

Handelsbanken

Investor Presentation
London

6 October 2014

Bengt Edholm Head of Treasury

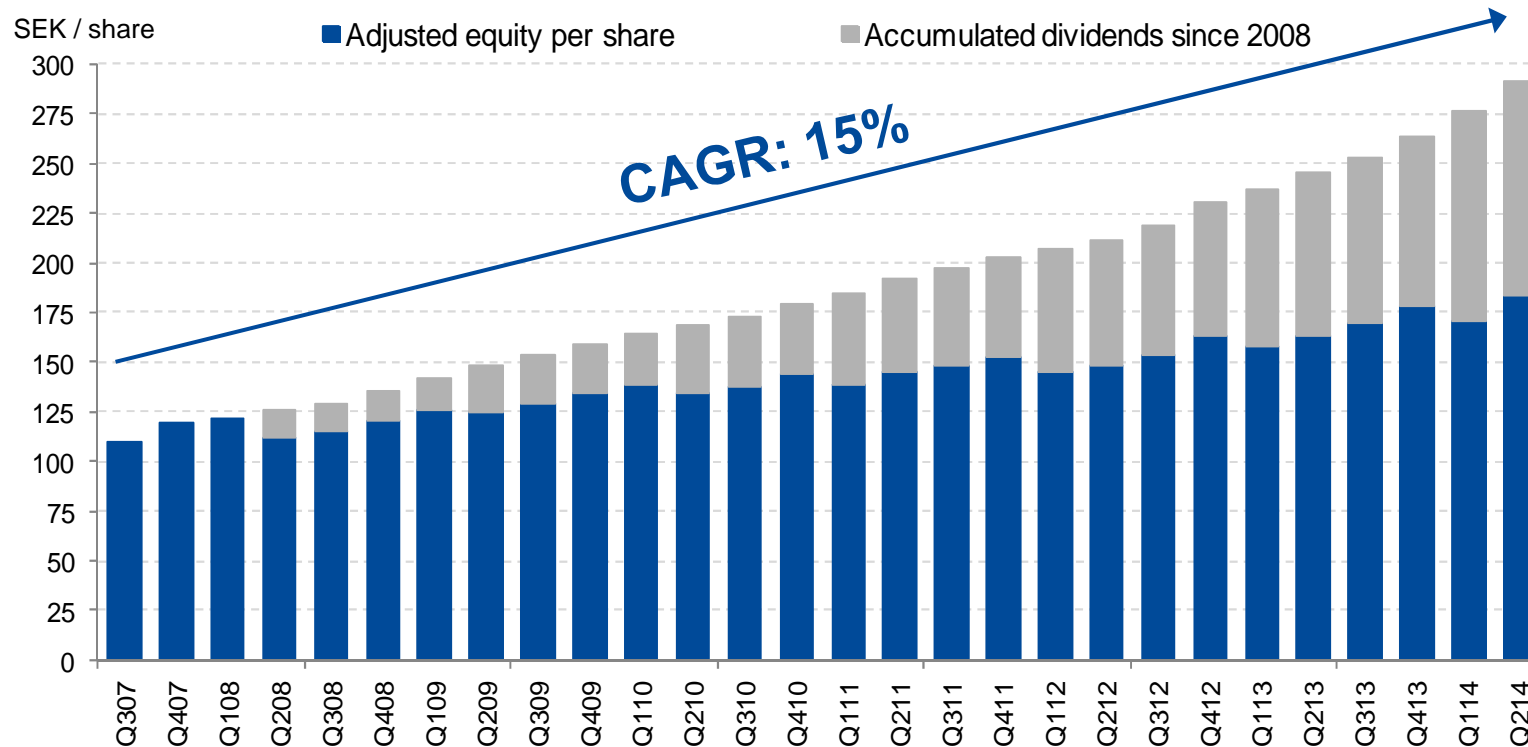
Lars Höglund Head of Debt IR



High and stable profitability with high growth and low volatility

Without any need of support from central banks, government or shareholders

Handelsbanken's development during the financial crisis



Dividends reinvested in ROE per quarter
CAGR = Compounded Annual Growth Rate

Key highlights

- Leading bank in Sweden with major operations in Norway, Finland, Denmark and UK
- Netherlands a new home market from 2013
- Founded in Sweden in 1871, oldest quoted stock in Sweden
- Conservative risk profile and underwriting standards result in sustained low credit losses
 - loan loss ratio 7bp in 2013 and in H1 2014
- Strong capitalisation
 - Q2 2014: CET1 ratio of 20.1% and total capital ratio of 25.0%
- Balance sheet totally structured on own commercial grounds
 - no government guaranteed funding or need to use any central bank liquidity facilities
 - no participation in ECB's LTRO programmes
 - no equity rights issue during the financial turbulence
- Unencumbered assets cover unsecured funding by more than two times
- Liquidity reserves of SEK >800bn
- Lowest CDS spread of any bank in Europe
- >12 % ROE every quarter throughout the crisis
 - 13.9% in 2013 and 14.3% in H1 2014
- Handelsbanken's credit rating: AA-/AA-/Aa3 from S&P/Fitch/Moody's

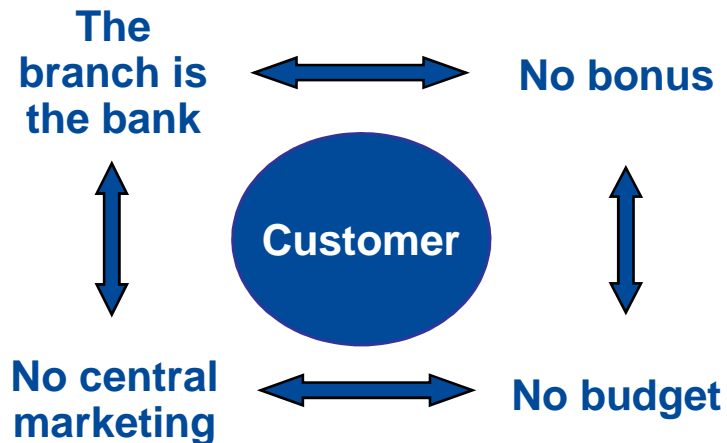
Unchanged business model for 42 years

Financial goal – focus on profitability

To have a higher return on equity than a weighted average of comparable peers

This goal has been reached each and every year for 42 years

Decentralisation









Non-negotiable

- Credit policy
- Business control system
- Responsibility and Accountability

Other key features

- Focus on profitability – not volumes
- Organic growth
- Not a mass market bank
- Minimise risks – no macro bets

Handelsbanken has six home markets

	Sweden 462 branches
	Norway 50 branches
	Finland 46 branches
	Denmark 57 branches
	UK 176 branches *
	The Netherlands 20 branches



* Including six appointed branch managers in UK and two in NL

Outside its home markets, the bank has operations in 28 locations in 18 countries :

Branches (19):

- USA** (New York)
- Singapore**
- Germany** (Düsseldorf, Essen, Frankfurt, Hamburg, Mannheim, Munich, Stuttgart)
- France** (Paris, Nice)
- Greater China** (Hong Kong, Shanghai)

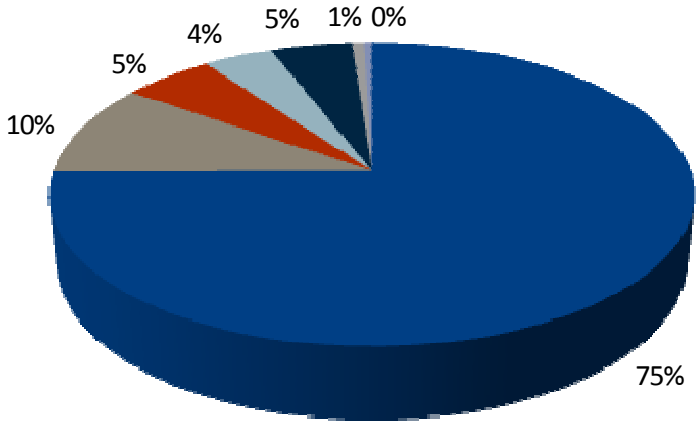
- Poland** (Warsaw)
- Austria** (Vienna)
- Estonia** (Tallinn)
- Latvia** (Riga)
- Lithuania** (Vilnius)
- Luxembourg**

Representative offices (9):

- Beijing
- Kuala Lumpur
- Marbella
- Moscow
- Mumbai
- São Paolo
- Sydney
- Taipei
- Zürich

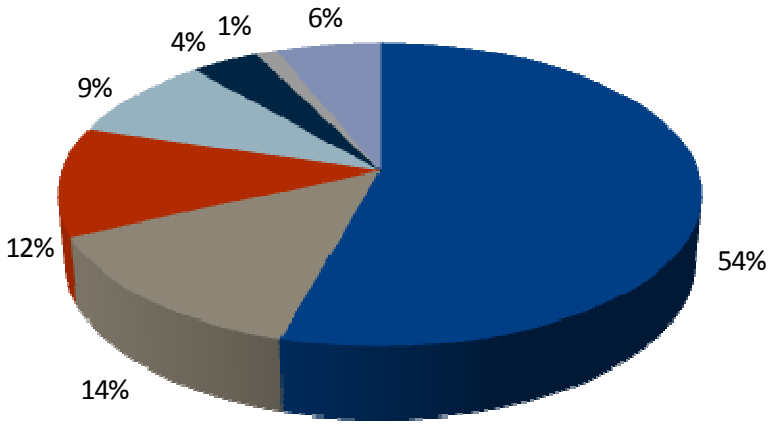
Total lending, June 30 2014

Households: EUR 94bn
(SEK 865bn)



Sweden Norway UK Finland
Denmark Netherlands Other

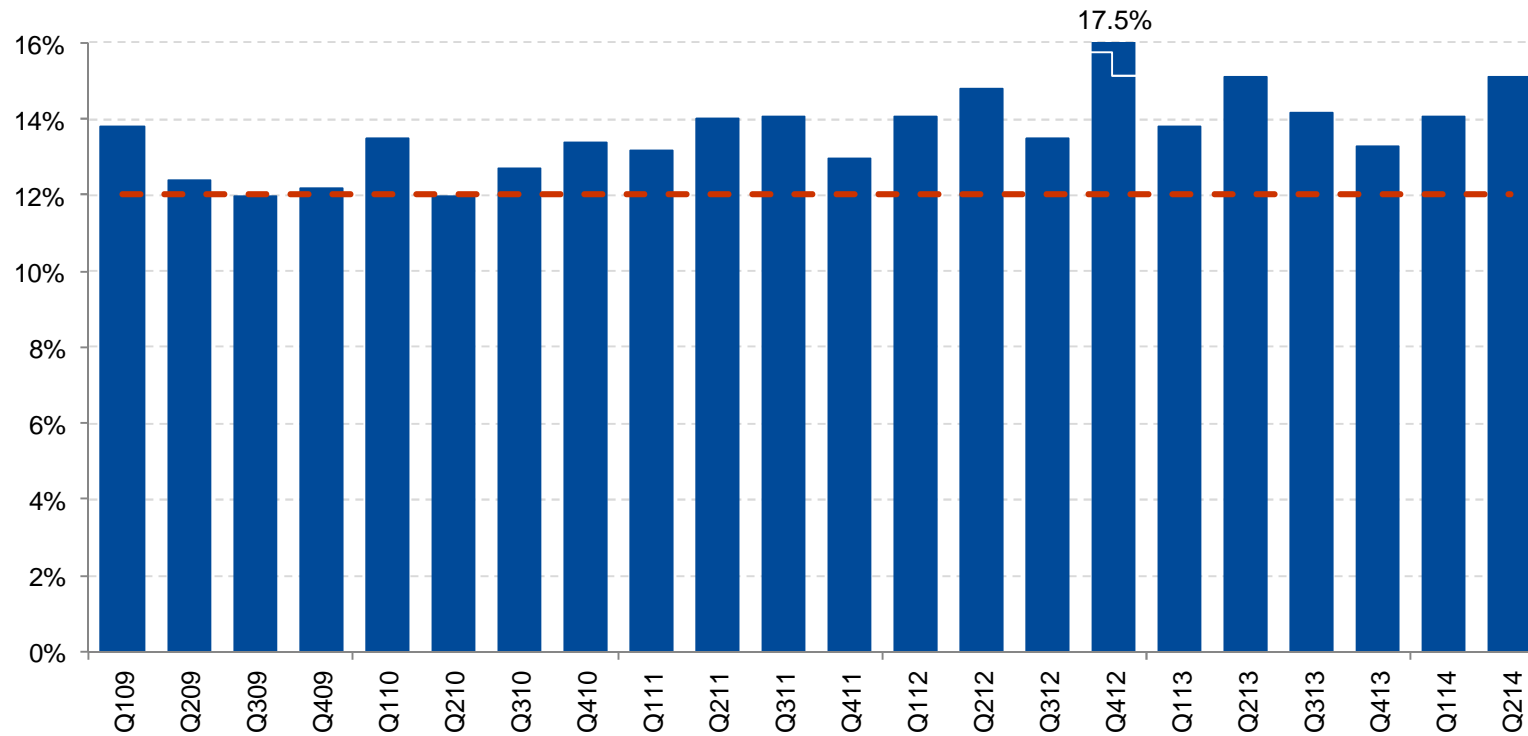
Corporates: EUR 96bn
(SEK 888bn)



Sweden Norway UK Finland
Denmark Netherlands Other

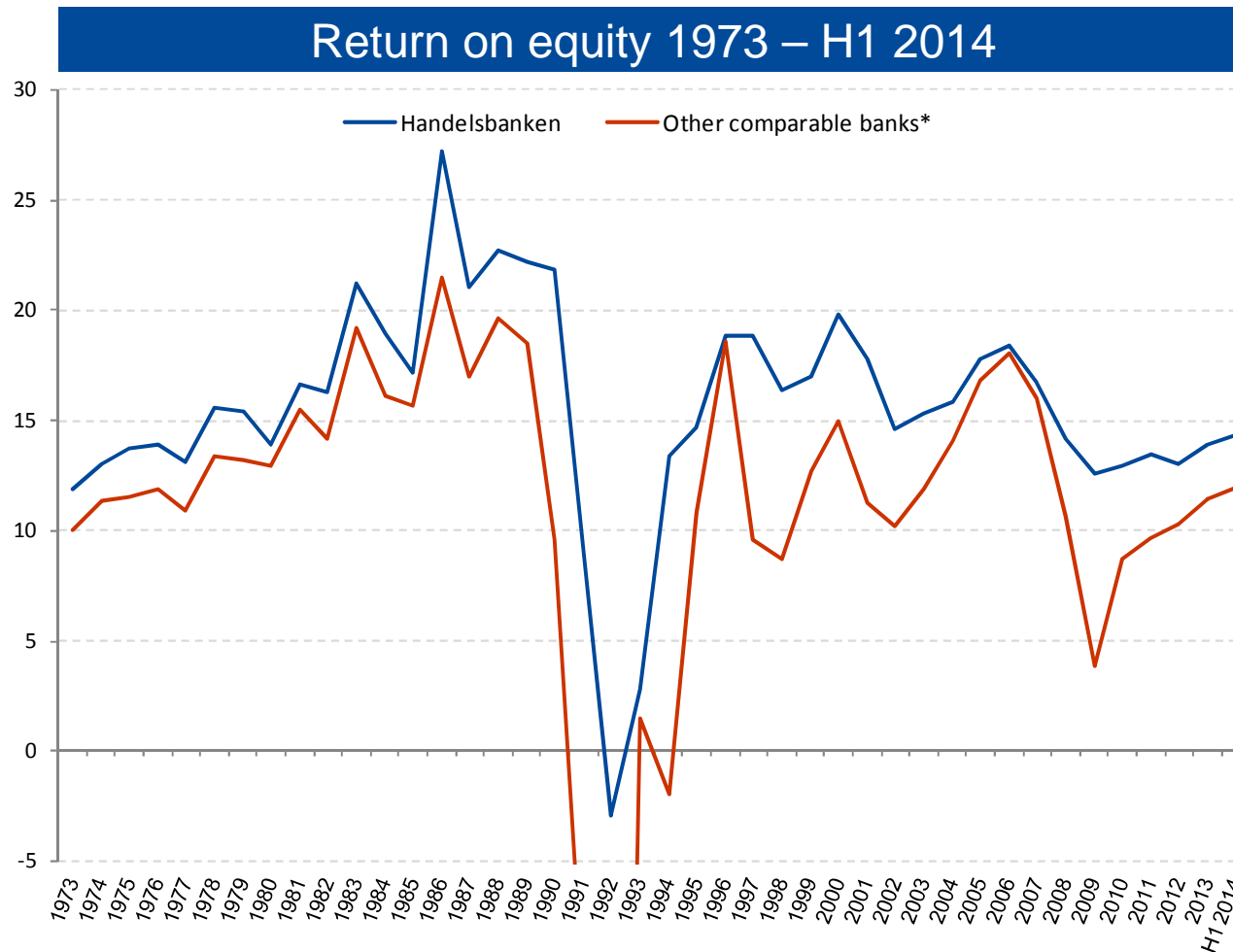
Earnings stability in an unstable environment

