

Handelsbanken

January – December 2016

8 February 2017

Stable business model gives stable profitability

High
profitability

Higher profitability than the average of peers for 45 consecutive years

Strong capital
generation

15% annual average growth in equity per share including reinvested dividends since 2007

Satisfied
customers

Consistently more satisfied customers than the average of peers in all home markets since the SKI/EPFI surveys started

Summary 2016

- Operating profit increased by 1% to SEK 20,633m (20,475)
- EPS amounted to SEK 8.43 (8.57)
- The Board proposes an ordinary dividend of SEK 5 per share and extension of the existing share buy-back mandate
- ROE dropped to 13.1% (13.5)
- CET1 ratio increased to 25.1% (21.2)
- NII increased to SEK 27,943m (27,740), the highest ever
- C/I-ratio fell to 45.2% (45.3%)
- The loan loss ratio was unchanged and amounted to 0.09% (0.09)
- Continued lending growth in all home markets

Income statement, Q4

SEK m	Q4 2016	Q3 2016	Change
Net interest income	7,299	7,041	4%
Net fee and commission income	2,447	2,259	8%
Net gains/losses on financial transactions	269	1,112	-76%
Risk result - insurance	6	25	-76%
Other income	104	36	189%
Total income	10,125	10,473	-3%
Staff costs	-2,981	-2,941	1%
Other expenses	-1,632	-1,371	19%
Total expenses	-4,613	-4,312	7%
Profit before loan losses	5,512	6,161	-11%
Net loan losses	-832	-476	75%
Gains/losses on disposal of property, equipment and intangible assets	18	6	200%
Operating profit	4,698	5,691	-17%
Taxes	-1,254	-1,127	11%
Net profit from discontinued operations	-	-	
Profit for the period	3,444	4,564	-25%

SEK 769m realised gains
in Q3

+3% adjusted for realised
gains and currency effects

+1% adjusted for realised
gains and currency effects

Income statement, 2016

SEK m	Full year 2016	Full year 2015	Change
Net interest income	27,943	27,740	1%
Net fee and commission income	9,156	9,320	-2%
Net gains/losses on financial transactions	3,066	2,608	18%
Risk result - insurance	142	157	-10%
Other income	456	511	-11%
Total income	40,763	40,336	1%
Staff costs	-12,542	-12,581	0%
Other expenses	-5,896	-5,690	4%
Total expenses	-18,438	-18,271	1%
Profit before loan losses	22,325	22,065	1%
Net loan losses	-1,724	-1,597	8%
Gains/losses on disposal of property, equipment and intangible assets	32	7	357%
Operating profit	20,633	20,475	1%
Taxes	-4,401	-4,277	3%
Net profit from discontinued operations	13	145	-91%
Profit for the period	16,245	16,343	-1%

