

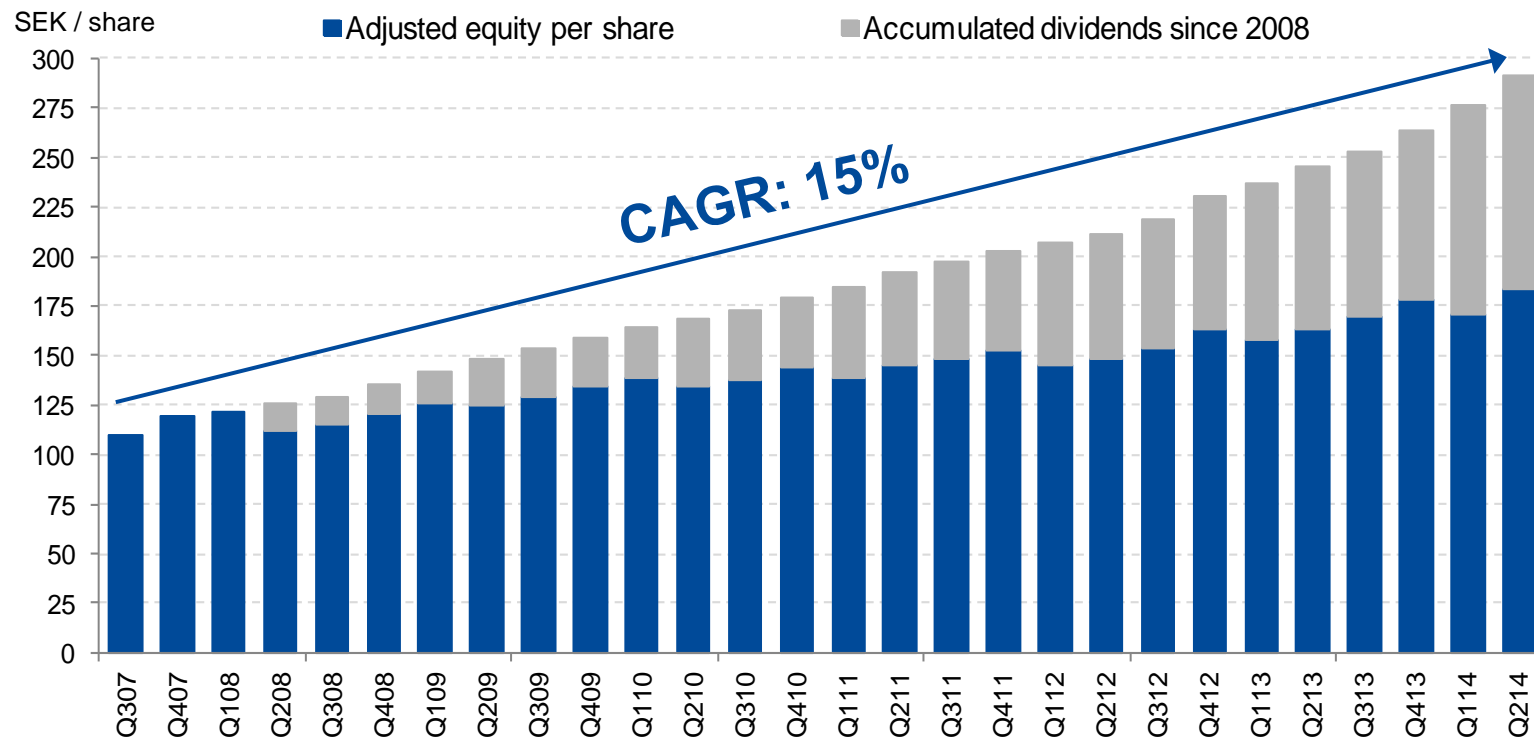
# Handelsbanken

January – June 2014

17 July 2014

# Average annual growth in equity

## Including dividends



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

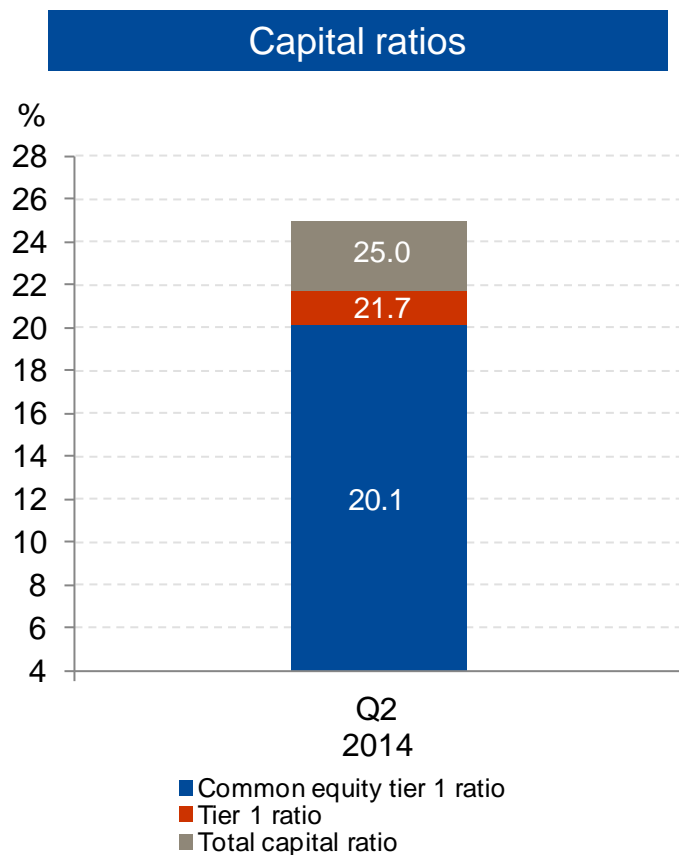
# Summary

- Post-tax net profit in H1 2014 increased by 11% and operating profits increased by 10%
- Operating profit in home markets outside Sweden grew by 17% in H1 2014 compared with 2013
- The expansion in the UK and Netherlands is self-funded by productivity enhancements in other home markets
- Return on equity was 15.1% in Q2 and 14.3% in the first half of 2014
- The C/I ratio in the first half of 2014 improved to 44.7% from 46.5% in the previous year
- Loan losses and impaired loans decreased
- The Bank has decided to open a fifth regional bank in UK, based in Leeds
- The common equity tier 1 ratio according to CRD IV increased to 20.1%