ROE has not been below 12% any single quarter during the financial crisis



As of 1 January 2013, changed accounting regulations for pensions apply (revised IAS 19)
The figures have been adjusted as from Q1 2012

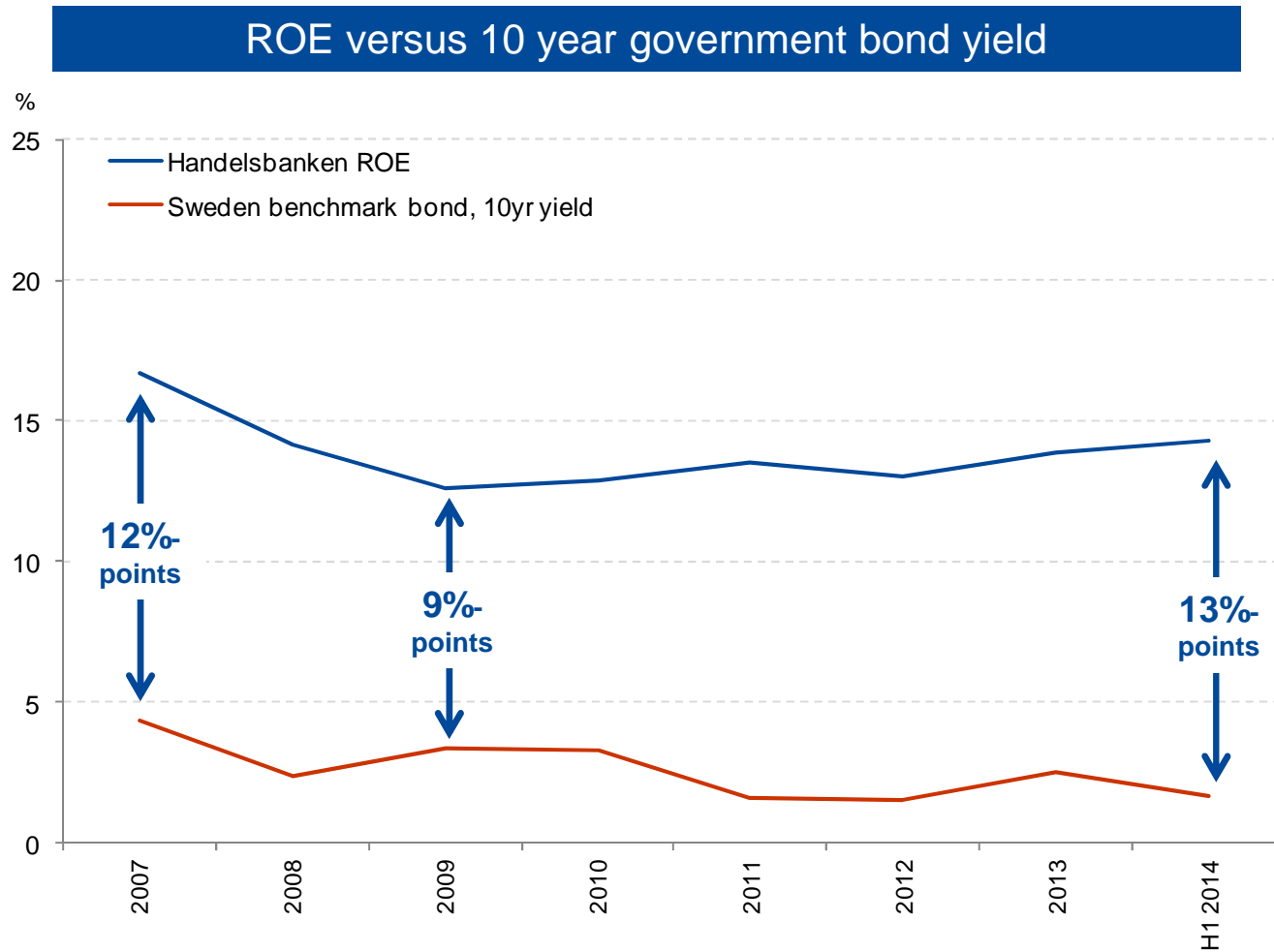
Target of higher ROE than peers reached for 42 years



Return on shareholder's equity after tax (1973-2008: standard tax), adjusted for one-off items

* Comparable banks: SEB, Nordea, Swedbank and since 2003 also Danske Bank and DNB

Stable ROE relative to “risk free interest rate”



- Stability in ROE premium over the business cycle confirms the Bank's low risk profile

Return on shareholder's equity after tax, excluding non-recurring items

Source: Handelsbanken and Factset

Geographical organisation

- One branch = One geographical area = One P&L

With:

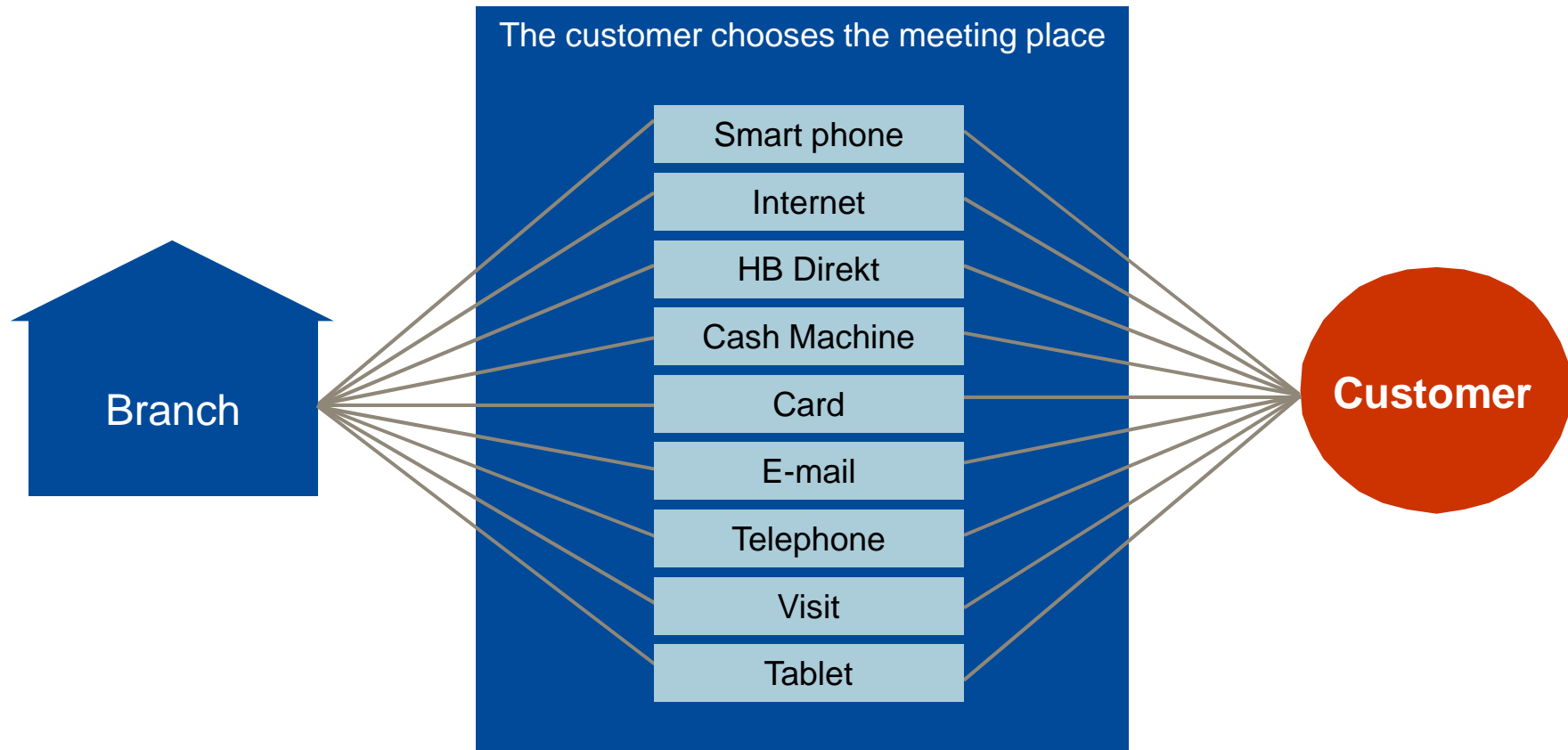
- Responsibility for all customers within its area
- All revenues/costs allocated to the branch regardless of product or how and where the transaction was made
- Supporting the branch the only task for central units

Handelsbanken in Karlskrona



Easy for the branch to understand how it is contributing to group profitability
Repeatable and scalable

All roads lead to the branch



Technological trends make branches less and less expensive

- Cables → Wireless
- Less cash → Less security investments
- IP technology make call centres redundant
 - If the call is not answered at the customer's branch, it can automatically be redirected to the closest neighbouring branch
- Digital signatures → paperless processing



Local presence increases customer satisfaction and secures superior local information

- Engagement in the local society creates customer loyalty
- Builds trust
- The town's own bank → customers always meet the decision maker
- Knowledge about customers → individualised personal service
- Local and early information → superior credit risk assessment

Local presence



Personal service



Unique local knowledge



40 years of decentralisation key to the bank's operational efficiency

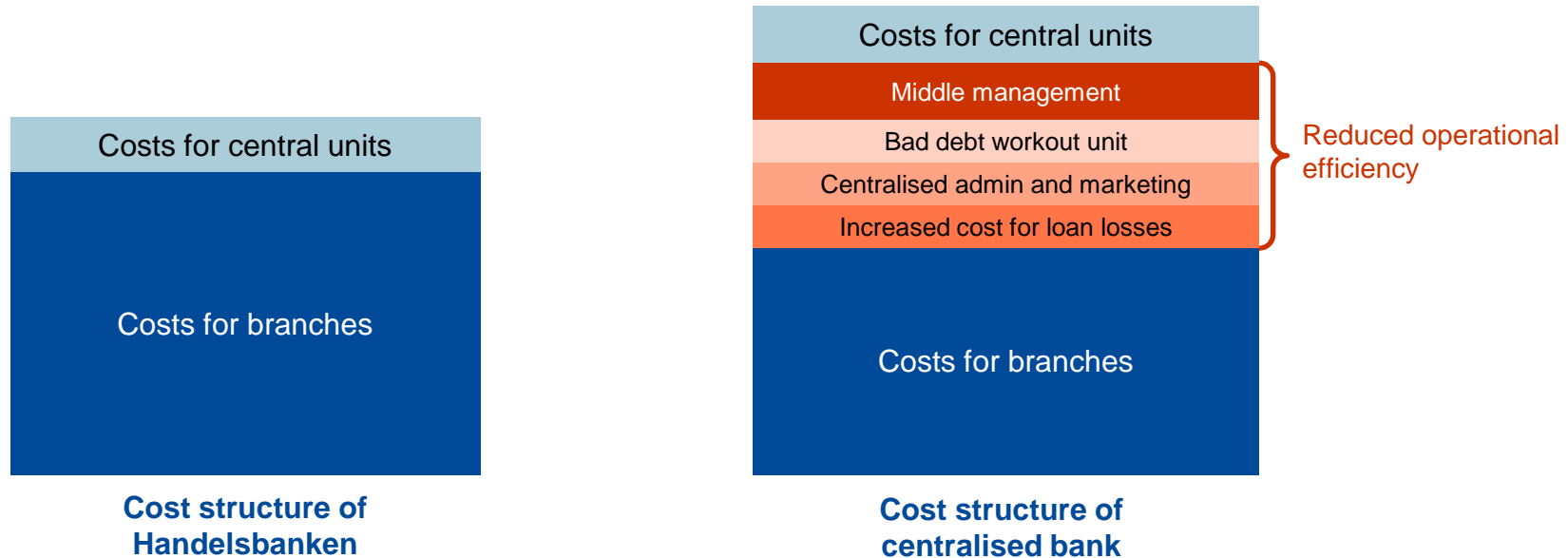
- Local decision making reduces the need for central functions and middle management
 - Requires a niched and well defined business model and strong corporate culture
 - Requires disciplined behaviour from central levels to uphold local accountability
 - Requires a strong business control system

Flat organisation with fewer people - only three decision levels



In our model branches create superior cost efficiency

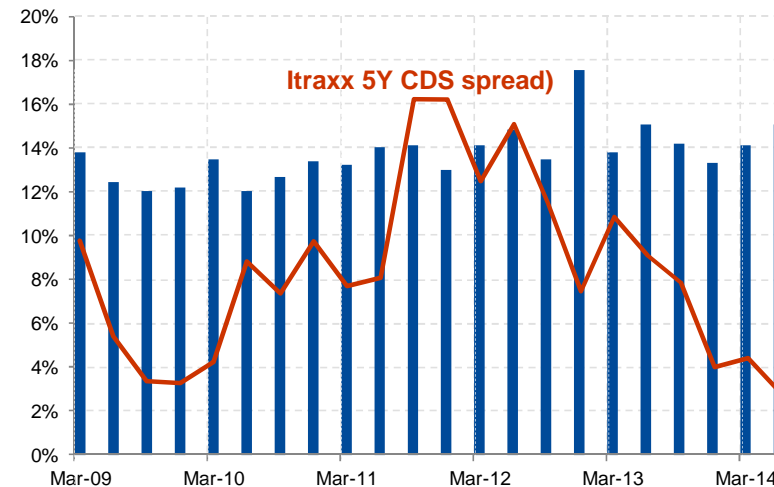
Decentralisation key to the bank's operational cost efficiency