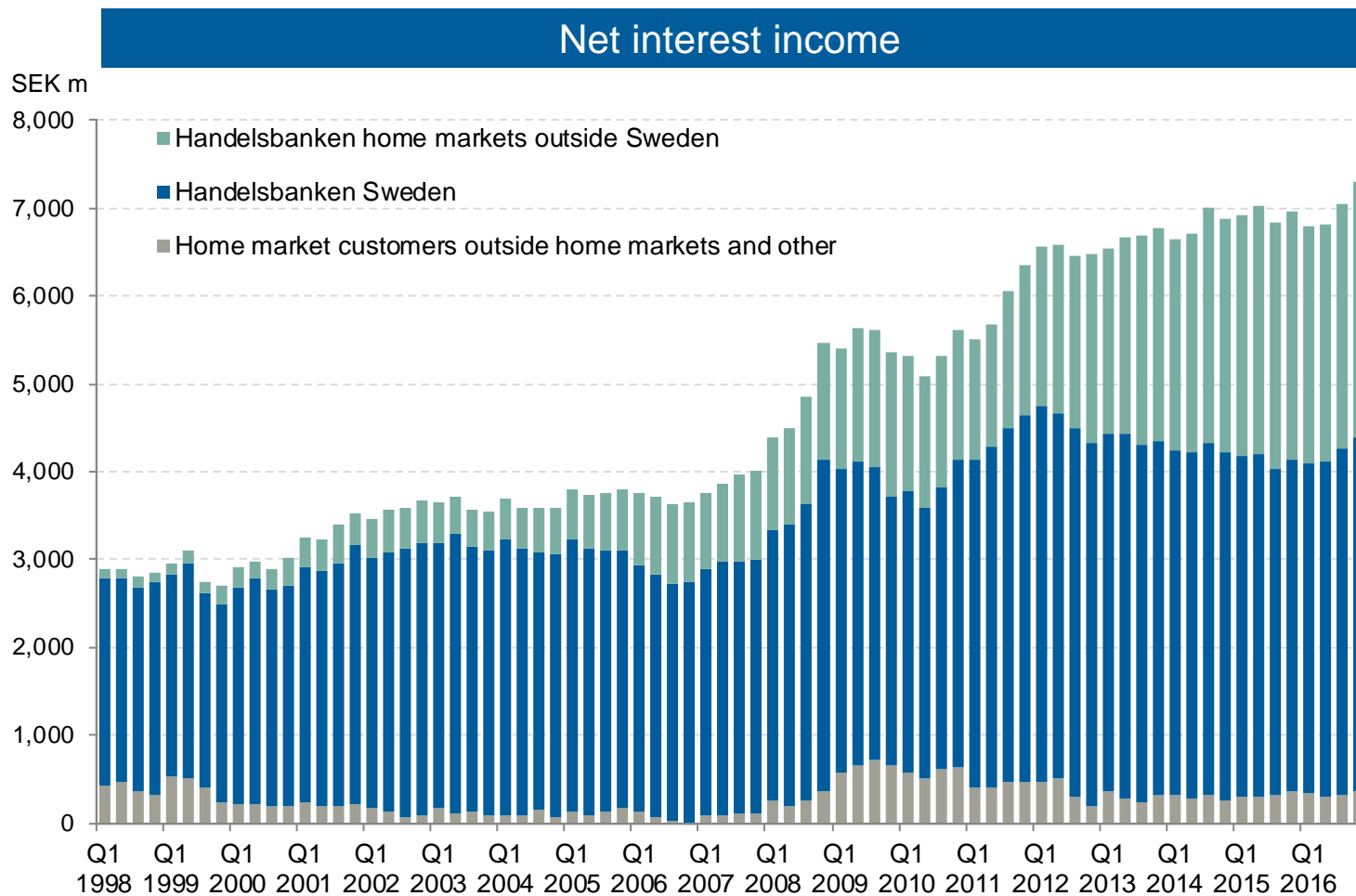
NII +2% adjusted for
currency effects

SEK 1,685m in realised
gains in 2016 compared to
SEK 1,209m in 2015

SEK 700m in provision in
2016

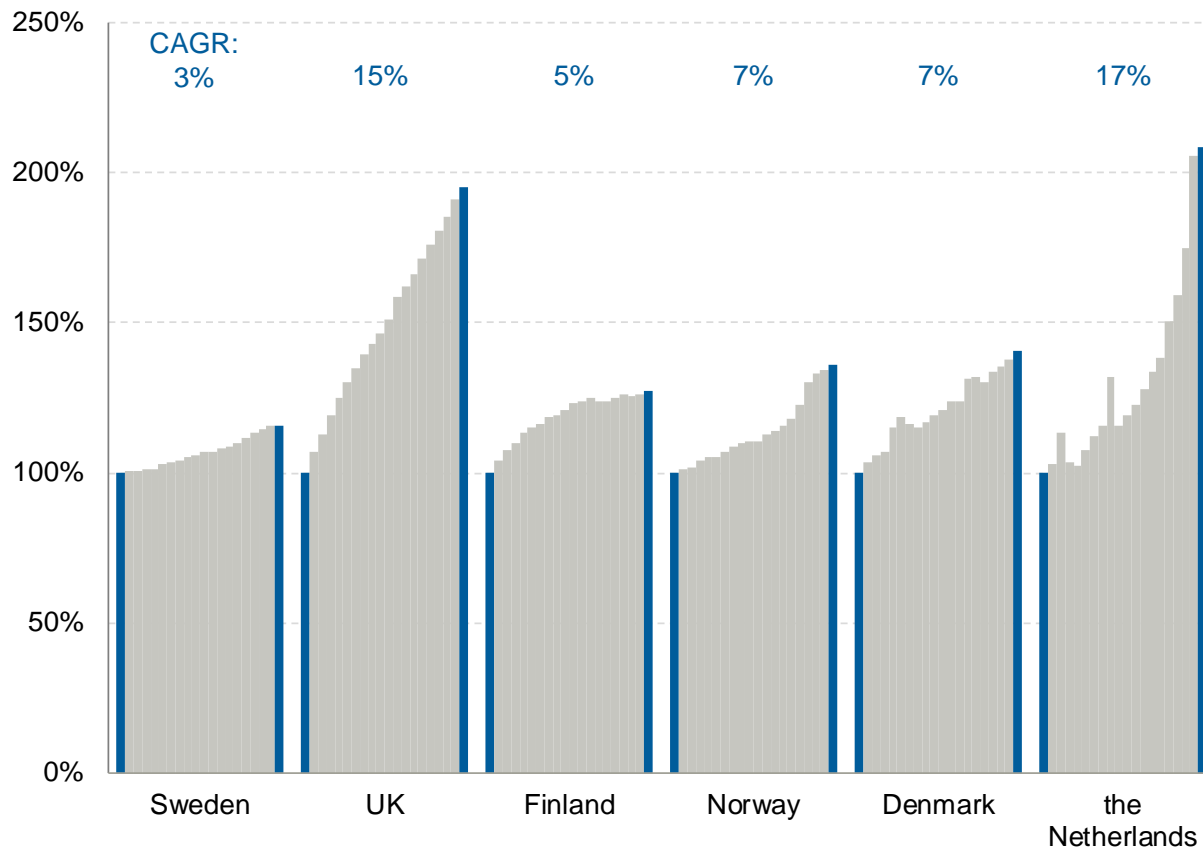
SEK 858m Oktogonen
allocation in 2015

Highest NII ever



Stable lending growth

