporate	9 407	10 640	2 205	1 020	9 312	10 017	745	801	99.0	94.1
Retail	16 824	17 042	3 186	3 282	12 580	12 737	1 006	1 019	74.8	74.7
Property mortgages	106 316	92 087	6 426	5 688	38 158	33 316	3 053	2 665	35.9	36.2
Past due items	654	199	7	3	748	258	60	21	114.4	129.6
CIU's	86	-	-	-	86	-	7	-	100.0	-
Equities	6 813	6 796	-	-	16 143	16 126	1 291	1 290	236.9	237.3
of which listed equities	-	-	-	-	-	-	-	-	-	-
of which other equities	*6 813*	*6 796*	-	-	*16 143*	*16 126*	*1 291*	*1 290*	*236.9*	*237.3*
Other items	6 780	8 571	-	303	6 300	8 000	505	641	92.9	93.4
Total standardised approach	**155 009**	**450 891**	**12 344**	**20 955**	**83 833**	**80 896**	**6 707**	**6 472**	**54.1**	**17.9**

[1] Details of capital requirements for exposure classes where there are exposures.

Table 93 LRCom: Leverage ratio common disclosure

The table shows the leverage ratio at year-end and the previous year. The exposures are specified for the categories on-balance, derivatives, securities finance and off-balance. The leverage ratio is calculated as tier 1 capital divided by the total exposures. The leverage ratio has decreased compared to the previous year. The change is due to the fact that the Bank's tier 1 capital has remained largely static while the balance sheet has expanded.

LRCom: Leverage ratio common disclosure SEK m		2017	2016
	On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2 571 653	2 417 175
2	(Asset amounts deducted in determining Tier 1 capital)	-13 775	-14 650
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2 557 878**	**2 402 525**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	10 962	30 213
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	28 379	30 758
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-7 785	-6 917
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	7 766	8 917
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-366	-679
11	**Total derivatives exposures (sum of lines 4 to 10)**	**38 955**	**62 292**
	SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	8 077	12 914
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	2 176	4 436
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b(4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**10 253**	**17 350**
	Other off-balance-sheet exposures		
17	Off-balance-sheet exposures at gross notional amount	501 292	492 788
18	(Adjustments for conversion to credit equivalent amounts)	-320 747	-314 413
19	**Other off-balance-sheet exposures (sum of lines 17 and 18)**	**180 545**	**178 375**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
	Capital and total exposure measure		
20	Tier 1 capital	127 499	128 008
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	2 787 631	2 660 542
	Leverage ratio		
22	Leverage ratio	4.6%	4.8%
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	0

Table 94 LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The table shows the summary reconciliation of accounting assets and leverage ratio exposures at year-end and the previous year.
The leverage ratio total exposure measure has increased compared to the previous year.

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures SEK m		2017	2016
1	Total assets as per published financial statements	2 766 977	2 627 580
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-131 176	-114 858
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0	0
4	Adjustments for derivative financial instruments	-17 115	-20 341
5	Adjustments for securities financing transactions (SFTs)	2 176	4 436
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	180 545	178 375
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	-13 775	-14 650
8	**Leverage ratio total exposure measure**	**2 787 631**	**2 660 542**

Table 95 LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

The table specifies on-balance-sheet exposures excluding derivatives, SFTs, and exposures exempt from the leverage ratio calculation at the end of 2017 and the previous year.
The total exposure has increased compared to the previous year.

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) SEK m		2017	2016
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2 550 077	2 402 525
EU-2	Trading book exposures	227 178	175 292
EU-3	Non-trading book exposures, of which:	2 322 899	2 227 233
EU-4	Covered bonds	4 953	5 019
EU-5	Exposures treated as sovereigns	291 874	297 369
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0	107
EU-7	Institutions	6 269	11 695
EU-8	Secured by mortgages of immovable properties	1 703 244	1 606 790
EU-9	Retail exposures	80 834	81 816
EU-10	Corporate	212 566	199 532
EU-11	Exposures in default	4 607	4 833
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	18 553	20 072

Administration report Parent company

Performance in the parent company

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 administrative 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 20 per cent to SEK 20,233 million (25,296), chiefly owing to reduced dividends, as well as lower net gains/losses on financial transactions. Operating profit for the year decreased by 24 per cent to SEK 15,686 million (20,600). Net interest income increased by 9 per cent to SEK 16,326 million (15,011) and net fee and commission income by 1 per cent to SEK 6,592 million (6,509). Dividends have been received amounting to SEK 13,705 million (17,045). Since the start of the year, the parent company's equity has increased to SEK 120,200 million (116,642). For the parent company's five-year overview, see pages 170–171.

Risk management

Handelsbanken has a low risk tolerance that is maintained through a strong risk culture which is sustainable in the long term and applies to all areas of the Group. For a more detailed description of the Bank's exposure to risks, and the management of these, see note G2.

Principles for remuneration to executive officers

Handelsbanken's principles for remuneration to executive officers are set out in note G8 and in the Principles for remuneration to executive officers section of the Corporate Governance Report (see page 58).

Recommended appropriation of profits

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 112,282 million are at the disposal of the Annual General Meeting (AGM).

The Board recommends that the profit be distributed as follows:

Dividend per share paid to the shareholders SEK 7.50, of which SEK 5.50 in ordinary dividend (SEK 5.00 for 2016)	14 581
Balance carried forward	97 701
Total allocated	**112 282**

The Board's assessment is that the amount of the proposed dividend, totalling SEK 14,581 million, is justifiable in view of the nature of operations, their scope, consolidation requirement, risk-taking, liquidity, and the general situation in both the Bank and the rest of the Group.

Unrealised changes in assets and liabilities at fair value have affected the equity by a net amount of SEK 4,544 million.

The total capitalisation of the parent company and the consolidated situation at year-end, minus the proposed dividend based on completed conversions and other material changes since the year-end, exceeded the statutory minimum requirement pursuant to regulation (EU) 575/2013 and directive 2013/36/EU and other relevant requirements which the authorities have established for the Bank.

The Handelsbanken share

Shares divided into share classes
31 December 2017

Share class	Number	% of capital	% of votes
Class A	1 908 922 222	98.19	99.82
Class B	35 251 329	1.81	0.18
Total	**1 944 173 551**	**100.00**	**100.00**

Two shareholders own more than 10 per cent of the shares: AB Industrivärden and the Oktogonen Foundation. Detailed information on the Bank's largest Swedish shareholders can be found on page 43.

Handelsbanken's Articles of Association state that at the AGM, no shareholder is allowed to exercise voting rights representing more than 10 per cent of the total number of votes in the Bank. For more information regarding shareholders' rights, see page 50.

At the AGM in March 2017, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2018. This mandate was not used in 2017. More detailed information on this can be found on page 43.

Other

Handelsbanken works continually with measures to minimise the Bank's direct and indirect impact on the environment. For more information regarding the Bank's environmental activities, see page 44.

Handelsbanken strives for its decentralised work method and belief in the individual to permeate its operations. For a more detailed description of the Bank's working method and staff development, see pages 44–45.

Financial reports Parent company

CONTENTS

Income statement Parent company

SEK m		2017	2016
Interest income	*Note P3*	24 228	21 997
Lease income	*Note P3*	538	79
Interest expense	*Note P3*	-8 440	-7 065
Dividends received	*Note P4*	13 705	17 045
Fee and commission income	*Note P5*	8 595	8 297
Fee and commission expense	*Note P5*	-2 003	-1 788
Net gains/losses on financial transactions	*Note P6*	1 339	3 076
Other operating income	*Note P7*	1 690	1 647
Total operating income		**39 652**	**43 288**
General administrative expenses			
Staff costs	*Note P8*	-10 938	-10 427
Other administrative expenses	*Note P9*	-5 702	-5 224
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	*Note P19, P20*	-1 094	-591
Total expenses before loan losses		**-17 734**	**-16 242**
Profit before loan losses		**21 918**	**27 046**
Net loan losses	*Note P10*	-1 685	-1 730
Impairment loss on financial assets		-	-20
Operating profit		**20 233**	**25 296**
Appropriations	*Note P11*	115	-193
Profit before taxes		**20 348**	**25 103**
Taxes	*Note P27*	-4 662	-4 503
Profit for the year		**15 686**	**20 600**

Statement of comprehensive income Parent company

SEK m	2017	2016
Profit for the year	15 686	20 600
Other comprehensive income		
Cash flow hedges	41	-1 882
Available-for-sale instruments	-470	-1 152
Translation difference for the year	-2 261	387
of which hedges of net assets in foreign operations	*-1 476*	*-65*
Tax related to other comprehensive income	311	538
of which cash flow hedges	*-9*	*414*
of which available-for-sale instruments	*-5*	*110*
of which hedges of net assets in foreign operations	*325*	*14*
Total other comprehensive income	**-2 379**	**-2 109**
Total comprehensive income for the year	**13 307**	**18 491**

The period's reclassifications to the income statement are presented in Statement of changes in equity.

Balance sheet Parent company

SEK m		2017	2016
ASSETS			
Cash and balances with central banks		226 314	199 362
Interest-bearing securities eligible as collateral with central banks	*Note P14*	125 887	94 236
Loans to credit institutions	*Note P12*	664 018	593 125
Loans to the public	*Note P13*	795 691	763 567
Bonds and other interest-bearing securities	*Note P14*	46 220	60 311
Shares	*Note P15*	13 073	19 339
Shares in subsidiaries and investments in associates	*Note P16*	47 302	46 363
Assets where the customer bears the value change risk		5 005	4 172
Derivative instruments	*Note P17*	59 767	87 061
Intangible assets	*Note P19*	2 610	2 268
Property and equipment	*Note P20*	2 822	2 970
Current tax assets	*Note P27*	191	-
Deferred tax assets	*Note P27*	283	425
Other assets	*Note P21*	18 807	16 713
Prepaid expenses and accrued income	*Note P22*	4 886	4 792
Total assets	*Note P33*	**2 012 876**	**1 894 704**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note P23*	193 822	189 176
Deposits and borrowing from the public	*Note P24*	941 401	827 753
Liabilities where the customer bears the value change risk		5 005	4 271
Issued securities, etc.	*Note P25*	654 637	648 977
Derivative instruments	*Note P17*	41 771	54 491
Short positions	*Note P26*	2 072	1 572
Current tax liabilities		-	184
Deferred tax liabilities	*Note P27*	582	1 066
Provisions	*Note P28*	146	429
Other liabilities	*Note P29*	12 746	8 786
Accrued expenses and deferred income	*Note P30*	6 915	7 164
Subordinated liabilities	*Note P31*	32 896	33 400
Total liabilities	*Note P33*	**1 891 993**	**1 777 269**
Untaxed reserves	*Note P32*	**683**	**793**
Share capital		3 013	3 013
Share premium		5 629	5 628
Other funds		7 320	9 242
Retained earnings		88 552	78 159
Profit for the year		15 686	20 600
Total equity		**120 200**	**116 642**
Total liabilities and equity		**2 012 876**	**1 894 704**

Statement of changes in equity Parent company

	Restricted equity			Non-restricted equity					
SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2017	3 013	2 682	1 766	5 628	-119	974	3 939	98 759	116 642
Profit for the year								15 686	15 686
Other comprehensive income					32	-475	-1 936		-2 379
Total comprehensive income for the year					**32**	**-475**	**-1 936**	**15 686**	**13 307**
Dividend								-9 721	-9 721
Group contributions provided								-37	-37
Tax effect on Group contributions								8	8
Effects of convertible subordinated loans	0			1					1
Fund for internally developed software			457					-457	
Closing equity 2017	**3 013**	**2 682**	**2 223**	**5 629**	**-87**	**499**	**2 003**	**104 238**	**120 200**

	Restricted equity			Non-restricted equity					
SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2016	2 956	2 682		3 204	1 349	2 016	3 538	91 367	107 112
Profit for the year								20 600	20 600
Other comprehensive income					-1 468	-1 042	401		-2 109
Total comprehensive income for the year					**-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 2016	**3 013**	**2 682**	**1 766**	**5 628**	**-119**	**974**	**3 939**	**98 759**	**116 642**

[1] Included in fair value fund.

During the period January to December 2017, convertibles for a nominal value of SEK 1m (2,513) relating to subordinated convertible bonds had been converted into 22,151 class A shares (37,105,318). At the end of the financial year the number of Handelsbanken shares in the trading book was 0 (0).

Specification of changes in equity

Change in hedge reserve SEK m	**2017**	**2016**
Hedge reserve at beginning of year	-119	1 349
Unrealised value changes during the year	32	-1 468
Reclassified in the income statement[1]	-	-
Hedge reserve at end of year	**-87**	**-119**

Change in fair value reserve SEK m	**2017**	**2016**
Fair value reserve at beginning of year	974	2 016
Unrealised market value change during the year for remaining and new holdings	-472	706
Reclassified in the income statement[2]	-3	-1 748
Fair value reserve at end of year	**499**	**974**

Change in translation reserve SEK m	**2017**	**2016**
Translation reserve at beginning of year	3 939	3 538
Change in translation difference	-1 937	403
Reclassified in the income statement[3]	1	-2
Translation reserve at end of year	**2 003**	**3 939**

[1] Tax reclassified to the income statement pertaining to this item SEK -m (-).
[2] Tax reclassified to the income statement pertaining to this item SEK 0m (121).
[3] Tax reclassified to the income statement pertaining to this item SEK 1m (0).

Cash flow statement Parent company

SEK m	2017	2016
OPERATING ACTIVITIES		
Operating profit	20 233	25 296
of which paid-in interest	*24 130*	*22 016*
of which paid-out interest	*-9 344*	*-7 118*
of which paid-in dividends	*13 705*	*17 045*
Adjustment for non-cash items in profit/loss		
Loan losses	1 827	1 841
Unrealised changes in value	861	-2 563
Depreciation, amortisation and impairment	1 094	591
Group contribution to be received	-11 814	-12 220
Paid income tax	-5 064	-5 281
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-70 893	3 367
Loans to the public	-33 734	-31 416
Interest-bearing securities and shares	-13 113	-35 879
Due to credit institutions	5 228	12 393
Deposits and borrowing from the public	113 066	75 936
Issued securities	5 660	-27 973
Derivative instruments, net positions	14 954	-3 578
Short positions	646	-1 006
Claims and liabilities on investment banking settlements	-33	-1 781
Other	-43	-1 924
Cash flow from operating activities	**28 875**	**-4 197**
INVESTING ACTIVITIES		
Acquisition of subsidary	-	-408
Acquisitions of and contributions to associates	-926	-19
Disposals of shares	2	5 456
Disposals of interest-bearing securities	-	1 000
Acquisitions of property and equipment	-1 749	-2 344
Disposals of property and equipment	863	87
Acquisitions of intangible assets	-645	-598
Disposals of intangible assets	-	0
Cash flow from investing activities	**-2 455**	**3 174**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-	-2 512
Issued subordinated loans	-	-
Dividend paid	-9 721	-11 442
Dividends received from Group companies	12 257	10 971
Cash flow from financing activities	**2 536**	**-2 983**
of which exchange rate difference	*-504*	*4 178*
Cash flow for the year	**28 956**	**-4 006**
Liquid funds at beginning of year	199 362	202 630
Cash flow from operating activities	28 875	-4 197
Cash flow from investing activities	-2 455	3 174
Cash flow from financing activities	2 536	-2 983
Exchange rate difference on liquid funds	-2 004	738
Liquid funds at end of year	**226 314**	**199 362**

Five-year overview Parent company

Income statement SEK m	2017	2016	2015	2014	2013
Net interest income	16 326	15 011	15 250	16 082	15 962
Dividends received	13 705	17 045	11 978	9 664	8 995
Net fee and commission income	6 592	6 509	6 778	6 112	5 649
Net gains/losses on financial transactions	1 339	3 076	2 349	1 117	589
Other operating income	1 690	1 647	1 644	2 188	1 953
Total operating income	**39 652**	**43 288**	**37 999**	**35 163**	**33 148**
General administrative expenses					
Staff costs	-10 938	-10 427	-10 904	-10 441	-9 977
Other administrative expenses	-5 702	-5 224	-5 040	-5 006	-5 075
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	-1 094	-591	-507	-478	-498
Total expenses before loan losses	**-17 734**	**-16 242**	**-16 451**	**-15 925**	**-15 550**
Profit before loan losses	**21 918**	**27 046**	**21 548**	**19 238**	**17 598**
Net loan losses	-1 685	-1 730	-1 614	-1 825	-1 189
Impairment loss on financial assets	-	-20	-15	-	-29
Operating profit	**20 233**	**25 296**	**19 919**	**17 413**	**16 380**
Appropriations	115	-193	100	111	4 267
Profit before tax	**20 348**	**25 103**	**20 019**	**17 524**	**20 647**
Taxes	-4 662	-4 503	-4 176	-3 823	-4 619
Profit for the year	**15 686**	**20 600**	**15 843**	**13 701**	**16 028**
Dividend for the year	14 581[1]	9 721	11 442	11 124	10 488

[1] As proposed by the Board.

Statement of comprehensive income SEK m	2017	2016	2015	2014	2013
Profit for the year	15 686	20 600	15 843	13 701	16 028
Other comprehensive income					
Cash flow hedges	41	-1 882	195	3 249	-3 009
Available-for-sale instruments	-470	-1 152	694	295	534
Translation difference for the year	-2 261	387	-1 155	5 634	879
of which hedges of net assets in foreign operations	*-1 476*	*-65*	*-444*	*2 675*	*901*
Tax related to other comprehensive income	311	538	73	-1 311	397
of which cash flow hedges	*-9*	*414*	*-43*	*-709*	*656*
of which available-for-sale instruments	*-5*	*110*	*18*	*-14*	*-61*
of which hedges of net assets in foreign operations	*325*	*14*	*98*	*-588*	*-198*
Total other comprehensive income	**-2 379**	**-2 109**	**-193**	**7 867**	**-1 199**
Total comprehensive income for the year	**13 307**	**18 491**	**15 650**	**21 568**	**14 829**

Balance sheet SEK m	2017	2016	2015	2014	2013
Assets					
Loans to the public	795 691	763 567	733 988	737 483	685 372
Loans to credit institutions	664 018	593 125	596 441	568 589	475 440
Interest-bearing securities	172 107	154 547	112 410	134 014	112 728
Other assets	381 060	383 465	397 219	695 709	533 321
Total assets	**2 012 876**	**1 894 704**	**1 840 058**	**2 135 795**	**1 806 861**
Liabilities and equity					
Deposits and borrowing from the public	941 401	827 753	755 066	1 020 962	814 227
Due to credit institutions	193 822	189 176	173 533	210 099	226 631
Issued securities	654 637	648 977	676 950	633 128	532 607
Subordinated liabilities	32 896	33 400	34 216	30 289	15 965
Other liabilities	69 237	77 963	92 611	138 033	125 900
Untaxed reserves	683	793	570	699	773
Equity	120 200	116 642	107 112	102 585	90 758
Total liabilities and equity	**2 012 876**	**1 894 704**	**1 840 058**	**2 135 795**	**1 806 861**

Key figures	2017	2016	2015	2014	2013
Impaired loans reserve ratio, %	65.7	60.1	54.3	46.6	58.0
Proportion of impaired loans, %	0.18	0.23	0.30	0.36	0.24
Common equity tier 1 ratio, % according to CRR	21.4	23.4	19.9	18.5	
Tier 1 ratio, % according to Basel II					20.5
Tier 1 ratio, % according to CRR	23.9	26.3	22.6	20.2	
Capital ratio, % according to Basel II					21.4
Total capital ratio, % according to CRR	27.5	30.0	26.1	23.9	
Return on capital employed, %	0.74	0.99	0.74	0.70	0.91

For definitions of alternative key figures, see page 222 and for calculation of these key figures, see the Fact Book which is available at handelsbanken.se/ireng.

Notes Parent company

P1 Accounting policies

Statement of compliance
The parent company's annual report is prepared in accordance with 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. The parent company also applies recommendation RFR 2 Accounting for legal entities as well as statements from the Swedish Financial Reporting Board. In accordance with the Financial Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the link between accounting and taxation.

The relationship between the parent company's and the Group's accounting policies
The parent company's accounting policies correspond largely to those of the Group. The following reports only on the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

Changed accounting policies
The parent company's accounting policies agree in all essentials with the policies applied for the 2016 financial year.

Presentation
The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation by the Group:

- claims on central banks that are immediately available upon demand and that are reported in the consolidated balance sheet under Other loans to central banks, are reported as Loans to credit institutions in the parent company's balance sheet
- broker and stock exchange costs are reported in the parent company as commission expense
- dividends received are reported on a separate line in the parent company's income statement
- the gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income/expense
- untaxed reserves that are split into equity share and tax liability in the Group are reported as a separate balance sheet item in the parent company.

Assets and liabilities in foreign currencies
Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

Assets held for sale and discontinued operations
Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Nor are assets held for sale presented separately in the balance sheet.