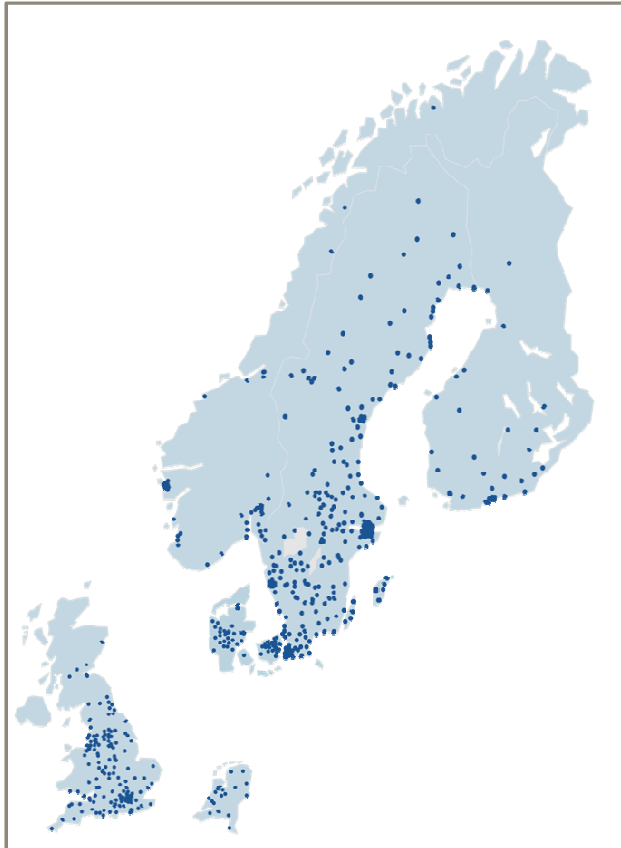
Decentralisation enables quick adaption to changes in operating environment

- Local organisation not governed by budgets and long-term plans
- Closeness to the market and local decision power create ability to quickly change with the market
- The ability to change reduces macro risks
- Creates a stable performance also in volatile market conditions

Stable ROE despite volatile environment

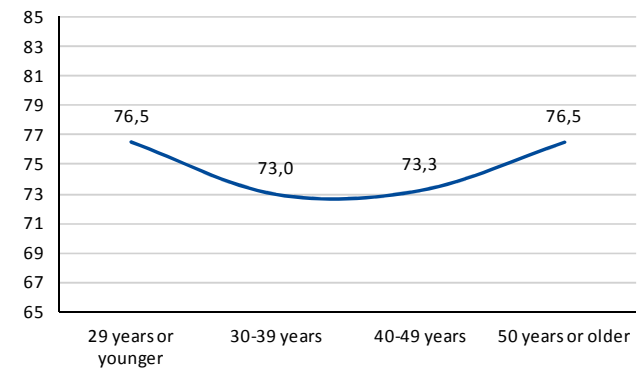


Local presence and digital technology



- Digital technology improves cost efficiency of branches
- Mobile banking very convenient for customers.....
-, but also increases the value of the branch and face-to-face contact when needed

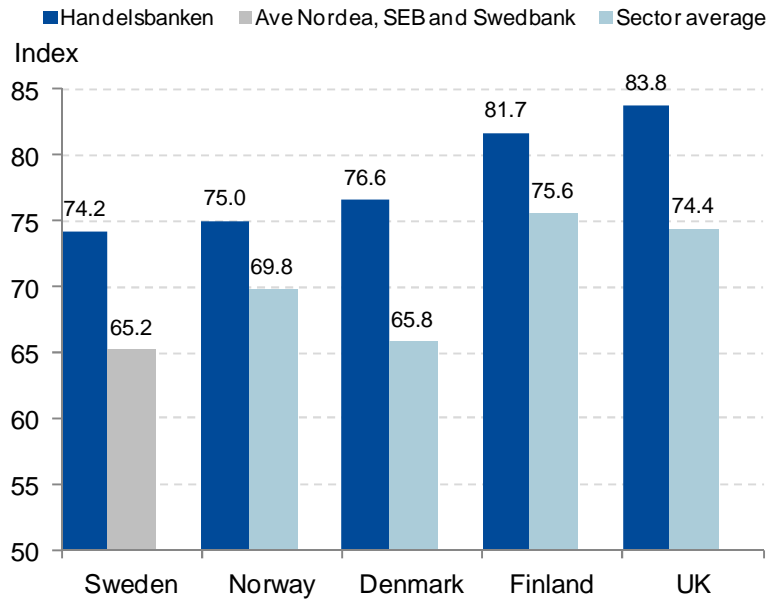
Customer satisfaction – Branch visit (Index)*



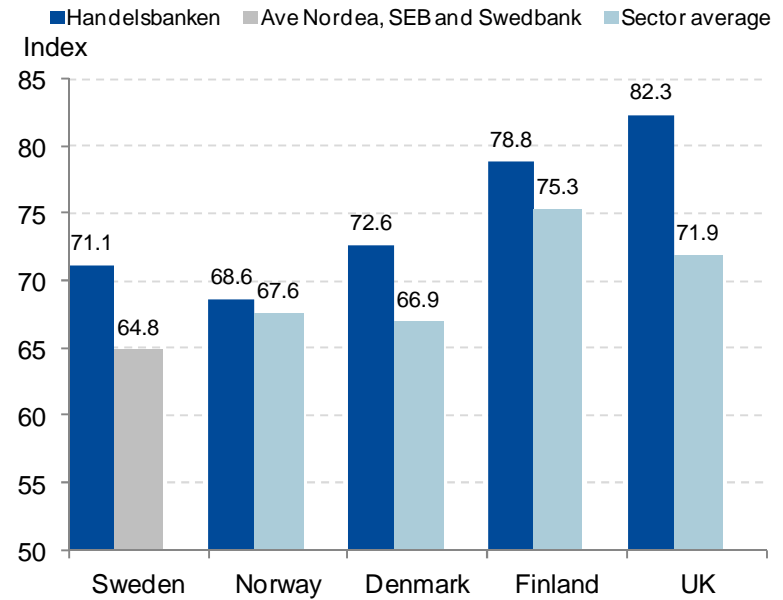
* Source: SKI/EPsi

More satisfied and loyal customers in all home markets*

Customer satisfaction Private



Customer satisfaction Corporate

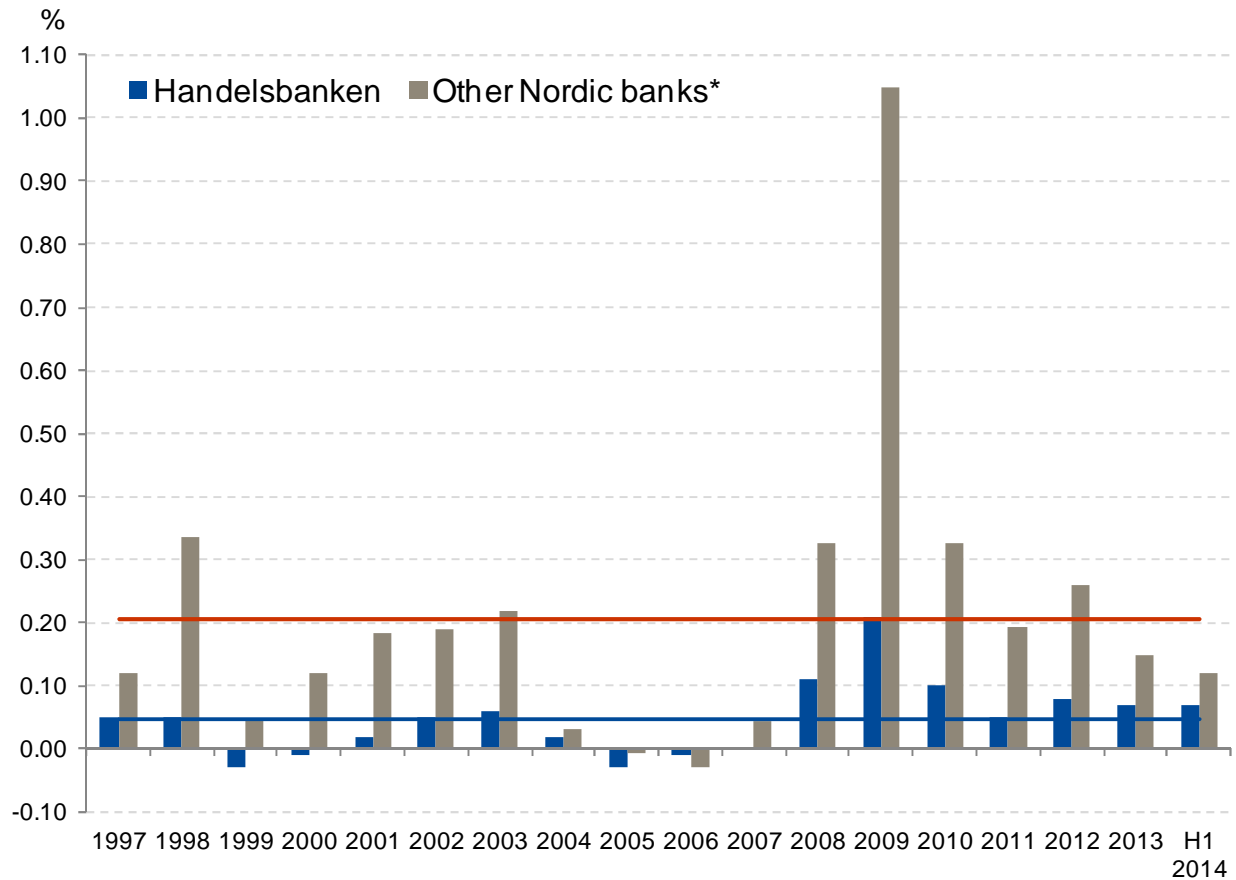


Source: SKI and EPSI 2013. In the Norwegian survey all Norwegian banks are included

* The home market in Netherlands is not included as there it has not yet been included in any similar survey

Lower loan losses

1/4 of the average loan losses for peers in 1997 – H1 2014



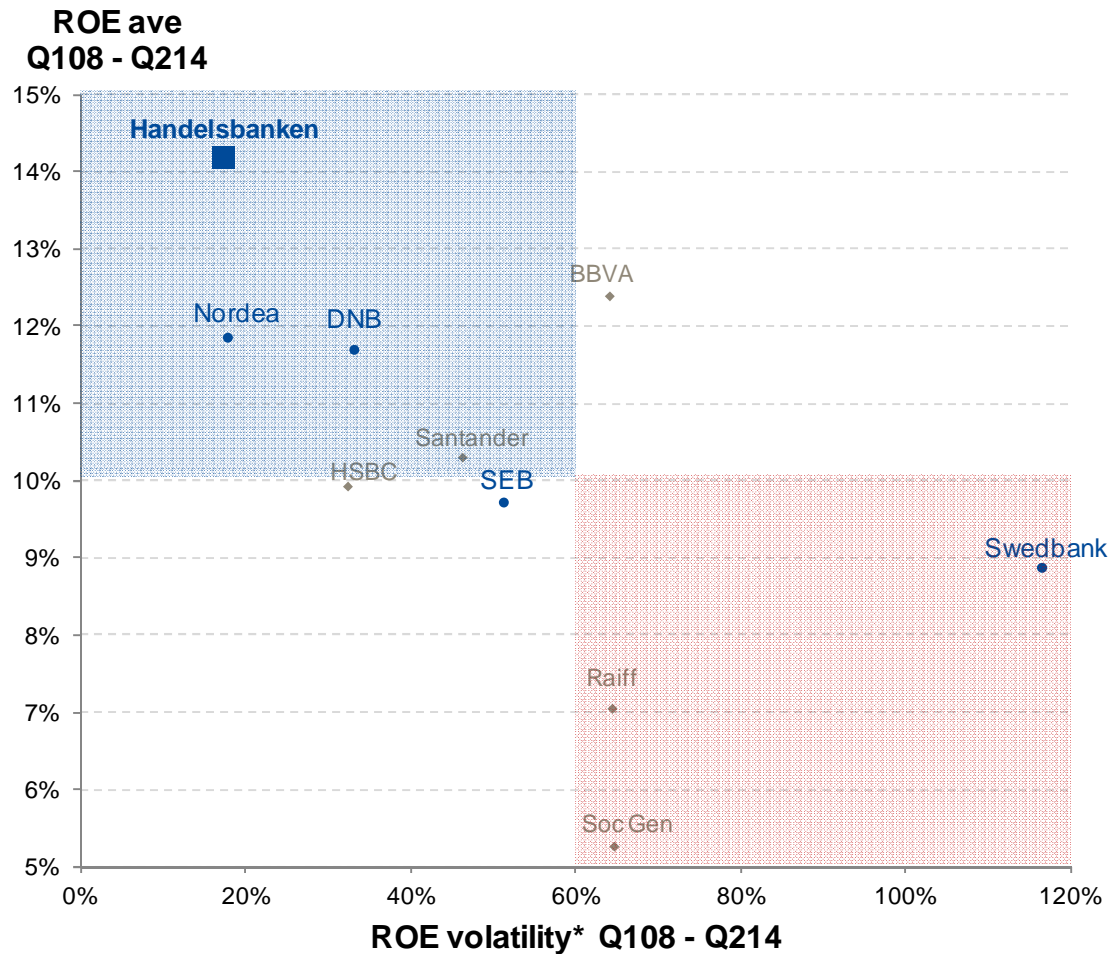
Average 1997 – H1 2014:

Annual average other Nordic banks **20.4bp**

Annual average SHB **4.8bp**

* Arithmetic mean of loan loss ratio for other listed Nordic banks: SEB, Nordea (Nordbanken), Swedbank, Danske Bank and DNB.