Loans to the public in local currency per quarter
index 100 = Q1 2012

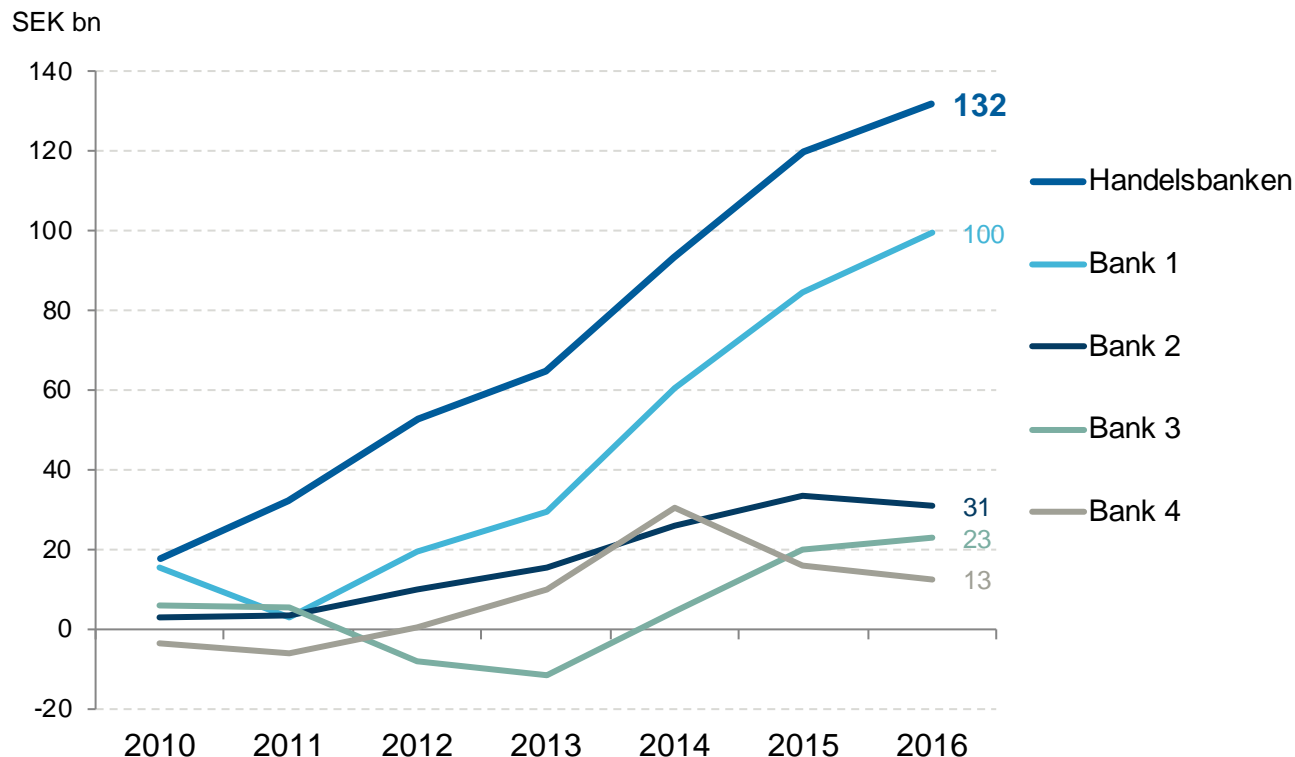


Return on equity per home market

	2016
Handelsbanken UK	15%
Handelsbanken Sweden	15%
Handelsbanken Norway	13%
Handelsbanken Finland	13%
Handelsbanken the Netherlands	12%
Handelsbanken Denmark	5%
Handelsbanken Group	13%