Shares in subsidiaries and associated companies
Shares in subsidiaries and associated companies are measured at cost. All holdings are tested for impairment at each balance sheet date. If a value has decreased, impairment is recognised to adjust the value to the consolidated value. Any impairment costs are classified as Impairment losses on available-for-sale financial assets. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss under Dividends received.

Financial guarantees
Financial guarantees in the form of guarantees in favour of subsidiaries and associated companies are recognised in the parent company as a provision in the balance sheet where the parent company has an existing commitment and payment will probably be required to settle this commitment.

Intangible assets
In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions is as well. The amortisation period has been set at 20 years.

Lease assets
The parent company recognises finance leases as operating leases. Accordingly, the assets are reported as lease assets with depreciation within Depreciation, amortisation and impairment of property, equipment and intangible assets in the income statement. Rental income is recognised as a lease fee in Net interest income in the income statement.

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method.

Dividends
The item Dividends received comprises all dividends received in the parent company, including dividends from subsidiaries and associated companies, and Group contributions received. Anticipated dividend is recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

Accounting for pensions
The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established and that the calculation of the future commitment does not take into account assumptions of future salary increases. The recognised net cost of pensions is calculated as disbursed pensions, pension premiums and an allocation to the pension foundation, with a deduction for any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the Bank is liable to take over and pay the commitment.

Taxes
In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise one component consisting of deferred tax liabilities and one component consisting of equity.

P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see pages 223 and 224.

Credit Risk

Credit risk exposures SEK m	2017	2016
Loans to the public[1]	795 691	763 567
of which repos	*6 607*	*7 493*
Loans to credit institutions	625 098	567 598
of which repos	*4 911*	*4 088*
Interest-bearing securities eligible as collateral with central banks	125 887	94 236
Bonds and other interest-bearing securities	46 220	60 311
Derivative instruments[2]	59 767	87 061
Contingent liabilities	120 653	120 238
of which guarantees, credits	*50 552*	*46 633*
of which guarantees, other	*64 023*	*69 207*
of which letters of credit	*6 078*	*4 398*
Other commitments	480 598	466 044
of which unutilised part of granted overdraft facilities	*131 159*	*131 289*
of which committed credit offers	*287 706*	*269 583*
of which other	*61 733*	*65 172*
Total	**2 253 914**	**2 159 055**
Cash and balances with central banks	226 314	199 362
Other loans to central banks	38 920	25 527
Total	**2 519 148**	**2 383 944**

[1] SEK 377m (926) of this amount is loans which upon initial recognition were classified at fair value in the income statement.
[2] Refers to the total positive market values. Including legally viable netting agreements, the exposure is SEK 42,929m (66,418).

Loans to the public, breakdown by sector and counterparty type	2017			2016		
SEK m	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	177 318	-531	176 787	170 717	-572	170 145
Housing co-operative associations	33 720	-7	33 713	30 181	-8	30 173
Property management	395 204	-521	394 683	378 240	-689	377 551
Manufacturing	25 234	-471	24 763	25 621	-522	25 099
Retail	19 671	-201	19 470	19 916	-270	19 646
Hotel and restaurant	7 530	-35	7 495	7 679	-32	7 647
Passenger and goods transport by sea	7 709	-1 325	6 384	8 513	-1 244	7 269
Other transport and communication	8 449	-25	8 424	7 048	-36	7 012
Construction	17 077	-693	16 384	15 321	-161	15 160
Electricity, gas and water	13 162	-128	13 034	15 514	-39	15 475
Agriculture, hunting and forestry	4 289	-46	4 243	4 233	-31	4 202
Other services	18 972	-215	18 757	16 310	-113	16 197
Holding, investment, insurance companies, mutual funds etc.	54 002	-248	53 754	51 954	-316	51 638
Sovereigns and municipalities	2 343	0	2 343	1 864	0	1 864
Other corporate lending	15 952	-53	15 899	14 891	-74	14 817
Total loans to the public before collective provisions	**800 632**	**-4 499**	**796 133**	**768 002**	**-4 107**	**763 895**
Collective provisions for individually assessed loans			-442			-328
Total loans to the public			**795 691**			**763 567**

Loans to the public, broken down by collateral SEK m	2017	2016
Residential property[1]	262 116	242 297
of which private individuals	*128 359*	*120 252*
Other property	257 388	256 283
Sovereigns, municipalities and county councils[2]	19 592	16 817
Guarantees as for own debt[3]	22 463	9 910
Financial collateral	15 152	16 963
Collateral in assets	2 953	1 702
Other collateral	17 297	18 689
Unsecured	198 730	200 906
Total loans to the public	**795 691**	**763 567**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

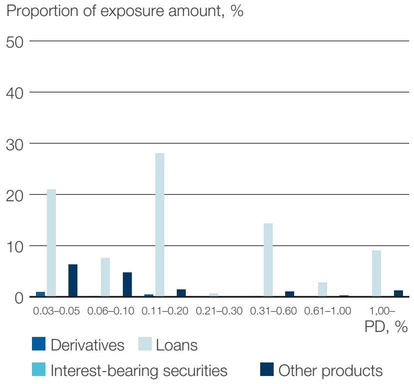
Credit risk exposure on the balance sheet, broken down by collateral SEK m	2017	2016
Residential property[1]	262 116	242 297
of which private individuals	*128 359*	*120 252*
Other property	257 388	256 283
Sovereigns, municipalities and county councils[2]	289 813	244 967
Guarantees as for own debt[3]	22 916	10 424
Financial collateral	20 120	22 848
Collateral in assets	2 953	1 702
Other collateral	17 297	18 689
Unsecured	806 444	752 034
Total credit risk exposure on the balance sheet	**1 679 047**	**1 549 244**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

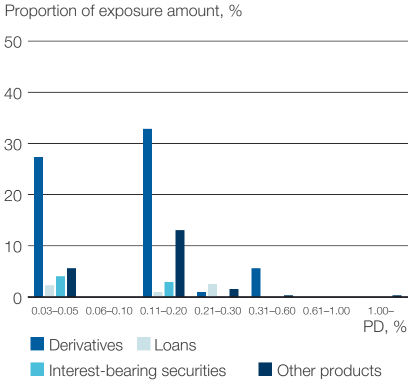
P2 Cont.

Credit quality

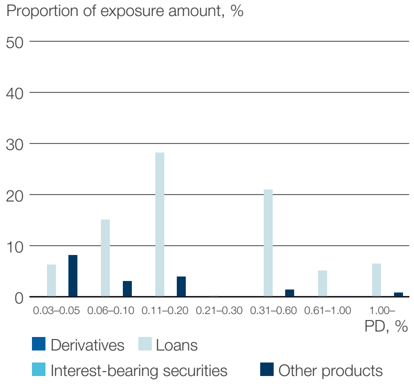
Proportion of exposure amount per product type by PD interval excluding defaulted credits – Corporate exposures, 2017



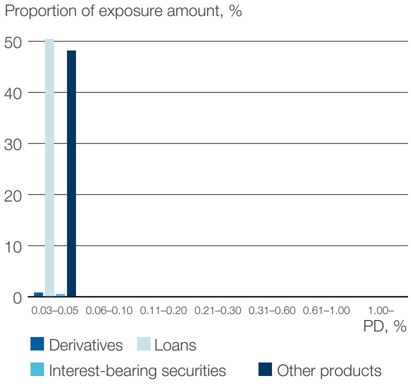
Proportion of exposure amount per product type by PD interval excluding defaulted credits – Institutional exposures, 2017



Proportion of exposure amount per product type by PD interval excluding defaulted credits – Retail exposures, 2017



Proportion of exposure amount per product type by PD interval excluding defaulted credits – Sovereign exposures, 2017



Market risk

Market risks SEK m	**2017**	**2016**
Interest rate risk	433	1 292
Exchange rate risk[1]	48	115
Equity price risk	93	152
Commodity risk	3	6

[1] Worst outcome in the case of +/- 5% change in SEK.

Liquidity risk

Maturity analysis for financial assets and liabilities 2017 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	265 238	-	-	-	-	-	-	265 238
Interest-bearing securities eligible as collateral with central banks[1]	126 165	-	-	-	-	-	-	126 165
Bonds and other interest-bearing securities[2]	46 498	-	-	-	-	-	-	46 498
Loans to credit institutions	57 035	125 527	104 468	152 011	170 106	25 932	95	635 174
of which reverse repos	*1 340*	-	-	-	-	-	-	*1 340*
Loans to the public	45 370	135 574	102 436	111 263	228 701	198 565	-	821 909
of which reverse repos	*6 607*	-	-	-	-	-	-	*6 607*
Other	17 080	-	-	-	-	-	137 666	154 746
of which shares and participating interests	*13 073*	-	-	-	-	-	-	*13 073*
of which claims on investment banking settlements	*4 007*	-	-	-	-	-	-	*4 007*
Total	**557 386**	**261 101**	**206 904**	**263 274**	**398 807**	**224 497**	**137 761**	**2 049 730**
Due to credit institutions	90 935	50 371	3 545	358	1 651	6 475	43 884	197 219
of which repos	*126*	-	-	-	-	-	-	*126*
of which central banks	*34 337*	*26 311*	*555*	-	-	-	*1 496*	*62 699*
Deposits and borrowing from the public	14 358	29 246	4 678	3 173	521	106	889 632	941 714
of which repos	*0*	-	-	-	-	-	-	*0*
Issued securities[3]	57 740	273 303	107 235	78 593	150 068	4 946	-	671 885
of which covered bonds	-	-	-	-	-	-	-	*0*
of which certificates and other securities with original maturity of less than one year	*55 690*	*241 017*	*66 379*	-	-	-	-	*363 086*
of which senior bonds and other securities with original maturity of more than one year	*2 050*	*32 286*	*40 856*	*78 593*	*150 068*	*4 946*	-	*308 799*
Subordinated liabilities	392	781	25	21 316	13 984	-	-	36 498
Other	6 238	-	-	-	-	-	183 895	190 133
of which short positions	*2 085*	-	-	-	-	-	-	*2 085*
of which investment banking settlement debts	*4 153*	-	-	-	-	-	-	*4 153*
Total	**169 663**	**353 701**	**115 483**	**103 440**	**166 224**	**11 527**	**1 117 411**	**2 037 449**
Off-balance-sheet items								
Financial guarantees and unutilised commitments	480 598							

Derivatives 2017 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	271 992	408 083	70 685	148 840	320 954	78 313	1 298 867
Total derivatives outflow	270 267	402 839	69 877	142 727	311 855	77 088	1 274 653
Net	**1 725**	**5 244**	**808**	**6 113**	**9 099**	**1 225**	**24 214**

Maturity analysis for financial assets and liabilities 2016 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	222 401	-	-	-	-	-	-	222 401
Interest-bearing securities eligible as collateral with central banks[1]	94 476	-	-	-	-	-	-	94 476
Bonds and other interest-bearing securities[2]	60 718	-	-	-	-	-	-	60 718
Loans to credit institutions	73 047	154 004	98 143	49 894	171 893	34 061	-	581 042
of which reverse repos	*4 091*	-	-	-	-	-	-	*4 091*
Loans to the public	43 161	146 228	101 594	106 522	210 639	188 853	-	796 997
of which reverse repos	*7 493*	-	-	-	-	-	-	*7 493*
Other	21 644	-	-	-	-	-	162 459	184 103
of which shares and participating interests	*19 339*	-	-	-	-	-	-	*19 339*
of which claims on investment banking settlements	*2 305*	-	-	-	-	-	-	*2 305*
Total	**515 447**	**300 232**	**199 737**	**156 416**	**382 532**	**222 914**	**162 459**	**1 939 737**
Due to credit institutions	96 801	48 445	4 183	311	880	7 044	35 054	192 718
of which repos	-	-	-	-	-	-	-	*0*
of which central banks	*29 818*	*35 413*	*1 488*	-	-	-	*1 868*	*68 587*
Deposits and borrowing from the public	22 159	21 120	5 296	2 817	555	104	775 788	827 839
of which repos	*2*	-	-	-	-	-	-	*2*
Issued securities[3]	101 486	252 770	68 977	43 271	169 063	35 589	-	671 156
of which covered bonds	-	-	-	-	-	-	-	*0*
of which certificates and other securities with original maturity of less than one year	*100 351*	*219 201*	*25 088*	-	-	-	-	*344 640*
of which senior bonds and other securities with original maturity of more than one year	*1 135*	*33 569*	*43 889*	*43 271*	*169 063*	*35 589*	-	*326 516*
Subordinated liabilities	389	840	3 059	1 228	32 808	-	-	38 324
Other	4 058	-	-	-	-	-	191 342	195 400
of which short positions	*1 574*	-	-	-	-	-	-	*1 574*
of which investment banking settlement debts	*2 484*	-	-	-	-	-	-	*2 484*
Total	**224 893**	**323 175**	**81 515**	**47 627**	**203 306**	**42 737**	**1 002 184**	**1 925 437**
Off-balance-sheet items								
Financial guarantees and unutilised commitments	466 044							

Derivatives 2016 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	259 374	460 718	87 868	126 283	361 061	118 061	1 413 365
Total derivatives outflow	258 012	455 177	85 406	119 385	339 897	114 972	1 372 849
Net	**1 362**	**5 541**	**2 462**	**6 898**	**21 164**	**3 089**	**40 516**

[1] SEK 88,522m (67,214) of the amount (excl. interest) has a residual maturity of less than one year.
[2] SEK 15,402m (10,136) of the amount (excl. interest) has a residual maturity of less than one year.
[3] SEK 431,409m (415,972) of the amount (excl. interest) has a residual maturity of less than one year.
For deposit volumes the column Unspecified maturity refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the parent company's balance sheet.

P3 Net interest income

SEK m	2017	2016
Interest income		
Loans to credit institutions and central banks	5 181	4 513
Loans to the public	18 144	18 424
Interest-bearing securities eligible as collateral with central banks	188	229
Bonds and other interest-bearing securities	676	783
Derivative instruments	-949	-2 629
Other interest income	1 212	1 183
Total interest income	**24 452**	**22 503**
Of which interest income reported in net gains/losses on financial transactions	224	506
Interest income according to income statement	**24 228**	**21 997**
Leasing income	**538**	**79**
Interest expense		
Due to credit institutions and central banks	-1 332	-1 121
Deposits and borrowing from the public	-1 554	-1 452
Issued securities	-9 124	-9 261
Derivative instruments	6 307	7 269
Subordinated liabilities	-1 411	-1 534
Other interest expense	-1 721	-1 550
Total interest expense	**-8 835**	**-7 649**
Of which interest expense reported in net gains/losses on financial transactions	-395	-584
Interest expense according to income statement	**-8 440**	**-7 065**
Net interest income before depreciation for financial leases	**16 326**	**15 011**
Depreciation according to plan for financial leases	-480	-70
Net interest income after depreciation for financial leases	**15 846**	**14 941**

Includes interest income on impaired loans SEK 66m (77). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 24,741m (24,219). Total interest expense on liabilities recognised at amortised cost was SEK 14,747m (14,334).

P4 Dividends received

SEK m	2017	2016
Dividends on shares	686	315
Dividends from associates	5	10
Dividends from Group companies	1 200	4 500
Group contributions received	11 814	12 220
Total	**13 705**	**17 045**

P5 Net fee and commission income

SEK m	2017	2016
Brokerage and other securities commissions	861	901
Mutual funds	1 955	1 750
Custody and other asset management fees	437	375
Advisory services	186	287
Payments	3 314	3 143
Loans and deposits	957	911
Guarantees	381	422
Other	504	508
Total fee and commission income	**8 595**	**8 297**
Securities	-462	-447
Payments	-1 489	-1 286
Other	-52	-55
Total fee and commission expense	**-2 003**	**-1 788**
Net fee and commission income	**6 592**	**6 509**

P6 Net gains/losses on financial transactions

SEK m	2017	2016
Trading, derivatives, FX effect etc.	1 757	794
Other financial instruments at fair value through profit/loss	-554	466
of which interest-bearing securities	*-524*	*502*
of which loans	*-30*	*-36*
Financial instruments at amortised cost	163	134
of which loans	*163*	*174*
of which liabilities	*0*	*-40*
Financial instruments available for sale	8	1 676
Hedge accounting		
Fair value hedges	-8	3
of which hedging instruments	*-40*	*-29*
of which hedged items	*32*	*32*
Ineffective portion of cash flow hedges	-27	3
Total	**1 339**	**3 076**

P7 Other operating income

SEK m	2017	2016
Rental income	22	21
Other operating income	1 668	1 626
Total	**1 690**	**1 647**

P8 Staff costs

SEK m	2017	2016
Salaries and fees	-7 734	-7 481
Social security costs	-1 861	-1 775
Pension costs[1]	-369	-546
Provision to profit-sharing foundation	-727	14
Other staff costs	-247	-639
Total	**-10 938**	**-10 427**

[1] Information about pension costs is presented in note P38.

Salaries and fees SEK m	2017	2016
Officers in an executive position[2], 23 persons (26)	-93	-101
Others	-7 641	-7 380
Total	**-7 734**	**-7 481**

[2] Executive Directors and Board members.

Gender distribution	2017		2016	
%	Men	Women	Men	Women
Board	55	45	50	50
Executive Directors	64	36	69	31

Average number of employees	2017	Men	Women	2016	Men	Women
Sweden	6 519	3 132	3 387	6 575	3 078	3 497
UK	2 021	1 184	837	1 940	1 145	795
Norway	738	398	340	729	403	326
Denmark	644	327	317	652	330	322
Finland	573	239	334	524	215	309
The Netherlands	248	165	83	207	140	67
USA	59	39	20	60	38	22
China	71	27	44	71	26	45
Luxembourg	49	30	19	55	33	22
Singapore	36	9	27	40	11	29
Germany	42	21	21	43	22	21
Poland	38	13	25	40	14	26
Other countries	49	16	33	56	20	36
Total	**11 087**	**5 600**	**5 487**	**10 992**	**5 475**	**5 517**

Note G8 provides information about the principles for remuneration to executive officers in the parent company.

P9 Other administrative expenses

SEK m	2017	2016
Property and premises	-1 379	-1 372
External IT costs	-1 874	-1 625
Communication	-285	-293
Travel and marketing	-271	-264
Purchased services	-1 258	-1 032
Supplies	-163	-160
Other administrative expenses	-472	-478
Total	**-5 702**	**-5 224**
Of which expenses for operating leases		
Minimum lease fee	*-638*	*-684*
Variable fee	*-408*	*-78*
Total	**-1 046**	**-762**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes.

Remuneration to auditors and audit companies	Ernst & Young AB		PricewaterhouseCoopers AB		KPMG	
SEK m	2017	2016	2017	2016	2017	2016
Audit assignment	-11	-4	-5	-	-2	-9
Audit operations outside the audit assignment	0	-	-	-	0	-3
Tax advice	-	-	-1	-		
Other services	-	-	-	-		

P10 Loan losses

SEK m	2017	2016
Specific provision for individually assessed loans		
The year's provision	-1 788	-1 861
Reversal of previous provisions	209	362
Total	**-1 579**	**-1 499**
Collective provision		
The year's net provision for individually assessed loans	-119	-62
The year's net provision for homogeneous loans	-	-
Total	**-119**	**-62**
Off-balance-sheet items		
Losses on off-balance-sheet items	-12	-27
Reversal of previous losses on off-balance-sheet items	14	7
Change in collective provision for off-balance-sheet items	-27	-26
Total	**-25**	**-46**
Write-offs		
Actual loan losses for the year	-1 185	-2 061
Utilised share of previous provisions	1 091	1 828
Recoveries	132	110
Total	**38**	**-123**
Net loan losses	**-1 685**	**-1 730**

Impaired loans, etc. SEK m	2017	2016
Impaired loans	7 526	7 381
Specific provisions for individually assessed loans	-4 499	-4 107
Provisions for collectively assessed homogeneous groups of loans with limited value	-	-
Collective provisions for individually assessed loans	-442	-328
Net impaired loans	**2 585**	**2 946**
Total impaired loans reserve ratio, %	65,7	60,1
Proportion of impaired loans, %	0,18	0,23
Impaired loans reserve ratio excl. collective provisions, %	59,8	55,6
Loans past due > 60 days, which are not impaired	728	731
Impaired loans reclassified as normal loans during the year	13	4

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. For other definitions, see page 222.

Change in provision for probable loan losses 2017 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 107	-328	-	-4 435
The year's provision	-1 788	-119	-	-1 907
Reversal of previous provisions	209	-	-	209
Utilised for actual loan losses	1 091		-	1 091
Foreign exchange effect, etc.	96	5	-	101
Provision at end of year	**-4 499**	**-442**	**-**	**-4 941**

Change in provision for probable loan losses 2016 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 349	-259	-	-4 608
The year's provision	-1 861	-62	-	-1 923
Reversal of previous provisions	362	-	-	362
Utilised for actual loan losses	1 828		-	1 828
Foreign exchange effect, etc.	-87	-7	-	-94
Provision at end of year	**-4 107**	**-328**	**-**	**-4 435**

P10 Cont.