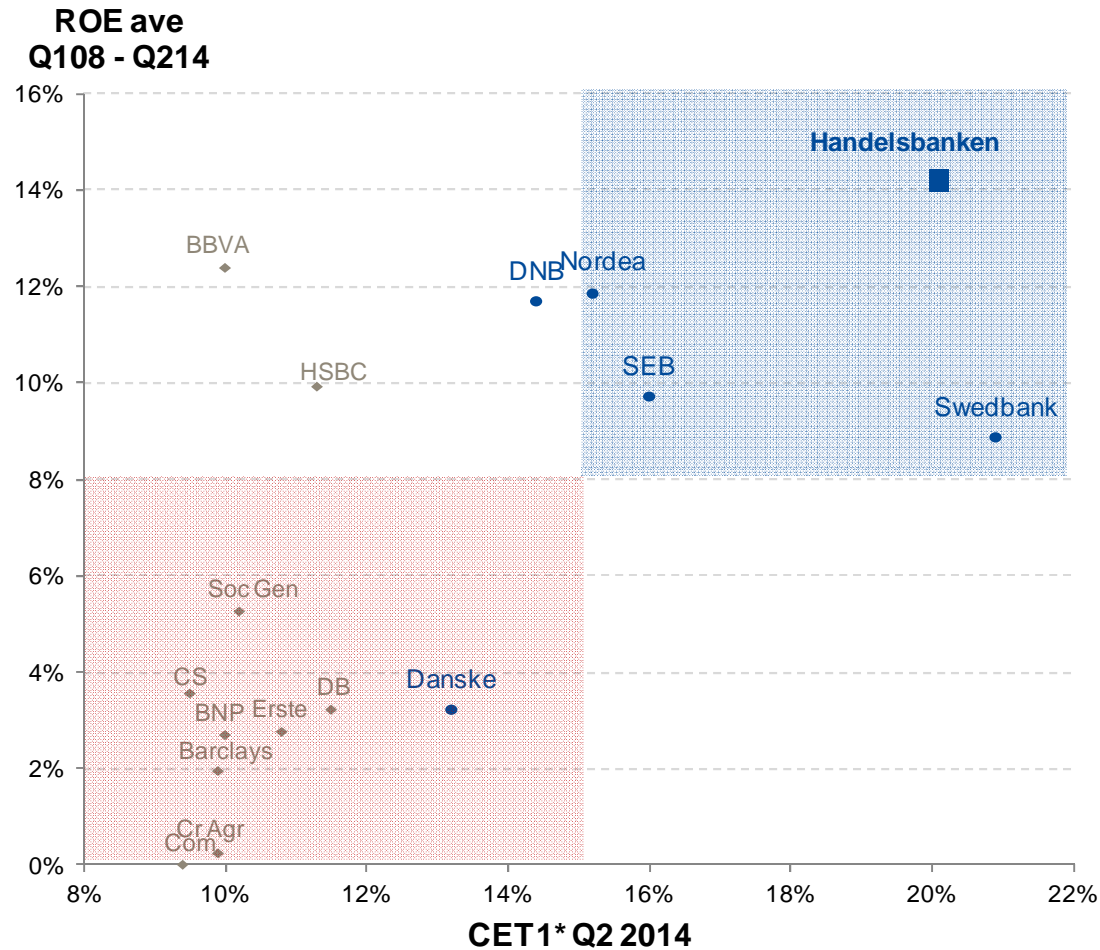
Superior and more stable profitability



Source: SNL

* Coefficient of variation calculated as standard deviation of reported ROE in Q1 2008 – Q2 2014 over the mean of the same data series

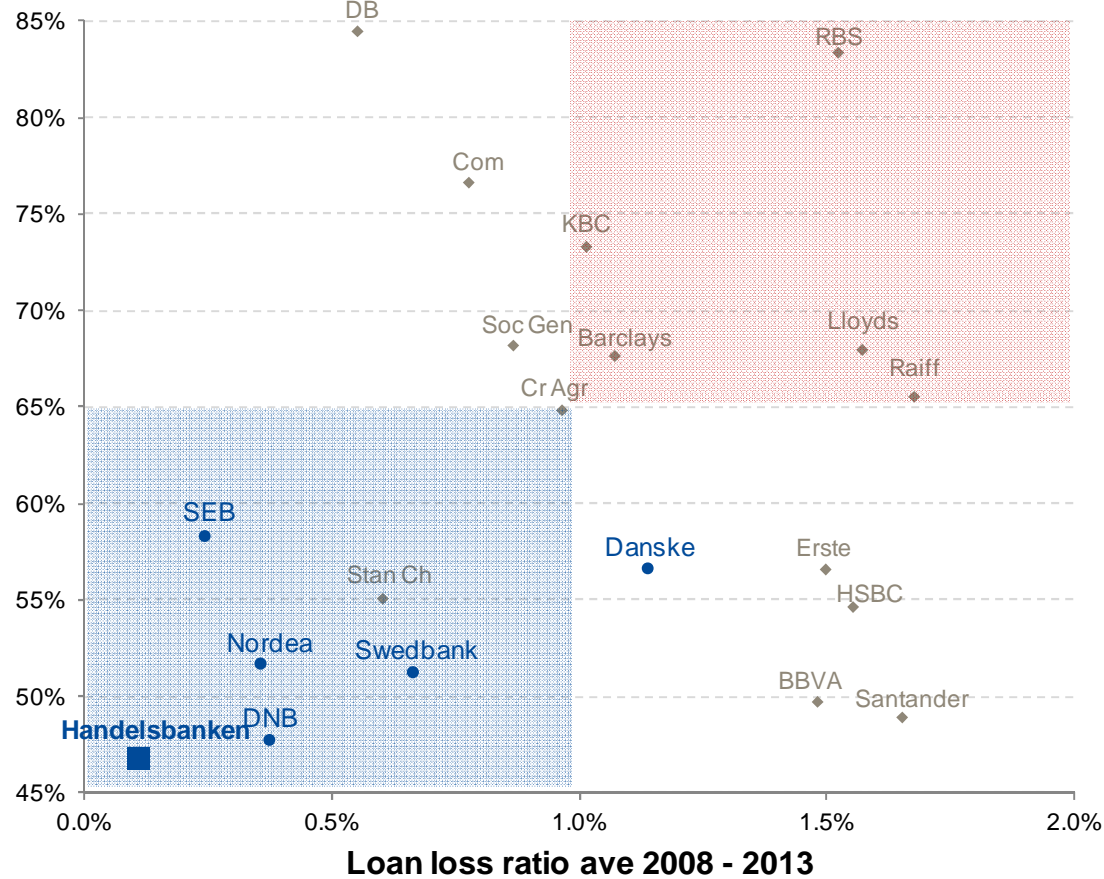
Higher ROE despite strong capitalisation



Source: SNL
* CRD IV

Consistent operational and risk management excellence

**C/I ratio ave
2008 - 2013**



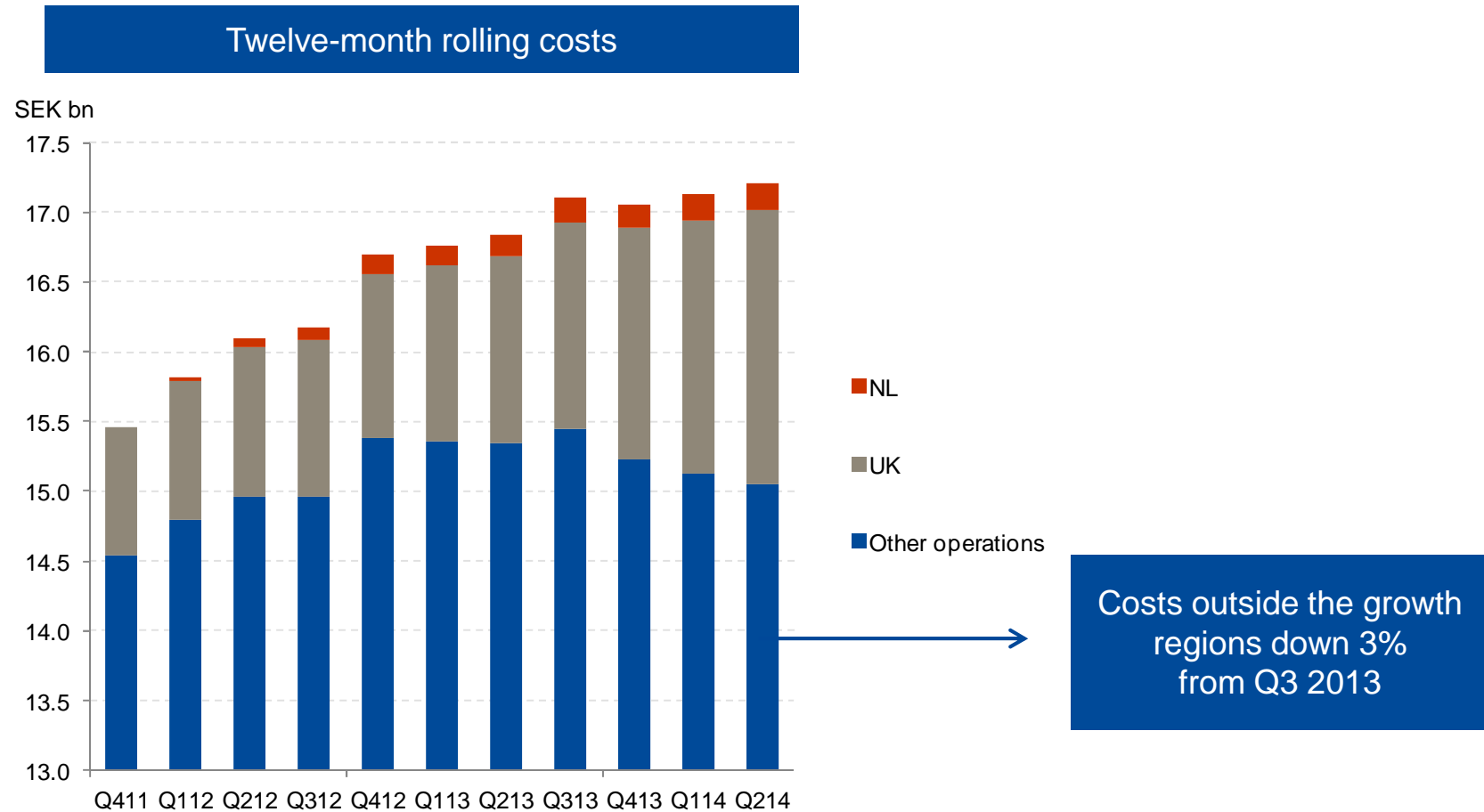
Source: SNL

Double digit ROE in all home markets

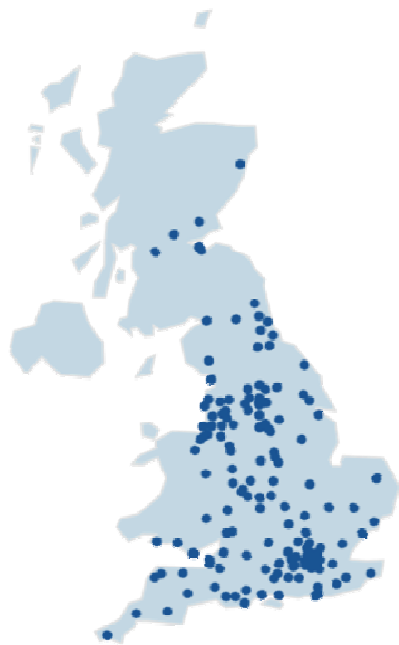
	Jan-Jun 2014
Branch operations in Sweden	15.5%
Branch operations in UK	15.1%
Branch operations in Denmark	14.9%
Branch operations in Finland	12.1%
Branch operations in Norway	16.1%
Branch operations in NL	10.6%
Handelsbanken Group	14.3%

In Handelsbanken's niched and decentralised business model, the need for scale is limited

Unchanged cost base despite expansion



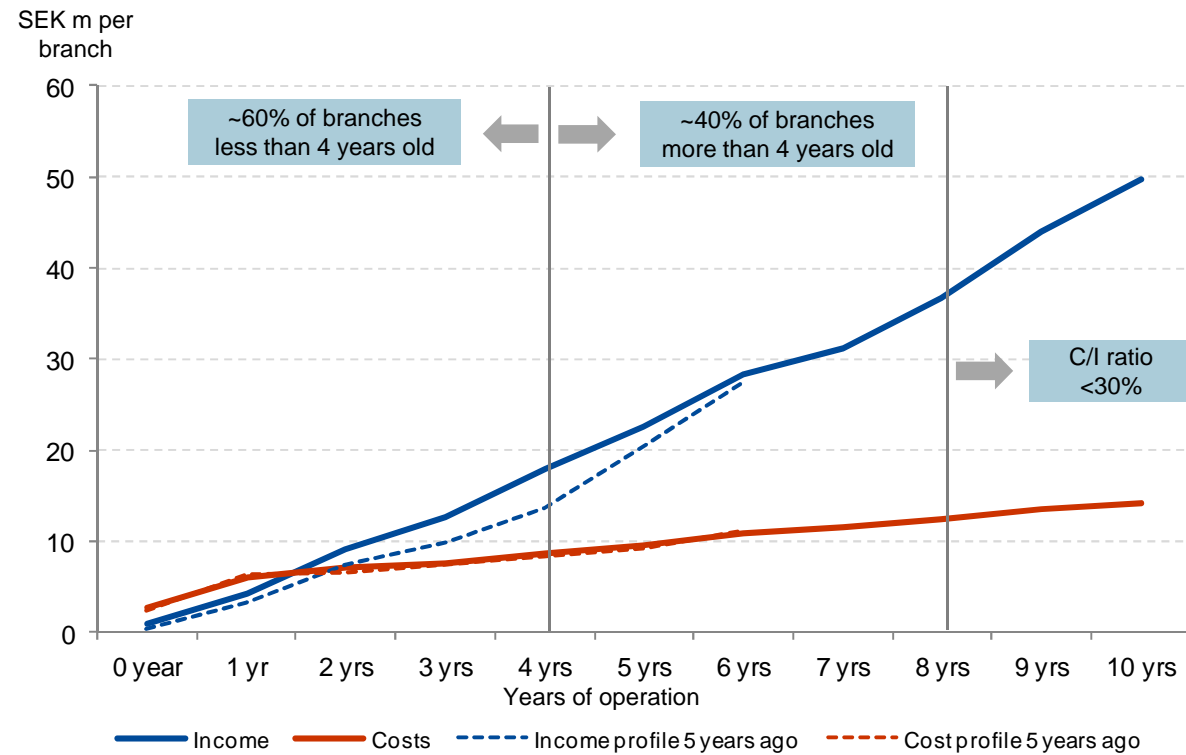
UK



Continued expansion and increased availability

- 176 branches including appointed branch managers
- More than 1,600 employees in the UK
- Earnings increased by 38% in local currency in H1 compared with 2013

Income and expense trend in branches in the UK*



* Stable explanation variable for earnings growth

Financial stability

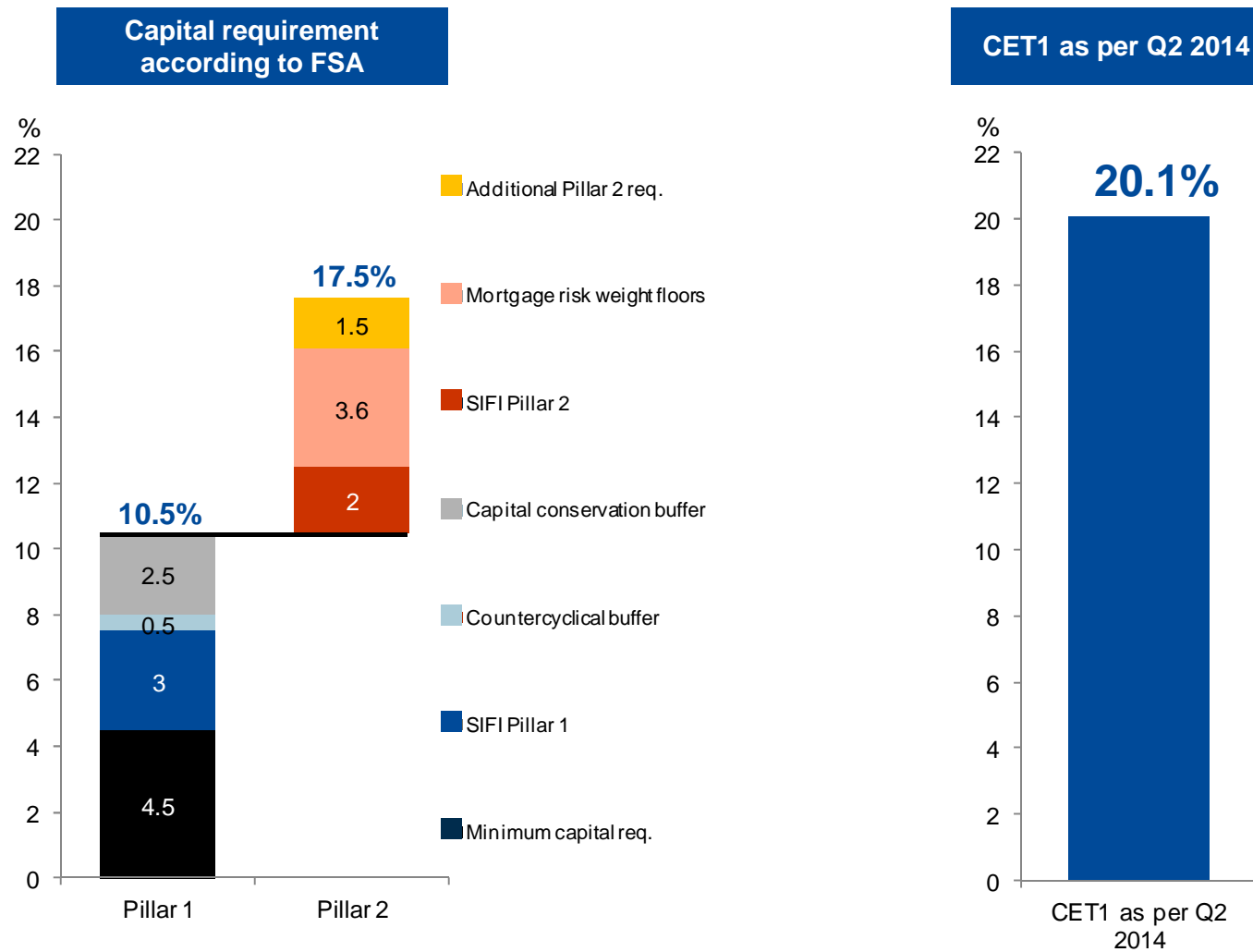


	30 Jun 2014	31 Dec 2013	Change
Capital CRD IV, %			
Capital ratio, %	25.0	21.6	+3.4
Tier 1 ratio, %	21.7	21.0	+0.7
Common equity tier 1 ratio, %	20.1	18.9	+1.2
Total capital base, SEK bn	124.2	106.4	+17.8
Common equity tier 1 capital, SEK	99.8	93.0	+6.8