Largest institution for new savings in the Swedish fund market

Accumulated net inflows into Swedish mutual funds

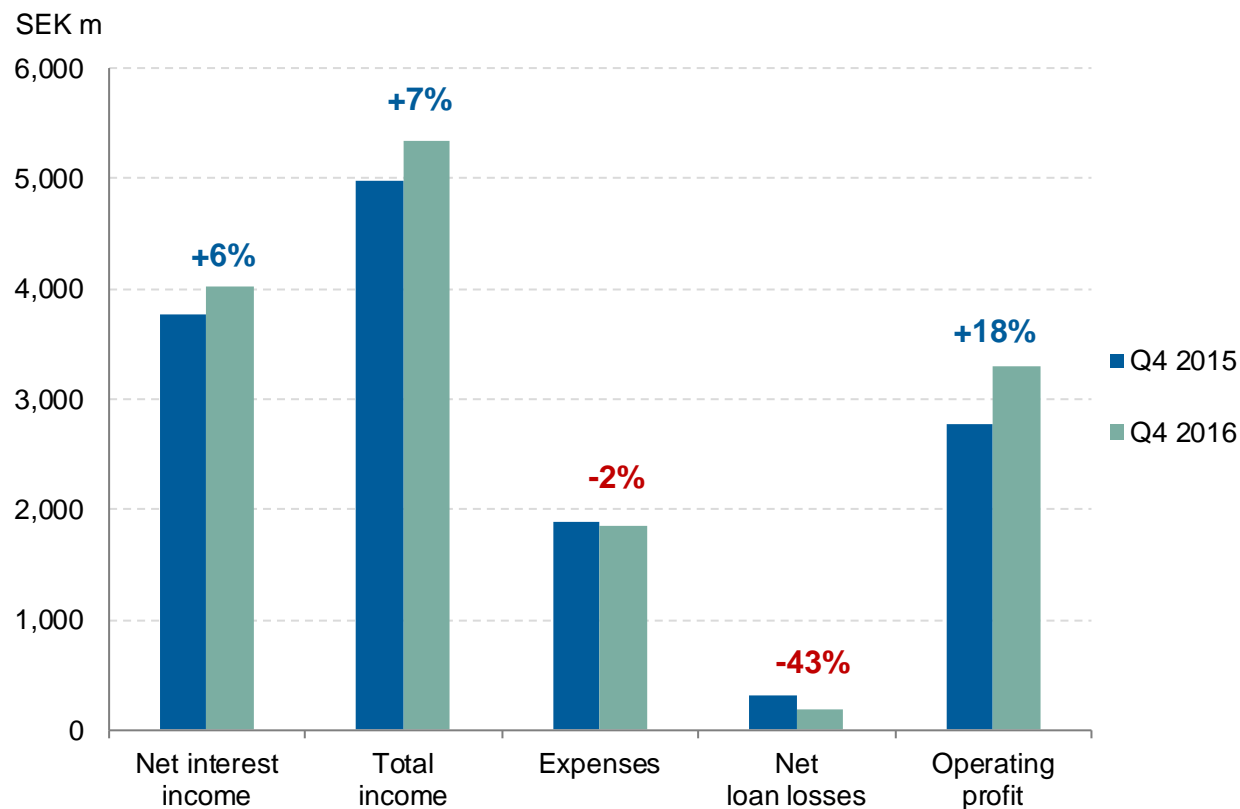


SEK 12bn in net inflows during 2016 of the market's total net inflow of SEK 53bn

Handelsbanken's market share of total outstanding mutual fund volumes in Sweden is 11%

