

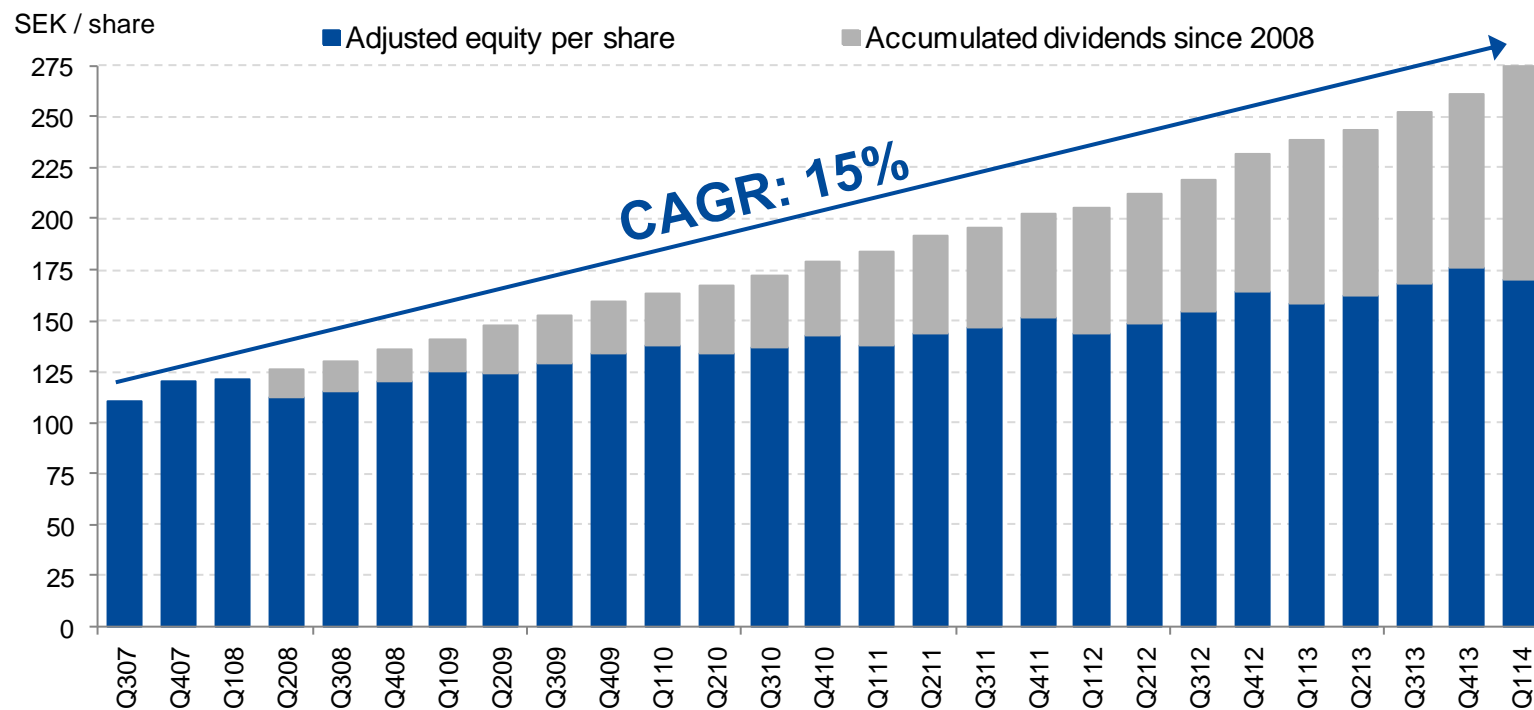
# Handelsbanken

January – March 2014

30 April 2014

# Average annual growth in equity

## Including dividends



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

# Summary

- Net profit as well as operating profit increased by 13% in Q1 2014 compared to Q1 2013
- Operating profit in home markets outside Sweden grew by 30% compared to Q1 2013
- The common equity tier 1 ratio according to CRD IV increased to 19.5%
- Return on equity was 14.1% compared to 13.3% in the previous quarter
- Adjusted for capital gains, return on equity was 13.2% and the C/I ratio 46.3%
- The loan loss ratio was 0.07%

# Income statement, January – March

SEK m	Q1 2014	Q4 2013	Change	Q1 2013	Change
Net interest income	6,653	6,772	-2%	6,541	2%
Net fee and commission income	2,060	2,107	-2%	1,877	10%
Net gains/losses on financial transactions	658	304	116%	259	154%
Risk result - insurance	42	35	20%	51	-18%
Other income	68	60	13%	72	-6%
<b>Total income</b>	<b>9,481</b>	<b>9,278</b>	<b>2%</b>	<b>8,800</b>	<b>8%</b>
Staff costs	-2,887	-2,980	-3%	-2,783	4%
Other expenses	-1,359	-1,527	-11%	-1,399	-3%
<b>Total expenses</b>	<b>-4,246</b>	<b>-4,507</b>	<b>-6%</b>	<b>-4,182</b>	<b>2%</b>
<b>Profit before loan losses</b>	<b>5,235</b>	<b>4,771</b>	<b>10%</b>	<b>4,618</b>	<b>13%</b>
Net loan losses	-315	-322	-2%	-283	11%
Gains/losses on disposal of property, equipment and intangible assets	0	9	-100%	1	-100%
<b>Operating profit</b>	<b>4,920</b>	<b>4,458</b>	<b>10%</b>	<b>4,336</b>	<b>13%</b>
Taxes	-1,038	-966	7%	-885	17%
Net profit from discontinued operations	27	35	-23%	15	80%
<b>Profit for the period</b>	<b>3,909</b>	<b>3,527</b>	<b>11%</b>	<b>3,466</b>	<b>13%</b>