	30 Jun 2014
Liquidity	
LCR Total*	149%
LCR EUR*	190%
LCR USD*	127%
LCR according to CRD IV	162%

* According the Swedish FSA's definition

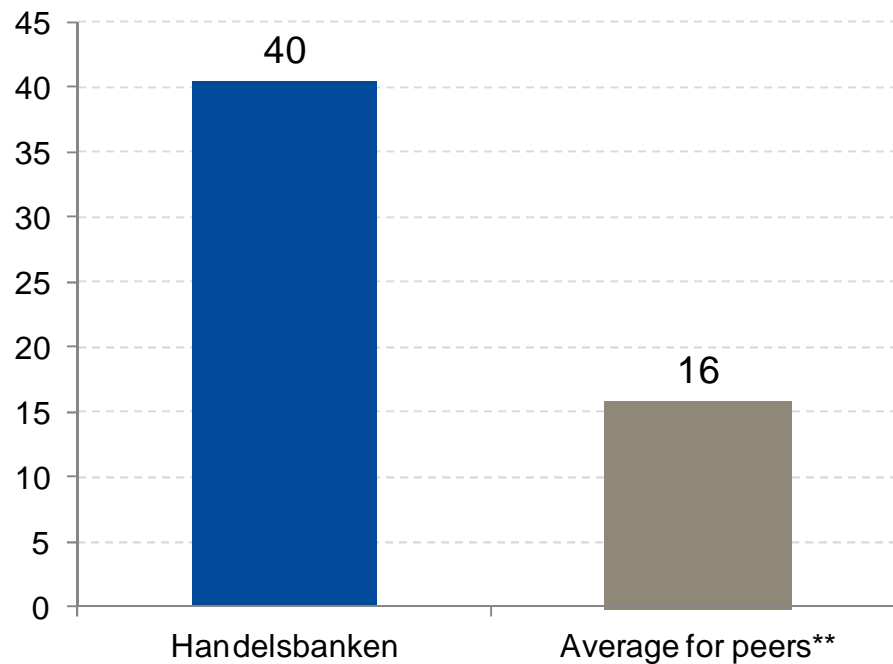
Swedish FSA has created large but flexible capital buffers



Capital requirement vs. annual loan losses



Capital requirement for credit risk as a multiple of annual loan losses*



Handelsbanken's capital requirement for credit risk equals **40** times an annual loan loss level*

... versus **16** times on average for peers

* Capital requirement for credit risk in H1 2014 divided the average loan loss ratio in 1997 – H1 2014 multiplied by current lending

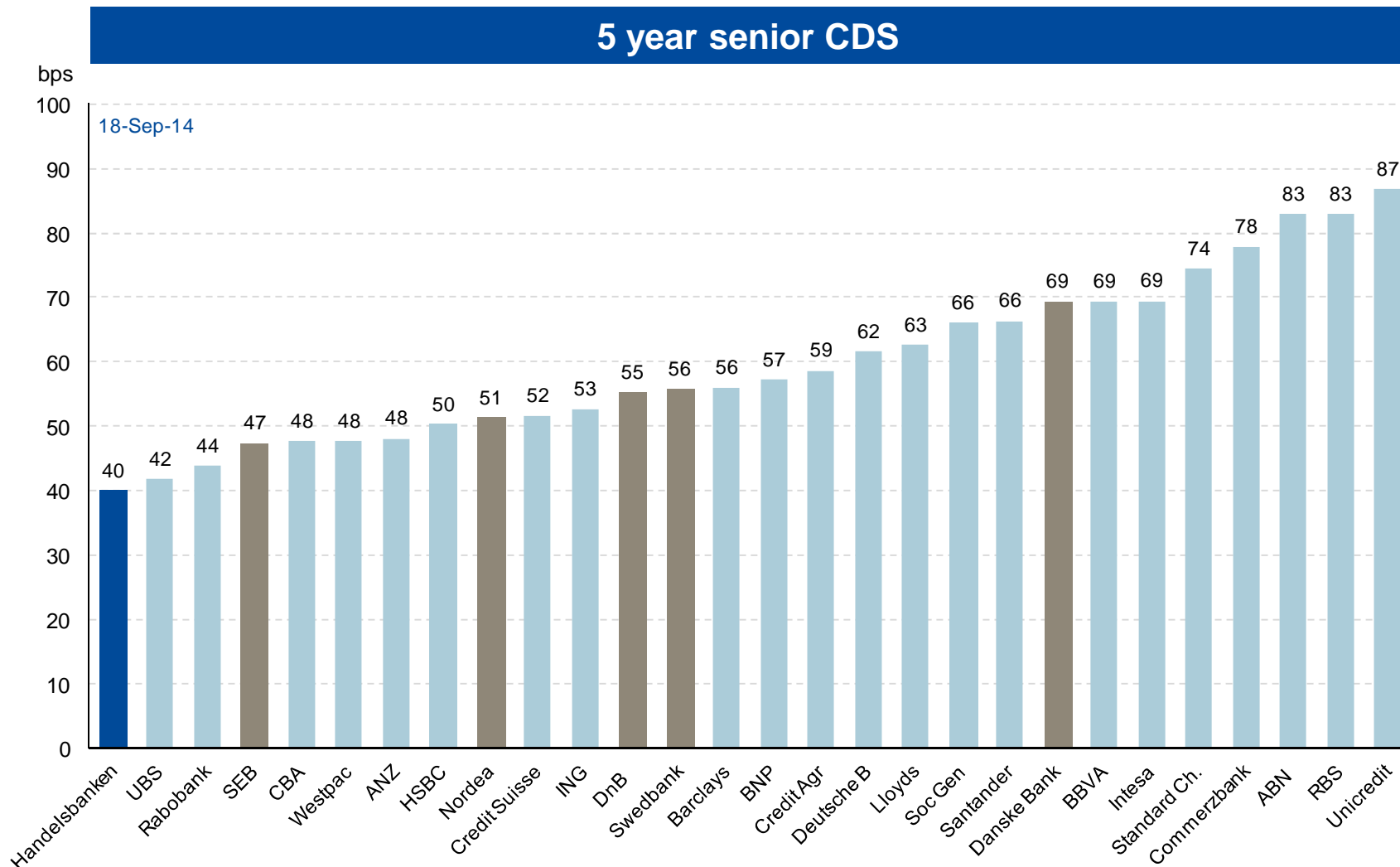
** Peer banks include Danske Bank, DNB, Nordea, SEB and Swedbank

Proposed Swedish implementation of BRRD

- Government commission to set up resolution rules was appointed already in 2011. It worked in parallel with the BRRD, hence an implementation proposal was put in place already in July 2014.
- Very thorough thoughts on how a crisis should be dealt with, continued work since the crisis of the 1990's. Clear frustration with some aspects of the BRRD.
- The BRRD is not well suited for a systemic crisis linked to macroeconomic problems – only pure liquidity support from the central bank is allowed, other support should in principle be combined with bail-in measures. However, the commission stresses that public measures should be taken early in a systemic crisis, in order to prevent a system wide liquidity crisis to occur. But if measures are taken early, it doesn't make sense to bail-in debt holders, since the loss of capital is not large enough to motivate the measure. The Swedish proposal of implementation of the BRRD is focused on making early intervention work.
- The proposed law on pre-emptive government support makes it possible to give liquidity support in a systemic crisis to viable and solvent banks. Since the BRRD requires that such support is combined with bail-in measures, the fact that the support is given to solvent banks, means that bail-in should not be economically meaningful, hence the bail-in ratio can be set to zero. There are substantive financial resources for the provisioning of this support – the Stability Fund consisting of 40 BSEK.
- The implementation proposal of BRRD shows that the propensity to discretionary write down or convert capital instruments outside of resolution should be limited – PONV should only occur at a stage very close to resolution. Write down/conversion outside resolution should only occur either when a) the measure is sufficient to restore the viability of the institution or b) other supervisory or private measures to restore the institution would not be sufficient. Even if the bank is given pre-emptive government support, conversion doesn't have to take place if that is not merited by the level of the capital. The scope for discretionary conversion/write-down above the trigger level by the supervisor should thus be very limited, especially given the size of the capital buffers above the trigger levels for a bank as Handelsbanken. As a reference, the distance for Handelsbanken between the CET1-ratio at 20.1 % for Handelsbanken and an anticipated MDA-level at 10.5 % is as large as 9.6 percentage points.