# Income statement, January – June

SEK m	Jan-Jun 2014	Jan-Jun 2013	Change
Net interest income	13,357	13,214	1%
Net fee and commission income	4,195	3,801	10%
Net gains/losses on financial transactions	1,124	699	61%
Risk result - insurance	85	77	10%
Other income	367	249	47%
<b>Total income</b>	<b>19,128</b>	<b>18,040</b>	<b>6%</b>
Staff costs	-5,797	-5,579	4%
Other expenses	-2,748	-2,818	-2%
<b>Total expenses</b>	<b>-8,545</b>	<b>-8,397</b>	<b>2%</b>
<b>Profit before loan losses</b>	<b>10,583</b>	<b>9,643</b>	<b>10%</b>
Net loan losses	-587	-589	0%
Gains/losses on disposal of property, equipment and intangible assets	1	5	
<b>Operating profit</b>	<b>9,997</b>	<b>9,059</b>	<b>10%</b>
Taxes	-2,112	-1,952	8%
Net profit from discontinued operations	58	54	7%
<b>Profit for the period</b>	<b>7,943</b>	<b>7,161</b>	<b>11%</b>

# Financial stability



	30 Jun 2014	31 Dec 2013	Change
<b>Capital CRD IV, %</b>			
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
<b>Liquidity</b>	
<b>LCR Total*</b>	<b>149%</b>
LCR EUR*	190%
LCR USD*	127%
LCR according to CRD IV	162%

\* According to the Swedish FSA's definition

# Handelsbanken's home markets

Number of branches, 30 June 2014:

Sweden	462
UK*	176
Denmark	57
Norway	50
Finland	46
Netherlands**	20
<b>Total***</b>	<b>811</b>