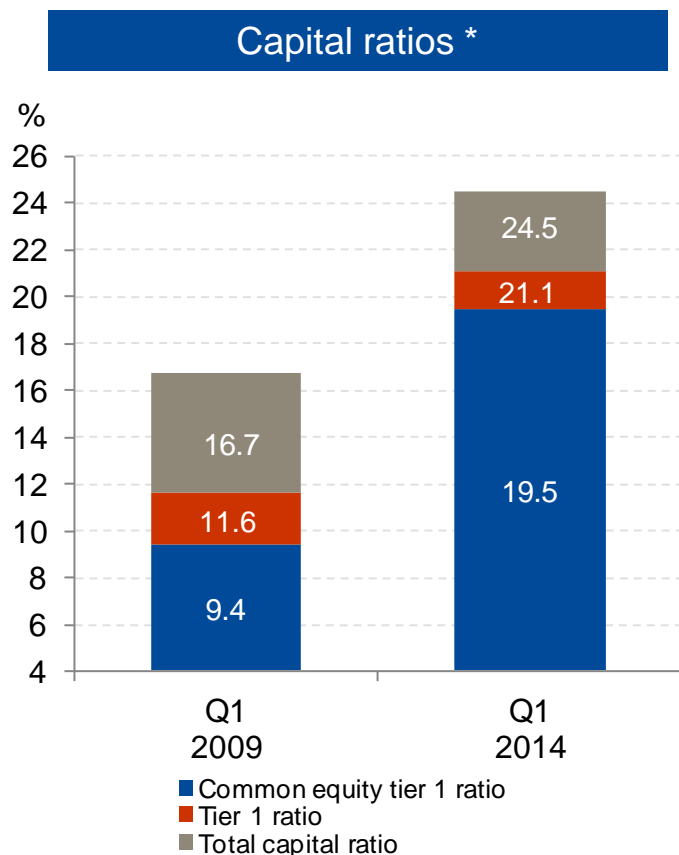
# Sharp drop in risk premiums on bond markets

Difference in spread between iTraxx Crossover and iTraxx Europe 5-year indices



Source: Macrobond. The graph shows the difference in spread between the 5-year iTraxx European Crossover index (CDS-spreads for non-investment grade issuers) and the iTraxx Europe (CDS-spreads for investment grade issuers)

# Financial stability



\* Q1 2009 according to Basel II and Q1 2014 according to CRD IV

\*\* According the Swedish FSA's definition

\*\*\* Liquidity reserve as % of lending to the public

	31 Mar 2014	31 Dec 2013	Change
<b>Capital CRD IV, %</b>			
Capital ratio, %	24.5	21.6	+2.9
Tier 1 ratio, %	21.1	21.0	+0.1
Common equity tier 1 ratio, %	19.5	18.9	+0.6
Total capital base, SEK bn	119.3	106.4	+12.9
Common equity tier 1 capital, SEK bn	95.3	93.0	+2.3

	31 March 2014
<b>Liquidity</b>	
<b>LCR Total **</b>	<b>152%</b>
LCR EUR **	122%
LCR USD **	158%
LCR according to CRD IV	170%
LCR according to S&P's definition (1-year)	99%
NSFR according to the Basel Committée proposal	97%
NSFR according to S&P's definition (SFR)	96%
Liquidity reserve, SEK bn	> 800
Liquidity ratio ***	>50%

# The Basel committee's NSFR proposal – stable funding

## Ranking in terms of stability in funding

Capital	100%
Bonds with >12 months maturity	100%
Stable household deposits	95%
Non-stable household deposits	90%
Bonds with 6-12 months maturity	50%
Large corporate deposits	50%

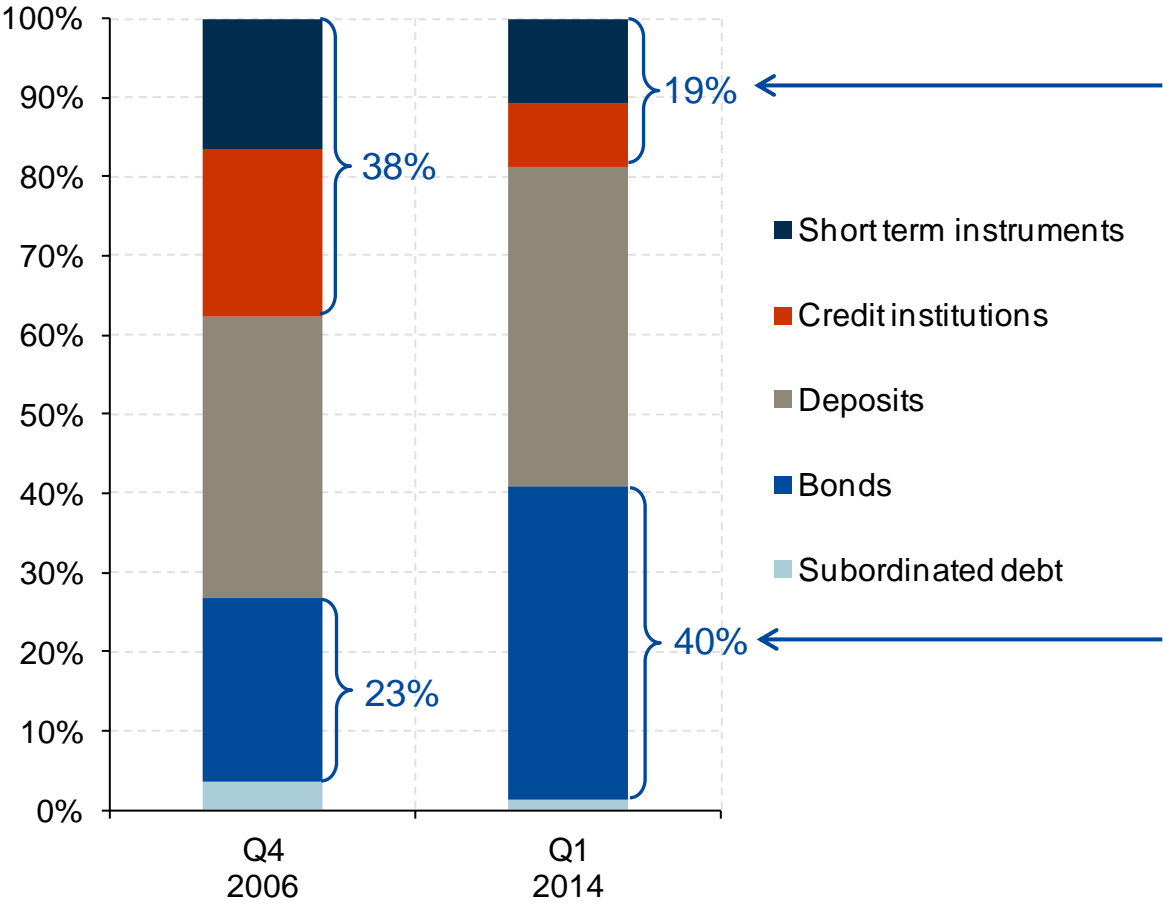
## Issues in Q1 include:

- EUR 1.5bn 10-year tier 2 2.66% \*
- EUR 1.25bn covered 1.00% \*
- CHF 350m 5-year senior 0.63% \*

\* Coupon

# Development of funding sources

Funding sources



Fully covered by liquid assets in the liquidity reserve

Increased share of bonds and reduced share of short term instruments and credit institutions



# Non-encumbered assets, NEA

31 March 2014

SEK bn	IPT (NEA)	Accumulated coverage ratio in % of unsecured funding *
Cash with central banks and securities in the liquidity portfolio	519	67%
Mortgage loans	353	113%
Other household lending	133	131%
Property company lending lowest risk class (1-3)	201	157%
Other corporate lending lowest risk class (1-3)	165	178%
Loans to credit institutions lowest risk class (1-3)	55	185%
Other corporate lending	224	214%
Other assets	115	229%
<b>Total non-encumbered assets (NEA)</b>	<b>1,765</b>	<b>229%</b>
<b>Encumbered assets without underlying liabilities **</b>	<b>57</b>	
<i>Encumbered assets with underlying liabilities</i>	754	
<b>Total assets, Group</b>	<b>2,576</b>	

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

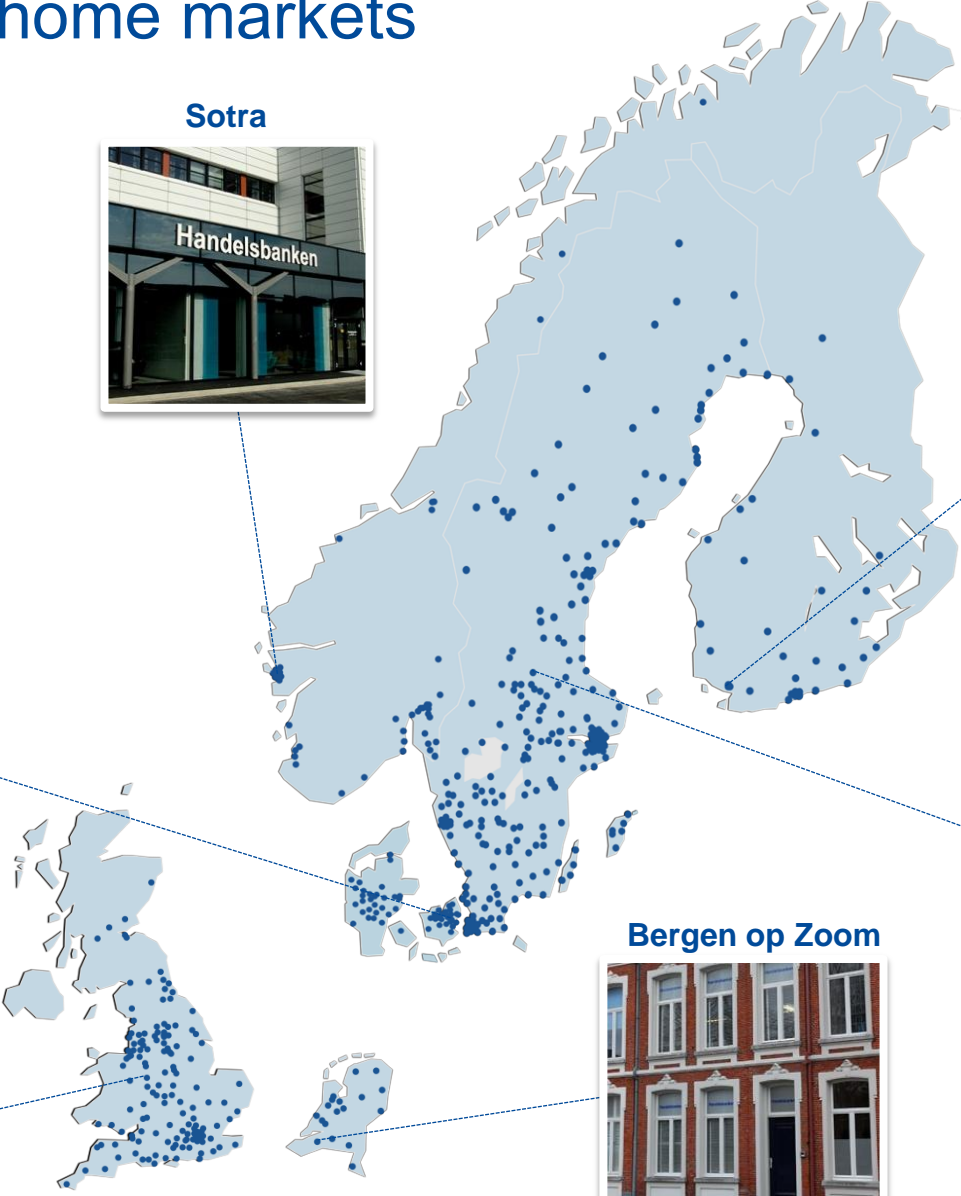
\*\* Over-collateralisation in cover pool (OC)

# Handelsbanken's home markets

Number of branches, 31 March 2014:

Sweden	462
UK *	173
Denmark	57
Norway	49
Finland	45
Netherlands	18
<b>Total **</b>	<b>804</b>