Funding

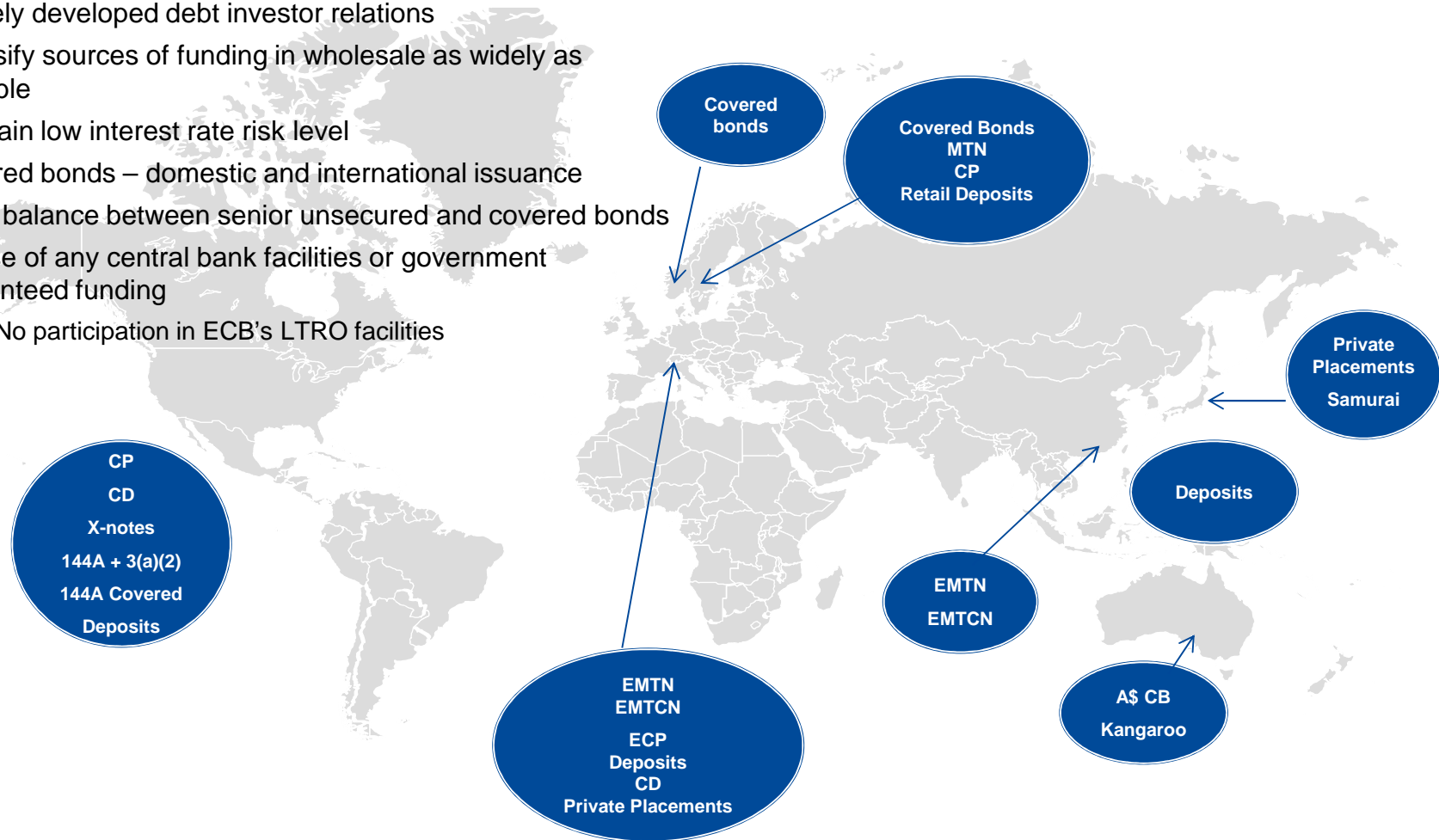
Lower funding costs



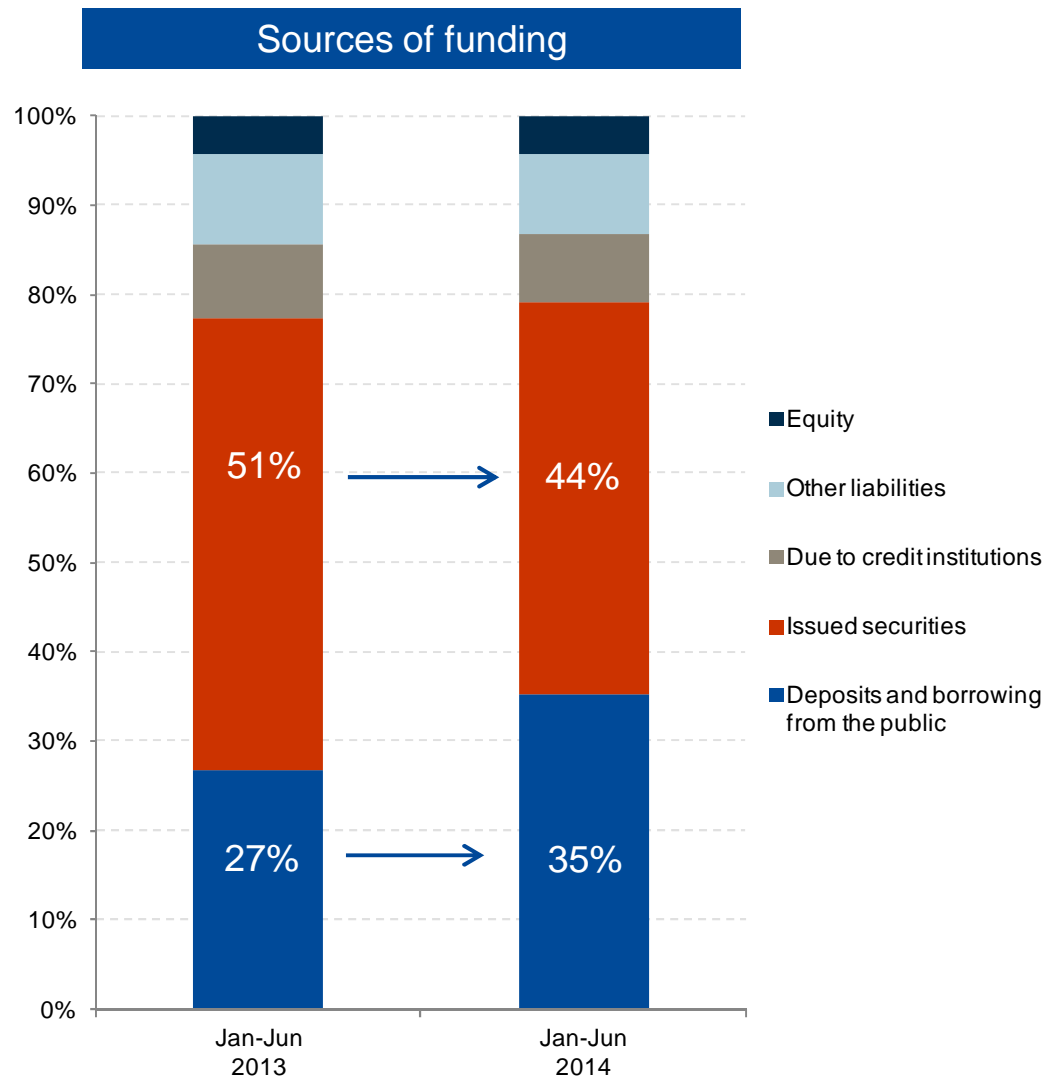
Source: Reuters

Group funding strategy - Handelsbanken and Stadshypotek

- Access domestic and international markets
- Actively developed debt investor relations
- Diversify sources of funding in wholesale as widely as possible
- Maintain low interest rate risk level
- Covered bonds – domestic and international issuance
- Clear balance between senior unsecured and covered bonds
- No use of any central bank facilities or government guaranteed funding
 - No participation in ECB's LTRO facilities



Funding of balance sheet



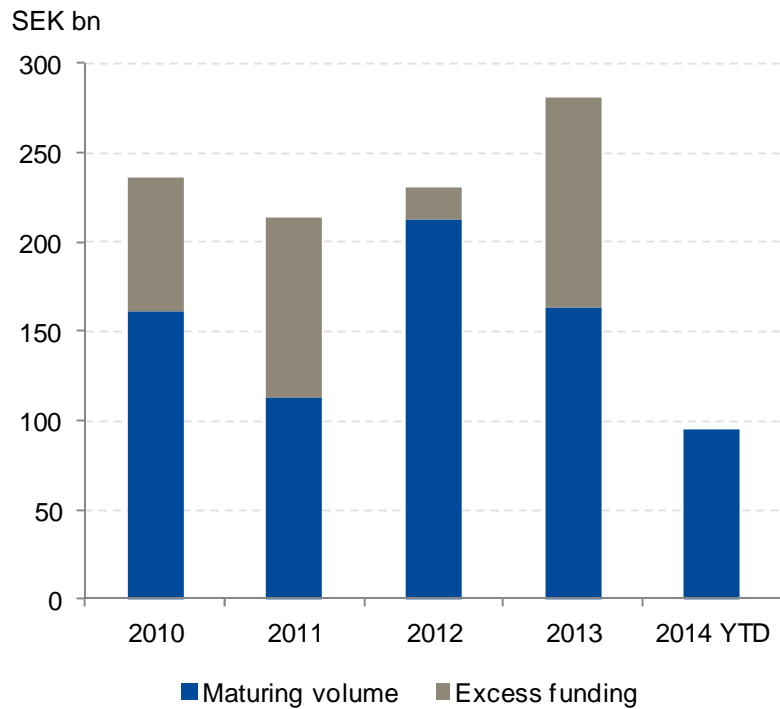
Reduced share of market funding

Increased share of deposit funding

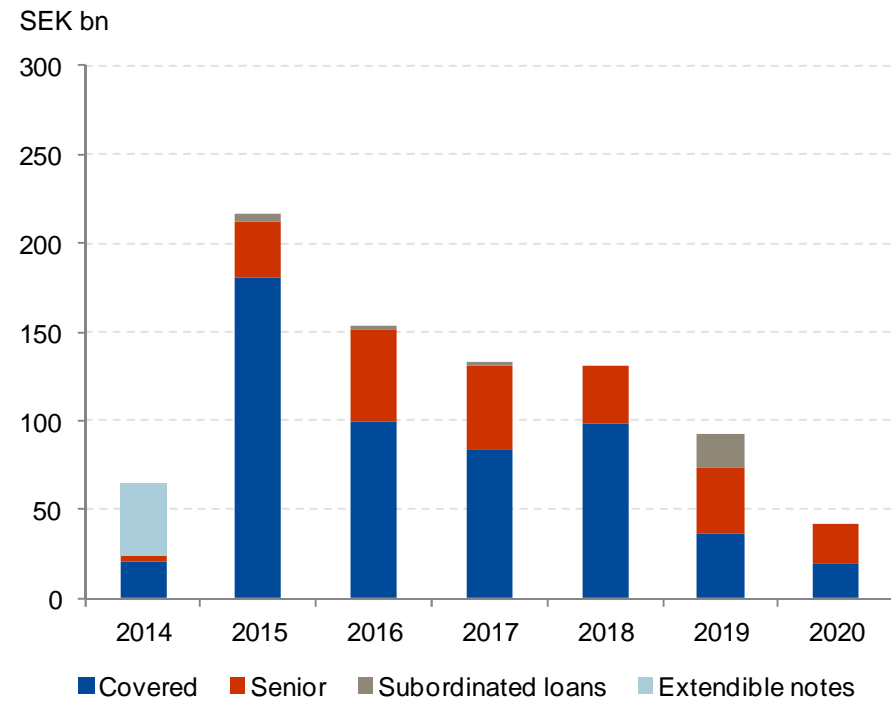
Issued volumes and maturity profile

30 June, 2014

Issued volumes



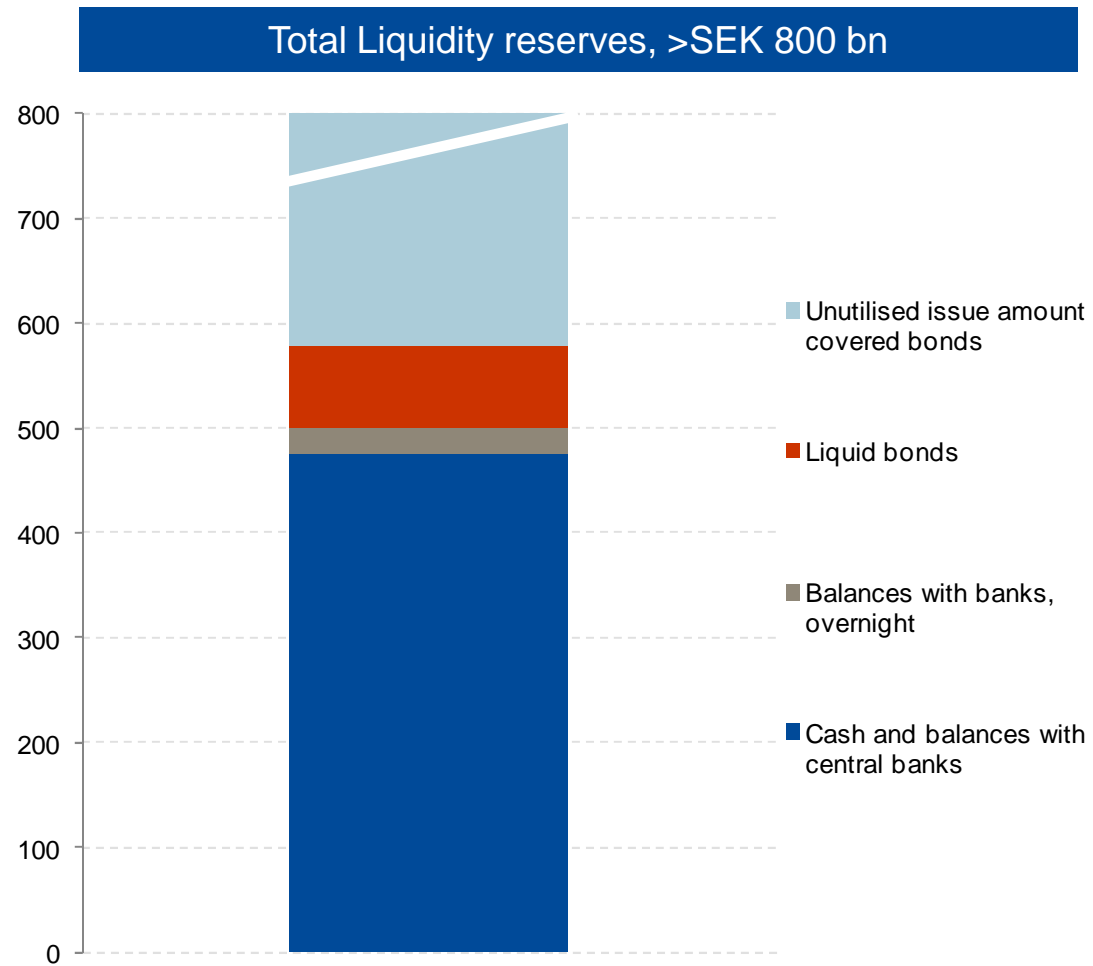
Maturity profile



Issued volumes significantly exceed upcoming maturities

Liquidity reserves

30 June, 2014



Non-encumbered assets, NEA

30 June 2014

SEK bn	IPT (NEA)	Accumulated coverage ratio in % of unsecured funding*
Cash with central banks and securities in the liquidity portfolio	578	71%
Mortgage loans	377	117%
Other household lending	142	135%
Property company lending lowest risk class (1-3)	208	160%
Other corporate lending lowest risk class (1-3)	164	180%
Loans to credit institutions lowest risk class (1-3)	74	189%
Other corporate lending	216	216%
Other assets	108	229%
Total non-encumbered assets (NEA)	1,867	229%
Encumbered assets without underlying liabilities**	57	
<i>Encumbered assets with underlying liabilities</i>	756	
Total assets, Group	2,680	

* Issued short and long unsecured funding and due to credit institutions

** Over-collateralisation in cover pool (OC)

International bond issues 2013

	Issue Date	Issuer	Currency	Amount (m)	Coupon	Maturity	Deal type
	2013 01 08	Svenska Handelsbanken	RMB	400	3,00%	15 January 2016	Senior unsecured
	2013 02 11	Stadshypotek	GBP	350	3 M £L + 23 bps	15 February 2016	Covered bond
	2013 02 22	Svenska Handelsbanken	USD	4,000	1 M \$L + 14 bps average	26 February 2016	Senior unsecured X-note
	2013 03 12	Stadshypotek	EUR	1,000	1,00%	15 March 2018	Covered bond
	2013 03 12	Stadshypotek	NOK	2,000	3 M N + 42 bps	12 March 2018	Covered bond
	2013 03 15	Svenska Handelsbanken	USD	1,000	3 M \$ + 45 bps	21 March 2016	Senior unsecured
	2013 03 15	Svenska Handelsbanken	USD	1,000	1,625%	21 March 2018	Senior unsecured
	2013 04 30	Svenska Handelsbanken	GBP	400	3 M £L + 40 bps	10 May 2016	Senior unsecured
	2013 05 16	Stadshypotek	USD	1,250	1,25%	23 May 2018	Covered bond
	2013 05 24	Stadshypotek	NOK	2,000	3 M N + 72 bps	16 May 2019	Covered bond
	2013 06 27	Svenska Handelsbanken	JPY	17,500	YOS + 7 bps	5 July 2016	Senior unsecured
	2013 06 27	Svenska Handelsbanken	JPY	14,100	YL + 17 bps	5 July 2016	Senior unsecured
	2013 06 27	Svenska Handelsbanken	JPY	15,800	YOS + 10 bps	5 July 2018	Senior unsecured
	2013 06 27	Svenska Handelsbanken	JPY	3,100	YL + 20 bps	5 July 2018	Senior unsecured
	2013 08 19	Svenska Handelsbanken	EUR	1,250	2,25%	27 August 2020	Senior unsecured
	2013 08 22	Svenska Handelsbanken	GBP	250	1,875%	29 August 2017	Senior unsecured
	2013 08 28	Svenska Handelsbanken	CHF	400	1.25%	20 December 2019	Senior unsecured

International bond issues 2013/14, continued

	Issue Date	Issuer	Currency	Amount (m)	Coupon	Maturity	Deal type
	Sep 19, 2013	Svenska Handelsbanken	USD	1,500	2.500%	Jan 25, 2019	Senior unsecured
	Sep 19, 2013	Svenska Handelsbanken	USD	1,000	3M \$L + 47bp	Sep 23, 2016	Senior unsecured
	Oct 23, 2013	Stadshypotek	EUR	1,000	1.625%	Oct 30, 2020	Covered bond
	Nov 14, 2013	Svenska Handelsbanken	GBP	400	3.000%	Oct 20, 2020	Senior unsecured
	Jan 7, 2014	Svenska Handelsbanken	EUR	1,500	2.656%	Jan 15, 2024	Subordinated Tier 2 10NC5
	Feb 11, 2014	Svenska Handelsbanken	CHF	350	0.625%	Dec 17, 2018	Senior unsecured
	Mar 24, 2014	Stadshypotek	EUR	1,250	1.00%	Apr 1, 2019	Covered bond
	Apr 2, 2014	Svenska Handelsbanken	AUD	450	4.50%	Apr 10, 2019	Senior unsecured
	Apr 2, 2014	Svenska Handelsbanken	AUD	200	3M BBSW + 95bp	Apr 10, 2019	Senior unsecured
	May 16, 2014	Stadshypotek	EUR	300	3M E + 12bp	May 23, 2019	Covered bond
	May 28, 2014	Svenska Handelsbanken	NOK	1,000	3M Nibor + 33bp	Jun 6, 2017	Senior unsecured
	Jun 10, 2014	Svenska Handelsbanken	USD	1,000	2.25%	Jun 17, 2019	Senior unsecured
	Jun 10, 2014	Svenska Handelsbanken	USD	400	3M \$L + 49bp	Jun 17, 2019	Senior unsecured
	Aug 28, 2014	Svenska Handelsbanken	JPY	5,900	YOS + 2bp	Sep 4, 2024	Senior unsecured
	Aug 28, 2014	Svenska Handelsbanken	JPY	45,800	YOS + 2bp	Sep 4, 2019	Senior unsecured
	Aug 28, 2014	Svenska Handelsbanken	JPY	10,400	YL + 9bp	Sep 4, 2019	Senior unsecured
	Aug 28, 2014	Svenska Handelsbanken	JPY	9,000	YOS + 0bp	Sep 4, 2017	Senior unsecured
	Aug 28, 2014	Svenska Handelsbanken	JPY	3,900	YL + 6bp	Sep 4, 2017	Senior unsecured