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2017 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Private individuals	1 013	-531	482	264	344
Housing co-operative associations	12	-7	5	4	27
Property management	2 006	-521	1 485	382	195
Manufacturing	659	-471	188	37	38
Retail	271	-201	70	38	52
Hotel and restaurant	57	-35	22	18	4
Passenger and goods transport by sea	1 500	-1 325	175	162	3
Other transport and communication	34	-25	9	6	6
Construction	759	-693	66	35	-
Electricity, gas and water	200	-128	72	10	-
Agriculture, hunting and forestry	82	-46	36	10	4
Other services	298	-215	83	31	53
Holding, investment, insurance companies, mutual funds etc.	527	-248	279	13	2
Other corporate lending	108	-53	55	17	-
Credit institutions	-	-	-	-	-
Total	**7 526**	**-4 499**	**3 027**	**1 027**	**728**

Impaired loans and loans which are past due by more than 60 days, sector breakdown 2016 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Private individuals	1 076	-572	504	292	413
Housing co-operative associations	13	-8	5	5	-
Property management	1 786	-689	1 097	259	220
Manufacturing	719	-522	197	26	18
Retail	457	-270	187	45	0
Hotel and restaurant	96	-32	64	63	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	47	13
Electricity, gas and water	68	-39	29	4	8
Agriculture, hunting and forestry	53	-31	22	11	2
Other services	214	-113	101	94	18
Holding, investment, insurance companies, mutual funds etc.	601	-316	285	30	6
Other corporate lending	128	-74	54	14	22
Credit institutions	-	-	-	-	-
Total	**7 381**	**-4 107**	**3 274**	**897**	**731**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2017 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	1 823	-1 035	788	349	70
UK	2 015	-804	1 211	190	204
Norway	493	-220	273	148	141
Denmark	2 314	-1 742	572	282	20
Finland	715	-546	169	47	261
The Netherlands	-	-	-	-	-
North America	-	-	-	-	-
Rest of Europe	62	-48	14	11	31
Asia	104	-104	0	0	1
Total	**7 526**	**-4 499**	**3 027**	**1 027**	**728**

Impaired loans and loans which are past due by more than 60 days, geographical breakdown 2016 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which past due > 60 days	Loans past due > 60 days, which are not impaired
Sweden	1 889	-1 092	797	347	87
UK	1 108	-326	782	146	206
Norway	510	-315	195	36	200
Denmark	2 866	-1 704	1 162	173	9
Finland	723	-539	184	46	199
The Netherlands	3	-1	2	-	-
North America	-	-	-	-	-
Rest of Europe	169	-92	77	74	30
Asia	113	-38	75	75	-
Total	**7 381**	**-4 107**	**3 274**	**897**	**731**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Maturity structure for past due loans which are not impaired 2017	Loans to	Loans to the public			
SEK m	credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	485	237	-	722
Past due > 1 month ≤ 2 months	-	109	50	-	159
Past due > 2 months ≤ 3 months	-	28	111	-	139
Past due > 3 months ≤ 12 months	-	175	135	-	310
Past due > 12 months	-	238	41	-	279
Total	**-**	**1 035**	**574**	**-**	**1 609**

Maturity structure for past due loans which are not impaired 2016	Loans to	Loans to the public			
SEK m	credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	454	458	-	912
Past due > 1 month ≤ 2 months	-	122	59	-	181
Past due > 2 months ≤ 3 months	-	48	79	-	127
Past due > 3 months ≤ 12 months	-	288	63	-	351
Past due > 12 months	-	330	58	-	388
Total	**-**	**1 242**	**717**	**-**	**1 959**

Assets repossessed for protection of claims SEK m	2017	2016
Property	96	343
Movable property	-	-
Shares	-	-
Carrying amount	**96**	**343**

P11 Appropriations

SEK m	2017	2016
Change in depreciation in excess of plan, machinery, equipment and lease assets	-	-306
Change in depreciation in excess of plan, goodwill on the acquisition of net assets	115	113
Total	**115**	**-193**

P12 Loans to credit institutions

SEK m	2017	2016
Loans in Swedish kronor		
Banks	8 493	12 205
Other credit institutions	468 582	395 012
Total	**477 075**	**407 217**
Loans in foreign currency		
Banks	44 940	35 997
Other credit institutions	142 003	149 911
Total	**186 943**	**185 908**
Probable loan losses	-	-
Total loans to credit institutions	**664 018**	**593 125**
Of which reverse repos	*4 911*	*4 088*
Of which subordinated	*21 718*	*21 718*

Average volumes SEK m	2017	2016
Loans to credit institutions in Swedish kronor	508 434	456 108
Loans to credit institutions in foreign currency	176 595	188 329
Total	**685 029**	**644 437**
Of which reverse repos	*9 890*	*19 986*

P13 Loans to the public

SEK m	2017	2016
Loans in Swedish kronor		
Households	38 354	41 651
Companies	161 268	159 437
National Debt Office	1 831	982
Total	**201 453**	**202 070**
Loans in foreign currency		
Households	163 361	151 342
Companies	435 818	414 591
National Debt Office	-	-
Total	**599 179**	**565 933**
Probable loan losses	-4 941	-4 436
Total loans to the public	**795 691**	**763 567**
Of which reverse repos	*6 607*	*7 493*
Of which subordinated	*1 197*	*1 200*

Average volumes, excl. National Debt Office SEK m	2017	2016
Loans to the public in Swedish kronor	209 972	223 046
Loans to the public in foreign currency	579 857	547 871
Total	**789 829**	**770 917**
Of which reverse repos	*12 295*	*14 171*

P14 Interest-bearing securities

	2017			2016		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	124 379	125 887	125 887	92 735	94 236	94 236
Total interest-bearing securities eligible as collateral with central banks	**124 379**	**125 887**	**125 887**	**92 735**	**94 236**	**94 236**
Bonds and other interest-bearing securities	43 857	46 220	46 220	58 606	60 311	60 311
Total interest-bearing securities	**168 236**	**172 107**	**172 107**	**151 341**	**154 547**	**154 547**
Of which unlisted securities		*100*	*100*		*255*	*255*
Of which subordinated		*30*	*30*		-	-

Interest-bearing securities broken down by issuer	2017			2016		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	124 379	125 887	125 887	92 735	94 236	94 236
Credit institutions	17 811	18 533	18 533	24 351	24 602	24 602
Mortgage institutions	24 799	26 460	26 460	32 026	33 418	33 418
Other	1 247	1 227	1 227	2 229	2 291	2 291
Total	**168 236**	**172 107**	**172 107**	**151 341**	**154 547**	**154 547**

Average volumes SEK m	2017	2016
Interest-bearing securities	181 917	158 658

P15 Shares

SEK m	2017	2016
Holdings at fair value through profit or loss		
Listed	8 160	12 126
Unlisted	3 743	5 595
Total	**11 903**	**17 721**
Holdings classified as available for sale		
Listed	-	-
Unlisted	1 170	1 618
Total	**1 170**	**1 618**
Total shares	**13 073**	**19 339**

P16 Shares in subsidiaries and investments in associates

Shares in subsidiaries and investments in associates SEK m	2017	2016
Associates, unlisted	193	117
Subsidiaries, unlisted	47 109	46 246
Total	**47 302**	**46 363**

Associates	Corporate identity number	Domicile	Number of shares	Ownership share, %	Carrying amount, SEK m 2017	Carrying amount, SEK m 2016
Bankomat AB	556817-9716	Stockholm	150	20.00	67	67
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.89	0	0
BGC Holding AB	556607-0933	Stockholm	25 382	25.38	80	4
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	24	24
Getswish AB	556913-7382	Stockholm	10 000	20.00	21	21
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48	1	1
Total					**193**	**117**

Subsidiaries	Corporate identity number	Domicile	Number of shares	Ownership share, %	Carrying amount, SEK m 2017	Carrying amount, SEK m 2016
Handelsbanken Finans AB[1]	556053-0841	Stockholm	1 550 000	100	11 672	11 672
Kredit-Inkasso AB	556069-3185	Stockholm		100		
Handelsbanken Rahoitus Oy	0112308-8	Helsinki		100		
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	310101717882194	Shanghai		100		
Stadshypotek AB[1]	556459-6715	Stockholm	162 000	100	26 870	26 870
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10 000	100	1	1
Handelsbanken Fonder AB	556418-8851	Stockholm		100		
Handelsinvest Investeringsforvaltning A/S	12930879	Copenhagen		100		
Xact Kapitalförvaltning AB	556997-8140	Stockholm		100		
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100 000	100	6 189	6 189
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100		
Handelsbanken Fastigheter AB	556873-0021	Stockholm		100		
AB Handel och Industri	556013-5336	Stockholm	100 000	100	104	104
Heartwood Wealth Management Limited	04132340	London	1 319 206	100	489	492
Optimix Vermogensbeheer N.V	33194359	Amsterdam	10 209	100	629	613
Add Value Fund Management BV	19196768	Amsterdam		80		
Other subsidiaries						
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100	0	0
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2 700 000	100	200	200
Forva AS	945812141	Oslo	4 000 000	100	1	1
Handelsbanken Markets Securities, Inc.[1]	11-3257438	New York	1 000	100	37	37
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540 000	60	1	1
Rådstuplass 4 AS	910508423	Bergen	40 000	100	0	0
SIL (Nominees) Limited	1932320	London	100	100	-	-
Svenska Property Nominees Limited	2308524	London	100	100	-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	20 000	100	35	35
Lila stugan i Stockholm AB	556993-9084	Stockholm	50	100	0	0
Blå stugan i Stockholm AB	556993-9357	Stockholm	50	100	0	0
Ecster AB	556993-2311	Stockholm	50 000	100	850	0
Total					**47 109**	**46 246**

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.
[1] Credit institution.

P17 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	up to 1 yr	over 1 yr up to 5 yrs	over 5 yrs	2017	2016	2017	2016	2017	2016
Derivatives held for trading									
Interest rate-related contracts									
Options	20 778	37 047	2 334	60 159	70 995	382	522	436	589
FRA/futures	1 047 142	379 116	-	1 426 258	624 393	179	141	72	123
Swaps	592 811	1 434 344	425 759	2 452 914	2 289 708	30 782	42 281	31 584	42 904
Currency-related contracts									
Options	79 185	2 728	31	81 944	54 924	346	620	410	764
Futures	90 383	6 114	518	97 015	100 972	1 087	1 730	1 004	1 390
Swaps	454 535	218 147	42 532	715 214	758 519	16 541	23 692	17 539	25 262
Equity-related contracts									
Options	16 038	9 393	129	25 560	28 175	1 541	1 486	1 800	2 006
Futures	1 141	-	-	1 141	1 129	1	13	5	15
Swaps	12 855	2 026	10	14 891	20 130	122	420	465	961
Commodity-related contracts									
Options	148	185	53	386	519	8	10	201	276
Futures	10 273	2 727	14	13 014	19 282	557	576	537	601
Credit-related contracts									
Swaps	2 062	4 941	1 180	8 183	9 631	288	386	115	113
Total	**2 327 351**	**2 096 768**	**472 560**	**4 896 679**	**3 978 377**	**51 834**	**71 877**	**54 168**	**75 004**
Derivatives for fair value hedges									
Interest rate-related contracts									
Swaps	8 468	63 040	1 998	73 506	36 583	43	50	125	82
Total	**8 468**	**63 040**	**1 998**	**73 506**	**36 583**	**43**	**50**	**125**	**82**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	34 905	257 627	13 624	306 156	304 390	6 323	8 919	2 193	2 313
Currency-related contracts									
Swaps	187 361	170 948	4 351	362 660	358 367	22 389	33 269	5 196	2 949
Total	**222 266**	**428 575**	**17 975**	**668 816**	**662 757**	**28 712**	**42 188**	**7 389**	**5 262**
Total derivative instruments	**2 558 085**	**2 588 383**	**492 533**	**5 639 001**	**4 677 717**	**80 589**	**114 115**	**61 682**	**80 348**
Of which exchange traded derivatives				*1 069 100*	*347 442*	*492*	*488*	*1 075*	*1 426*
Of which OTC derivatives settled by CCP				*2 055 920*	*1 374 610*	*14 717*	*12 669*	*15 574*	*13 997*
Of which OTC derivatives not settled by CCP				*2 513 981*	*2 955 665*	*65 380*	*100 958*	*45 033*	*64 925*
Amounts set off				-2 071 229	-1 747 179	-20 822	-27 054	-19 911	-25 857
Net amount				**3 567 772**	**2 930 538**	**59 767**	**87 061**	**41 771**	**54 491**
Currency breakdown of market values									
SEK						-97 301	-104 444	37 883	26 934
USD						113 350	326 911	-167 553	7 608
EUR						208 058	97 387	113 574	60 462
Others						-143 518	-205 739	77 778	-14 656
Total						**80 589**	**114 115**	**61 682**	**80 348**

Derivative contracts are presented gross in the note. Amounts set off consist of the offset market value and the associated nominal amounts 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.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 profit) over the life of the derivative. Such not yet recognised day 1 profit amounted to SEK 638m (585) at year-end.

P18 Offsetting of financial instruments

2017 SEK m	Derivatives	Repurchase agreements, securities lending	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	80 589	22 178	102 767
Amounts set off	-20 822	-9 309	-30 131
Carrying amount on the balance sheet	**59 767**	**12 869**	**72 636**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16 838	-	-16 838
Financial assets received as collateral	-30 023	-12 869	-42 892
Total amounts not set off on the balance sheet	**-46 861**	**-12 869**	**-59 730**
Net amount	**12 906**	**-**	**12 906**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similiar agreements			
Gross amount	61 682	9 435	71 117
Amounts set off	-19 911	-9 309	-29 220
Carrying amount on the balance sheet	**41 771**	**126**	**41 897**
Related amounts not set off on the balance sheet			
Financial instruments, netting arrangements	-16 838	-	-16 838
Financial assets pledged as collateral	-2 974	-126	-3 100
Total amounts not set off on the balance sheet	**-19 812**	**-126**	**-19 938**
Net amount	**21 959**	**-**	**21 959**

2016 SEK m	Derivatives	Repurchase agreements, securities lending	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	114 115	13 427	127 542
Amounts set off	-27 054	-1 030	-28 084
Carrying amount on the balance sheet	**87 061**	**12 397**	**99 458**
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	**24 180**	**-**	**24 180**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similiar agreements			
Gross amount	80 348	1 032	81 380
Amounts set off	-25 857	-1 030	-26 887
Carrying amount on the balance sheet	**54 491**	**2**	**54 493**
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	**30 041**	**-**	**30 041**

P19 Intangible assets

2017 SEK m	Acquisition assets	Internally developed software	Total 2017
Cost of acquisition at beginning of year	2 281	2 231	4 512
Cost of acquisition of additional intangible assets	-	645	645
Disposals and retirements	-	-56	-56
Foreign exchange effect	17	-1	16
Cost of acquisition at end of year	**2 298**	**2 819**	**5 117**
Accumulated amortisation and impairment at beginning of year	-1 779	-465	-2 244
Disposals and retirements	-	56	56
Amortisation for the year according to plan	-121	-177	-298
Impairment for the year	-	-9	-9
Foreign exchange effect	-12	0	-12
Accumulated amortisation and impairment at end of year	**-1 912**	**-595**	**-2 507**
Carrying amount	**386**	**2 224**	**2 610**

2016 SEK m	Acquisition assets	Internally developed software	Total 2016
Cost of acquisition at beginning of year	2 068	1 816	3 884
Cost of acquisition of additional intangible assets	85	513	598
Disposals and retirements	-	-88	-88
Foreign exchange effect	128	-10	118
Cost of acquisition at end of year	**2 281**	**2 231**	**4 512**
Accumulated amortisation and impairment at beginning of year	-1 510	-412	-1 922
Disposals and retirements	-	88	88
Amortisation for the year according to plan	-172	-140	-312
Impairment for the year	-	-1	-1
Foreign exchange effect	-97	0	-97
Accumulated amortisation and impairment at end of year	**-1 779**	**-465**	**-2 244**
Carrying amount	**502**	**1 766**	**2 268**

P20 Property, equipment and lease assets

Property, equipment and lease assets SEK m	2017	2016
Equipment	765	681
Property	130	125
Lease assets	1 831	1 821
Property repossessed for protection of claims	96	343
Total	**2 822**	**2 970**

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 96m (343). Unrealised value changes on these properties had an impact of SEK -1m (-7) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations (SEK 96m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 1m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK -1m (-2). The year's sale of properties which are regularly measured at fair value amounts to SEK 246m (82) of which SEK 7m (2) was classified as level 3 before the sale. The value of new properties added during the year is SEK 2m (40), with SEK 0m (0) of this classified as level 3.

Equipment SEK m	2017	2016
Cost of acquisition at beginning of year	1 896	1 562
Cost of additional acquisition for the year	388	352
Changes due to business combination during the year	0	-
Disposals and retirements	-238	-22
Foreign exchange effect	-14	4
Cost of acquisition at end of year	**2 032**	**1 896**
Accumulated depreciation and impairment at beginning of year	-1 215	-964
Accumulated depreciation due to business combinations during the year	0	-
Depreciation for the year according to plan	-301	-260
Disposals and retirements	230	20
Foreign exchange effect	19	-11
Accumulated depreciation and impairment at end of year	**-1 267**	**-1 215**
Carrying amount	**765**	**681**

Property SEK m	2017	2016
Cost of acquisition at beginning of year	210	203
Cost of additional acquisition for the year	-	-
New construction and rebuilding	11	8
Disposals and retirements	-	-1
Cost of acquisition at end of year	**221**	**210**
Accumulated depreciation and impairment at beginning of year	-85	-80
Depreciation for the year according to plan	-6	-6
Impairment for the year	-	0
Disposals and retirements	-	1
Accumulated depreciation and impairment at end of year	**-91**	**-85**
Carrying amount	**130**	**125**

Lease assets SEK m	2017	2016
Cost of acquisition at beginning of year	3 289	-
Accumulated changes due to business combinations during the year	104	3 352
Cost of additional acquisition for the year	648	100
Disposals and retirements	-625	-64
Foreign exchange effect	-140	-99
Cost of acquisition at end of year	**3 276**	**3 289**
Accumulated depreciation and impairment at beginning of year	-1 468	-
Accumulated depreciation due to business combinations during the year	-58	-1 482
Depreciation for the year according to plan	-464	-72
Impairments for the year	0	-
Disposals and retirements	504	42
Foreign exchange effect	41	44
Accumulated depreciation and impairment at end of year	**-1 445**	**-1 468**
Carrying amount	**1 831**	**1 821**

Distribution of future minimum lease payments by maturity SEK m	**Within 1 yr**	**Between 1 and 5 yrs**	**Over 5 yrs**	**Total**
2017				
Distribution of future minimum lease payments	209	1 424	574	**2 207**
2016				
Distribution of future minimum lease payments	146	1 503	472	**2 121**

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method. The variable part of the lease fee included in this year's profit is SEK 44m (89).