\* Including six appointed branch managers

\*\* Including two appointed branch managers

\*\*\* In home markets

Jessheim



Kauniainen



Aalborg Syd



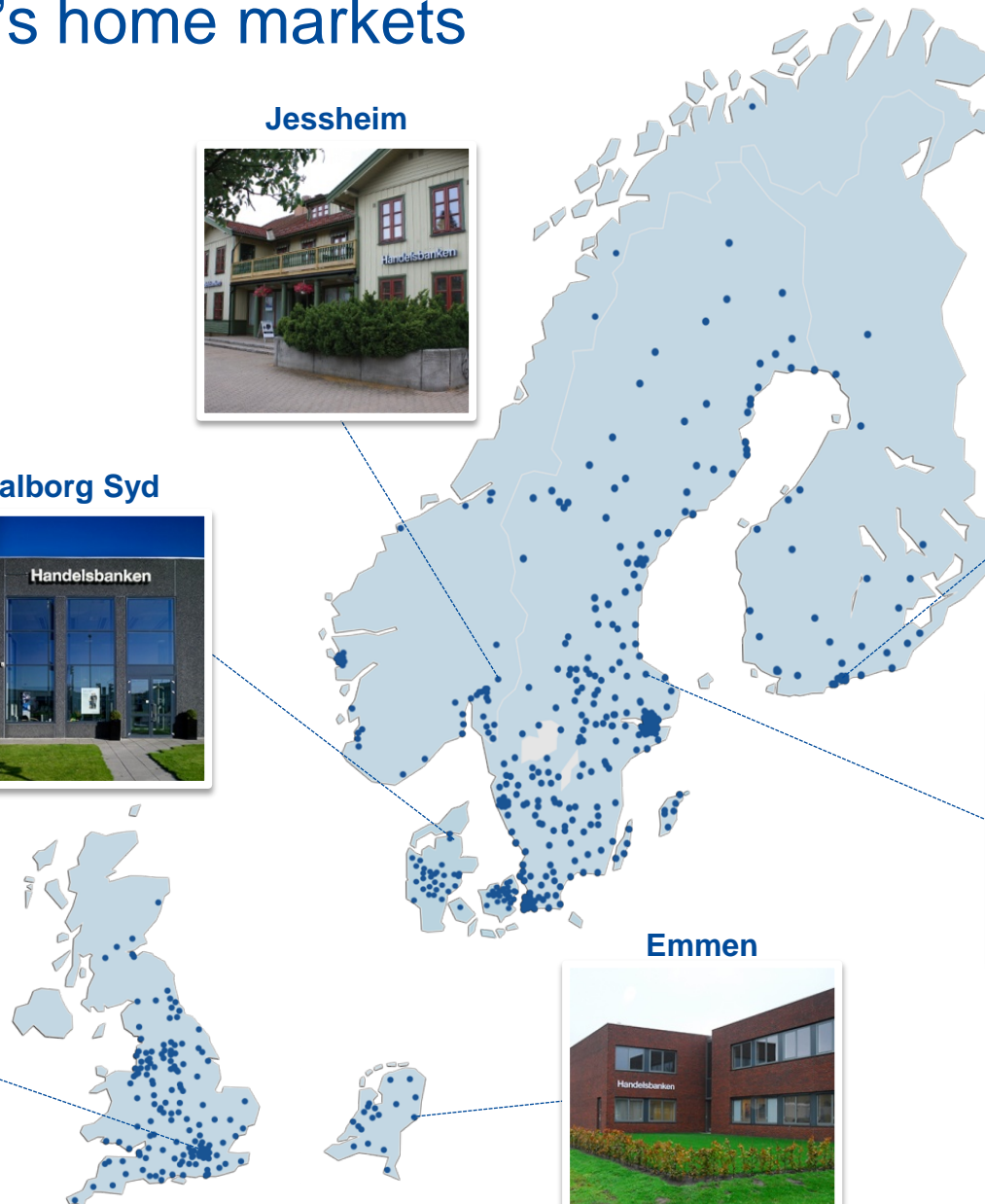
Tierp



London Bridge



Emmen



# Return on equity per segment

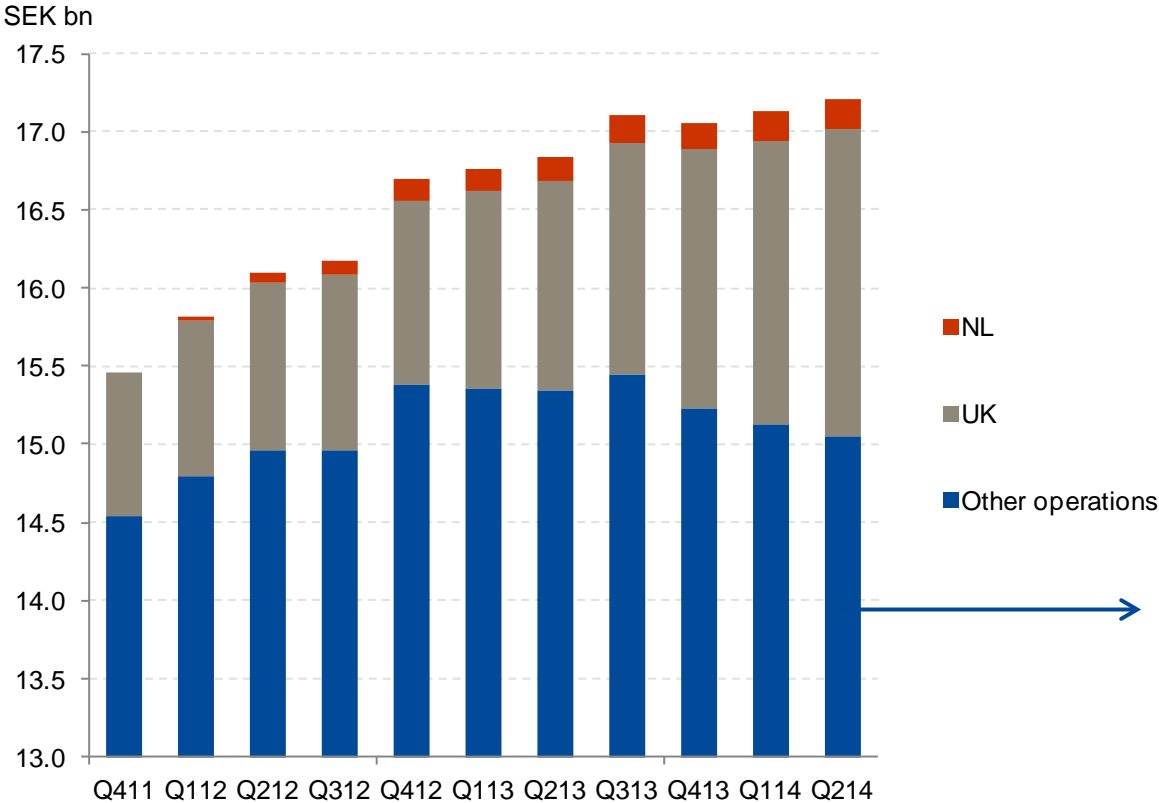
**Jan-Jun 2014**

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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%
<b>Handelsbanken Group</b>	<b>14.3%</b>