Stadshypotek and Housing market

Stadshypotek – an overview

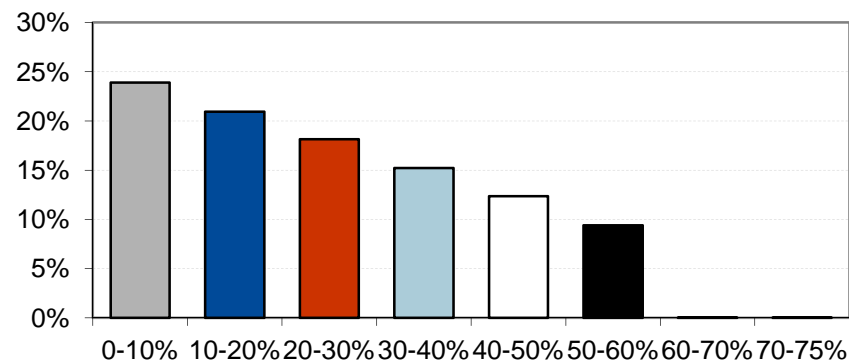
- Founded in 1865
- A wholly-owned subsidiary of Svenska Handelsbanken AB (publ) since 1997
- Credit market company supervised by the Swedish Financial Supervisory Authority ("SFSA")
- Total loan portfolio of SEK 995 bn (EUR 109 bn) as of June 30, 2014
- One of the two largest Swedish mortgage lenders with app. 25 % of the market
- Loan origination and service through Handelsbanken's branch network and with Handelsbanken's credit policy, focusing on repayment capacity of borrower
- Residential mortgages accounts for approximately 96%
- Aaa rating by Moody's for Stadshypotek covered bonds

Stadshypotek - Swedish cover pool

30 June, 2014

Current available pool size	SEK 774bn (EUR 84.65bn)
Assets utilized	SEK 605bn (EUR 66.1bn)
Asset types	Loans secured by mortgages. Loans to or guaranteed by public sector in Sweden (state & municipalities)
Asset distribution	96.2% Residential, 2.6% Public, 0.6% Agricultural, 0.6% Commercial
Geographical distribution	Throughout Sweden with a concentration to urban areas
Average loan size	SEK 661,500 (EUR 72,300)
WA Max-LTV	49.2%
Weighted Mid-LTV	25.0%
Amortizing	48.0%
Share of loan volume past due > 1 day	0,00%
Voluntary O/C	Yes, 10%
Pool type	Dynamic, new pool daily
Loans originated by	Handelsbanken's branch network

LTV distribution



- Low LTV reflects a seasoned loan portfolio
- Prudent valuation

Interest index distribution

Floating rate (< 1 year fixing)	48%
Fixed rate (>1 year fixing)	52 %

Outstanding issues of covered bonds (as of June 30, 2014)

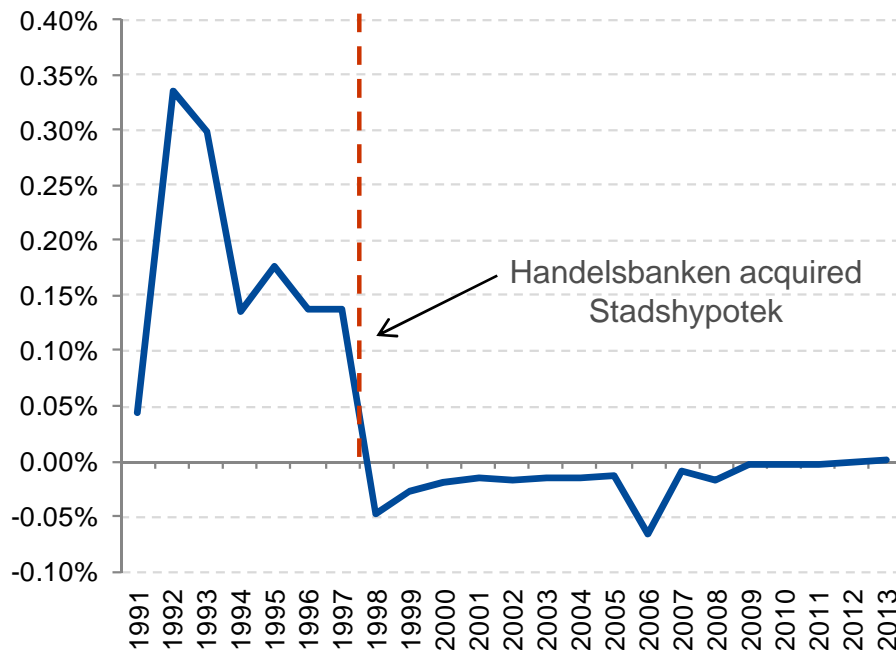
Issues in SEK	SEK 407 bn (EUR 44.4bn)
Issues in other currencies (EUR, CHF, USD, AUD & GBP)	SEK 115 bn (EUR12.6bn)

Published on www.handelsbanken.se/ireng, section Debt investors/Cover pool data. Cover pool data refers to "Assets utilized"

Loan losses for Swedish residential mortgages have been low

– low even during the severe banking crisis of the 1990's

Loan loss ratio for Stadshypotek's private market



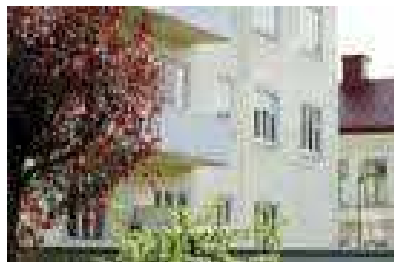
Swedish 1990's crisis was severe for households...

- GDP negative for three years (1991-1993)
- Unemployment increased from 2% to 11% (1990-1994)
- House prices fell with on average 20 % over an extended time period (prices were not back at 1991's peak level until 1998) – and almost 30 % in big cities
- A fixed exchange rate meant that interest rates were hiked in the crisis rather than lowered, as they would be with today's monetary policy regime
- Subsidies to housing associations were abolished in the 1990's, making the financial position of apartment owners worse
- Lending standards in Stadshypotek was lower before the acquisition by Handelsbanken in 1997

...still losses were at comparatively low levels

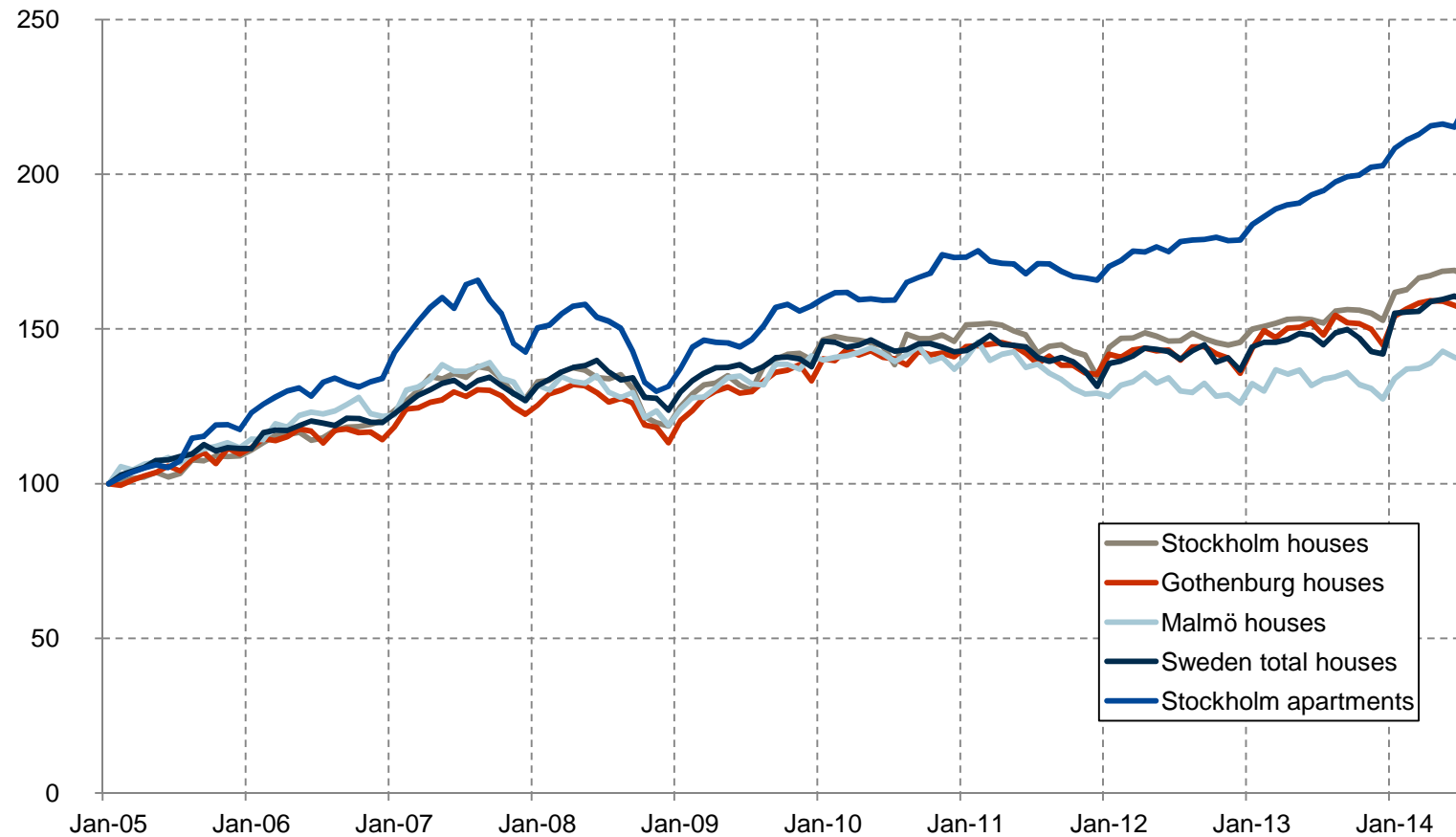
Key characteristics of Swedish residential market

- Loan loss levels are very low for Swedish mortgages due to several factors
 - The borrower can not get out of debt by transferring the collateral to the bank, full recourse
 - Personal bankruptcy does not mean that debt is written off
 - A negative credit history of the borrower will be reported to the independent credit agency (UC-Upplysningscentralen), which impairs the borrower's access to additional credit
 - Swedish welfare system protects people substantially when unemployed
- Buying homes to let is rare, as it is legally restricted in order to protect the tenant. No tax incentives either to own more homes than you occupy.
- Regulation of rents for the rental housing market has diminished speculative building.
- As a result, housing prices and prices for tenant-owned units have been supported by an increasing demand vs. a limited supply



Swedish house prices - main rise stemming from Stockholm

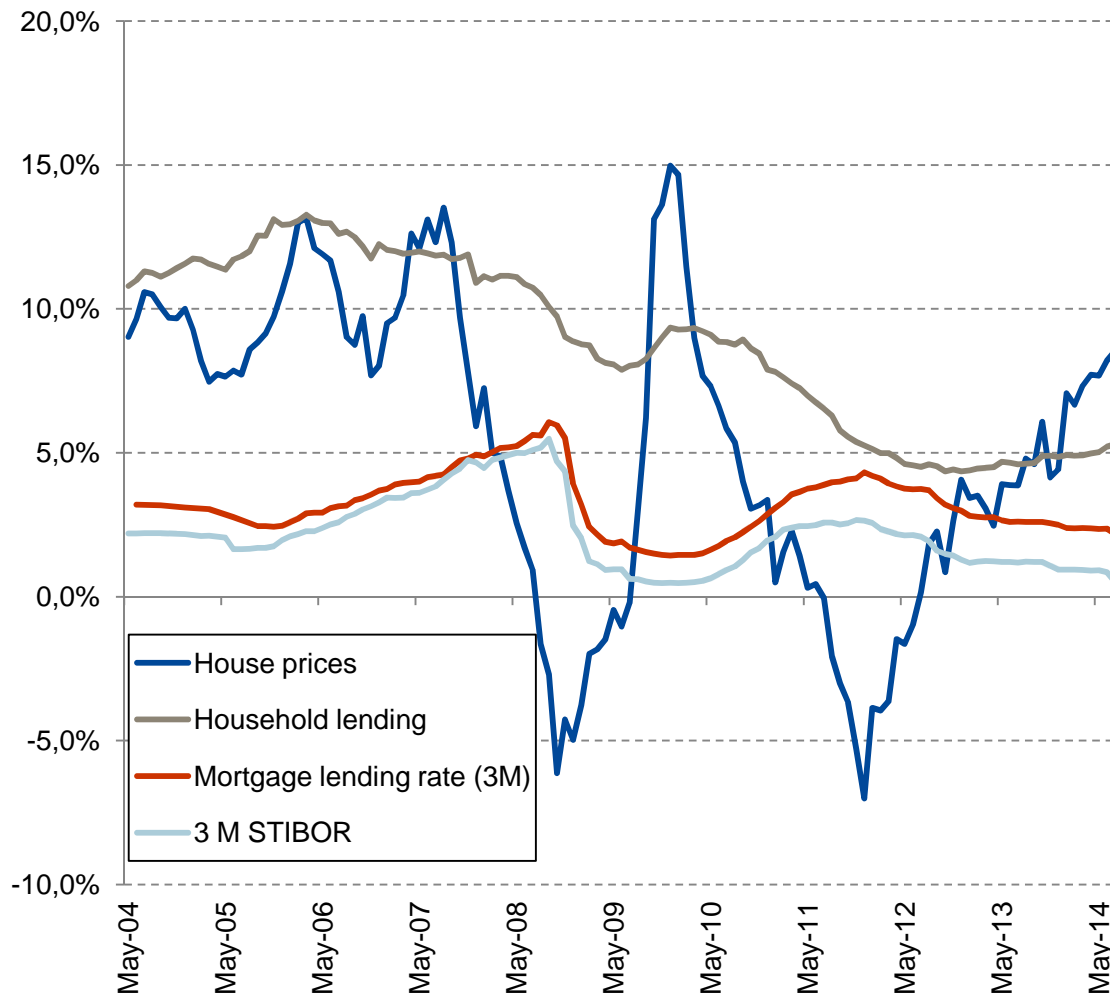
- Recent rise in prices is mainly coming from apartments in Stockholm
- Country wide prices have been fairly stable