P21 Other assets

SEK m	**2017**	**2016**
Claims on investment banking settlements	4 007	2 305
Other	14 800	14 408
Total	**18 807**	**16 713**

P22 Prepaid expenses and accrued income

SEK m	**2017**	**2016**
Accrued interest income	2 867	2 789
Other accrued income	1 452	1 421
Prepaid expenses	566	582
Total	**4 885**	**4 792**
Of which subordinated	*2*	*27*

P23 Due to credit institutions

SEK m	**2017**	**2016**
Due in Swedish kronor		
Banks	56 321	29 082
Other credit institutions	19 256	13 623
Total	**75 577**	**42 705**
Due in foreign currency		
Banks	111 944	141 478
Other credit institutions	6 301	4 993
Total	**118 245**	**146 471**
Total due to credit institutions	**193 822**	**189 176**
Of which repos	-	-

Average volumes SEK m	**2017**	**2016**
Due to credit institutions in Swedish kronor	138 874	123 664
Due to credit institutions in foreign currency	119 924	145 425
Total	**258 798**	**269 089**
Of which repos	*321*	*562*

P24 Deposits and borrowing from the public

Deposits from the public SEK m	2017	2016
Deposits in Swedish kronor		
Households	323 066	294 104
Companies	222 451	189 434
National Debt Office	-	-
Total	**545 517**	**483 538**
Deposits in foreign currency		
Households	106 844	92 717
Companies	244 645	206 325
National Debt Office	-	-
Total	**351 489**	**299 042**
Total deposits from the public	**897 006**	**782 580**

Borrowing from the public SEK m	2017	2016
Swedish kronor	12 336	17 959
Foreign currency	32 059	27 213
Total	**44 395**	**45 172**
Of which repos	-	-
Total deposits and borrowing from the public	**941 401**	**827 752**

Average volumes SEK m	2017	2016
Deposits from the public		
Deposits from the public in Swedish kronor	522 219	467 410
Deposits from the public in foreign currency	355 294	294 284
Total	**877 513**	**761 694**
Borrowing from the public		
Borrowing from the public in Swedish kronor	26 414	32 535
Borrowing from the public in foreign currency	128 846	189 857
Total	**155 260**	**222 392**
Of which repos	*7 889*	*7 706*

P25 Issued securities

SEK m	2017 Nominal amount	2017 Carrying amount	2016 Nominal amount	2016 Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	2 147	2 369	3 409	3 701
Of which				
at amortised cost	-	-	-	-
for trading	*2 147*	*2 369*	*3 409*	*3 701*
Commercial paper in foreign currency	411 088	411 420	356 665	361 868
Of which				
at amortised cost	*409 158*	*409 164*	*354 994*	*359 807*
for trading	*1 930*	*2 256*	*1 671*	*2 061*
Total	**413 235**	**413 789**	**360 074**	**365 569**
Bonds				
Bonds in Swedish kronor	15 791	15 752	17 113	17 021
Of which				
at amortised cost	*15 791*	*15 752*	*17 113*	*17 021*
for fair value hedges	-	-	-	-
Bonds in foreign currency	225 259	225 096	266 537	266 387
Of which				
at amortised cost	*225 259*	*225 096*	*266 537*	*266 387*
for fair value hedges	-	-	-	-
Total	**241 050**	**240 848**	**283 650**	**283 408**
Total issued securities	**654 285**	**654 637**	**643 724**	**648 977**

SEK m	2017	2016
Issued securities at beginning of year	648 977	676 950
Issued	1 061 752	1 094 335
Repurchased	-4 356	-10 440
Matured	-1 022 230	-1 137 150
Foreign exchange effect etc.	-29 506	25 282
Issued securities at end of year	**654 637**	**648 977**

Average volumes SEK m	2017	2016
Swedish kronor	19 996	22 981
Foreign currency	657 830	670 628
Total	**677 826**	**693 609**

P26 Short positions

SEK m	2017	2016
Short positions at fair value		
Equities	659	1 346
Interest-bearing securities	1 413	226
Total	**2 072**	**1 572**

Average volumes SEK m	2017	2016
Swedish kronor	11 269	13 701
Foreign currency	256	312
Total	**11 525**	**14 013**

P27 Taxes

Deferred tax assets SEK m	2017	2016
Property and equipment	5	11
Hedging instruments	84	221
Other	194	193
Total	**283**	**425**

Deferred tax liabilities SEK m	2017	2016
Property and equipment	18	16
Hedging instruments	525	983
Other	39	67
Total	**582**	**1 066**
Net deferred tax liabilities	**299**	**641**

Change in deferred taxes 2017 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	5	8	-	13
Hedging instruments	762	-5	-316	441
Other	-126	-29	-	-155
Total	**641**	**-26**	**-316**	**299**

Change in deferred taxes 2016 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	-2	7	0	5
Hedging instruments	1 190	0	-428	762
Other	5	-122	-9	-126
Total	**1 193**	**-115**	**-437**	**641**

Tax expenses recognised in the income statemet SEK m	2017	2016
Current tax		
Tax expense for the year	-4 550	-4 424
Adjustment of tax relating to prior years	-138	-194
Deferred tax		
Changes in temporary differences	26	115
Total	**-4 662**	**-4 503**
Tax at 22% of profits before tax	**-4 477**	**-5 523**
Difference	**-185**	**1 020**
The difference is explained by the following items		
Non-deductible expenses	-37	-36
Non-deductible interest on subordinated loans	-283	-
Non-taxable capital gains and dividends	340	1 286
Deviating tax rates in other countries	-28	-79
Other	-177	-151
Total	**-185**	**1 020**

P28 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2017	Total 2016
Provisions at beginning of year	236	77	116	429	96
Provisions during the year	253	18	27	298	538
Utilised	-489	-	-78	-567	-201
Written back	-	-	-14	-14	-4
Provisions at end of year	**-**	**95**	**51**	**146**	**429**

The provision for restructuring primarily relates to additional costs for early retirement of staff. The amount has been fully settled during 2017.
Provision for guarantee commitments consists of collective provision and individually assessed guarantees.
The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

P29 Other liabilities

SEK m	2017	2016
Liabilities on investment banking settlements	4 153	2 484
Other	8 593	6 302
Total	**12 746**	**8 786**

P30 Accrued expenses and deferred income

SEK m	2017	2016
Accrued interest expenses	3 902	4 795
Other accrued expenses	1 903	1 447
Deferred income	1 110	922
Total	**6 915**	**7 164**

P31 Subordinated liabilities

SEK m	2017	2016
Subordinated loans in Swedish kronor	8 350	8 230
Subordinated loans in foreign currency	24 546	25 170
Total	**32 896**	**33 400**

Average volumes SEK m	2017	2016
Subordinated loans in Swedish kronor	8 177	9 362
Subordinated loans in foreign currency	24 637	24 324
Total	**32 814**	**33 686**

Specification, subordinated loans **Issuance/Maturity**	**Currency**	**Original nominal amount in each currency**	**Interest rate, %**	**Outstanding amount**
IN SWEDISH KRONOR				
Swedish subordinated loans[1]		10 825		8 350
Total				**8 350**
IN FOREIGN CURRENCY				
2014/fixed-term[2]	EUR	1 500	2,656	14 751
2015/perpetual[3]	USD	1 200	5,250	9 795
Total				**24 546**
Total subordinated liabilities				**32 896**

[1] Swedish subordinated loans are individually less than 10% of the total subordinated liabilities. The total includes one perpetual subordinated loan at a floating rate. The loan is a subordinated convertible loan of nominally SEK 3.2bn issued to the Group's employees on market terms. The loan does not have the status of regulatory capital but can be converted into Handelsbanken shares. The Bank has the right to demand conversion at any time and the holder has the right to demand conversion between 1 May and 30 November 2019, at the adjusted conversion price of SEK 109.92. The initial conversion price has been adjusted for dividends and a split during the term of the loan. If the common equity tier 1 ratio for the Bank or calculated according to the consolidated situation falls below 7%, there will be automatic conversion. For information regarding other Swedish subordinated loans, see note G50.

[2] For further information about subordinated loans in EUR, see note G50.

[3] For further information about subordinated loans in USD, see note G50.

P32 Untaxed reserves

SEK m	2017	2016
Accumulated depreciation in excess of plan, machinery, equipment and lease assets	318	318
Accumulated depreciation in excess of plan, goodwill on the acquisition of net assets	365	475
Total	**683**	**793**

P33 Classification of financial assets and liabilities

2017 SEK m	At fair value in income statement divided into Trading	 Other[1]	Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Assets									
Cash and balances with central banks					226 314			226 314	226 314
Interest-bearing securities eligible as collateral with central banks	7 349	117 575				963		125 887	125 887
Loans to credit institutions					664 018			664 018	672 737
Loans to the public		377			795 314			795 691	796 728
Bonds and other interest-bearing securities	13 261	27 566				5 393		46 220	46 220
Shares	11 903					1 170		13 073	13 073
Assets where the customer bears the value change risk		4 951			54			5 005	5 005
Derivative instruments	33 163		26 604					59 767	59 767
Other assets	16				18 791			18 807	18 809
Prepaid expenses and accrued income	102	450			4 330	4		4 886	4 886
Total financial assets	**65 794**	**150 919**	**26 604**		**1 708 821**	**7 530**		**1 959 668**	**1 969 426**
Shares in subsidiaries and investments in associates								47 302	
Other non-financial assets								5 906	
Total assets								**2 012 876**	
Liabilities									
Due to credit institutions							193 822	193 822	195 613
Deposits and borrowing from the public							941 401	941 401	939 956
Liabilities where the customer bears the value change risk		4 951					54	5 005	5 005
Issued securities	4 625						650 012	654 637	660 468
Derivative instruments	35 796		5 975					41 771	41 771
Short positions	2 072							2 072	2 072
Other liabilities	12						12 734	12 746	12 747
Accrued expenses and deferred income	13						6 902	6 915	6 915
Subordinated liabilities							32 896	32 896	33 887
Total financial liabilities	**42 518**	**4 951**	**5 975**				**1 837 821**	**1 891 265**	**1 898 434**
Other non-financial liabilities								728	
Total liabilities								**1 891 993**	

2016 SEK m	At fair value in income statement divided into Trading	 Other[1]	Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial liabilities	Total carrying amount	Fair value
Assets									
Cash and balances with central banks					199 362			199 362	199 362
Interest-bearing securities eligible as collateral with central banks	13 000	80 500				736		94 236	94 236
Loans to credit institutions					593 125			593 125	602 852
Loans to the public		926			762 641			763 567	765 473
Bonds and other interest-bearing securities	22 328	32 519				5 464		60 311	60 311
Shares	17 721					1 618		19 339	19 339
Assets where the customer bears the value change risk		4 114			58			4 172	4 172
Derivative instruments	46 916		40 145					87 061	87 061
Other assets	32				16 681			16 713	16 713
Prepaid expenses and accrued income	170	474			4 144	4		4 792	4 792
Total financial assets	**100 167**	**118 533**	**40 145**		**1 576 011**	**7 822**		**1 842 678**	**1 854 311**
Shares in subsidiaries and investments in associates								46 363	
Other non-financial assets								5 663	
Total assets								**1 894 704**	
Liabilities									
Due to credit institutions							189 176	189 176	191 052
Deposits and borrowing from the public							827 753	827 753	827 720
Liabilities where the customer bears the value change risk		4 213					58	4 271	4 271
Issued securities	5 763						643 214	648 977	657 001
Derivative instruments	50 452		4 039					54 491	54 491
Short positions	1 572							1 572	1 572
Other liabilities	21						8 765	8 786	8 786
Accrued expenses and deferred income	2						7 162	7 164	7 164
Subordinated liabilities							33 400	33 400	35 330
Total financial liabilities	**57 810**	**4 213**	**4 039**				**1 709 528**	**1 775 590**	**1 787 387**
Other non-financial liabilities								1 679	
Total liabilities								**1 777 269**	

[1] Classified to be measured at fair value.
The principles for measurement at fair value are presented in note G40.

Reclassified financial assets	2017		2016	
SEK m	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	8	1 122	10	1 290
Fair value	8	1 068	10	1 209
Value change recognised in the income statement	-	-	-	0
Value change recognised in other comprehensive income	-1	-116	1	94
Value change that would have been recognised in income statement if the assets had not been reclassified	0	0	0	0
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	24	-	5
Interest recognised as income	0	15	0	41

All holdings presented above were reclassified to loans and receivables on 1 July 2008.

P34 Fair value measurement of financial instruments

Financial instruments at fair value 2017 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	7 212	137	-	7 349
Denominated at fair value	117 575	-	-	117 575
Available for sale	963	-	-	963
Loans to the public	-	364	13	377
Bonds and other interest-bearing securities				
Held for trading	12 360	901	-	13 261
Denominated at fair value	27 566	-	-	27 566
Available for sale	4 990	403	-	5 393
Shares				
Held for trading	7 944	3 959	-	11 903
Denominated at fair value	-	-	-	-
Available for sale	-	49	1 121	1 170
Assets where the customer bears the value change risk	4 487	-	464	4 951
Derivative instruments	364	59 316	87	59 767
Total	**183 461**	**65 129**	**1 685**	**250 275**
Liabilities				
Liabilities where the customer bears the value change risk	4 487	-	464	4 951
Issued securities	-	4 625	-	4 625
Derivative instruments	377	41 306	88	41 771
Short positions	2 013	59	-	2 072
Total	**6 877**	**45 990**	**552**	**53 419**

Financial instruments at fair value 2016 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	12 927	73	-	13 000
Denominated at fair value	80 500	-	-	80 500
Available for sale	736	-	-	736
Loans to the public	-	909	17	926
Bonds and other interest-bearing securities				
Held for trading	21 610	718	-	22 328
Denominated at fair value	32 519	-	-	32 519
Available for sale	4 908	556	-	5 464
Shares				
Held for trading	10 717	7 004	-	17 721
Denominated at fair value	-	-	-	-
Available for sale	-	43	1 575	1 618
Assets where the customer bears the value change risk	3 352	-	762	4 114
Derivative instruments	407	86 654	-	87 061
Total	**167 676**	**95 957**	**2 354**	**265 987**
Liabilities				
Liabilities where the customer bears the value change risk	3 451	-	762	4 213
Issued securities	-	5 763	-	5 763
Derivative instruments	443	54 048	-	54 491
Short positions	1 097	475	-	1 572
Total	**4 991**	**60 286**	**762**	**66 039**

The principles applied are described in note G40.

P34 Cont.

Change in financial instruments in level 3 2017 SEK m	Shares	Derivative assets	Derivative liabilities	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	1 575	-	-	17	762	-762
Acquisitions	24	-	-	-	-	-
Repurchases/sales	-1	-	-	-	-318	318
Matured	-	-	-	-5	-	-
Unrealised value change in income statement	-	-	-	-	20	-20
Unrealised value change in other comprehensive income	-477	-	-	-	-	-
Transfer from level 1 or 2	-	87	-88	1	-	-
Transfer to level 1 or 2	-	-	-	-	-	-
Carrying amount at end of year	**1 121**	**87**	**-88**	**13**	**464**	**-464**

Change in financial instruments in level 3 2016 SEK m	Shares	Derivative assets	Derivative liabilities	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	881	-	-	10	732	-732
Acquisitions	9	-	-	-	-	-
Repurchases/sales	-	-	-	-	-	-
Matured	-	-	-	-1	-	-
Unrealised value change in income statement	-	-	-	-	30	-30
Unrealised value change in other comprehensive income	685	-	-	-	-	-
Transfer from level 1 or 2	-	-	-	8	-	-
Transfer to level 1 or 2	-	-	-	-	-	-
Carrying amount at end of year	**1 575**	**-**	**-**	**17**	**762**	**-762**

Fair value of financial instruments at cost or amortised cost 2017 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	226 314	-	-	226 314
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to credit institutions	40 347	630 272	2 118	672 737
Loans to the public	606	18 211	777 534	796 351
Bonds and other interest-bearing securities	-	-	-	-
Assets where the customer bears the value change risk	-	54	-	54
Total	**267 267**	**648 537**	**779 652**	**1 695 456**
Liabilities				
Due to credit institutions	54 753	140 860	-	195 613
Deposits and borrowing from the public	895 153	44 803	-	939 956
Liabilities where the customer bears the value change risk	-	54	-	54
Issued securities	205 060	450 783	-	655 843
Subordinated liabilities	-	33 887	-	33 887
Total	**1 154 966**	**670 387**	**-**	**1 825 353**

Fair value of financial instruments at cost or amortised cost 2016 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	199 362	-	-	199 362
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to credit institutions	32 111	569 748	993	602 852
Loans to the public	1 310	13 620	749 616	764 546
Bonds and other interest-bearing securities	-	-	-	-
Assets where the customer bears the value change risk	-	58	-	58
Total	**232 783**	**583 426**	**750 609**	**1 566 818**
Liabilities				
Due to credit institutions	126 410	64 642	-	191 052
Deposits and borrowing from the public	773 856	53 864	-	827 720
Liabilities where the customer bears the value change risk	-	58	-	58
Issued securities	212 474	438 764	-	651 238
Subordinated liabilities	-	35 330	-	35 330
Total	**1 112 740**	**592 658**	**-**	**1 705 398**

P35 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2017	2016
Cash	7 845	9 146
Government instruments and bonds	29 968	27 004
Loans to the public	-	-
Shares	940	358
Other	473	380
Total	**39 226**	**36 888**
Of which pledged assets that may be freely withdrawn by the Bank	*23 465*	*20 145*

Other pledged assets SEK m	2017	2016
Cash	183	456
Government instruments and bonds	26 618	23 486
Loans to the public	2 244	3 788
Shares	5 114	5 644
Other	248	83
Total	**34 407**	**33 457**
Of which pledged assets that may be freely withdrawn by the Bank	*26 083*	*27 136*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Assets received
As a component in reverse repurchase agreements and securities loans, the Group has received assets that can be sold or repledged to a third party. The fair value of received assets of this type was SEK 29,232m (19,976) at the end of the financial year, where assets worth SEK 13,716m (5,519) had been sold or repledged to a third party.

Transferred financial assets reported on the balance sheet	2017		2016	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	6 054	1 086[1]	6 002	340[1]
Shares, other	-	-	-	-
Government instruments and bonds, repurchase agreements	5 172	126	928	2
Government instruments and bonds, other	263	-	710	-
Assets where the customer bears the value change risk	522	522	824	824
Total	**12 011**	**1 734**	**8 464**	**1 166**

[1] Received cash collateral.

P36 Contingent liabilities

SEK m	2017	2016
Guarantees, credits	50 552	46 633
Guarantees, other	64 023	69 207
Irrevocable letters of credit	6 057	4 237
Other	21	161
Total	**120 653**	**120 238**

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Handelsbanken is the subject of claims in a number of civil actions which are being pursued in general courts of law. The Bank's assessment is that the actions will essentially be settled in its favour. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss.

P37 Other commitments

SEK m	2017	2016
Loan commitments	287 706	269 583
Unutilised part of granted overdraft facilities	131 159	131 289
Other	61 733	65 172
Total	**480 598**	**466 044**

"Other" includes internal liquidity guarantees to subsidiaries amounting to SEK 39,649m (40,418).

Contracted irrevocable future operating lease charges distributed by maturity SEK m	2017	2016
Within 1 year	941	755
Between 1 and 5 years	2 900	1 933
Over 5 years	4 800	945
Total	**8 641**	**3 633**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

P38 Pension obligations

SEK m	2017	2016
Fair value of plan assets	28 838	27 051
Pension obligations	30 978	30 689
Net pensions[1]	**-2 140**	**-3 638**

Pension obligations are calculated in accordance with the Swedish Financial Supervisory Authority's regulations, which for the Swedish obligation means in accordance with the Act on Safeguarding Pension Obligations and for foreign obligations in accordance with their corresponding local regulation. Plan assets are held by Svenska Handelsbankens Pensionsstiftelse, Pensionskasssan SHB, Försäkringsföreningen, and similar legal entities regarding commitments of the Bank's branches in the UK, Norway and Germany. As neither the assets of Pensionskassan nor the actuarial provisions can be allocated to employers with insurance with Pensionskassan, these are not included in the above table. The pension obligations are SEK 6,145m (6,099) in the Bank's pension fund (Pensionskassan SHB, Försäkringsförening) and the market value of the assets is SEK 13,000m (11,581). The surplus value in Pensionskassan SHB, Försäkringsförening is thus SEK 6,855m (5,482).

SEK 10,897m (11,342) of the fair value of the plan assets in Svenska Handelsbankens Pensionsstiftelse consists of the provisions made in the years 1989–2004 to a special supplementary pension (SKP). The obligations include a commitment regarding SKP of the same amount as the fair value of the plan assets.

Part of the commitment, SEK 8,265m (8,652), is conditional.

[1] Given that the surplus in Pensionskassan SHB, Försäkringsförening can be used to cover the parent company's pension obligations, and that part of the commitment is conditional, a deficit is not recorded as a liability in the balance sheet for 2017.

Pension costs SEK m	2017	2016
Pensions paid	-483	-441
Pension premiums[2]	-382	-572
Social security costs	7	-15
Compensation from pension foundation	545	510
Provisions to pension foundation	-56	-28
Total pension costs	**-369**	**-546**

The expected pensions paid for next year for defined benefit pension plans is SEK 485m. The costs for pension premiums include premiums to the BTPK plan (defined contribution pension) of SEK 85m (85).

Plan assets SEK m	2017	2016
Opening balance	27 051	25 680
Return	2 276	1 853
Payments to own pension trusts	56	28
Compensation from own pension trust	-545	-510
Closing balance	**28 838**	**27 051**
Percentage return on plan assets	8%	7%

Pension obligations SEK m	2017	2016
Opening balance	30 689	28 159
Technical fee	962	624
Interest	333	308
Indexation	119	0
Early retirement	165	153
Pensions paid	-661	-441
Changed assumptions[2]	341	3 062
Value change conditional obligation[3]	-387	-1 115
Effect of change of plan[2]	-801	-
Other change in capital value	218	-61
Closing balance	**30 978**	**30 689**

[2] The transition to a defined contribution plan means that the pension obligation in Norway has decreased with SEK 801m as at 31 December 2017, as well as having a positive effect on pension costs with SEK 235m.
[3] Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

Allocation of plan assets SEK m	2017	2016
Shares	28 066	25 325
Interest-bearing securities	1 070	1 600
Other plan assets[4]	-298	126
Total	**28 838**	**27 051**

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. The value of the pension obligations is calculated annually on the balance sheet date, on actuarial grounds.

In the UK, defined benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67% of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 154,200 (2017/2018).