# Unchanged cost base despite expansion

Twelve-month rolling costs

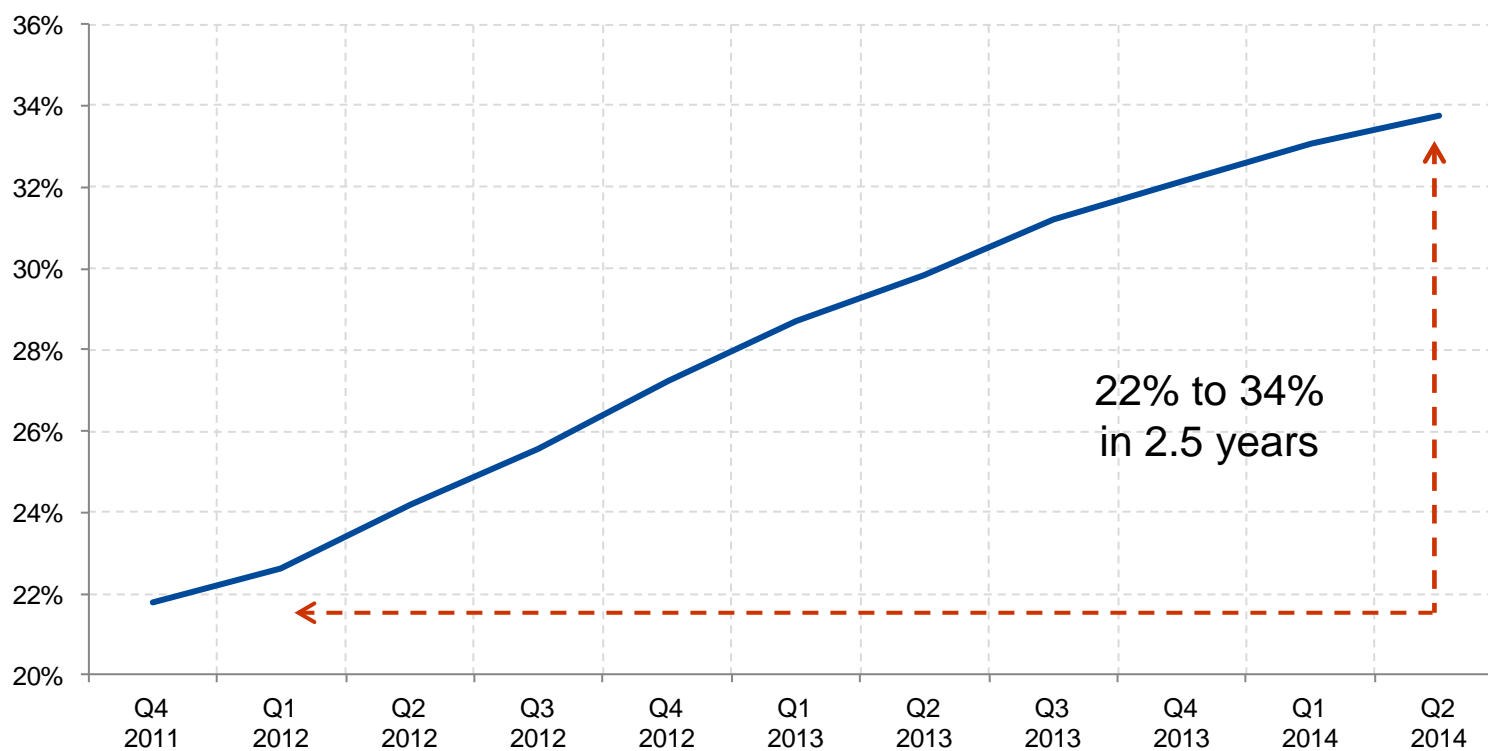


Costs outside the growth regions down 3% from Q3 2013



# Organic growth in markets outside Sweden

34% of operating profits before loan losses comes from home markets outside Sweden\*