Source: Moneymate. Mutual fund volumes include equity, mixed, hedge and fixed income funds. Competitor banks included are Danske Bank, Nordea, SEB and Swedbank

Good progress in Sweden



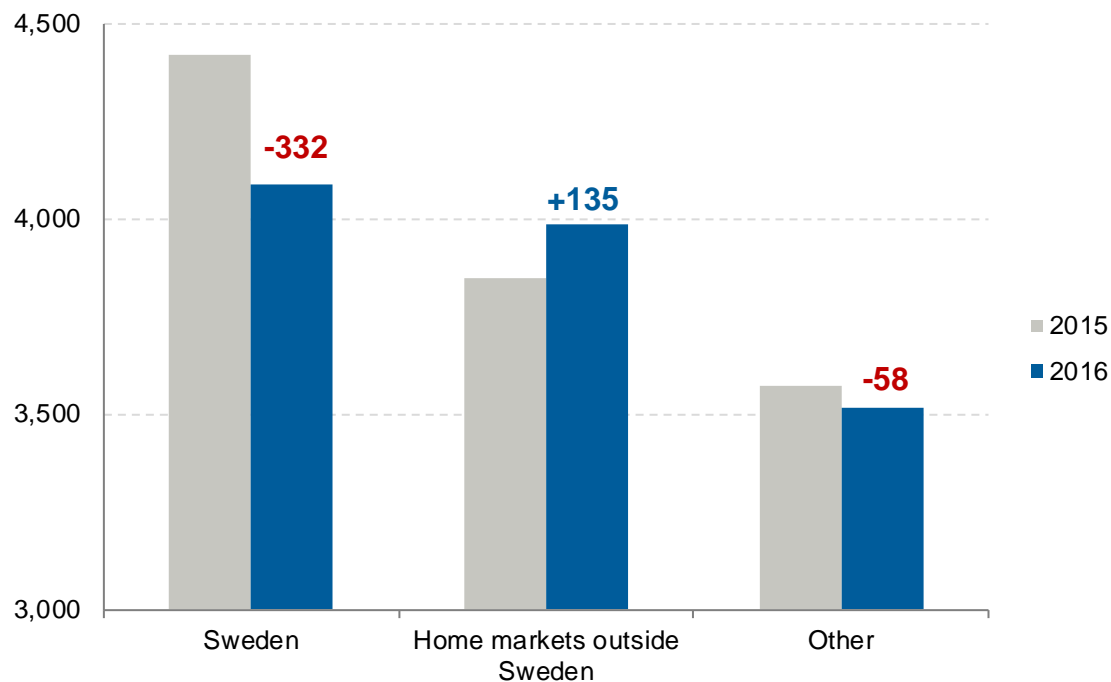
Increased NII and increased income

Lower costs and loan losses

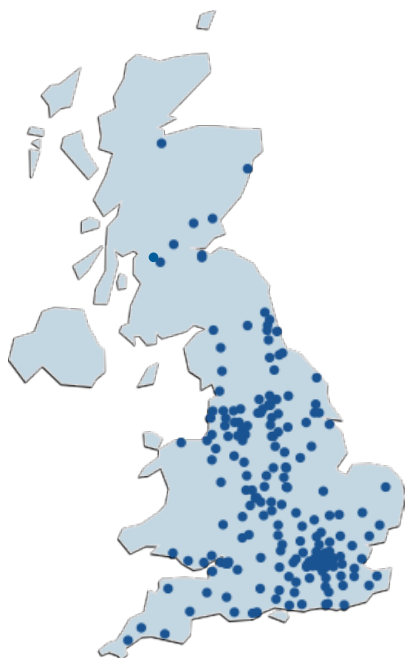
Higher operating profits

Number of employees at end of the year

Number of employees