\* Including seven appointed branch managers  
 \*\* In home markets



Sotra



Salo



Odense



Bjursås



Bishops Stortford

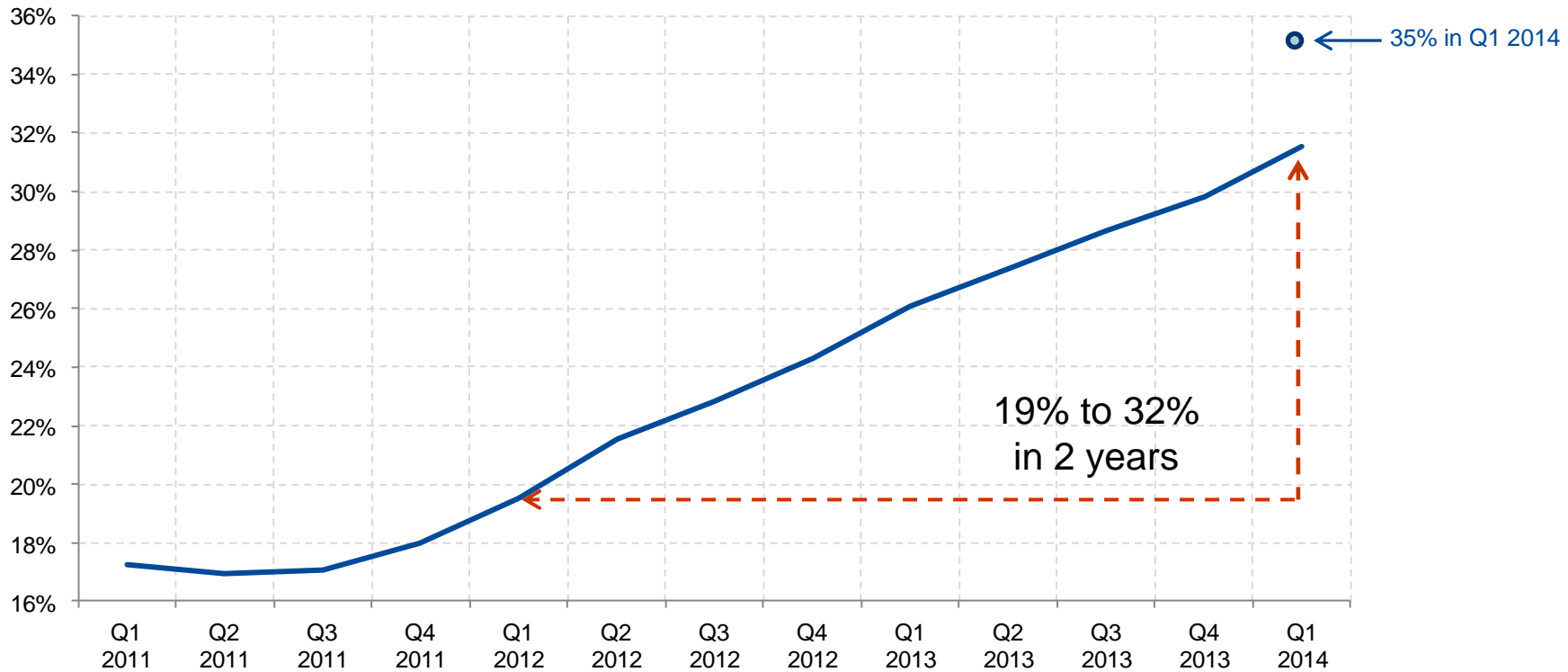


Bergen op Zoom



# Organic growth in mature markets

32% of operating profit in the branch operations comes from home markets outside Sweden \*

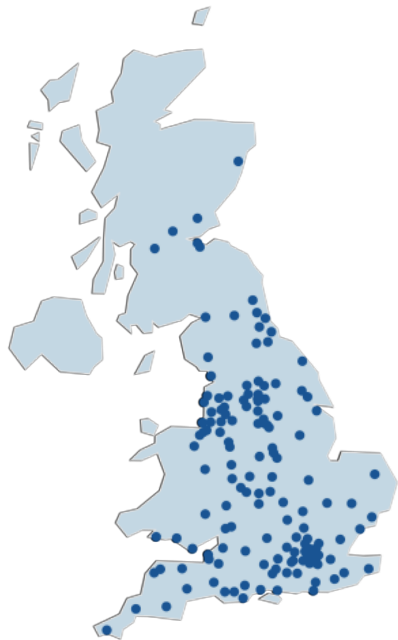
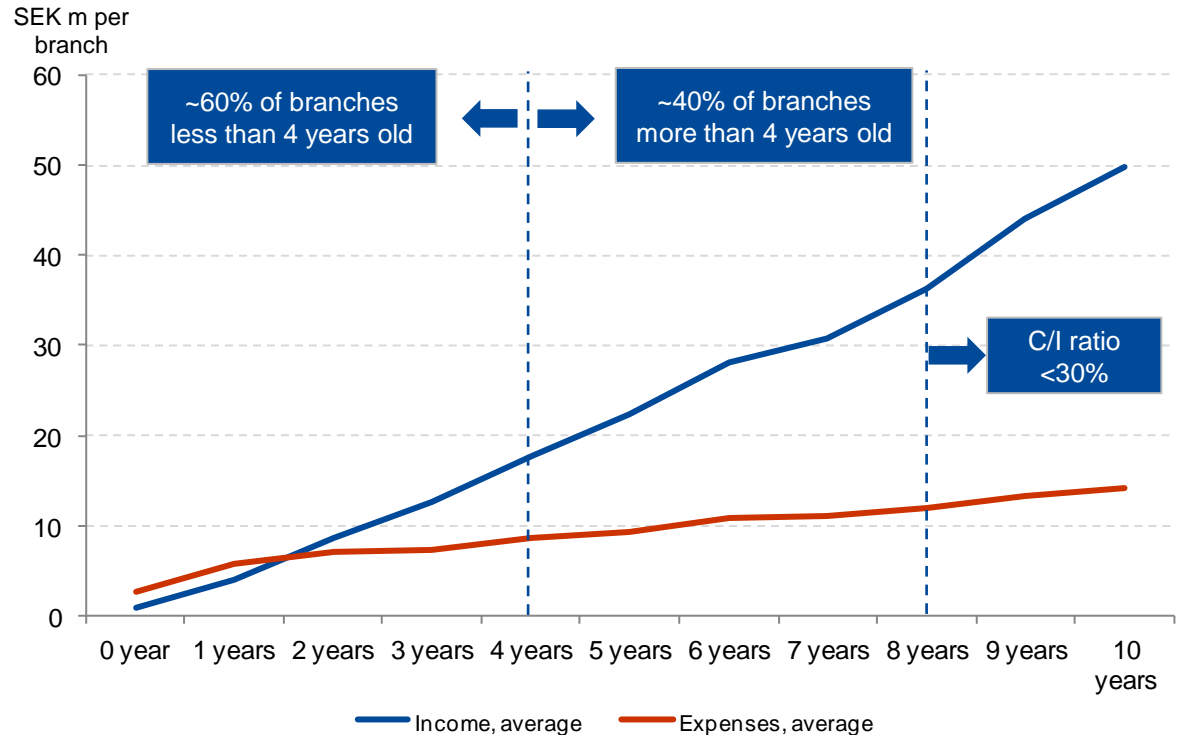