In Sweden, the most important calculation assumptions are mortality and the discount rate. The mortality and discount rate assumptions follow the assumptions in the Act on Safeguarding Pension Obligations. The discount rate is 0.4% (0.5%) after tax and assumptions for costs. The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

[4] Other plan assets include a liability regarding compensation that has not yet been paid out.

P39 Assets and liabilities in currencies

2017 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	83	85 625	3 916	2 139	84 768	48 079	1 704	226 314
Loans to credit institutions	473 660	49 356	60 787	67 386	1 299	9 671	1 859	664 018
Loans to the public	200 197	141 086	154 696	51 324	213 212	28 183	6 993	795 691
of which corporate	*162 059*	*96 721*	*125 022*	*33 201*	*143 351*	*27 952*	*6 188*	*594 494*
of which households	*38 138*	*44 365*	*29 674*	*18 123*	*69 861*	*231*	*805*	*201 197*
Interest-bearing securities eligible as collateral with central banks	97 468	6 853	-	1	-	20 804	761	125 887
Bonds and other interest-bearing securities	33 582	2 383	1 090	-	1 378	7 787	-	46 220
Other items not broken down by currency	154 746							154 746
Total assets	**959 736**	**285 303**	**220 489**	**120 850**	**300 657**	**114 524**	**11 317**	**2 012 876**
Liabilities								
Due to credit institutions	75 576	64 785	14 435	10 299	3 401	18 899	6 427	193 822
Deposits and borrowing from the public	557 852	104 787	57 635	39 561	146 397	29 977	5 192	941 401
of which corporate	*222 992*	*86 380*	*37 200*	*22 309*	*98 280*	*27 637*	*4 667*	*499 465*
of which households	*334 860*	*18 407*	*20 435*	*17 252*	*48 117*	*2 340*	*525*	*441 936*
Issued securities	18 121	179 340	1 132	556	90 063	335 895	29 530	654 637
Subordinated liabilities	8 350	14 751	-	-	-	9 795	-	32 896
Other items not broken down by currency, incl. equity	190 120							190 120
Total liabilities and equity	**850 019**	**363 663**	**73 202**	**50 416**	**239 861**	**394 566**	**41 149**	**2 012 876**
Other assets and liabilities broken down by currency, net		78 497	-147 090	-70 354	-60 659	280 037	29 880	
Net foreign currency position		137	197	80	137	-5	48	594

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
Loans to credit institutions	407 217	59 713	49 430	58 739	2 459	14 066	1 501	593 125
Loans to the public	200 577	126 909	151 774	54 795	191 846	28 629	9 037	763 567
of which corporate	*159 147*	*91 519*	*120 447*	*36 266*	*127 264*	*28 406*	*8 118*	*571 167*
of which households	*41 430*	*35 390*	*31 327*	*18 529*	*64 582*	*223*	*919*	*192 400*
Interest-bearing securities eligible as collateral with central banks	69 724	6 431	-	1	-	17 344	736	94 236
Bonds and other interest-bearing securities	39 866	2 181	1 329	-	1 701	15 234	-	60 311
Other items not broken down by currency	184 103							184 103
Total assets	**901 627**	**294 781**	**208 732**	**113 637**	**257 780**	**105 736**	**12 411**	**1 894 704**
Liabilities								
Due to credit institutions	42 694	73 622	5 843	20 238	4 781	27 770	14 228	189 176
Deposits and borrowing from the public	501 497	79 139	60 068	34 828	122 376	23 184	6 661	827 753
of which corporate	*193 564*	*61 945*	*38 969*	*19 146*	*86 078*	*21 006*	*6 170*	*426 878*
of which households	*307 933*	*17 194*	*21 099*	*15 682*	*36 298*	*2 178*	*491*	*400 875*
Issued securities	20 722	141 884	2 305	324	80 485	371 157	32 100	648 977
Subordinated liabilities	8 230	14 355	-	-	-	10 815	-	33 400
Other items not broken down by currency, incl. equity	195 398							195 398
Total liabilities and equity	**768 541**	**309 000**	**68 216**	**55 390**	**207 642**	**432 926**	**52 989**	**1 894 704**
Other assets and liabilities broken down by currency, net		14 407	-140 321	-58 133	-50 169	327 293	40 646	
Net foreign currency position		188	195	114	-31	103	68	637

Note G2 on page 84 describes the Bank's view of exchange rate risks.

P40 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associated companies		Other related parties	
SEK m	2017	2016	2017	2016	2017	2016
Loans to credit institutions	604 978	536 510	-	-	-	-
Loans to the public	1 151	1 151	875	849	-	-
Derivatives	3 697	4 429	-	-	-	-
Other assets	12 591	13 011	51	59	7	515
Total	**622 417**	**555 101**	**926**	**908**	**7**	**515**
Due to credit institutions	23 694	15 066	-	-	-	-
Deposits and borrowing from the public	7 457	7 301	298	223	406	604
Derivatives	16 895	22 753	-	-	-	-
Subordinated liabilities	0	-	-	-	668	681
Other liabilities	90	98	-	0	56	58
Total	**48 136**	**45 218**	**298**	**223**	**1 130**	**1 343**
Contingent liabilities	43 433	46 744	-	-	6 145	6 099
Derivatives, nominal amount	433 986	398 353	-	-	-	-

Related parties – income and expense	Subsidiaries		Associated companies		Other related parties	
SEK m	2017	2016	2017	2016	2017	2016
Interest income	3 052	3 110	9	13	0	1
Interest expense	-207	-200	0	0	-72	-71
Fee and commission income	12	21	3	1	-	-
Fee and commission expense	-	-	-258	-229	-	-
Net gains/losses on financial items at fair value	-	-	0	0	-	-
Other income	1 568	1 478	1	1	14	15
Other expenses	-303	-299	-57	-39	-	-
Total	**4 122**	**4 110**	**-302**	**-253**	**-58**	**-55**

Note P16 contains a specification of subsidiaries and associated companies. The associated companies' operations comprise various types of services related to the financial markets. The following companies are included in the group of other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associated companies are provided in note P16.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 6,145m (6,099). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 545m (510) regarding pension costs, SEK 450m (465) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 24m (25) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

P41 Recommended appropriation of profits

The Board proposes a dividend of SEK 7.50 per share of which SEK 5.50 as an ordinary dividend (SEK 5.00). The Board's recommended appropriation of profits is shown on page 164.

P42 Share information

31 December 2017					
Share class	Number	% of capital	% of votes	Share capital	Quotient value
Class A	1 908 922 222	98.19	99.82	2 958 829 444	1.55
Class B	35 251 329	1.81	0.18	54 639 560	1.55
	1 944 173 551	**100.00**	**100.00**	**3 013 469 004**	

P43 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

P44 Capital adequacy

The Handelsbanken Group's capital adequacy is described in note G50. Specific information about the parent company's capital adequacy is presented below. For definitions, see page 223.

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013. Excluded rows are deemed not relevant for Handelsbanken at present.

Transitional own funds		2017			2016	
SEK m		Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
	Common Equity Tier 1 capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	8 177		26 (1), 27, 28, 29, EBA list 26 (3)	7 597	
	of which: share capital	8 177		EBA list 26 (3)	7 597	
	of which: convertible securities			EBA list 26 (3)		
2	Retained earnings	93 456		26 (1) (c)	82 606	
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	2 745		26 (1)	5 605	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1 104		26 (2)	10 879	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**105 482**			**106 687**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-150		34, 105	-354	
8	Intangible assets (net of related tax liability) (negative amount)	-2 245		36 (1) (b), 37, 472 (4)	-1 793	
11	Fair value reserves related to gains or losses on cash flow hedges	87		33 (a)	119	
12	Negative amounts resulting from the calculation of expected loss amounts	-1 823		36 (1) (d), 40, 159, 472 (6)	-1 140	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-		33 (b)	-	
15	Defined-benefit pension fund assets (negative amount)	-		36 (1) (e), 41, 472 (7)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-569		36 (1) (f), 42, 472 (8)	-636	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
22	Amount exceeding the 15% threshold (negative amount)	-		48 (1)	-	
23	of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities	-		36 (1) (i), 48 (1) (b), 470, 472 (11)	-	
25	of which: deferred tax assets arising from temporary differences	-		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	
25a	Losses for the current financial year (negative amount)	-		36 (1) (a), 472 (3)	-	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-		36 (1) (l)	-	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		36 (1) (j)	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-4 700**			**-3 804**	
29	**Common Equity Tier 1 (CET1) capital**	**100 782**			**102 883**	

P44 Cont.

Transitional own funds		2017			2016	
SEK m		Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
	Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	9 794		51, 52	10 815	
32	of which: classified as liabilities under applicable accounting standards	9 794			10 815	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	2 352	2 352	486 (3)	2 353	2 353
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**12 146**			**13 168**	
	Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-400	-400	52 (1) (b), 56 (a), 57, 475 (2)	-400	-400
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		56 (d), 59, 79, 475 (4)	-	
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-		56 (e)	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-400**			**-400**	
44	**Additional Tier 1 (AT1) capital**	**11 746**			**12 768**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**112 528**			**115 651**	
	Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	17 745		62, 63	17 354	
51	**Tier 2 (T2) capital before regulatory adjustments**	**17 745**			**17 354**	
	Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		63 (b) (i), 66 (a), 67, 477 (2)	-	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1 129		66 (d), 69, 79, 477 (4)	-1 129	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-1 129**			**-1 129**	
58	**Tier 2 (T2) capital**	**16 616**			**16 225**	
59	**Total capital (TC = T1 + T2)**	**129 144**			**131 876**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	470 353			439 657	
	Of which: additional capital to insurance companies in the Group not deducted from Common Equity Tier 1 capital (residual values according to Regulation (EU) No 575/2013)	15 633		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	15 633	
	Of which: deferred tax claims not deducted from Common Equity Tier 1 capital (residual values according to Regulation (EU) No 575/2013)	499		475, 475 (2) (b), 475 (2) (c), 475 (4) b)	512	
60	**Total risk weighted assets**	**470 353**			**439 657**	

Transitional own funds		2017			2016	
SEK m		Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
	Capital ratios and buffers					
61	Common Equity Tier 1 capital (as a percentage of total risk exposure amount)	21.4		92 (2) (a), 465	23.4	
62	Tier 1 (as a percentage of total risk exposure amount)	23.9		92 (2) (b), 465	26.3	
63	Total capital (as a percentage of total risk exposure amount)	27.5		92 (2) (c)	30.0	
64	Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	3.7		CRD 128, 129, 130	3.4	
65	of which: capital conservation buffer requirement	2.5			2.5	
66	of which: countercyclical buffer requirement	1.2			0.9	
67	of which: systemic risk buffer requirement	0.0			0.0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0		CRD 131	0.0	
68	Common Equity Tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	16.9		CRD 128	18.9	
	Capital ratios and buffers					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		36 (1) (i), 45, 48, 470, 472 (11)	-	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-200		36 (1) (c), 38, 48, 470, 472 (5)	-205	
	Applicable caps on the inclusion of provisions Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		62	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1 796		62	1 759	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-		62	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	1 614		62	1 428	
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	116		484 (3), 486 (2) and (5)	174	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		484 (3), 486 (2) and (5)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	4 890		484 (4), 486 (3) and (5)	7 335	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		484 (4), 486 (3) and (5)	-	
84	Current cap on T2 instruments subject to phase out arrangements	2 963		484 (5), 486 (4) and (5)	4 444	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		484 (5), 486 (4) and (5)	-	

P44 Cont.

EU OV1 – Overview of RWAs			RWAs		Minimum capital requirements
SEK m			T	T–1	T
	1	Credit risk (excluding CCR)	400 077	363 025	32 006
Article 438(c)(d)	2	Of which th standardised approach	143 334	140 176	11 467
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	44 818	43 208	3 585
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	200 793	169 888	16 063
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	11 132	9 753	891
Article 107 Article 438(c)(d)	6	CCR	12 640	15 704	1 011
Article 438(c)(d)	7	Of which mark to market	12 632	15 698	1 011
Article 438(c)(d)	8	Of which original exposure			
	9	Of which the standardised approach			
	10	Of which internal model method (IMM)			
Article 438(c)(d)	11	Of which risk exposure amount for contributions ot the default fund of a CCP	8	6	1
Article 438(c)(d)	12	CVA	4 891	7 429	391
Article 438 e	13	Settlement risk	0	0	0
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)	22	24	2
	15	Of which IRB approach	22	24	2
	16	Of which IRB supervisory formula approach (SFA)			
	17	Of which internal assessment approach (IAA)			
	18	Of which standardised approach			
Article 438 e	19	Market risk	10 310	10 910	825
	20	Of which the standardised approach	10 310	10 910	825
	21	Of which IMA			
Article 438 e	22	Large exposures			
Article 438(f)	23	Operational risk	42 413	42 565	3 393
	24	Of which basic indicator approach			
	25	Of which standardised approach	42 413	42 565	3 393
	26	Of which advanced measurement approach			
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)			
Article 500	28	Floor adjustment			14 886
	29	**Total**	**470 353**	**439 657**	**52 514**

EU MR1 – Market risk under the standardised approach		2017		2016	
		a	b	a	b
SEK m		REA	Capital requirements	REA	Capital requirements
	Outright products				
1	Interest rate risk	10 089	808	10 669	854
1a	*of which general risk*	*7 145*	*572*	*7 474*	*598*
1b	*of which specific risk*	*2 944*	*236*	*3 195*	*256*
2	Equity risk	113	9	54	4
2a	*of which general risk*	*34*	*3*	*12*	*1*
2b	*of which specific risk*	*74*	*6*	*40*	*3*
2c	*of which CIUs*	*5*	*0*	*2*	*0*
3	Foreign exchange risk	-	-	-	-
4	Commodity risk	60	5	113	9
	Options				
7	Scenario approach	48	3	74	6
7a	*of which interest rate risk*	*5*	*0*	*14*	*1*
7b	*of which equity risk*	*43*	*3*	*59*	*5*
7c	*of which foreign exchange risk*	*-*	*-*	*-*	*-*
7d	*of which commodity risk*	*0*	*0*	*1*	*0*
8	Securitisation (specific risk)	-	-	-	-
9	Settlement risk	0	0	0	0
10	**Total**	**10 310**	**825**	**10 910**	**873**

Capital adequacy analysis %	2017	2016
Common equity tier 1 ratio, CRR	21.4	23.4
Tier 1 ratio, CRR	23.9	26.3
Total capital ratio, CRR	27.5	30.0
Total risk exposure amount, CRR, SEK m	470 353	439 657
Own funds in relation to capital requirement according to Basel I floor	249	260
Institution-specific buffer requirement	3.7	3.4
of which capital conservation buffer requirement	*2.5*	*2.5*
of which countercyclical buffer requirement	*1.2*	*0.9*
of which systemic risk buffer requirement		
Common equity tier 1 capital available for use as a buffer	16.9	18.9

Credit risk exposures approved for IRB Approach	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2017	2016	2017	2016	2017	2016	2017	2016
Sovereign exposures	**330 648**		**5 355**		**428**		**1.6**	
Corporate exposures	**686 291**	**664 184**	**208 680**	**177 677**	**16 694**	**14 214**	**30.4**	**26.8**
Corporate lending	669 111	641 514	205 280	173 736	16 422	13 899	30.7	27.1
of which other lending, IRB Approach without own estimates of LGD and CCF	*108 923*	*115 418*	*32 154*	*35 658*	*2 572*	*2 853*	*29.5*	*30.9*
of which other lending, IRB Approach with own estimates of LGD and CCF	*560 188*	*526 096*	*173 126*	*138 078*	*13 850*	*11 046*	*30.9*	*26.2*
of which large corporates	*152 484*	*126 610*	*58 121*	*57 124*	*4 650*	*4 570*	*38.1*	*45.1*
of which medium-sized companies	*67 891*	*70 884*	*34 780*	*30 345*	*2 782*	*2 428*	*51.2*	*42.8*
of which property companies	*339 813*	*328 602*	*80 225*	*50 609*	*6 418*	*4 049*	*23.6*	*15.4*
Counterparty risk	17 180	22 670	3 400	3 941	272	315	19.8	17.4
Housing co-operative associations	**24 422**	**32 672**	**4 580**	**3 724**	**366**	**298**	**18.8**	**11.4**
Retail exposures	**152 864**	**160 251**	**24 357**	**28 313**	**1 949**	**2 265**	**15.9**	**17.4**
Private individuals	134 301	140 322	18 663	22 350	1 493	1 788	13.9	15.9
of which property loans	*76 003*	*76 311*	*9 942*	*10 155*	*795*	*812*	*13.1*	*13.3*
of which other	*58 298*	*64 011*	*8 720*	*12 195*	*698*	*976*	*15*	*19.1*
Small companies	18 563	19 929	5 694	5 963	456	477	30.7	29.9
Institutional exposures	**72 223**	**105 184**	**13 929**	**17 397**	**1 114**	**1 392**	**19.3**	**16.5**
Lending to institutions	16 332	20 065	5 232	6 175	419	494	32	30.8
Counterparty risk	55 891	85 119	8 697	11 222	696	898	15.6	13.2
of which repos and securities loans	*7 667*	*14 070*	*173*	*631*	*14*	*50*	*2.3*	*4.5*
of which derivatives	*48 224*	*71 049*	*8 524*	*10 591*	*682*	*848*	*17.7*	*14.9*
Equity exposures	**3 010**	**2 636**	**11 132**	**9 753**	**891**	**780**	**369.9**	**370**
of which listed equities	*4*	*-*	*13*	*-*	*1*	*-*	*290*	*-*
of which other equities	*3 006*	*2 636*	*11 119*	*9 753*	*890*	*780*	*370*	*370*
Non credit-obligation asset exposures	**990**	**1 149**	**990**	**1 149**	**79**	**92**	**100**	**100**
Securitisation positions	**20**	**22**	**22**	**24**	**2**	**2**	**106**	**105.9**
of which traditional securitisation	*20*	*22*	*22*	*24*	*2*	*2*	*106*	*105.9*
of which synthetic securitisation	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total IRB Approach	**1 270 468**	**966 099**	**269 045**	**238 036**	**21 524**	**19 043**	**21.2**	**24.6**

Credit risk exposures according to standardised approach[1]	Exposure value		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2017	2016	2017	2016	2017	2016	2017	2016
Sovereign and central banks	196	252 304	-	77	-	6	0	0
Municipalities	-	27 630	-	22	-	2	0	0
Multilateral development banks	568	636	-	0	-	0	0	0
International organisations	35	49	-	0	-	0	0	0
Institutions	611 949	550 741	938	799	75	64	0.2	0.1
Corporate	9 348	10 413	9 252	9 789	740	783	99.0	94.0
Retail	16 675	16 902	12 469	12 633	997	1 011	74.8	74.7
Property mortgages	106 316	92 087	38 158	33 316	3 053	2 665	35.9	36.2
Past due items	350	199	420	258	34	21	119.8	129.6
Equities	67 185	67 063	76 515	76 392	6 121	6 111	113.9	113.9
of which listed equities	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
of which other equities	*67 185*	*67 063*	*76 515*	*76 392*	*6 121*	*6 111*	*113.9*	*113.9*
Other items	6 411	7 999	5 942	7 431	476	595	92.7	92.9
Total standardised approach	**819 033**	**1 026 023**	**143 694**	**140 717**	**11 496**	**11 258**	**17.5**	**13.7**

[1] Details of capital requirements for exposure classes where there are exposures.

P44 Cont.