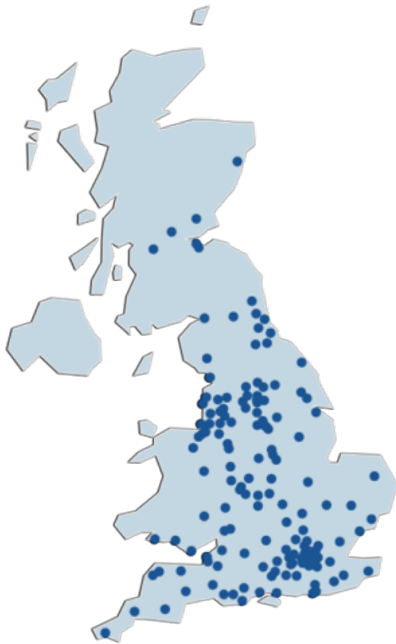


22% to 34%  
in 2.5 years

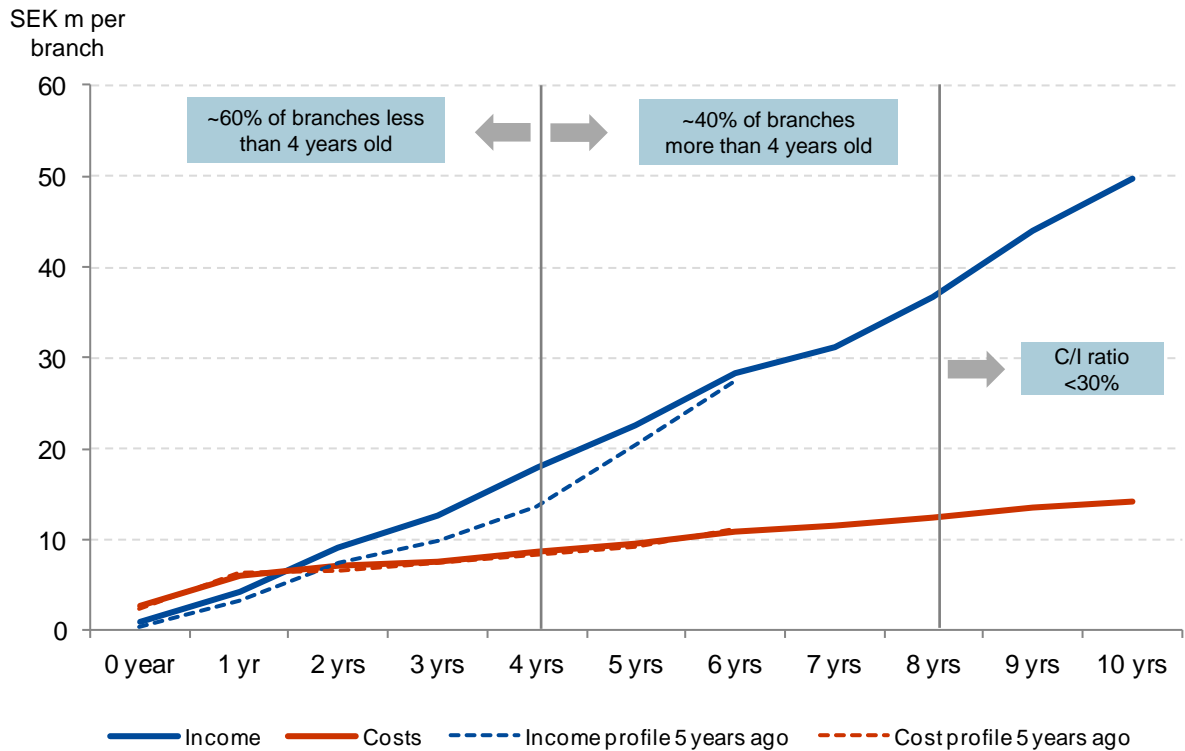
\* Twelve-month rolling

## 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



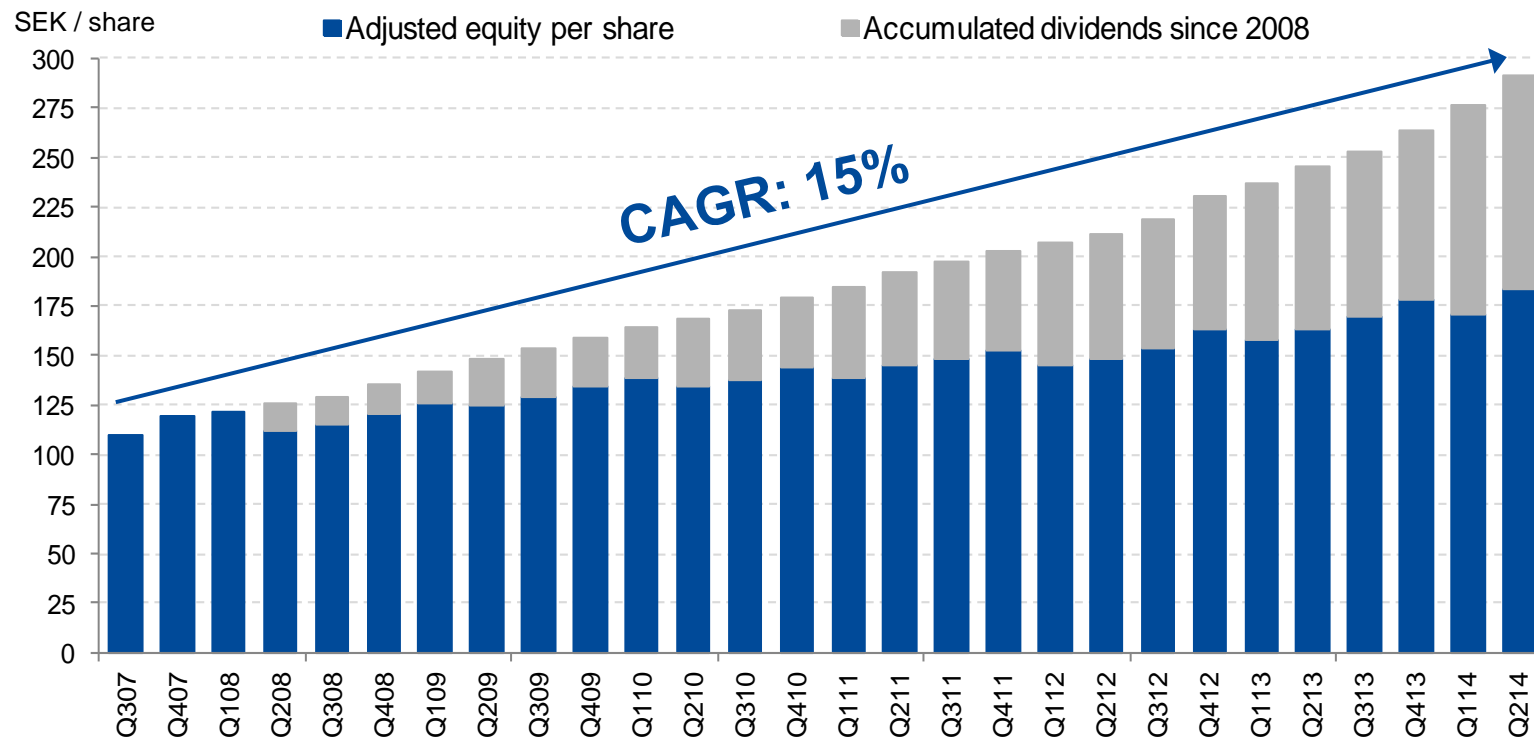
## Income and expense trend in branches in the UK\*



\* Stable explanation variable for earnings growth

# Average annual growth in equity

## Including dividends



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

# Appendix

# 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%
<b>Total non-encumbered assets (NEA)</b>	<b>1,867</b>	<b>229%</b>
<b>Encumbered assets without underlying liabilities**</b>	<b>57</b>	
<i>Encumbered assets with underlying liabilities</i>	<i>756</i>	
<b>Total assets, Group</b>	<b>2,680</b>	

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

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

## Income statement – five quarters

<b>SEK m</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>	<b>Q2 2013</b>
Net interest income	6,704	6,653	6,772	6,683	6,673
Net fee and commission income	2,135	2,060	2,107	1,896	1,924
Net gains/losses on financial transactions	466	658	304	354	440
Risk result - insurance	43	42	35	30	26
Other income	299	68	60	46	177
<b>Total income</b>	<b>9,647</b>	<b>9,481</b>	<b>9,278</b>	<b>9,009</b>	<b>9,240</b>
Staff costs	-2,910	-2,887	-2,980	-2,845	-2,796
Other expenses	-1,389	-1,359	-1,527	-1,312	-1,419
<b>Total expenses</b>	<b>-4,299</b>	<b>-4,246</b>	<b>-4,507</b>	<b>-4,157</b>	<b>-4,215</b>
<b>Profit before loan losses</b>	<b>5,348</b>	<b>5,235</b>	<b>4,771</b>	<b>4,852</b>	<b>5,025</b>
Net loan losses	-272	-315	-322	-284	-306
Gains/losses on disposal of property, equipment and intangible assets	1	0	9	3	4
<b>Operating profit</b>	<b>5,077</b>	<b>4,920</b>	<b>4,458</b>	<b>4,571</b>	<b>4,723</b>

# Change in net interest income

<b>NII Q1 2014, SEK m</b>	<b>6,653</b>	<b>Change</b>
<b>Lending and deposits in Swedish branch operations</b>	<b>15</b>	
Deposit margins	-43	
Deposit volumes	0	
Lending margins	27	
Lending volumes	31	
<b>Lending and deposits in home markets outside Sweden</b>	<b>23</b>	
Deposit margins	12	
Deposit volumes	17	
Lending margins	-37	
Lending volumes	31	
<b>Other</b>	<b>-96</b>	
Other branch operations	-14	
Mandatory government fees (deposit insur. stabilisation fund etc)	-19	
Benchmark effect	-25	
Other	-38	
<b>NII Q2 2014, underlying</b>	<b>6,595</b>	<b>-1%</b>
Day count effect	24	
Exchange rate movements	85	
<b>NII Q2 2014</b>	<b>6,704</b>	<b>1%</b>

# Change in net interest income

<b>NII Jan-Jun 2013, SEK m</b>	<b>13,214</b>	<b>Change</b>
<b>Lending and deposits in Swedish branch operations</b>	<b>79</b>	
Deposit margins	-156	
Deposit volumes	32	
Lending margins	35	
Lending volumes	168	
<b>Lending and deposits in home markets outside Sweden</b>	<b>579</b>	
Deposit margins	45	
Deposit volumes	136	
Lending margins	94	
Lending volumes	304	
<b>Other</b>	<b>-622</b>	
Other branch operations	31	
Mandatory government fees (deposit insur. stabilisation fund etc)	-63	
Benchmark effect	-58	
Other	-532	
<b>NII Jan-Jun 2014, underlying</b>	<b>13,250</b>	<b>0%</b>
Exchange rate movements	107	
<b>NII Jan-Jun 2014</b>	<b>13,357</b>	<b>1%</b>