\* Twelve-month rolling operating profits

## Continued expansion and increased availability

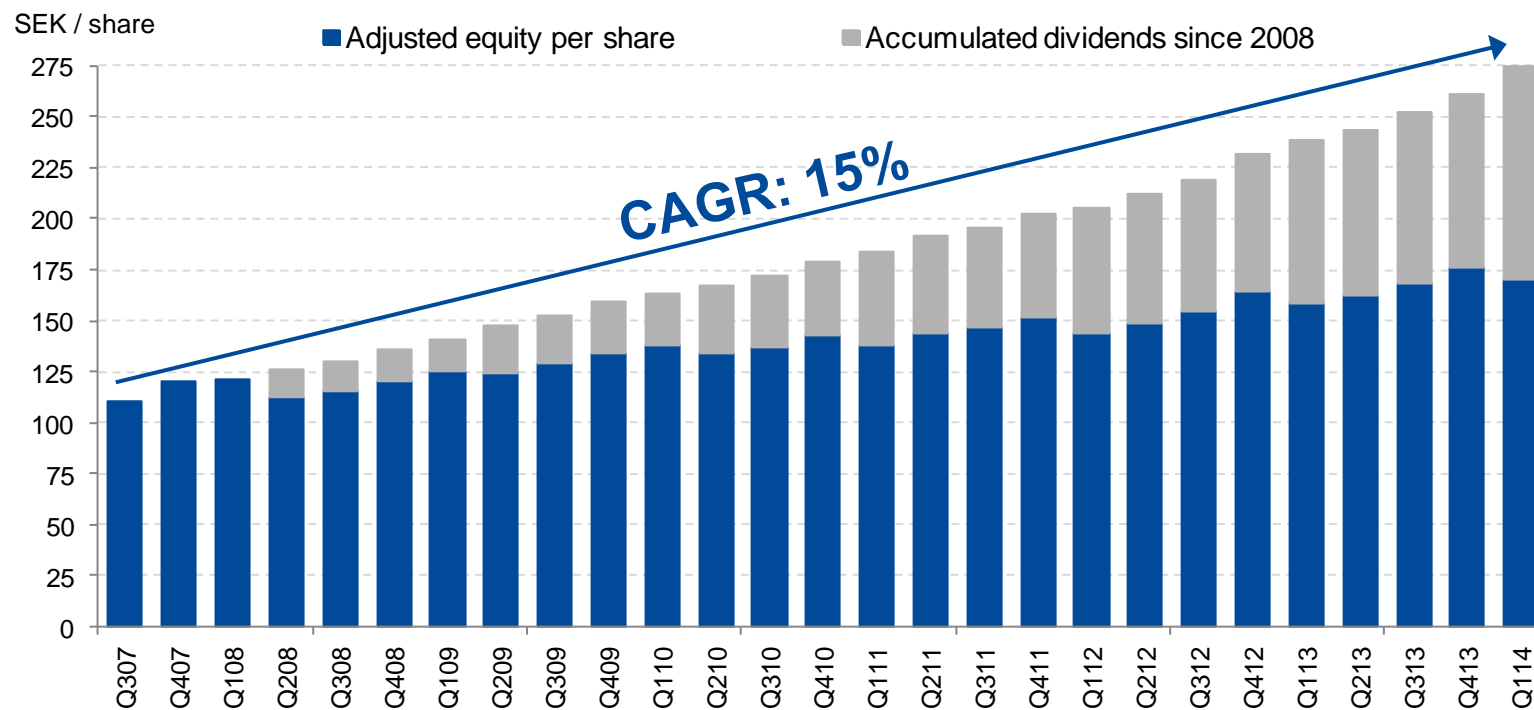
- 173 branches including appointed branch managers
- 1,600 employees in the UK
- Income in Q1 2014 increased by 28% in local currency compared to Q1 2013

## Income and expense trend in branches in the UK



# Average annual growth in equity

## Including dividends



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

# Appendix

## Long-term funding, January – March 2014

<b>Long term issuance, SEK bn</b>	<b>Q1 2014</b>	<b>Q1 2013</b>
Senior bonds	6	21
Extendible notes	-	26
Covered bonds	36	44
Tier 2 subordinated	13	-
<b>Total</b>	<b>55</b>	<b>91</b>