Source: Valueguard

Swedish housing market

Prices, lending and interest rates



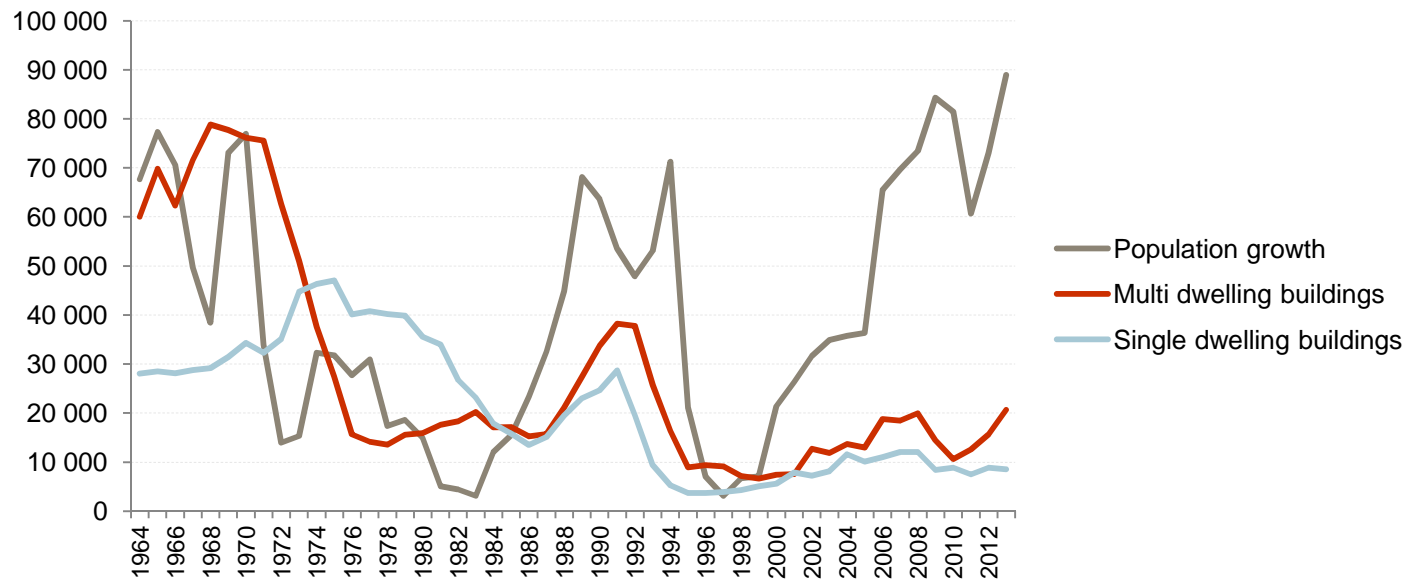
- House prices tends to be very dependent on interest rates...
- ...means stabilizing effects over the business cycle – interest rates pick up when times are good, which cools off the house market
- Lending growth is at 5.3%
- Lending growth has not picked up significantly even though house prices are increasing at present

Some Swedish demographics

- Swedish population grew 0,9% in 2013, corresponding to +89,000 people
- Population growth 2014-2020 forecast by Statistics Sweden on average +92,000 people per year
- Consequently, during the last decade, number of completed dwellings has been far too low

➔ Growing shortage of homes in larger cities

Number of completed dwellings vs population growth, Sweden

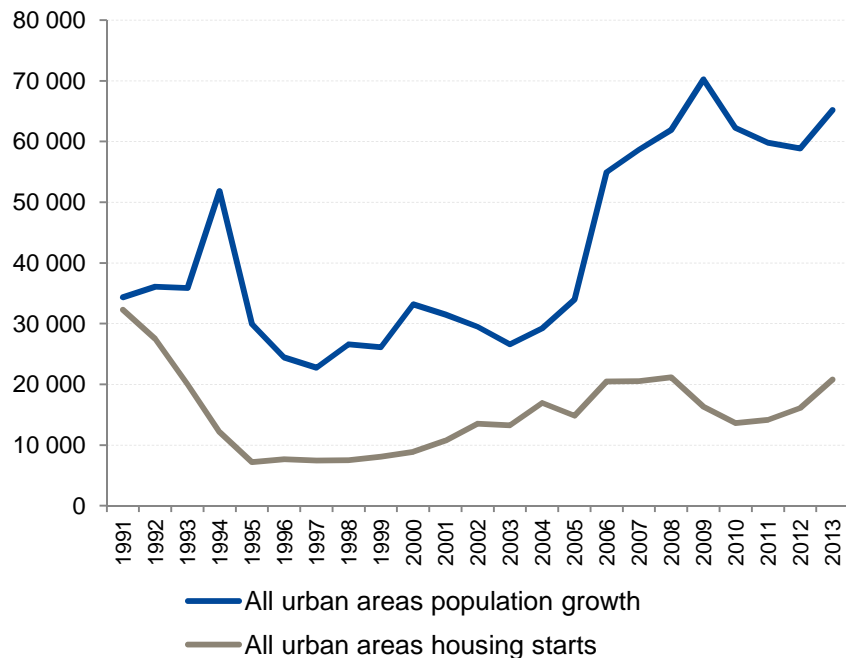


Source: Statistics Sweden

Supply and demand factors for Swedish housing market

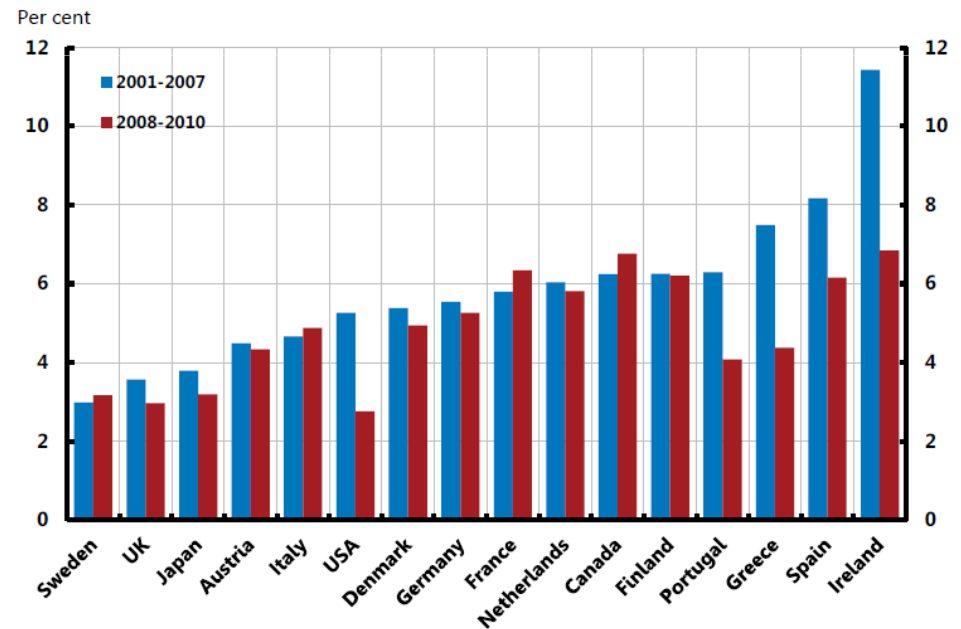
- Population has outgrown supply of new housing for a long time - especially in urban areas
- Statistics Sweden forecasts an annual population growth of 92,000 persons p.a. 2014-2020
 - higher than in previous decades
- Construction has been low also in an international context
- Strong demographics in combination with low housing supply diminishes the risk of house price corrections

Population growth and housing starts in all urban areas 1991-2013



Source: Statistics Sweden, the Riksbank

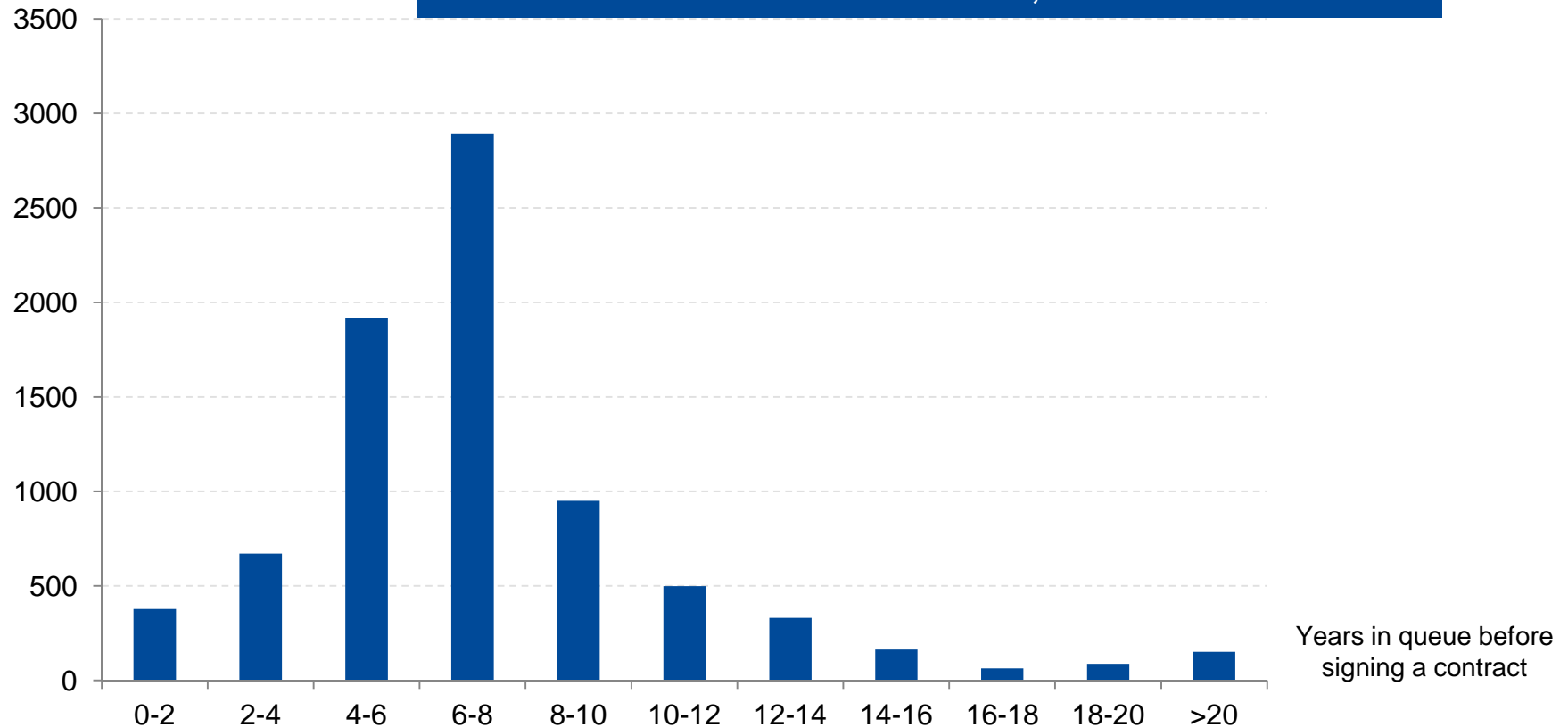
Figure 10. Housing investment as a proportion of GDP



Waiting time to obtain a rental contract in Greater Stockholm

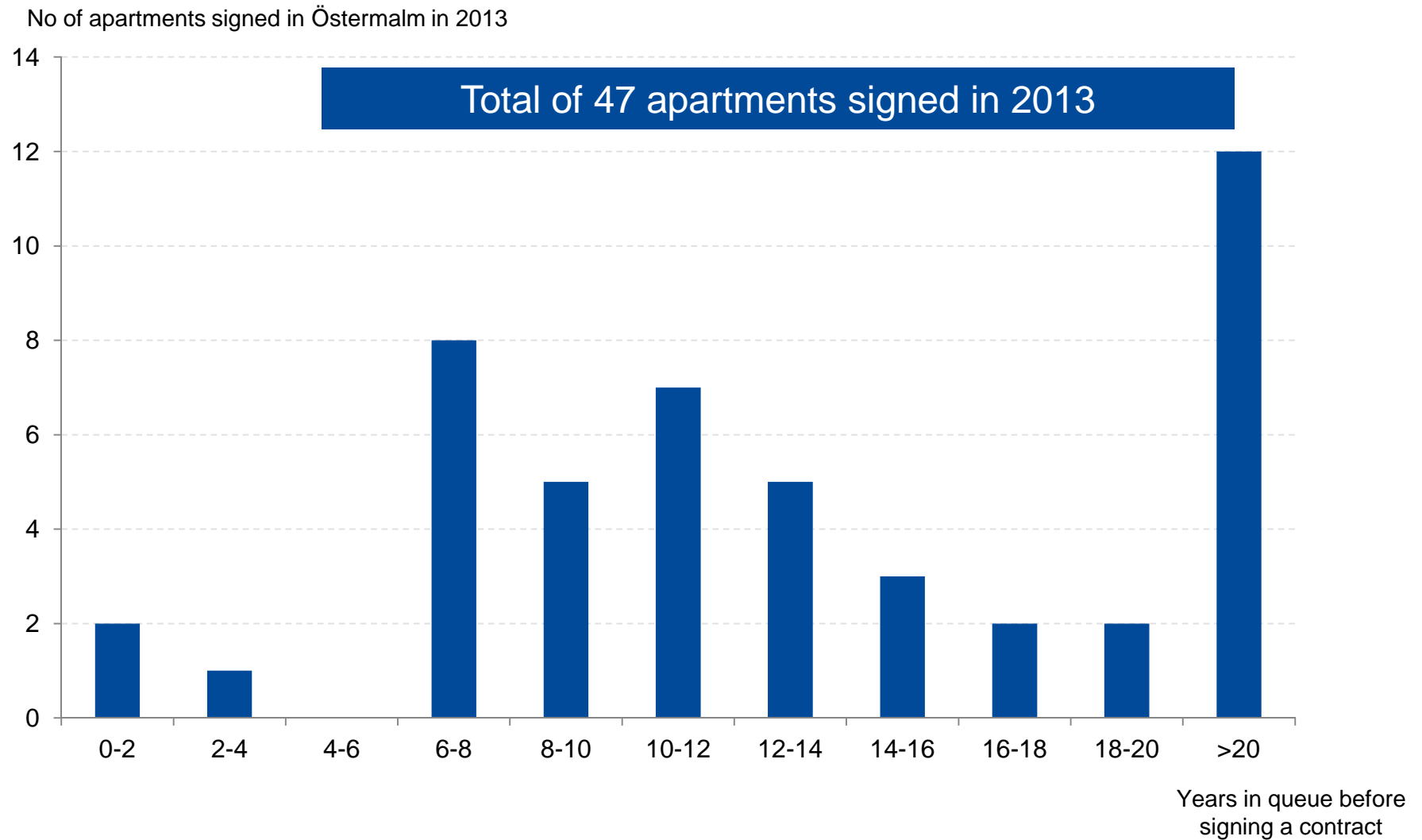
No of apartments signed in 2013

Total of 8106 apartments signed in 2013, indicating a turnover of 2,5%



- In total, there are 312 424 rental apartments in Greater Stockholm
- 431 144 people are in Bostad Stockholm's queue to get a rental apartment

Waiting time to obtain a rental contract in top Stockholm area



Disclaimer

- Certain statements made in this presentation are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, express or implied, by the forward looking statements. Factors that might cause forward looking statements to differ materially from actual results include, among other things, regulatory and economic factors. Handelsbanken Group assumes no responsibility to update any of the forward looking statements contained herein.
- No representation or warranty, express or implied, is made or given by or on behalf of Handelsbanken Group or its directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation. None of Handelsbanken Group or any of its directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.
- This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of Handelsbanken Group, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.