# Change in common equity tier 1 ratio

## CRD IV

<b>Common equity tier 1 ratio Q114, %</b>	<b>19.5</b>
Change, %-points:	
<b>Common equity tier 1 capital</b>	<b>0.9</b>
Earnings after estimated dividends	0.4
Currency effects	0.3
IAS 19	0.1
Other and rounding	0.1
<b>Lending volume</b>	<b>-0.6</b>
Lending growth	-0.4
Currency effects	-0.2
<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>0.3</b>
<b>Change in common equity tier 1 ratio</b>	<b>0.6</b>
<b>Common equity tier 1 ratio Q214, %</b>	<b>20.1</b>

# Change in common equity tier 1 ratio

## CRD IV

<b>Common equity tier 1 ratio Q213, %</b>	<b>17.8</b>
Change, %-points:	
<b>Common equity tier 1 capital</b>	<b>1.8</b>
Earnings after estimated dividends	0.7
Currency effects	0.4
IAS 19	0.3
Other and rounding	0.4
<b>Lending volume</b>	<b>-0.6</b>
Lending growth	-0.3
Currency effects	-0.3
<b>Net effect different quality of inflows and outflows in loan portfolio</b>	<b>0.7</b>
<b>Credit risk migration in the lending portfolio</b>	<b>-0.1</b>
<b>Model changes and other effects, net</b>	<b>0.5</b>
<b>Change in common equity tier 1 ratio</b>	<b>2.3</b>
<b>Common equity tier 1 ratio Q214, %</b>	<b>20.1</b>

# Mandatory government fees

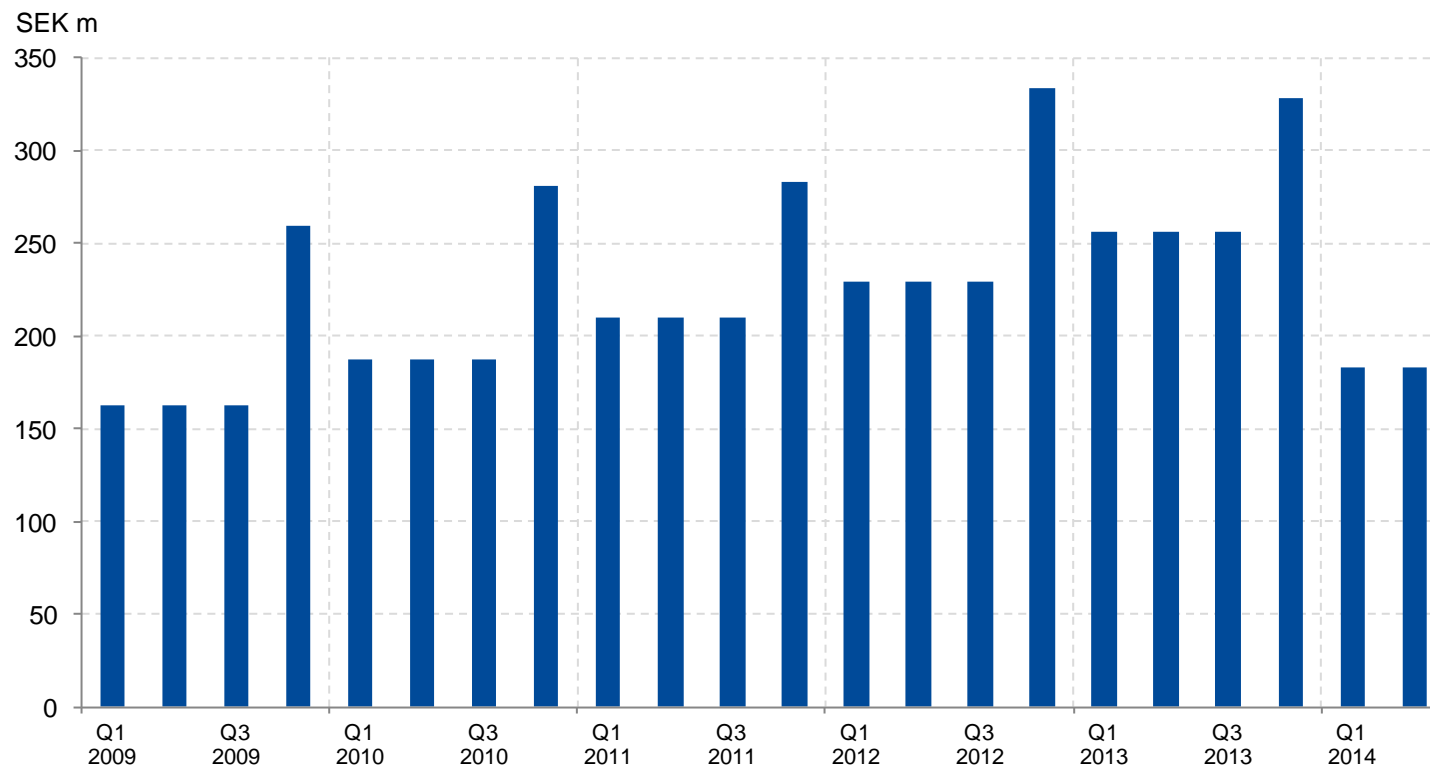
<b>H1 2014, SEK m</b>	<b>Stabilisation Fund</b>	<b>Deposit guarantee</b>	<b>Total</b>
Sweden	-220	-116	<b>-336</b>
UK	-26	-6	<b>-32</b>
Denmark	-14	-11	<b>-25</b>
Finland	-19	-6	<b>-25</b>
Norway	-39	-13	<b>-52</b>
Netherlands	-4	0	<b>-4</b>
International	-7	0	<b>-7</b>
Other	-117	0	<b>-117</b>
<b>Total</b>	<b>-446</b>	<b>-152</b>	<b>-598</b>