### Issues in Q1 include:

- EUR 1.5bn 10-year tier 2
- EUR 1.25bn 5-year covered
- CHF 350m 5-year senior

## Income statement - five quarters

<b>SEK m</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>	<b>Q2 2013</b>	<b>Q1 2013</b>
Net interest income	6,653	6,772	6,683	6,673	6,541
Net fee and commission income	2,060	2,107	1,896	1,924	1,877
Net gains/losses on financial transactions	658	304	354	440	259
Risk result - insurance	42	35	30	26	51
Other income	68	60	46	177	72
<b>Total income</b>	<b>9,481</b>	<b>9,278</b>	<b>9,009</b>	<b>9,240</b>	<b>8,800</b>
Staff costs	-2,887	-2,980	-2,845	-2,796	-2,783
Other expenses	-1,359	-1,527	-1,312	-1,419	-1,399
<b>Total expenses</b>	<b>-4,246</b>	<b>-4,507</b>	<b>-4,157</b>	<b>-4,215</b>	<b>-4,182</b>
<b>Profit before loan losses</b>	<b>5,235</b>	<b>4,771</b>	<b>4,852</b>	<b>5,025</b>	<b>4,618</b>
Net loan losses	-315	-322	-284	-306	-283
Gains/losses on disposal of property, equipment and intangible assets	0	9	3	4	1
<b>Operating profit</b>	<b>4,920</b>	<b>4,458</b>	<b>4,571</b>	<b>4,723</b>	<b>4,336</b>



# Change in net interest income

<b>NII Q4 2013, SEK m</b>	<b>6,772</b>	<b>Change</b>
<b>Lending and deposits in Swedish branch operations</b>	<b>14</b>	
Deposit margins	-32	
Deposit volumes	2	
Lending margins	35	
Lending volumes	9	
<b>Lending and deposits in home markets outside Sweden</b>	<b>54</b>	
Deposit margins	25	
Deposit volumes	28	
Lending margins	-37	
Lending volumes	38	
<b>Other</b>	<b>-145</b>	
Other branch operations	3	
Mandatory government fees (deposit insur. stabilisation fund etc)	-8	
Benchmark effect	-42	
Other	-98	
<b>NII Q1 2014, underlying</b>	<b>6,695</b>	<b>-1%</b>
Day count effect	-39	
Exchange rate movements	-3	
<b>NII Q1 2014</b>	<b>6,653</b>	<b>-2%</b>

# Change in net interest income

<b>NII Q1 2013, SEK m</b>	<b>6,541</b>	<b>Change</b>
<b>Lending and deposits in Swedish branch operations</b>	<b>74</b>	
Deposit margins	-26	
Deposit volumes	16	
Lending margins	-14	
Lending volumes	98	
<b>Lending and deposits in home markets outside Sweden</b>	<b>328</b>	
Deposit margins	14	
Deposit volumes	68	
Lending margins	90	
Lending volumes	156	
<b>Other</b>	<b>-309</b>	
Other branch operations	12	
Mandatory government fees (deposit insur. stabilisation fund etc)	-7	
Benchmark effect	-34	
Other	-280	
<b>NII Q1 2014, underlying</b>	<b>6,634</b>	<b>1%</b>
Day count effect	0	
Exchange rate movements	19	
<b>NII Q1 2014</b>	<b>6,653</b>	<b>2%</b>

# Change in common equity tier 1 ratio

## CRD IV

<b>Common equity tier 1 ratio Q4 2013, %</b>	<b>18.9</b>
Change, %-points:	
<b>Common equity tier 1 capital</b>	<b>0.5</b>
Earnings after estimated dividends	0.4
Currency effects	0.3
IAS 19	0.1
Other and rounding	-0.3
<b>Lending volume</b>	<b>0.0</b>
Lending growth	0.1
Currency effects	-0.1
<b>Net effect different quality of inflows and outflows in loan portfolio</b>	<b>0.1</b>
<b>Credit risk migration in the lending portfolio</b>	<b>0.1</b>
<b>Model changes and other effects, net</b>	<b>-0.1</b>
<b>Change in common equity tier 1 ratio</b>	<b>0.6</b>
<b>Common equity tier 1 ratio Q1 2014, %</b>	<b>19.5</b>

# Change in common equity tier 1 ratio

## CRD IV

<b>Common equity tier 1 ratio Q1 2013, %</b>	<b>17.5</b>
Change, %-points:	
<b>Common equity tier 1 capital</b>	<b>1.3</b>
Earnings after estimated dividends	0.7
Currency effects	0.7
IAS 19	0.1
Other and rounding	-0.2
<b>Lending volume</b>	<b>-0.3</b>
Lending growth	0.0
Currency effects	-0.3
<b>Net effect different quality of inflows and outflows in loan portfolio</b>	<b>1.2</b>
<b>Credit risk migration in the lending portfolio</b>	<b>-0.1</b>
<b>Model changes and other effects, net</b>	<b>-0.1</b>
<b>Change in common equity tier 1 ratio</b>	<b>2.0</b>
<b>Common equity tier 1 ratio Q1 2014, %</b>	<b>19.5</b>