255 fewer employees in the Group at the end of 2016

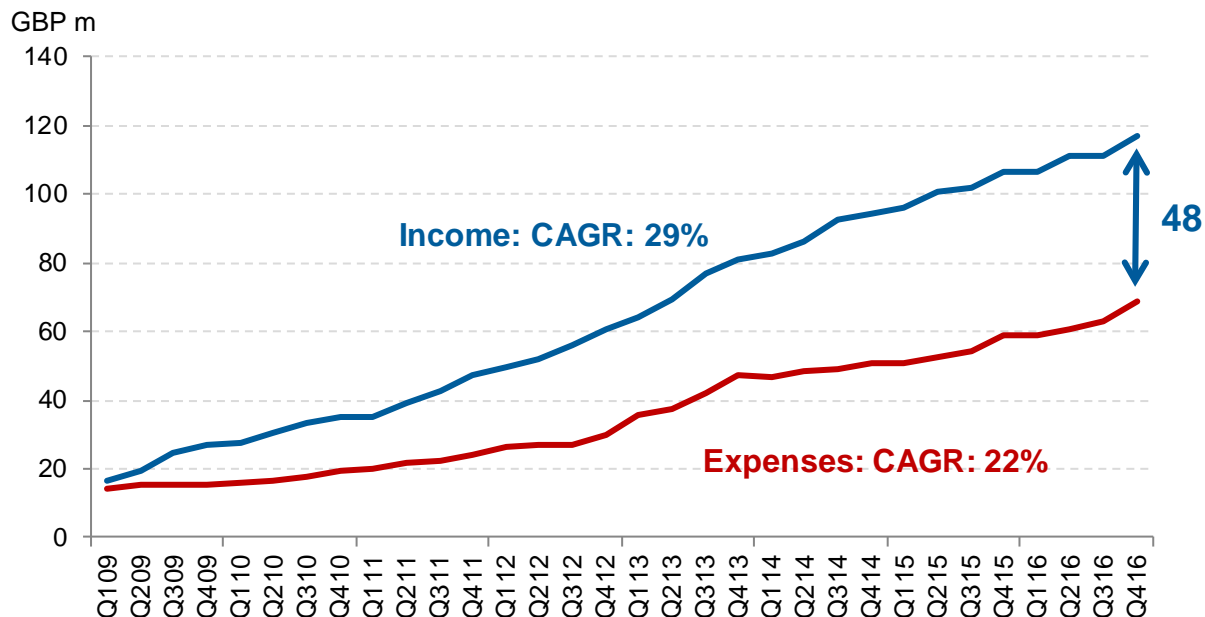


Continued expansion and increased availability

- Operating profit in local currency increased by 6% in 2016
 - NII increased by 8% and net commission income by 28%
 - The loan loss ratio fell to 0.08% (0.13)
 - Average deposit volumes from households increased by 47%

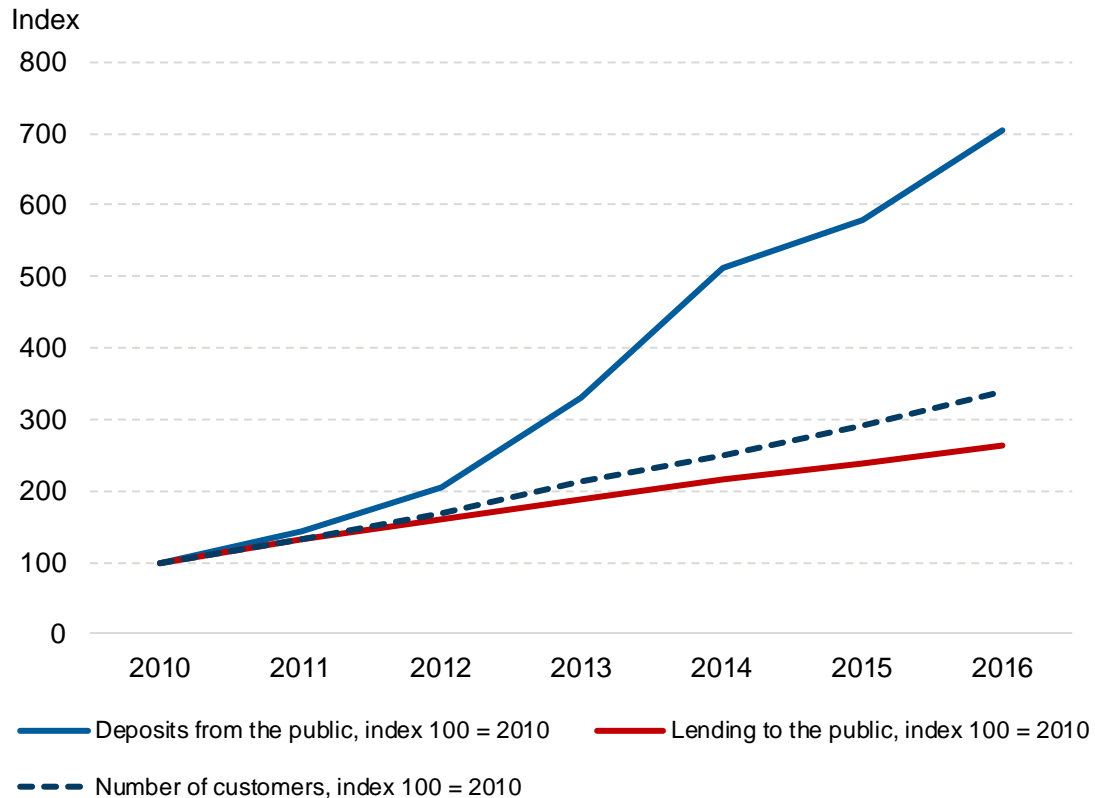
- The highest customer satisfaction according to EPSI