LRCom: Leverage ratio common disclosure

SEK m	2017	2016
On-balance-sheet exposures (excluding derivatives and securities financing transactions)		
On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets)	1 941 459	1 794 728
Asset amounts deducted in determining Tier 1 capital	-4 699	-3 803
Total on-balance-sheet exposures (excluding derivatives, securities financing transactions and fiduciary assets)	**1 936 759**	**1 790 925**
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10 963	34 618
Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	31 302	38 297
Exposure determined under original exposure method	-	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
Deductions of receivables assets for cash variation margin provided in derivatives transactions	-7 785	-6 917
Exempted central counterparty leg of client-cleared trade exposures	-	-
Adjusted effective notional amount of written credit derivatives	7 766	8 917
Adjusted effective notional offsets and add-on deductions for written credit derivatives	-366	-679
Total derivative exposures	**41 879**	**74 236**
Securities financing transaction exposures		
Gross securities financing transaction assets (with no recognition of netting), after adjusting for sales accounting transactions	11 650	12 915
Netted amounts of cash payables and cash receivables of gross securities financing transaction assets	-	-
Counterparty credit risk exposure for securities financing transaction assets	2 199	4 440
Derogation for securities financing transactions: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
Agent transaction exposures	-	-
Exempted central counterparty leg of client-cleared securities financing transaction exposures	-	-
Total securities financing transaction exposures	**13 849**	**17 355**
Other off-balance-sheet exposures		
Off-balance-sheet exposures at gross notional amount	542 726	539 468
Adjustments for conversion to credit equivalent amounts	-351 822	-348 431
Other off-balance-sheet exposures	**190 904**	**191 037**
Exempted exposures		
Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)	-626 486	-568 333
Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)	-	-
Capital and total exposures		
Tier 1 capital	112 528	115 651
Total leverage ratio exposures	1 556 905	1 505 220
Leverage ratio		
Leverage ratio	7.2%	7.7%
Choice on transitional arrangements and amount of derecognised fiduciary items		
Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	0

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

SEK m	2017	2016
Total assets as per published financial statements	2 012 876	1 894 704
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	0
Adjustments for derivative financial instruments	-17 888	-12 825
Adjustments for securities financing transactions (SFTs)	2 199	4 440
Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	190 904	191 037
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	-626 486	-568 333
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	-	-
Other adjustments	-4 699	-3 803
Total leverage ratio exposure	**1 556 905**	**1 505 220**

Signatures of the Board and the Group Chief Executive

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance, and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 6 FEBRUARY 2018

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Chairman of the Board

Fredrik Lundberg
Vice Chairman

Karin Apelman
Board Member

Jon Fredrik Baksaas
Board Member

Jan-Erik Höög
Board Member

Kerstin Hessius
Board Member

Ole Johansson
Board Member

Lise Kaae
Board Member

Bente Rathe
Board Member

Charlotte Skog
Board Member

Anders Bouvin
President and Group Chief Executive

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Svenska Handelsbanken AB (publ) for 2017. The annual accounts and consolidated accounts of the company are included on pages 7-205 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company at 31 December 2017 and its financial performance and cash flow for the year then ended, in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the Group at 31 December 2017 and their financial performance and cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance report is in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the annual general meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Our opinions expressed in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with Article 11 of the Audit Regulation (537/2014).

Basis for opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the Group in accordance with professional ethics for auditors in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. Based on the best of our knowledge and belief, no prohibited services referred to in Article 5.1 of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or companies under its control within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matters
The audit of the annual accounts and consolidated accounts for 2016 was performed as a joint audit between KPMG AB and Ernst & Young AB, who together submitted an auditor's report dated 16 February 2017, with unmodified opinions in the report on the annual accounts.

Key audit matters
Key audit matters of the audit are those matters which, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts for the current period. These matters were addressed in the context of our audit of, and in forming our opinion on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. Our description of how our audit addressed each matter is provided in that context.

We have also fulfilled the responsibilities described in the Auditor's responsibility section for the audit of the financial statements section of our report in relation to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement in the financial statements. The results of our audit procedures, including the procedures performed to address the matters described below, provide the basis for our audit opinion on the accompanying financial statements.

Granting of credit and provisions for loan losses
Detailed information and descriptions of these matters are presented in the annual accounts and consolidated accounts. Credit risk exposure and the manner in which it is handled have been described in note G2 on page 86. The loan losses reported by the Group are specified in note G10. Information concerning the parent company is presented in notes P2 and P10. The relevant accounting policies for the Group are described in note G1, section 10 on page 76. Note P1 shows that the accounting policies of the parent company with regard to the granting of credit and provisions for loan losses are consistent with the Group's accounting policies.

Description of audit matter
The Bank's business model focuses on taking credit risks in its branch operations.

The Group's (parent company's) loan portfolio amounted to SEK 2,351,245 million (1,686,023) at 31 December 2017, corresponding to 85 (84) per cent of total assets. The total credit risk exposure, including off-balance sheet commitments, amounted to SEK 3,104,971 million (2,519,148), corresponding to 112 (125) per cent of total assets. The total provision for probable loan losses amounted to SEK -5,159 million (-4,941).

The provision for loan losses represents the Bank's best estimate of probable loan losses on the balance sheet date. The provision for overdue credits is estimated either on an individual basis or collectively for groups with similar credits. Specific provisions for individually assessed loans accounted for 91 (91) per cent of total loan losses.

The bulk of the operations consists of credit and exposure to credit risk represents the greatest risk for the Bank. Moreover, there is an inherent uncertainty in the recognition of a provision for loan losses. The accounting is based on an assumption made by the Bank regarding a large number of internal and external observations, including estimates of future cash flows. As a result of the uncertainty linked to this assumption, this subject is deemed to be a key audit matter in the audit of Svenska Handelsbanken.

How this matter has been considered in the audit

We have tested the design and efficiency of key controls in both the credit process and credit decisions, credit review, rating classification as well as identifying and determining credits for which provisions should be made. The types of controls tested include both manual controls and automatic controls in the application system. We have also tested the general IT controls, including the handling of authorisation and user access regarding these systems.

We have challenged the assessments made by the Bank regarding the recoverable amount of future cash flows for specific provisions made for individually assessed loans.

We have assessed the assumptions in the models concerning loans measured using a model involving collective provisions. Furthermore, we have checked samples of the input data processed in the models as well as the reasonability of the estimates.

We have assessed the facts presented in the disclosures in the annual accounts and consolidated accounts and the adequacy of the information as a description of the Bank's assumptions.

Furthermore, we have evaluated the audit work performed by the internal audit function of Svenska Handelsbanken.

Fair value measurement of financial instruments where no market prices are available

Detailed information and descriptions of key audit matters are provided in the annual accounts and consolidated accounts. Financial instruments measured at fair value are described in note G40 for the Group and note P34 for the parent company. The relevant accounting policies for the Group are described in note G1, section 9 on page 76. Note P1 shows that the parent company's accounting policies for financial instruments measured at fair value are consistent with the Group's accounting policies.

Description of audit matter

Svenska Handelsbanken has financial instruments that have been measured at fair value. The Bank has financial instruments where no market price has been available, and in these cases, fair value is determined using valuation models based on market data. These financial instruments are categorised as level 2 in the IFRS fair value valuation hierarchy. Svenska Handelsbanken also has some financial instruments for which the fair value measurement has been determined using valuation models where the value is affected by input data that cannot be verified by external market data. These financial instruments are categorised as level 3 in the IFRS fair value valuation hierarchy.

The Group (parent company) has financial assets and financial liabilities categorised as level 2 totalling SEK 64,491 million (65,129) and SEK 29,095 million (48,990) respectively. Financial assets and liabilities categorised as level 3 totalled SEK 1,810 million (1,685) and SEK 552 million (552) respectively.

Most of the derivative contracts held by the Group, among them interest rate swaps and various types of linear currency derivatives and corporate bonds, are financial instruments categorised as level 2. Corporate bonds and derivative contracts categorised as level 2 are measured using valuation models based on market rates and other market prices. Financial instruments categorised as level 3 consist primarily of unlisted shares in joint ventures, investments in the insurance business as well as certain derivative contracts valued using non-verifiable data. The measurement of financial instruments categorised as level 2 and level 3 includes assessments made by the Bank, since valuation models are used. The valuation of these financial instruments is therefore deemed to be a key audit matter.

How this matter has been considered in the audit

We have tested the key controls in the valuation process, including the Bank's assessment and approval of assumptions and the methods used in model-based calculations, as well as the control of data quality and the handling of change regarding internal valuation models. The types of controls tested include both manual controls and automatic controls in the application system. We have also tested the general IT controls, including the handling of authorisation and user access regarding these systems.

We have engaged our internal valuation specialists in order to challenge the methods and assumptions used for measuring the value of financial instruments where no market value is available.

We have assessed the methods in the valuation models against valuation guidelines and standard industry practice.

We have compared the assumptions made with appropriate benchmarks and price sources and examined any significant deviations. We have also checked the accuracy of the estimates by conducting sample tests and performed our own independent valuations.

We have assessed the facts presented in the disclosures in the annual accounts and consolidated accounts and the adequacy of the information as a description of the Bank's assumptions.

Furthermore, we have evaluated the audit work performed by the internal audit function of Svenska Handelsbanken.

Other information

This document also contains other information than the annual accounts and consolidated accounts and this is found on pages 4–6 and 211–224. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance or conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. During this process, we also take into account our knowledge otherwise obtained in the audit and assess whether the information includes any material misstatements.

If, based on the work performed concerning this information, we conclude that this other information includes a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give a fair and accurate presentation in accordance with the Swedish Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal controls as they deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to a going concern and apply the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or overall, they could reasonably be expected to influence the financial decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of the company's internal controls relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists relating to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and consider whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that is fair and accurate.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal controls that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be considered to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine which matters were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks of material misstatement, and accordingly, which of these are therefore key audit matters. We describe these matters in the auditor's report unless legal or regulatory provisions preclude disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Svenska Handelsbanken AB (publ) for 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the annual general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the Group in accordance with professional ethics for auditors in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to prepare the company's accounts in accordance with legal requirements and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion regarding a discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has taken any action or been guilty of any omission which could give rise to liability towards the company, or
- has in any other way acted in contravention of the Swedish Companies Act, the Swedish Banking and Financing Business Act, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies or the Bank's Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that could give rise to liability towards the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement, considering first and foremost matters such as risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and contraventions would have particular importance for the company's situation. We examine and test decisions taken, supporting documentation used for making decisions, actions taken and other circumstances that are relevant to our opinion concerning a discharge from liability. As the basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal was in accordance with the Swedish Companies Act.

Ernst & Young AB, Jakobsbergsgatan 24, 111 24 Stockholm, was appointed auditor of Svenska Handelsbanken AB by the annual general meeting of shareholders held on 29 March 2017 and has been the company's auditor since 28 April 1998.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockhom, was appointed auditor of Svenska Handelsbanken AB by the annual general meeting of shareholders held on 29 March 2017 and has been the company's auditor since 29 March 2017.

Stockholm 16 February 2018

Ernst & Young AB	PricewaterhouseCoopers AB
Jesper Nilsson Authorised Public Accountant	Johan Rippe Authorised Public Accountant


Handelsbanken

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Corporate identity no.: 556930-1608

HANDELSBANKEN FINANS
Maria Lidström Andersson, Head
Kajsen Hansson takes over as Head in May 2018

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Corporate identity no.: 556053-0841

HANDELSBANKEN FONDER
Carl Cederschiöld, Head

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HANDELSBANKEN LIV
Louise Sander, Head

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Corporate identity no.: 516401-8284

HANDEL & INDUSTRI
Magnus Sternbrink, Head

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Corporate identity no.: 556013-5336

HEARTWOOD
Tracey Davidson, Head

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Corporate identity no.: 4132340

OPTIMIX
Michel Alofs, Head
Jaap Westerling, Head

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Corporate identity no.: 33194359

STADSHYPOTEK
Ulrica Stolt Kirkegaard, Head
Maria Lidström Andersson takes over as Head on 15 February 2018

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Corporate identity no.: 556459-6715

XACT KAPITALFÖRVALTNING
Pär Nürnberg, Head

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Corporate identity no.: 556997-8140

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NORTHERN SWEDEN
Magnus Ericson, Head

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Pontus Åhlund, Head

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STOCKHOLM
Carina Åkerström, Head

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WESTERN SWEDEN
Katarina Ljungqvist, Head

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SOUTH EAST SWEDEN
Anders Fagerdahl, Head

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Katarina Berner Frösdal, COO

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Mikael Sørensen, Head

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Nick Lowe, Head

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Dag Tjernsmo, Head

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THE NETHERLANDS
Jens Wiklund, Head

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Branches and branch managers

HANDELSBANKEN NORTHERN SWEDEN

Board

Bob Persson Frösön, Chairman
Richard Bergfors Stockholm
Magnus Ericson Umeå
Annika Högström Luleå
Hans Jonsson Umeå
Ulf Larsson Sundsvall
Agneta Marell Umeå
Anna Mattsson Luleå, (E)*

Head

Magnus Ericson Umeå

Branch/branch manager

- Arvidsjaur **Katarina Rutberg**
- Bergsjö **Rose-Marie Hildingsson**
- Bjurholm **Anna Johansson**
- Boden **Ellinor Lundström**
- Bredbyn **Kari Pessa**
- Bräcke **Per Stålhandske**
- Burträsk **Joakim Löfbom**
- Byske **Eva Berggren**
- Delsbo **Örjan Källman**
- Dorotea **Thomas Rönnberg**
- Fränsta **Caroline Jungell**
- Gnarp **Rose-Marie Hildingsson**
- Gällivare **Johan Larsson**
- Gällö **Per Stålhandske**
- Hammarstrand **Linda Nordvall**
- Hammerdal **Lars-Erik Olsén**
- Haparanda **Maria Mörk**
- Hede **Mattias Sundt**
- Holmsund **Sofie Jakobsson**
- Hudiksvall **Thony Nylund**
- Husum **Veronica Egnor**
- Härnösand **Åsa Starfelt Nilsson**
- Jokkmokk **Johan Larsson**
- Järpen **Jenny Strand**
- Järvsö **Mikael Stridh**
- Kalix **Maria Mörk**
- Kiruna **Lisbeth Aidanpää**
- Kramfors **Susanne Moström**
- Krokom **Henrik Lindqvist**
- Kvissleby **Niclas Södergren**
- Liden **Amanda Eriksson**
- Lit **Henrik Lindqvist**
- Ljusdal **Mikael Stridh**
- Luleå
  - Gammelstad **Petter Eriksson**
  - Storgatan **Jörgen Ericsson**
  - Örnäset **Petter Eriksson**
- Lycksele **Anna Karin Öhnerud**
- Lövånger **Eva Berggren**
- Malå **Anna Karin Öhnerud**
- Matfors **Caroline Jungell**
- Nordingrå **Susanne Moström**
- Nordmaling **Veronica Egnor**
- Norsjö **Anna Karin Öhnerud**
- Offerdal **Henrik Lindqvist**
- Pajala **Maria Grym**
- Piteå **Stefan Uddström**
- Ramsele **Sofia Bodin**
- Robertsfors **Joakim Löfbom**
- Råneå **Petter Eriksson**
- Skellefteå **Eva Berggren**
- Skönsberg **Per Pettersson**
- Sollefteå **Sofia Bodin**
- Sorsele **Thomas Lind**
- Storuman **Thomas Lind**
- Strömsund **Lars-Erik Olsén**
- Sundsvall **Owe Sundin**
- Sveg **Jörgen Andersson**
- Svenstavik **Bengt Nilzén**
- Sävar **Catharina Olsson**
- Sörberge **Amanda Eriksson**
- Timrå **Amanda Eriksson**
- Ullånger **Susanne Moström**
- Umeå
  - City **Anders Sundström**
  - Teg **Catharina Olsson**
  - Västra **Henrik Lundström**
- Vilhelmina **Thomas Rönnberg**
- Vindeln **Anna Johansson**
- Vännäs **Anna Johansson**
- Ånge **Michaela Morén**
- Åre **Jenny Strand**
- Åsele **Thomas Rönnberg**
- Älvsbyn **Katarina Rutberg**
- Örnsköldsvik **Kari Pessa**
- Östersund **Petter Dahlin**
- Överkalix **Maria Grym**
- Övertorneå **Maria Grym**

HANDELSBANKEN CENTRAL SWEDEN

Board

Ulf Bergkvist Insjön, Chairman
Torsten Engwall Gävle
Peter Larson Gävle
Monica Morén Hedemora, (E)*
Monica Oldenstedt Västerås
Arne Skoglund Uppsala
Pontus Åhlund Gävle

Head

Pontus Åhlund Gävle

Branch/branch manager

- Alfta **Anna Ekström**
- Arboga **Larry Andersson**
- Avesta **Andreas Borgefors**
- Bergby **Carola Johansson**
- Bjursås **Anders Rapp**
- Bollnäs **Thomas Frykberg**
- Borlänge **Caroline Cedergren**
- Bålsta **Ann-Sofie Sivander**
- Edsbyn **Dan Silvroth**
- Enköping **Lars Olsson**
- Eskilstuna **Johan Gustavsson**
- Fagersta **Sara Runeberg**
- Falun **Henrik Ragnarsson**
- Fjugesta **Anders Hedvall**
- Flen **Staffan Krause**
- Frövi **Mikael Jansson**
- Gagnef **Anders Rehn**
- Grängesberg **Andreas Byrén**
- Gävle City **Svante Larsson**
- Hallsberg **Mats Kagerup**
- Hallstavik **Catarina Lyshag**
- Hedemora **Sara Runeberg**
- Hedesunda **Markus Strömberg**
- Insjön **Oskar Ahlzén**
- Katrineholm **Mattias Jönsson**
- Kilafors **Pernilla Flink Westh**
- Knivsta **Agneta Sturesson**
- Kolbäck **Niklas Johansson**
- Kopparberg **Lena Ragnarsson Vöks**
- Kumla **Michael Johnsson**
- Kungsör **Ann-Charlotte Edin**
- Köping **Anette Holmsten**
- Leksand **Anders Ekström**
- Lima **Lena Eggens**
- Lindesberg **Maria Ekdahl**
- Ludvika **Andreas Abraham**
- Malung **Sofie Stafås**
- Mockfjärd **Jenny Åkerström**
- Mora **Jürgen Smolle**
- Norberg **Håkan Bjurling**
- Norrtälje **Mats Sagström**
- Ockelbo **Johan Björk**
- Orsa **Anette Skoglund**
- Pålsboda **Mats Kagerup**
- Rimbo **Helena Kolström**
- Rättvik **Maria Holmberg**
- Sala-Heby **Helèn Emnerud Wilhelmsson**
- Sandviken **Fredrik Nordkvist**
- Sigtuna **Mattias Nordin**
- Skinnskatteberg **Emelie Strandh**
- Skultuna **Terese Ahl-Lejderud**
- Skutskär **Magnus Sjökvist**
- Skärplinge **Sören Herbertsson**
- Stora Tuna **Henrik Bergenström**
- Storvik **Björn Tröjbom**
- Strängnäs **Katharina Schramm Hellmark**
- Säter **Patrik Nylén**
- Söderhamn **Joakim Frithiof**
- Tierp **Anders Estman**
- Torsåker **Pernilla Strömberg**
- Uppsala
  - City **Johanna Lundberg**
  - Eriksberg **Kristina Carlsson**
  - Industriområde **Micael Lindström**
  - Luthagen **Birger Kristiansson**
- Vansbro **Fredrik Hallqvist**
- Västerås
  - City **Therese Massaro**
  - Emausgatan **Terese Ahl-Lejderud**
  - Köpingsvägen **Mats Söderlund**
  - Östermälarstrand **Johanna Landin**
- Örebro
  - Drottningparken **Anders Forsgren**
  - Ekersgatan **Kristina Dahl**
  - Stortorget **Kenneth Vallin**
- Österbybruk **Ann Robertsson**
- Östervåla **Thomas Forsgren**
- Östhammar **Anna Lydell Bjälmén**

Meeting places

- Hallsberg
  - Askersund **Mats Kagerup**
- Knivsta
  - Alsike **Agneta Sturesson**
- Lindesberg
  - Nora **Maria Ekdahl**
- Lima
  - Sälen **Lena Eggens**
- Mora
  - Älvdalen **Jürgen Smolle**
- Strängnäs
  - Mariefred **Katharina Schramm Hellmark**

(E)*= employee representative

HANDELSBANKEN STOCKHOLM

Board
Ulf Lundahl Stockholm, Chairman
Johnny Alvarsson Hägersten
Ingalill Berglund Solna
Siv Malmgren Stockholm
Katarina Martinson Stockholm
Anne Reis Stockholm, (E)*
Carina Åkerström Stockholm

Head
Carina Åkerström Stockholm

Branch/branch manager
Alviks Torg **Johan Lurén**
Arbetargatan **Ulrika Staffas Nordqvist**
Brommaplan **Charlotta Hallqvist Lindström**
Dalarö **Anna Brannefalk**
Djursholm **Carl-Gustav Moberg**
Ekerö **Patrik Lönnstad**
Farsta **Camilla Sandgren Esgård**
Frihamnen **Johanna Lagerbäck**
Fårösund **Britt Nordstöm**
Gamla Stan **Carl-Magnus Gustafsson**
Globen **Lena Stenmark**
Gnesta **Asta Beyerl**
Gustav Adolfs Torg **Anders Lindegren**
Götgatsbacken **Cecilia Hallqvist**
Hammarby **Sara Hellström**
Haninge **Maria Sjöstedt**
Hemse **Helena Leoj**
Hornsberg **Kajsen Hansson**
Hornsgatan **Tommie Jonsson**
Huddinge **Jenny Lööw Borsos**
Humlegården **AnneMarie Dahlstedt**
Hägersten **Eva Kallur**
Hässelby Gård **Anders Stenberg**
Högalid **Mårten Larsson**
Högdalen **Linda Unger**
Jakobsberg **Anna Andersson**
Järna **Håkan Samuelsson**
Karlaplan **Cecilia Carlberg**
Karlavägen **Nahir Oussi**
Kista **Hans Lundin**
Klintehamn **Helena Leoj**
Kungsholmstorg **Anders Friman**
Kungsträdgården **Johan Palm**
Kungsängen **Karin Åkerblom Lingois**
Kärrtorp **Jessica Nirvin**
Lidingö
- Centrum **Mikael Gustafson**
- Larsberg **Magnus Blomqvist**