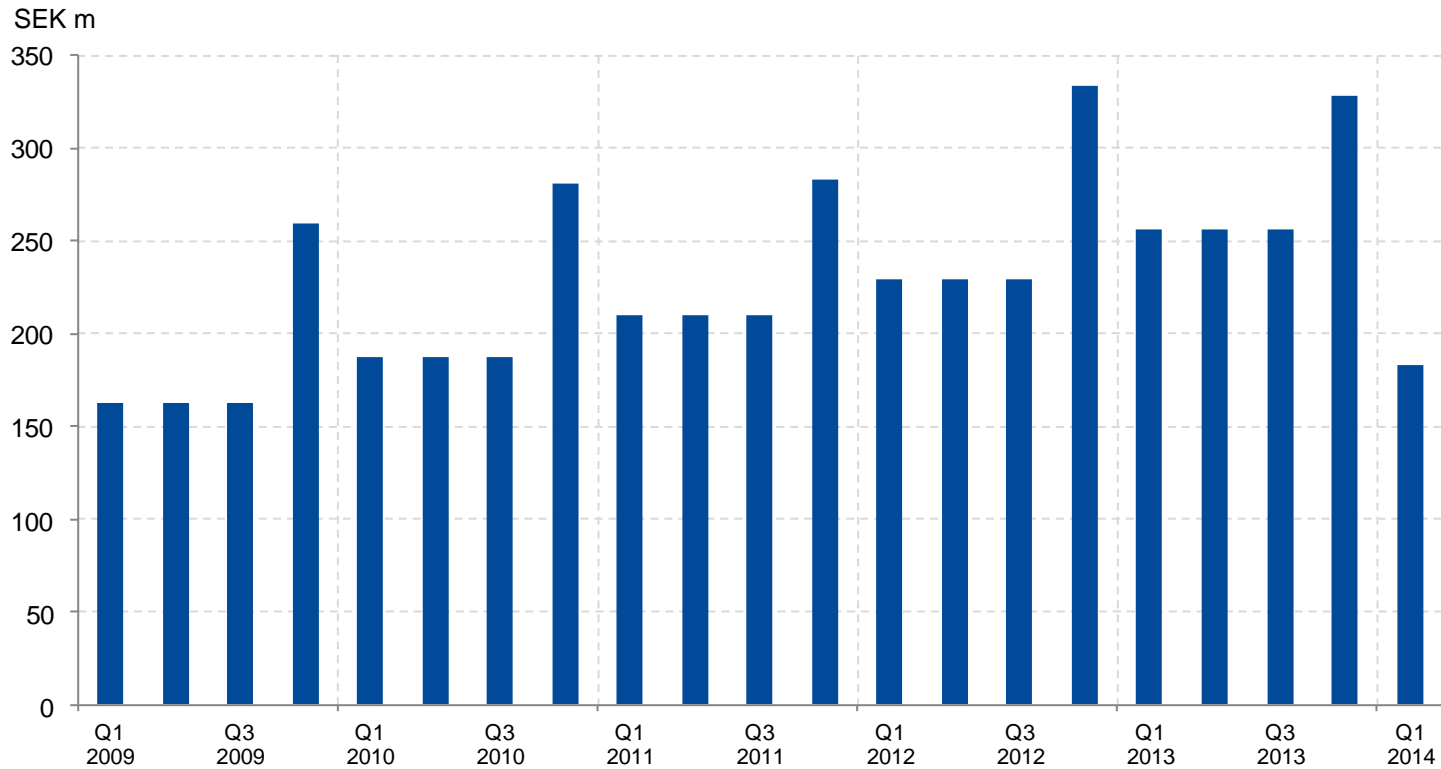
# Mandatory government fees

<b>Q1 2014, SEK m</b>	<b>Stabilisation Fund</b>	<b>Deposit guarantee</b>	<b>Total</b>
Sweden	-105	-58	<b>-163</b>
UK	-13	-3	<b>-16</b>
Denmark	-7	-6	<b>-13</b>
Finland	-9	-3	<b>-12</b>
Norway	-19	-6	<b>-25</b>
Netherlands	-2	0	<b>-2</b>
International	-3	0	<b>-3</b>
Other	-56	0	<b>-56</b>
<b>Total</b>	<b>-214</b>	<b>-76</b>	<b>-290</b>

# Fees and commissions

<b>SEK m</b>	<b>Jan-Mar 2014</b>	<b>Jan-Mar 2013</b>	<b>Change</b>
Brokerage and other securities commissions	328	306	7%
Mutual funds	554	465	19%
Custody and other asset management fees	135	84	61%
Advisory services	49	104	-53%
Insurance	158	141	12%
Payments	708	619	14%
Loans and deposits	279	282	-1%
Guarantees	108	108	0%
Other	106	101	5%
<b>Commission income</b>	<b>2,425</b>	<b>2,210</b>	<b>10%</b>
Securities	-69	-58	19%
Payments	-279	-253	10%
Other	-17	-22	-23%
<b>Commission expense</b>	<b>-365</b>	<b>-333</b>	<b>10%</b>
<b>Net fee and commission income</b>	<b>2,060</b>	<b>1,877</b>	<b>10%</b>

# Oktagonen quarterly, 2009 – Q1 2014



# Effective tax rate

Effective tax rate	<b>Q114</b>	Q413	Q313	Q213	<b>Q113</b>	Q412 *	Q312	Q212	Q112
Per quarter	<b>21.1%</b>	21.6%	21.8%	22.6%	<b>20.4%</b>	-10.1%	26.5%	25.2%	27.9%
Accumulated year to date	<b>21.1%</b>	21.6%	21.6%	21.5%	<b>20.4%</b>	18.1%	26.5%	26.5%	27.9%

\* Negative tax rate in Q4 2012 due to recalculation of deferred taxes as a consequence of changed corporate tax rate in Sweden



# Balance sheet

SEK bn	Jan-Mar 2014	Jan-Mar 2013	Change
Cash and central banks	410	260	58%
Loans to the public	1,727	1,655	4%
Loans to other credit institutions	58	87	-34%
Interest-bearing securities	121	129	-6%
Other assets	260	254	2%
<b>Total assets</b>	<b>2,576</b>	<b>2,385</b>	<b>8%</b>
Deposits and borrowing from the public	867	642	35%
Due to credit institutions	174	213	-18%
Issued securities	1,174	1,158	1%
Other liabilities	253	272	-7%
Total equity	108	100	8%
<b>Total liabilities and equity</b>	<b>2,576</b>	<b>2,385</b>	<b>8%</b>