# Fees and commissions

<b>SEK m</b>	<b>Jan-Jun 2014</b>	<b>Jan-Jun 2013</b>	<b>Change</b>
Brokerage and other securities commissions	621	627	-1%
Mutual funds	1,159	958	21%
Custody and other asset management fees	265	192	38%
Advisory services	111	175	-37%
Insurance	321	281	14%
Payments	1,492	1,299	15%
Loans and deposits	568	568	0%
Guarantees	209	215	-3%
Other	219	211	4%
<b>Commission income</b>	<b>4,965</b>	<b>4,526</b>	<b>10%</b>
Securities	-129	-118	9%
Payments	-602	-561	7%
Other	-39	-46	-15%
<b>Commission expense</b>	<b>-770</b>	<b>-725</b>	<b>6%</b>
<b>Net fee and commission income</b>	<b>4,195</b>	<b>3,801</b>	<b>10%</b>

# Oktagonen quarterly

Q1 2009 – Q2 2014



# Effective tax rate

Effective tax rate	<b>Q214</b>	Q114	Q413	Q313	<b>Q213</b>	Q113	Q412*	Q312	Q212	Q112
Per quarter	<b>21.2%</b>	21.1%	21.6%	21.8%	<b>22.6%</b>	20.4%	-10.1%	26.5%	25.2%	27.9%
Accumulated year to date	<b>21.1%</b>	21.1%	21.6%	21.6%	<b>21.5%</b>	20.4%	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-Jun 2014	Jan-Jun 2013	Change
Cash and central banks	477	246	94%
Loans to the public	1,765	1,686	5%
Loans to other credit institutions	77	72	6%
Interest-bearing securities	110	121	-9%
Other assets	251	262	-4%
<b>Total assets</b>	<b>2,680</b>	<b>2,385</b>	<b>12%</b>
Deposits and borrowing from the public	943	637	48%
Due to credit institutions	206	197	5%
Issued securities	1,175	1,210	-3%
Other liabilities	239	239	0%
Total equity	117	102	15%
<b>Total liabilities and equity</b>	<b>2,680</b>	<b>2,385</b>	<b>12%</b>

## Long-term funding, January – June 2014

<b>Long term issuance, SEK bn</b>	<b>Jan-Jun 2014</b>	<b>Jan-Jun 2013</b>
Senior bonds	22	28
Extendible notes	-	40
Covered bonds	73	95
Subordinated loans	16	-
<b>Total</b>	<b>111</b>	<b>163</b>

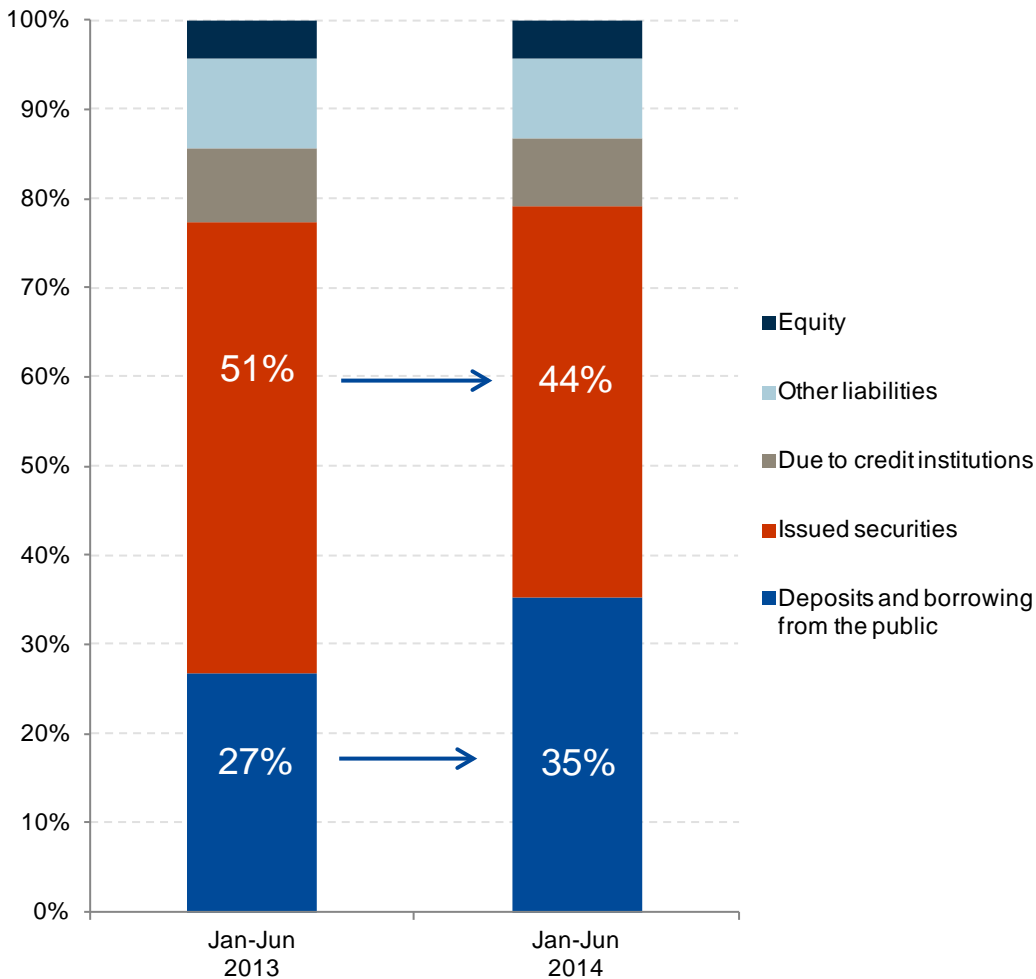
### Issues in Q2 include:

- AUD 650m 5-year senior
- USD 1.4bn 5-year senior
- SEK 3.2bn staff convertible



# Funding of balance sheet

Sources of funding



Reduced share of market funding

Increased share of deposit funding

# Loans to the public\*

SEK bn, end of period	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
<i>Households</i>	648	635	627	620	614
<i>Corporates</i>	482	484	485	489	493
<b>Branch operations in Sweden</b>	<b>1,130</b>	<b>1,119</b>	<b>1,111</b>	<b>1,110</b>	<b>1,107</b>
<i>Households</i>	85	83	81	79	81
<i>Corporates</i>	123	121	117	117	121
<b>Branch operations in Norway</b>	<b>208</b>	<b>204</b>	<b>198</b>	<b>197</b>	<b>202</b>
<i>Households</i>	46	42	39	36	33
<i>Corporates</i>	103	95	92	89	86
<b>Branch operations in UK</b>	<b>149</b>	<b>137</b>	<b>132</b>	<b>125</b>	<b>119</b>
<i>Households</i>	35	34	34	33	33
<i>Corporates</i>	80	74	74	70	71
<b>Branch operations in Finland</b>	<b>115</b>	<b>108</b>	<b>107</b>	<b>103</b>	<b>103</b>
<i>Households</i>	41	38	38	35	34
<i>Corporates</i>	35	35	34	35	38
<b>Branch operations in Denmark</b>	<b>76</b>	<b>74</b>	<b>72</b>	<b>70</b>	<b>73</b>
<i>Households</i>	6	6	5	5	4
<i>Corporates</i>	11	9	13	10	11
<b>Branch operations in the Netherlands</b>	<b>17</b>	<b>15</b>	<b>18</b>	<b>15</b>	<b>15</b>
Other	58	58	53	61	64
<i>Households</i>	865	842	827	811	803
<i>Corporates</i>	888	873	864	870	880
<b>Total lending to the public</b>	<b>1,753</b>	<b>1,715</b>	<b>1,691</b>	<b>1,681</b>	<b>1,683</b>

\* Excluding loans to the National Debt Office

# Deposits from the public

SEK bn, end of period	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
<i>Households</i>	245	234	233	228	228
<i>Corporates</i>	159	164	171	163	156
<b>Branch operations in Sweden</b>	<b>404</b>	<b>398</b>	<b>404</b>	<b>391</b>	<b>384</b>
<i>Households</i>	17	16	15	15	16
<i>Corporates</i>	49	49	44	37	33
<b>Branch operations in Norway</b>	<b>66</b>	<b>65</b>	<b>59</b>	<b>52</b>	<b>49</b>
<i>Households</i>	15	12	9	8	7
<i>Corporates</i>	77	58	49	36	27
<b>Branch operations in UK</b>	<b>92</b>	<b>71</b>	<b>58</b>	<b>45</b>	<b>34</b>
<i>Households</i>	11	11	11	11	11
<i>Corporates</i>	30	30	23	17	13
<b>Branch operations in Finland</b>	<b>41</b>	<b>41</b>	<b>34</b>	<b>28</b>	<b>24</b>
<i>Households</i>	12	12	12	11	11
<i>Corporates</i>	14	13	16	15	14
<b>Branch operations in Denmark</b>	<b>26</b>	<b>24</b>	<b>28</b>	<b>26</b>	<b>25</b>
<i>Households</i>	0	0	0	0	0
<i>Corporates</i>	10	9	6	11	7
<b>Branch operations in the Netherlands</b>	<b>10</b>	<b>9</b>	<b>6</b>	<b>11</b>	<b>8</b>
Other	304	259	236	255	113
<i>Households</i>	309	291	287	280	281
<i>Corporates</i>	634	576	538	528	356
<b>Total deposits from the public</b>	<b>943</b>	<b>867</b>	<b>825</b>	<b>808</b>	<b>637</b>

# Lending in home markets outside Sweden

## Average volumes

	Q2	Q1	
<b>Private, local currency</b>	<b>2014</b>	<b>2014</b>	<b>Change</b>
Denmark, DKK bn	32.4	31.4	3.2%
Finland, EUR m	3,811	3,787	0.6%
Norway, NOK bn	75.8	75.0	1.1%
UK, GBP m	3,921	3,763	4.2%
Netherlands, EUR m	682	625	9.1%

### **Corporate, local currency**

Denmark, DKK bn	28.2	28.0	0.7%
Finland, EUR m	8,369	8,207	2.0%
Norway, NOK bn	113.3	113.4	-0.1%
UK, GBP m	8,924	8,782	1.6%
Netherlands, EUR m	1,145	1,460	-21.6%

# Lending in home markets outside Sweden

## Average volumes

	Jan-Jun 2014	Jan-Jun 2013	Change
<b>Private, local currency</b>			
Denmark, DKK bn	31.9	28.3	12.7%
Finland, EUR m	3,799	3,632	4.6%
Norway, NOK bn	75.4	70.7	6.6%
UK, GBP m	3,842	3,042	26.3%
Netherlands, EUR m	653	415	57.3%

### **Corporate, local currency**

Denmark, DKK bn	28.1	31.1	-9.6%
Finland, EUR m	8,288	7,881	5.2%
Norway, NOK bn	113.3	109.8	3.2%
UK, GBP m	8,853	8,169	8.4%
Netherlands, EUR m	1,303	1,240	5.1%

# Deposits in home markets outside Sweden

## Average volumes

	Q2 2014	Q1 2014	Change
<b>Private, local currency</b>			
Denmark, DKK bn	10.0	9.4	6.4%
Finland, EUR m	1,235	1,249	-1.1%
Norway, NOK bn	15.0	14.6	2.7%
UK, GBP m	1,222	1,032	18.4%
Netherlands, EUR m	29	27	7.4%

### **Corporate, local currency**

Denmark, DKK bn	12.2	15.2	-19.7%
Finland, EUR m	3,119	3,043	2.5%
Norway, NOK bn	45.1	43.7	3.2%
UK, GBP m	6,431	5,366	19.8%
Netherlands, EUR m	1,067	960	11.1%

# Deposits in home markets outside Sweden

## Average volumes

	Jan-Jun 2014	Jan-Jun 2013	Change
<b>Private, local currency</b>			
Denmark, DKK bn	9.7	9.0	7.8%
Finland, EUR m	1,242	1,264	-1.7%
Norway, NOK bn	14.8	13.6	8.8%
UK, GBP m	1,127	576	95.7%
Netherlands, EUR m	28	25	12.0%

### **Corporate, local currency**

Denmark, DKK bn	13.7	13.7	0.0%
Finland, EUR m	3,081	1,502	105.1%
Norway, NOK bn	44.4	35.6	24.7%
UK, GBP m	5,899	2,363	149.6%
Netherlands, EUR m	1,014	787	28.8%