Marieberg **Lotta Adestam**
Marievik **Anna Blomstergren**
Märsta **Carl-Fredrik Boija**
Mörby Centrum **Vacant**
Nacka Forum **Anki Lenksjö**
Norrmalmstorg **Ola Arvidsson**
Nyköping **Jens Fransson**
Nynäshamn **Åsa Wenngren**
Näsby Park **Cecilia Sonntag**
Odengatan **Catarina Thunstedt**
Odenplan **Tommie Jonsson**
Renstiernas Gata **Ana Maria Ruiz**
S:t Eriksplan **Marika Hedblom**
Salem **Niclas Landbergsson**
Saltsjö-Boo **Malin Meijer**
Skanstull **Johan Hilmersson**
Skärholmen **Marcus Axelsson**
Sköndal **Jessica Nirvin**
Slite **Britt Nordström**
Sollentuna **Fredrik Andersson**
Solna
- Arenastaden **Lisa Spangenberg**
- Frösunda **Ulf Eliasson**
- Solna **Mats Liebgott**
- Solna Strand **Martin Björgell**

Spånga **Agneta Gustafsson**
Stockholm Sergel **Maria Hellberg**
Strandvägen **Mats Ernborg**
Stureplan **Peter Sturesson**
Stuvsta **Kristin Elofsson**
Sundbyberg **Jan Larsson**
Sveavägen **Anna Karlsson**
Södertälje **Bengt Bohman**
Tessinparken **Lars Eberson**
Torsgatan **Torsten Johansson**
Trosa **Henrik Hellvard**
Trångsund **Mattias Lindmark**
Tullinge **Kristina Jansenberger**
Tyresö **Kjell Andersson**
Täby Centrum **Johan Grahn**
Ulvsunda **Tina Nylén**
Upplands Väsby **Urban Wolters**
Vallentuna **Fredrik Enander**
Vanadisplan **Stina Marklund**
Vasagatan **Christer Örtegren**
Vaxholm **Maria Lindberg**
Visby
- Adelsgatan **Linda Ewald**
- Öster **Carl Oscar Sjöström**

Vällingby **Åsa Eriksson Hedensiö**
Värmdö **Ulrika Kallur**
Värtavägen **Anna Gustafsson**
Västerhaninge **Mats Nordling**
Åkersberga **Per Karlsson**
Årsta **Linda Norman Monteil**
Älvsjö **Jesper Hellström**
Ängby Blackeberg **Camilla Juhlin**
Ösmo **Åsa Wenngren**
Östermalmstorg **Jan Larsson**
Östra Station **Elisabeth Croon**

Meeting places
Alviks Torg
- Äppelviken **Johan Lurén**

Värtavägen
- Norra Djurgårdsstaden **Anna Gustafsson**

HANDELSBANKEN WESTERN SWEDEN

Board
Claes Larsson Gothenburg, Chairman
Peter Claesson Kullavik
Carin Kindbom Västra Frölunda
Håkan Larsson Gothenburg
Lena Lindén Stockholm, (E)*
Katarina Ljungqvist Västra Frölunda
Vilhelm Schottenius Varberg
M Johan Widerberg Gothenburg
Kina Wileke Gothenburg

Head
Katarina Ljungqvist Västra Frölunda

Branch/branch manager
Ale Torg **Anna-Lisa Jansson**
Alingsås **Jonas Sandberg**
Anderstorp **Per Risberg**
Arvika **Peter Johansson**
Bankeryd **Jens Claesson**
Bollebygd **Anders Roos**
Borås
- Borås City **Joakim Antonsson**
- Viared **Caroline Fensby**

Falkenberg **Kristian Gårdenfelt**
Falköping **Torbjörn Läth**
Filipstad **Cecilia Blom**
Fristad **Carina Larsson**
Gislaved **Per Risberg**
Gothenburg
- Almedal **Anna-Lena Ranhög**
- Avenyn **Håkan Jarbeck**
- Backa **Tobias Johansson**
- City **Martin Henriksson**
- Eriksberg **Kent Larsson**
- Frölunda **Patrik Niklasson**
- Första Långgatan **Anders Olausson**
- Gårda **Marie Erlandson**
- Hisings Kärra **Peter Kornesjö**
- Högsbo **Charlotta Larsson**
- Landala **Börje Ström**
- Lilla Bommen **Anna Fägersten**
- Lindholmen **Camilla Heribertsson**
- Sisjön **Christian Sjöberg**
- Torslanda **Fredrik Karlberg**
- Volvo **Björn Torsteinsrud**
- Örgryte **Linda Hellsten**
- Övre Husargatan **Anna Ekstrand**

Hagfors **Anna Bengtsson**
Halmstad **Magnus Landbring**
Herrljunga **Ulf Carrick**
Hjo **Martin Drebin**
Huskvarna **Mats Andersson**
Jönköping **Jens Claesson**
Karlskoga **Per Forsman**
Karlstad
- Stora Torget **Fredrik Ekenberg**
- Våxnäs **Sara Brask**

Kristinehamn **Cecilia Blom**
Kungsbacka **Mats Rollof**
Kungälv **Lena Gillholm**
Laholm **Fredrik Johnson**
Landvetter **Anja Börve**
Lerum **Anna Green**
Lidköping **Magnus Kvarnmarker**
Lilla Edet **Ann Bengtsson**
Ljungby **Thomas Eldh**
Markaryd **Maria Larsson**
Mariestad **Katarina Lindholm**
Mellerud **Jan-Olof Strand**
Mölndal **Johan Martinsson**
Mölnlycke **Anders Blomqvist**
Partille **Sara Larsson**
Skara **Anna-Lena Andersson**
Skövde **Martin Drebin**
Sollebrunn **Jonas Sandberg**
Stenungsund **Fredrik Holmgren**
Strömstad **Johan Rosengren**
Sunne **Dennis Göransson**
Svenljunga **Patrik Hedemyr**
Säffle **Magdalena Gunnarsson**
Tibro **Martin Drebin**
Tidaholm **Torbjörn Läth**
Torsby **Anna Bengtssson,** Acting
Tranemo **Patrik Hedemyr**
Trollhättan **Ingela Karlsson**
Uddevalla **Marie Kaptein**
Ulricehamn **Martin Ekman**
Vaggeryd **Inger Ågren**
Vara **Maj Rudell**
Varberg **Jonas Lagerqvist**
Vårgårda **Lars-Göran Pettersson**
Vänersborg **Jan-Olof Strand**
Värnamo **Jonas Flink**
Åmål **Magdalena Gunnarsson**
Årjäng **Peter Johansson**
Älvsborg **Allison Åsblom**
Älvängen **Anna-Lisa Jansson**

Meeting places
Gothenburg Volvo
- Arendal **Björn Torsteinsrud**

Kungsbacka
- Kungsporten **Mats Rollof**

(E)*= employee representative

HANDELSBANKEN SOUTH EAST SWEDEN

Board

Charlotta Falvin Genarp, Chair
Santhe Dahl Växjö
Anders Fagerdahl Malmö
Pia Håkansson Ystad, (E)*
Bengt Kjell Helsingborg
Claes Lindqvist Viken
Johan Mattsson Tomelilla
Anders Ohlner Malmö
Sten Peterson Katrineholm
Mikael Roos Malmö

Head

Anders Fagerdahl Malmö

Branch/branch manager

Alvesta **Maj-Lis Pettersson**
Bara **Isabel Almqvist**
Borensberg **Malin Svanberg**
Borgholm **Christin Abrahamsson**
Broby **Rebecca Thörnqvist**
Båstad **Lars-Olof Ottosson**
Eksjö **Gunilla Johansson**
Emmaboda **Annie Almlöf**
Eslöv **Mats Jonsson**
Finspång **Ingela Nyrén**
Färjestaden **Ida Petersson**
Helsingborg
  Norr **Jonas Olsson**
  Stortorget **Göran Pelvén**
Hultsfred **Berit Lundqvist**
Hässleholm **Magnus Gardell**
Höganäs **Gunilla Voss**
Högsby **Jonas Petersson**
Höllviken **Cecilia Wahlberg**
Höör **Marie Lärka Stjernström**
Kalmar **Johan Lorentzon**
Karlshamn **Catharina Lydell**
Karlskrona **Hedvig Stache**
Kivik **Andreas Jeppsson**
Klippan **Alexandra Paulsson**
Kristianstad **Rebecca Thörnqvist**
Kävlinge **Dag Olsson**
Lammhult **Christina Blomstrand**
Landskrona **Per-Ove Kamlund**
Linköping
  City **Michael Sterne**
  Tornby **Anders Spång**
Lomma **Erik Hultgren**
Lund
  City **Peter Andersson**
  Ideon **Cecilia Leijgård**
  Väster **Carina Jönsson**
Malmö
  City **Erik Bredberg**
  Fosie **Anders Persson**
  Fridhem **Göran Camitz**
  Hyllie **Anders Persson**
  Limhamn **Roger Håkansson**
  Triangeln **Jonas Darte**
  Västra Hamnen **Alexander Lindeskog**
  Öster **Magnus Björk**
Mjölby **Karl Gustafsson**
Motala **Anders Hättström**
Mönsterås **Jonas Petersson**
Norrköping
  Drottninggatan **Cicki Törnell**
  Fjärilsgatan **Marika Ronnerheim**
Nybro **Annie Almlöf**
Nässjö **Cecilia Antonsson**
Olofström **Catharina Lydell**
Osby **Henrica Lorentsson**
Oskarshamn **Jonas Petersson**
Ronneby **Peter Andersson**
Simrishamn **Andreas Jeppsson**
Sjöbo **Thomas Hansson**
Skanör **Maria Hägerström**
Skurup **Mia Kristell**
Staffanstorp **Mårten Edlund**
Svedala **Isabel Almqvist**
Sävsjö **Christina Blomstrand**
Söderköping **Maria Hoonk**
Sölvesborg **Anita Svensson Barba**
Sösdala **Magnus Gardell**
Tingsryd **Torbjörn Danielsson**
Tomelilla **Mia Kristell**
Torsås **Johan Lorentzon**
Tranås **Mattias König**
Trelleborg **Katerina Bosevska**
Tyringe **Magnus Gardell**
Vadstena **Anders Hättström**
Veberöd **Hans-Åke Mårtensson**
Vellinge **Cecilia Wahlberg**
Vetlanda **Jörgen Asp**
Vimmerby **Hans Will**
Virserum **Berit Lundqvist**
Vollsjö **Thomas Hansson**
Västervik **Thomas Rörstrand**
Växjö **Maj-Lis Pettersson**
Ystad **Mia Kristell**
Åhus **Daniel N Högstedt**
Åseda **Marie-Louise Mobelius**
Åtvidaberg **Michael Sterne**
Älmhult **Fredrik Roghner**
Ängelholm **Irene Andersson**

(E)*= employee representative

HANDELSBANKEN NORTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman
Mikael Hallåker Sollentuna
John Parker Manchester

Head

John Parker Manchester

Branch/branch manager

Aberdeen **Neil Clark**
Altrincham **Ian Noke**
Blackburn **Philip Skupski**
Bolton **Sean Greenhalgh**
Burnley **Simon Joyce**
Bury **David Bowen**
Carlisle **Jason Smith**
Chester **David Barker**
Chorley **Julie Monks**
Dundee **Vic Bicocchi**
Dunfermline **Jim Donnelly**
Edinburgh
  Charlotte Square **Colin McGill**
  West End **Iain Henderson**
Glasgow
  Finnieston **David Waddell**
  St Vincent Street **George Shanks**
Heswall **Keith Lowe,** Acting
Inverness **Hamish Boag**
Kendal **Mike Fell**
Lancaster **Alison Norfolk**
Liverpool
  Duke Street **John Williams,** Acting
  Exchange Station **John Williams**
Lytham **Kevin Sanderson**
Manchester
  Spinningfields **Phil Basten**
  Trinity Way **John Burke**
Oldham **Scott Parkinson**
Penrith **Richard Lancaster**
Perth **David Beggs**
Preston **David Warbrick**
Southport **Andrew Pearson**
Stirling **Lesley Dunlop**
Stockport **Joe McGrath**
Warrington **Keith Lowe**
Wigan **Adam Short**
Wilmslow **Anthony Flynn**

HANDELSBANKEN YOKSHIRE AND NORTH EAST GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Mikael Hallåker Sollentuna

Suzanne Minifie Leeds

Head

Suzanne Minifie Leeds

Branch/branch manager

Barnsley **Peter Gray**
Beverley **Anna Adcock**
Bradford **Andy Cook**
Castleford **Ian Jackson**
Chesterfield **Phil Walker**
Darlington **Tom Ramshaw**
Doncaster **Sarah Smith**
Durham **David Allenson**
Gateshead **Brian Foreman**
Grimsby **Di Jones**
Halifax **Ian Mason**
Harrogate **Richard Lally**
Hexham **David Wilson**
Huddersfield **Tony Jones**
Hull
  Hesslewood **Neil Harrison**
  Marina Court **Ian Gatenby**
Ilkley **Sue Toulson**
Leeds
  The Embankment **David Brady**
  Headingley **Andrew Lowther**
  Wellington Street **Andrew Shakeshaft**
Middlesbrough **John Martinson**
Morpeth **David Elliot**
Newcastle upon Tyne **Granville Kelly**
Tynemouth **Mike Brunskill**
Northallerton **David Thompson**
Rotherham **Sarah Hanson**
Scarborough **Steve Halliday**
Scunthorpe **Matthew Hawcroft**
Sheffield
  Barker's Pool **Stephen Tweedle**
  Tudor Square **Clare Ibbotson**
Stockton-on-Tees **David Filby**
Sunderland **David Allenson**
Wakefield **Paul Drysdale**
Wetherby **Adam von Emloh**
York **Christopher Ibbotson**

HANDELSBANKEN CENTRAL GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Mikael Hallåker Sollentuna

Nick Lowe Birmingham

Head

Nick Lowe Birmingham

Branch/branch manager

Banbury **Paul Graham**
Bedford **Mick Valerio**
Birmingham
  Newhall St **David Hastings**
  Temple Row **Stephen Ellis**
Bromsgrove **Mark Turner**
Burton-on-Trent **Judith Brown**
Bury St Edmunds **Nigel Foyster**
Cambridge
  Milton Road **Richard Waters**
  Hills Road **David Rundle**
Colwyn Bay **Gareth Jones**
Coventry **Andy McCabe**
Crewe **Sharon Wooliscroft**
Derby **Ian Morris**
Edgbaston **Tony Hall**
Hitchin **Paul Drummond**
Ipswich **Andrew Pike**
Leamington Spa **Paul Brooksbank**
Leicester
  New Walk **John Clay**
  Grey Friars **Michael Alldread**
Lincoln **John Gell**
Loughborough **Simon Grant**
Luton **Christopher Spurgeon**
Mansfield **Darryn Evans**
Milton Keynes **Derek Bell**
Northampton **Mark Charteress**
Norwich **Ian Hall**
Nottingham
  City Gate **Larick Walker**
  West Bridgford **Ian Davys**
Peterborough **Julian Turner**
Rugby **Brett Salisbury**
Shrewsbury **Lindsay Pearson**
Solihull **Tom Queenan**
Stafford **Helen Yates**
Stourbridge **Richard Mander**
Stratford-upon-Avon **Andrew Smith**
Stoke-on-Trent **Martin Randall**
Tamworth **Andrew Mair**
Walsall **Stephen Breen**
Wolverhampton **Chris Hyde**
Worcester **Philip Dutton**
Wrexham **Vicky Varley**

HANDELSBANKEN SOUTH WEST GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Mikael Hallåker Sollentuna

Chris Teasdale Bristol

Head

Chris Teasdale Bristol

Branch/branch manager

Abingdon **David Cook**
Ascot **Richard Payton**
Aylesbury **Jack Miller**, Acting
Barnstaple **Peter Larcombe**
Basingstoke **Julie Hurst**
Bath **Simon Cropper**
Bodmin **Leon Sargeant**
Bournemouth **Jeremy Tollworthy**
Bridgend **Illtyd Francis**
Bristol
- Clifton **Martin Bidgood**
- Parkway **Steve Howell**
- Queen Square **Jo Norton**

Cardiff **Neil Humphreys**
Cheltenham **Stephanie Hughston**
Chichester **Jonathan Hughes**
Chippenham **Shaun Bradshaw**
Cirencester **Di Pitts**
Dorchester **Andrew Denning**
Exeter **Darren Galliford**
Farnham **Glenn Gough**
Frimley **Mark Clinkskel**
Gloucester **Emma Gray**
Guildford **Richard James**
Henley-on-Thames **Sarah Dean**
Hereford **Andy Williams**
High Wycombe **Jack Miller**
Newbury **Geoff Dann**
Newport **Craig Wyer**
Oxford
- West Way **Graham Beith**
- Parkway **Bob Wood**

Petersfield **Sean Kanavan**
Plymouth **Darren Edwards**
Poole **Jeremy Tollworthy,** Acting
Portishead **Steve Carter**
Portsmouth **Phil Dedman**
Reading **Mike Booth**
Salisbury **Graham Renshaw**
Southampton **Andy Taylor**
Swansea **Martin Griffiths,** Acting
Swindon **Jon Hemming**
Taunton **Peter Kirby**
Truro **Elizabeth Stansfield**
Weston-super-Mare **Martin Williams**
Winchester **John Gornall**
Windsor **Mark Bradbury**
Yeovil **Jim Durrant**

HANDELSBANKEN SOUTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Mikael Sørensen London,
CEO of Handelsbanken UK, Chairman

Mikael Hallåker Sollentuna

John Hodson London

Head

John Hodson London

Branch/branch manager

Ashford **David Kiernan**
Bishop's Stortford **Stephen Hills**
Brighton **Simon Howe**
Bromley **Chris Pye**
Canterbury **Andy Davies**
Chatham **Gavin Coleman**
Chelmsford **Mark Earlam**
Colchester **Russell Felstead**
Crawley **Simon Briggs**
Croydon **Mike O'Neill**
Dartford **Trevor Adams**
Ealing **Chris Ttouli**
Eastbourne **Neil Hooper**
Enfield **Adrian Bennett**
Epsom **Phil Hunt**
Harrow **Paul Jarman**
Haywards Heath **David Barden**
Hertford **Debbie Chilton**
Hove **Simon Nicholson**
Islington **Paul Cooledge**
Kingston **Peter Wylde**
London
- Belgravia **Julian Reynolds**
- Blackheath **Raff Gallo**
- Chelsea **Kieran Costello**
- Chiswick **Dermot Jordan**
- Clapham **Jason May**
- Finchley **Steve Smith**
- Hampstead **Anthony Fogden**
- Holborn **Toni Virtanen**
- Kensington **Tom Fuller**
- Liverpool Street **Mark Earlam**
- London Bridge **David Boaden**
- Marylebone **Andrew Rowlands**
- Mayfair **Mark Plummer**
- Moorgate **Ross Simmons**
- Queen's Park **Steve MacDonald**
- Stratford **Kirti Mistry**
- West End **Roy Budgett**

Maidstone **Jeremy Brett**
Redhill **Clive Martin**
Richmond **Kim Bailey**
Romford **Andy Walker**
Sevenoaks **Nick Brooker**
Southend-on-Sea **John Brooks**
Staines-upon-Thames **Geoff Harrison**
St Albans **Bill Whittemore**
Tunbridge Wells **Nick Green**
Uxbridge **Carol Albert**
Watford **Andrew Samarasinghe**
Weybridge **Tim Tostevin**
Wimbledon **Barry Sexton**

Meeting places

London Blackheath
- Canary Wharf **Raff Gallo**

HANDELSBANKEN DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

Board

Ulrik Kolding Hartvig Roskilde, Chairman
Göran Stille Falsterbo, Vice Chairman
Lars Moesgaard Hellerup
Helle Rank Aalborg, (E)*
John Vestergaard Ikast
Lise Westphal Copenhagen
Steen Winther-Petersen Copenhagen

Head

Lars Moesgaard Copenhagen

Branch/branch manager

Aalborg
- City **Ole Dahl Nielsen**
- Syd **Morten O. Hedemann**

Aarhus
- Aarhus City **Morten Andersen**
- Aarhus Nord **Lars Graugaard**
- Aarhus Syd **Lars Windolf-Nielsen**

Allerød **Jens Karlsson**
Amager **Jakob Pilegaard Hansen**
Aulum **Gerda Kviesgaard**
Ballerup **Steen Hansen**
Birkerød **Steen Hirschsprung**
Brande **Henrik Overgaard**
Charlottenlund **Michael Petersen**
Copenhagen
- City **Gorm Ejmefors-Bjørkmann**
- Large Corporates **Knud Jacobsen**
- Vest **Jan Arup**
- Østerbro **Lars Hoffmann**

Esbjerg **Jan Plantener**
Farum **Jeanett Schultz Brix**
Fredensborg **Kjeld Aunstrup**
Fredericia **Brian Sørensen**
Frederiksberg
- Frederiksberg **Jan Rasmussen**
- Frederiksberg Vest **Charlotte Kondrup Jepsen**