# Loans to the public \*

SEK bn, end of period	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<i>Households</i>	635	627	620	614	604
<i>Corporates</i>	484	485	489	493	497
<b>Branch operations in Sweden</b>	<b>1,119</b>	<b>1,111</b>	<b>1,110</b>	<b>1,107</b>	<b>1,101</b>
<i>Households</i>	83	81	79	81	80
<i>Corporates</i>	121	117	117	121	119
<b>Branch operations in Norway</b>	<b>204</b>	<b>198</b>	<b>197</b>	<b>202</b>	<b>200</b>
<i>Households</i>	42	39	36	33	30
<i>Corporates</i>	95	92	89	86	81
<b>Branch operations in UK</b>	<b>137</b>	<b>132</b>	<b>125</b>	<b>119</b>	<b>110</b>
<i>Households</i>	34	34	33	33	30
<i>Corporates</i>	74	74	70	71	66
<b>Branch operations in Finland</b>	<b>108</b>	<b>107</b>	<b>103</b>	<b>103</b>	<b>96</b>
<i>Households</i>	38	38	35	34	32
<i>Corporates</i>	35	34	35	38	37
<b>Branch operations in Denmark</b>	<b>74</b>	<b>72</b>	<b>70</b>	<b>73</b>	<b>68</b>
<i>Households</i>	6	5	5	4	4
<i>Corporates</i>	9	13	10	11	10
<b>Branch operations in the Netherlands</b>	<b>15</b>	<b>18</b>	<b>15</b>	<b>15</b>	<b>14</b>
Other	58	53	61	64	58
<i>Households</i>	842	827	811	803	785
<i>Corporates</i>	873	864	870	880	862
<b>Total lending to the public</b>	<b>1,715</b>	<b>1,691</b>	<b>1,681</b>	<b>1,683</b>	<b>1,647</b>

\* Excluding loans to the National Debt Office

# Deposits from the public

SEK bn, end of period	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<i>Households</i>	234	233	228	228	219
<i>Corporates</i>	164	171	163	156	164
<b>Branch operations in Sweden</b>	<b>398</b>	<b>404</b>	<b>391</b>	<b>384</b>	<b>383</b>
<i>Households</i>	16	15	15	16	15
<i>Corporates</i>	49	44	37	33	38
<b>Branch operations in Norway</b>	<b>65</b>	<b>59</b>	<b>52</b>	<b>49</b>	<b>53</b>
<i>Households</i>	12	9	8	7	6
<i>Corporates</i>	58	49	36	27	22
<b>Branch operations in UK</b>	<b>71</b>	<b>58</b>	<b>45</b>	<b>34</b>	<b>27</b>
<i>Households</i>	11	11	11	11	11
<i>Corporates</i>	30	23	17	13	12
<b>Branch operations in Finland</b>	<b>41</b>	<b>34</b>	<b>28</b>	<b>24</b>	<b>22</b>
<i>Households</i>	12	12	11	11	11
<i>Corporates</i>	13	16	15	14	11
<b>Branch operations in Denmark</b>	<b>24</b>	<b>28</b>	<b>26</b>	<b>25</b>	<b>22</b>
<i>Households</i>	0	0	0	0	0
<i>Corporates</i>	9	6	11	7	7
<b>Branch operations in the Netherlands</b>	<b>9</b>	<b>6</b>	<b>11</b>	<b>8</b>	<b>7</b>
Other	259	236	255	113	128
<i>Households</i>	291	287	280	281	268
<i>Corporates</i>	576	538	528	356	374
<b>Total deposits from the public</b>	<b>867</b>	<b>825</b>	<b>808</b>	<b>637</b>	<b>642</b>

# Lending in home markets outside Sweden

## Average volumes

	Q1 2014	Q4 2013	Change
<b>Private, local currency</b>			
Denmark, DKK bn	31.4	30.6	2.6%
Finland, EUR m	3,787	3,773	0.4%
Norway, NOK bn	75.0	74.2	1.1%
UK, GBP m	3,763	3,580	5.1%
Netherlands, EUR m	625	567	10.2%

### **Corporate, local currency**

Denmark, DKK bn	28.0	27.9	0.4%
Finland, EUR m	8,207	8,166	0.5%
Norway, NOK bn	113.4	112.0	1.3%
UK, GBP m	8,782	8,677	1.2%
Netherlands, EUR m	1,460	1,264	15.5%

# Lending in home markets outside Sweden

## Average volumes

	Jan-Mar 2014	Jan-Mar 2013	Change
<b>Private, local currency</b>			
Denmark, DKK bn	31.4	27.9	12.5%
Finland, EUR m	3,787	3,598	5.3%
Norway, NOK bn	75.0	70.3	6.7%
UK, GBP m	3,763	2,963	27.0%
Netherlands, EUR m	625	389	60.7%

### **Corporate, local currency**

Denmark, DKK bn	28.0	30.7	-8.8%
Finland, EUR m	8,207	7,807	5.1%
Norway, NOK bn	113.4	109.9	3.2%
UK, GBP m	8,782	8,021	9.5%
Netherlands, EUR m	1,460	1,226	19.1%

# Deposits in home markets outside Sweden

## Average volumes

	Q1 2014	Q4 2013	Change
<b>Private, local currency</b>			
Denmark, DKK bn	9.4	9.3	1.1%
Finland, EUR m	1,249	1,273	-1.9%
Norway, NOK bn	14.6	14.3	2.1%
UK, GBP m	1,032	821	25.7%
Netherlands, EUR m	27	27	0.0%

### **Corporate, local currency**

Denmark, DKK bn	15.2	14.6	4.1%
Finland, EUR m	3,043	2,457	23.9%
Norway, NOK bn	43.7	39.5	10.6%
UK, GBP m	5,366	4,132	29.9%
Netherlands, EUR m	960	1,264	-24.1%

# Deposits in home markets outside Sweden

## Average volumes

<b>Private, local currency</b>	<b>Jan-Mar 2014</b>	<b>Jan-Mar 2013</b>	<b>Change</b>
Denmark, DKK bn	9.4	8.9	5.6%
Finland, EUR m	1,249	1,271	-1.7%
Norway, NOK bn	14.6	13.5	8.1%
UK, GBP m	1,032	548	88.3%
Netherlands, EUR m	27	24	12.5%

### **Corporate, local currency**

Denmark, DKK bn	15.2	14.8	2.7%
Finland, EUR m	3,043	1,546	96.8%
Norway, NOK bn	43.7	38.7	12.9%
UK, GBP m	5,366	2,288	134.5%
Netherlands, EUR m	960	639	50.2%