Frederikssund **Michael Tøgersen**
Frederiksværk **Alan Nielsen**
Give **Kathrine Vesterager Andersen**
Grindsted **Thomas Lindal Pedersen**
Hammerum **Vibeke Hestbek**
Helsinge **Steen Malmqvist**
Helsingør **Henrik Bengtsson**
Herlev **Vacant**
Herning
- City **Niels Viggo Malle**
- Fredhøj **Bruno Hansen**

Hillerød **Dennis Grouleff**
Holstebro **Helle Bjerre**
Horsens **Martin Skovgaard Larsen**
Hørsholm **Allan Kandrup**
Ikast **Arnth Stougaard**
Karup **Arnth Stougaard**
Kgs. Lyngby **Preben Bjerrekær**
Kibæk **Preben Staal**
Kolding **Carsten Johansen**
Køge **Maj-Britt Nielsen**
Lemvig **Peter Tornbo**
Lynge **Hatice Bakke**
Odense **Klaus Rydal**
Roskilde **Jakob Nordahl Weber**
Sdr. Felding **Frank Jensen**
Silkeborg **Stefan Brochmann**
Slagelse **Henrik Eg**
Slangerup **Ida Riisberg Mikkelsen**
Stenløse **Klaus Møller Hansen**
Struer **Poul Bakkegaard**
Sunds **Lars Christian Lauth Hansen**
Vejle **Carsten Hjortflod**
Viborg **Henrik Toft Mathiasen**
Videbæk **Henrik Kristiansen**
Vildbjerg **Henrik Kristiansen**

HANDELSBANKEN FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

Board

Matti Vuoria Helsinki, Chairman
Göran Stille Falsterbo, Vice Chairman
Nina Arkilahti Espoo
Tapio Hakakari Hyvinkää
Esa Korvenmaa Helsinki
Bjarne Mitts Espoo
Pirjo Repo Helsinki
Leena Saarinen Helsinki
Pekka Vasankari Vantaa, (E)*

Head

Nina Arkilahti Helsinki

Branch/branch manager

Espoo
- Matinkylä **Arja Luoto**
- Tapiola **Aku Dunderfelt**

Helsinki
- Aleksi **Tuija Nuutinen**
- Hakaniemi **Mona von Weissenberg**
- Herttoniemi **Mona von Weissenberg**
- Kaarti **Piia Nyberg**
- Kamppi **Sami Hoffrén**
- Large Corporates **Riitta Hallila**
- Munkkniemi **Nora Kari**
- Pasila **Jari Murtoperä**
- Ruoholahti **Outi Vesanto**

Hyvinkää **Risto Mäkeläinen**
Hämeenlinna **Jarkko Pöysti**
Imatra **Pekka Lankinen**
Joensuu **Mauri Kujanen**
Jyväskylä **Jesse Järvinen**
Järvenpää **Outi Parviainen**
Kauniainen **Mikko Hyttinen**
Kerava **Ilkka Arenius**
Kirkkonummi **Arja Luoto**
Kokkola **Esa Alkio**
Kotka **Joonas Heinonen**
Kouvola **Auli Lehtomäki**
Kuopio **Simo Sarkkinen**
Lahti
- Askonkatu **Jaana Repo-Kemppinen**
- Vapaudenkatu **Matti Nieminen**

Lappeenranta **Arto Valjakka**
Mikkeli **Jussi Myllymäki**
Oulu **Jari Itkonen**
Pietarsaari **Jörgen Blomqvist**
Pori **Tero Järvistö**
Porvoo **Annika Ekroos**
Rauma **Janne Saarinen**
Rovaniemi **Sami Hiltunen**
Salo **Teemu Alanko**
Seinäjoki **Jaana Meritähti**
Tammisaari **Anders Sandbacka**
Tampere
- Kuninkaankatu **Tarja Suvisalmi**
- Kyttälä **Ilari Tyrkkö**

Tornio **Matti Tapio**
Turku
- Electrocity **Josefiina Kärkkäinen**
- Hämeenkatu **Risto Vihula**

Vaasa **Frej Björses**
Vantaa
- Aviapolis **Hanna Kuvaja**
- Tikkurila **Pauli Ranta**

(E)*= employee representative

HANDELSBANKEN NORWAY

The operations are part of Svenska Handelsbanken, Oslo branch.

Board

Bjørn Flatgård Kolbotn, Chairman
Göran Stille Falsterbo, Vice Chairman
Linda Bernander Silseth Nesøya
Christer Enersen Slemmestad, (E)*
Ivar Rusdal Egersund
Dag Tangevald-Jensen Oslo
Dag Tjernsmo Oslo

Head

Dag Tjernsmo Oslo

Branch/branch manager

Arendal **Trond Røisland**
Asker **Kirsti Jensås**
Bergen
- Fana **Kristian H. Knudsen**
- Fyllingsdalen **Gottlieb Gullaksen**
- Kokstad **Jarle Hundven**
- Minde **Margunn Kolle**
- Sentrum **Geir Flaa**
- Vest **Tore Svein Nese**
- Åsane **Mette Skauge**

Bodø **Tore Halvorsen**
Drammen **Hege Kristiansen**
Fredrikstad **Tove Anita R Torp**
Halden **Espen Lerkerød**
Hamar **Thomas Olsen,** Acting
Haugesund **Knut Børge Lunde**
Jæren **Rolf Inge Knutsen**
Jessheim **Inger Kyhen**
Kolbotn **Hanne Bjørnå Berntsen**
Kongsberg **Hege Kristiansen,** Acting
Kristiansand **Vidar Akselsen**
Larvik **Bodil Hansen**
Lillehammer **Thomas Næstad Moe**
Lillestrøm **Paal Tollefsen**
Lysaker **Glenn Steinbø**
Mo i Rana **Svenn Harald Johannesen**
Molde **Jørund Alme**
Moss **Willy Fossum**
Oslo
- Grev Wedels plass **Thomas B. Tresselt**
- Large Corporates **Harald Søreide**
- Majorstuen **Jannike Johansen**
- Nydalen **Marius Bretteville**
- Olav Vs gate **Eirik Arnesen**
- Bryn **Christian Doksrød**
- Skøyen **Thomas Stousland**
- Økern **Ronny Myreng**

Sandefjord **Hans Jørgen Ormar**
Sandnes **Sindre Bergsagel**
Sandvika **Cecilie Tvedt**
Sarpsborg **Tormod Sørum**
Ski **Geir Anders Sundnes**
Skien **Mårten Jacobsson**
Stavanger
- Sentrum **Kjetil Halvorsen**, Acting
- Straen **Ole Henry Slette**

Tromsø **Raymond Brendeløkken**
Trondheim
- Heimdal **Ola Grøtte**
- Leangen **Ole-Martin Smedseng**
- Søndregate **Ola Grøtte**

Tønsberg **Per Skustad**
Ålesund **Steinar Krøvel**

HANDELSBANKEN THE NETHERLANDS

The operations are part of Svenska Handelsbanken AB, The Netherlands branch.

Board

Göran Stille Falsterbo, Chairman
Paul Gerdin Estoril, Portugal
Jens Wiklund Amsterdam

Head

Jens Wiklund Amsterdam

Branch/branch manager

Alkmaar **Ronald Smit**
Alphen aan den Rijn **Edwin Boonk**
Amersfoort **Jeroen Ammerdorffer**
Amsterdam
- Centrum **Jasper Klok**
- Zuid **Daniël van Til**

Apeldoorn **Jeroen Altena**
Arnhem **Patricia Schwalbach**
Bergen op Zoom **Jeroen Wiertz**
Breda **Ton Schröder**
Den Haag **Marc de Brey**
Eindhoven **Pieter van de Koolwijk**
Emmen **Marc Bruin**
Groningen **Erwin van der Steur**
Haarlem **Nicole Broersma**
Het Gooi **Lars Vissers**
Laren **Sharon Peeters**
Leeuwarden **Tammo Oosterhof**
Maastricht **Tim Neu**
Rijnmond Zuid **Wim Tieleman**
Roermond **Luc Geisen**
Rotterdam **Peter Bot**
Schiphol **Caroline Mesters**
's-Hertogenbosch **Nicole van Rijmenam**
Tilburg **Marco van Tongeren**
Twente **Martijn Peters**
Utrecht **Robert van der Kolk**
Zwolle **Peter Hulsbergen**

Meeting places

Schiphol
- Amstelveen **Caroline Mesters**

(E)*= employee representative

OUTSIDE THE NORDIC COUNTRIES, THE UK AND THE NETHERLANDS

Operations are conducted in Svenska Handelsbanken with branches in each country.

China
General Manager **Mikael Westerback**
Hong Kong **Johan Andrén**
Shanghai **Mikael Westerback**

Estonia
General Manager **Annika Nordström**
Tallinn **Jan Nurminen**

France
General Manager **Jörgen Oldensand**, Acting
Nice **Anna Jansson-Clauzier**

Germany
General Manager **Tomas Ejnar**

Latvia
General Manager **Annika Nordström**
Riga **Martins Freibergs**

Lithuania
General Manager **Annika Nordström**
Vilnius **Paulius Zagurskis**

Luxembourg
General Manager **Jörgen Oldensand**, Acting

Poland
General Manager **Marzena Malek**

Singapore
General Manager **Anders Fagerdahl**
Marion Ulander, Acting

USA
General Manager **Susanna Svartz**

REPRESENTATIVE OFFICES

Beijing
Representative **Joakim Hedhill**

Jakarta
Representative **Erik Milfors**

Kuala Lumpur
Representative **Abhinash Murukesvan**

Marbella
Representative **Vibeke Toustrup Bonne**

Mumbai
Representative **Ashish Gupta**

Sydney
Representative **Robert Karlsson**

Taipei
Representative **Amy Chen**

Vienna
Representative **Tomas Ejnar**

Zürich
Representative **Olof Svalborn**

BOARDS OF SUBSIDIARIES

ECSTER**
Board
Göran Stille Falsterbo, Chairman
Yonnie Berqvist Täby
Tina Jansson Stockholm, (E)*
Benny Johansson Stockholm
Agneta Lilja Drottningholm

Chief Executive Ecster
Yonnie Berqvist

EFN**
Board
Michael Green Stockholm, Chairman
Magnus Berglund Saltsjöbaden
Carl Bjurling Enskede
Joakim Jansson Sundbyberg
Ulf Köping-Höggård Lidingö
Katarina Ljungqvist Västra Frölunda

Chief Executive EFN
Mikaela Strand

HANDEL & INDUSTRI**
Board
M Johan Widerberg Gothenburg, Chairman
Bo Annvik Helsingborg
Michael Green Stockholm
Magnus Sternbrink Bromma

Chief Executive Handel & Industri
Magnus Sternbrink

HANDELSBANKEN FINANS**
Board
Göran Stille Falsterbo, Chairman
Martin Blåvarg Stockholm
Marie Järvås Hägersten, (E)*
Maria Lidström Andersson Solna
Erik de la Motte Helsingborg

Chief Executive Handelsbanken Finans
Maria Lidström Andersson

HANDELSBANKEN FONDER**
Board
Michael Green Stockholm, Chairman
Helen Fast Gillstedt Djursholm
Malin Hedman Björkmo Lidingö
Robert Lundin Stockholm, (E)*
Lars Seiz Antibes, France
Göran Stille, Falsterbo

Chief Executive Handelsbanken Fonder
Carl Cederschiöld

HANDELSBANKEN LIV**
Board
Mikael Hallåker Sollentuna, Chairman
Katarina Berner Frösdal Stockholm
Viveca Classon Stockholm
Göran Stille Falsterbo
Anna Hjelmberg Järfälla, (E)*
Joakim Jansson Sundbyberg
Tobias Lindhe Uppsala
Anders Ohlner Malmö

Chief Executive Handelsbanken Liv
Louise Sander

HEARTWOOD**
Board
Ian White Stockport, Chairman
Noland Carter Oxfordshire
Tracey Davidson London
Simon Dixon Battle

Chief Executive Heartwood
Tracey Davidson

OPTIMIX**
Board
Jens Wiklund Amsterdam, Chairman
Edwin van Essen Almere
Gert van Wakeren Soest

STADSHYPOTEK**
Board
Mikael Hallåker Sollentuna, Chairman
Michael Bertorp Stockholm
Göran Stille Falsterbo
Johanna Lundberg Uppsala
Monica Morén Hedemora, (E)*
Ulrica Stolt Kirkegaard Stocksund
Helena Öström Nimander Enebyberg

Chief Executive Stadshypotek
Ulrica Stolt Kirkegaard

XACT KAPITALFÖRVALTNING**
Board
Per Beckman Lidingö, Chairman
Michael Bertorp Stockholm
Gunnar Båtelsson Sandviken
Maria Lönnqvist Bromma, (E)*
Åsa Magnusson Linköping
Lena Munkhammar Solna
Jörgen Oldensand Märsta

Chief Executive XACT Kapitalförvaltning
Pär Nürnberg

(E)*= employee representative
** For the complete name of the company, see note P16.

Definitions and explanations

ALTERNATIVE PERFORMANCE MEASURES

The Bank's financial reports contain alternative performance measures which Handelsbanken considers to provide valuable information to the reader, since they are used by senior management for internal financial control and follow-up of performance and also for comparison between reporting periods.

Alternative Performance Measures (APMs) are financial measures of performance, financial position or cash flow that are neither defined in IFRS nor the capital requirement regulations. These need not be comparable with similar key figures (performance measures) presented by other companies. Calculations of certain performance measures are reported in the Fact Book which is available at handelsbanken.se/ireng.

ADJUSTED EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of equity. Adjusted equity is then divided by the number of ordinary shares at the year-end reduced by buybacks. Where applicable, the dilution effect is taken into account.

C/I RATIO

Total expenses in relation to total income. In segment reporting, profit allocation is included in total income.

EARNINGS PER SHARE

The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

IMPAIRED LOANS

Loans are classified as impaired loans if contracted cash flows are not likely to be fulfilled. The full amount of all claims which give rise to a specific provision is included in impaired loans even if parts are covered by collateral.

IMPAIRED LOANS RESERVE RATIO EXCLUDING COLLECTIVE PROVISIONS

Total provisions excluding collective provisions in relation to gross impaired loans.

LOAN LOSS RATIO

Loan losses and changes in value of repossessed property in relation to loans to the public and credit institutions (excluding banks), and also repossessed property and credit guarantees at the beginning of the year.

P/E RATIO

The share price at year-end divided by earnings per share.

PROPORTION OF IMPAIRED LOANS

Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without deduction for the collateral that is security for the claim.

RETURN ON ALLOCATED CAPITAL

The segment's operating profit after profit allocation, calculated using a tax rate of 22 per cent, in relation to the average capital allocated quarterly during the year.

RETURN ON EQUITY

The year's profit in relation to average equity. Average equity for the last four quarters is adjusted for value changes on financial assets classified as available for sale, derivatives in cash flow hedges, revaluation effects from defined benefit pension plans and a weighted average of new share issues, dividends, and repurchases of own shares.

RETURN ON TOTAL ASSETS

The year's profit in relation to the average of total assets for the past five quarters.

TOTAL IMPAIRED LOANS RESERVE RATIO

Total provisions in relation to gross impaired loans.

TOTAL RETURN

The total of the year's change in share price and paid dividend per share divided by the share price at the end of the previous year.

KEY FIGURES DEFINED IN THE CAPITAL REQUIREMENTS REGULATION

ADDITIONAL TIER 1 CAPITAL
Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

CAPITAL REQUIREMENT
The statutory capital requirement means that an institution which is subject to CRR must have a common equity tier 1 ratio of at least 4.5 per cent, a tier 1 ratio of at least 6 per cent and a total capital ratio of at least 8 per cent. This means that own funds for the respective ratio must be at least the stated percentage of the risk exposure amount. For definitions of the respective own funds amounts, see Common equity tier 1 capital, Tier 1 capital and Total capital. In addition to the general requirements, the supervisory authority may add institution-specific requirements in accordance with second pillar of the regulations.

COMMON EQUITY TIER 1 CAPITAL
Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill and other intangible assets etc. and also for the difference between an expected loss and provisions made for probable loan losses.

COMMON EQUITY TIER 1 RATIO
Common equity tier 1 capital in relation to total risk exposure amount.

COMMON EQUITY TIER 1 RATIO AVAILABLE FOR USE AS A BUFFER
The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal capital requirements.

CREDIT CONVERSION FACTOR (CCF)
The factor that is used when calculating the exposure amount for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance-sheet commitments.

CREDIT VALUATION ADJUSTMENT RISK (CVA)
Credit valuation adjustment risk (CVA) measures the risk that the market value of a derivative will decrease as a result of the creditworthiness of the counterparty weakening. The credit valuation adjustment is a component in the regulations for valuation of derivatives. The adjustment in the value is based on the counterparty's creditworthiness. An exposure to a counterparty with weaker creditworthiness must have a lower carrying amount than the equivalent exposure to a counterparty with better creditworthiness. In this context, credit risk means that if a given counterparty's creditworthiness weakens, the balance sheet values of all derivative transactions with this counterparty with a positive market value decrease – and thus the Bank's equity decreases. To factor in this risk in the capital adequacy, the credit valuation adjustment risk has been introduced as part of the capital adequacy regulations.

EXPOSURE AMOUNT
Exposure amount (exposure at default) is the amount which is subject to capital adequacy requirements. It is calculated inclusive of interest and fees. Amounts for off-balance-sheet items are recalculated with the credit conversion factor (CCF). For derivatives, the exposure amount is calculated as positive MTM (mark-to-market) plus value change risk, i.e. the nominal amount multiplied by the upward adjustment factor.

EXPOSURE VALUE
Exposure value is the same as exposure amount. The exposure value concept is used in the standardised approach for credit risk.

LEVERAGE RATIO
Tier 1 capital in relation to total assets, including certain off-balance-sheet items recalculated with conversion factors defined in the standardised approach and regulatory adjustments from own funds.

LIQUIDITY COVERAGE RATIO (LCR)
High-quality liquid assets in relation to an estimated net outflow of liquidity over a period of 30 days.

OWN FUNDS/TOTAL ASSETS
Own funds are the sum of tier 1 and tier 2 capital.

RISK EXPOSURE AMOUNT
The capital requirement in accordance with CRR, multiplied by 12.5. The risk exposure amount is used in conjunction with market risk and operational risk.

RISK WEIGHT
A measure to describe the level of risk an exposure is expected to have according to the capital adequacy regulations.

RISK-WEIGHTED EXPOSURE AMOUNT
Exposure amount multiplied by risk weight. Risk-weighted exposure amount is used in conjunction with credit risk and counterparty risk.

TIER 1 CAPITAL
Common equity tier 1 capital including additional tier 1 capital.

TIER 1 RATIO
Tier 1 capital in relation to total risk exposure amount.

TIER 2 CAPITAL
Tier 2 capital is a sub-component of the capital base and mainly comprises subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 2 capital.

TOTAL CAPITAL RATIO
Total capital in relation to total risk exposure amount.

TOTAL RISK EXPOSURE AMOUNT
Total risk exposure amount is the sum of risk exposure amount and risk-weighted exposure amount.

EXPLANATIONS

BENCHMARK EFFECT
The benchmark effect refers to differences between the interest-fixing periods of lending and funding that result when Stadshypotek's issues mature at nine-month intervals while new lending to customers occurs daily. The effect varies from quarter to quarter but approaches zero over the long term.

CRR
CRR is the EU capital requirements regulation for credit institutions and investment firms: Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

ITRAXX
ITRAXX Financials is an index of CDS spreads (credit default swaps) for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

NON-RECURRING ITEMS
Non-recurring items are items which Handelsbanken deems to be of a one-off nature. These are specified in Handelsbanken's Fact Book, which is available at handelsbanken.se/ireng.

OTC DERIVATIVES
Over-the-counter derivatives are uncleared tailor-made derivatives.

PREMIUMS WRITTEN
A concept used within the Bank's insurance operations denoting mainly the total of insurance premiums paid in during the year.

RISK RESULT
A concept used in the Bank's insurance operations. The year's risk result is the difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance events.

SOCIAL SECURITY COSTS
Fees for financing the social security systems. This comprises employers' contributions and special payroll tax in Sweden and equivalent taxes and charges elsewhere.

SOLVENCY RATIO
A concept used in insurance operations. The solvency ratio equals own funds divided by the solvency capital requirement and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

SPECIAL ITEMS
Special items are items which tend to vary between financial reporting periods, such as provisions to the Oktogonen profit-sharing foundation, and which Handelsbanken has specified in detail to facilitate comparison of financial performance.

YIELD SPLIT
When the total yield exceeds the guaranteed return for insurance with a guaranteed return, the insurance company will receive 10 per cent of the total yield as its share in the yield split.

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Nordic Swan Ecolabel, printed matter, 3041 0298

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