Income and expense trend in the UK



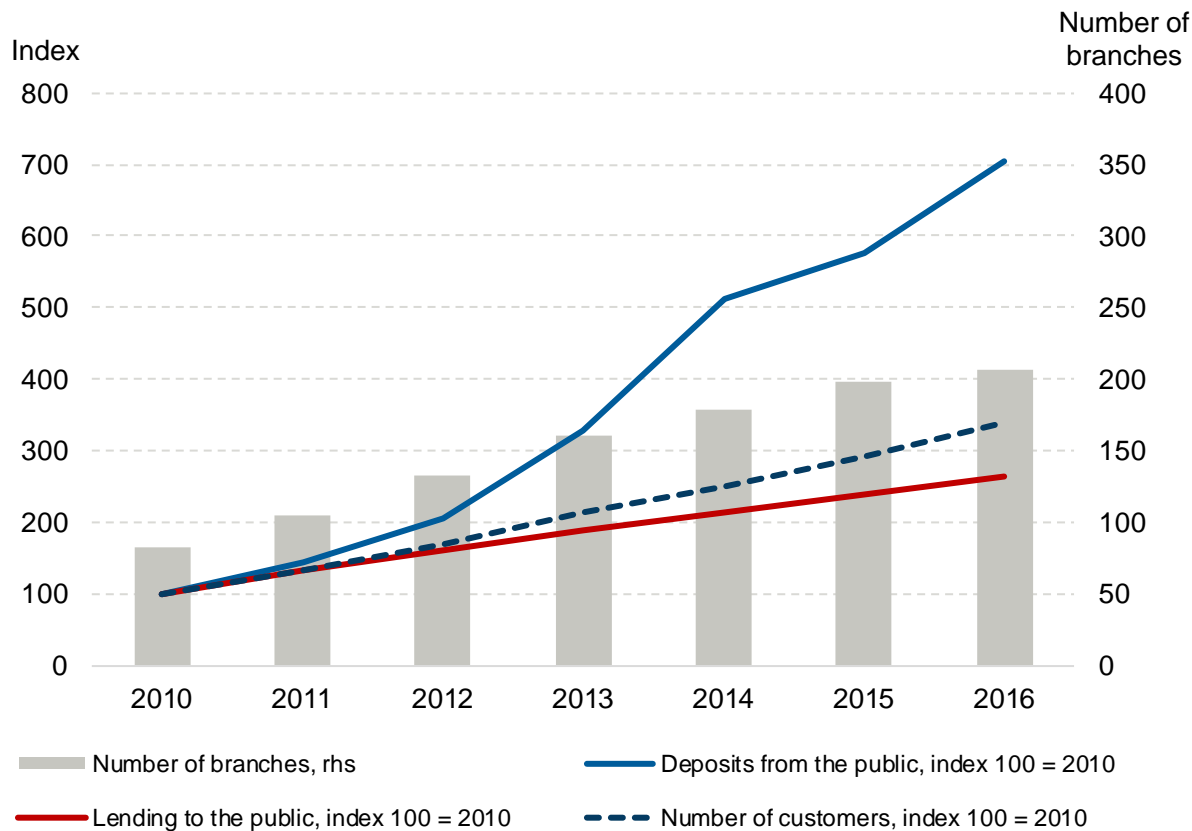
Handelsbanken UK

Deposits and lending in local currency, and number of customers



Handelsbanken UK

Deposits and lending in local currency,
number of customers and branches



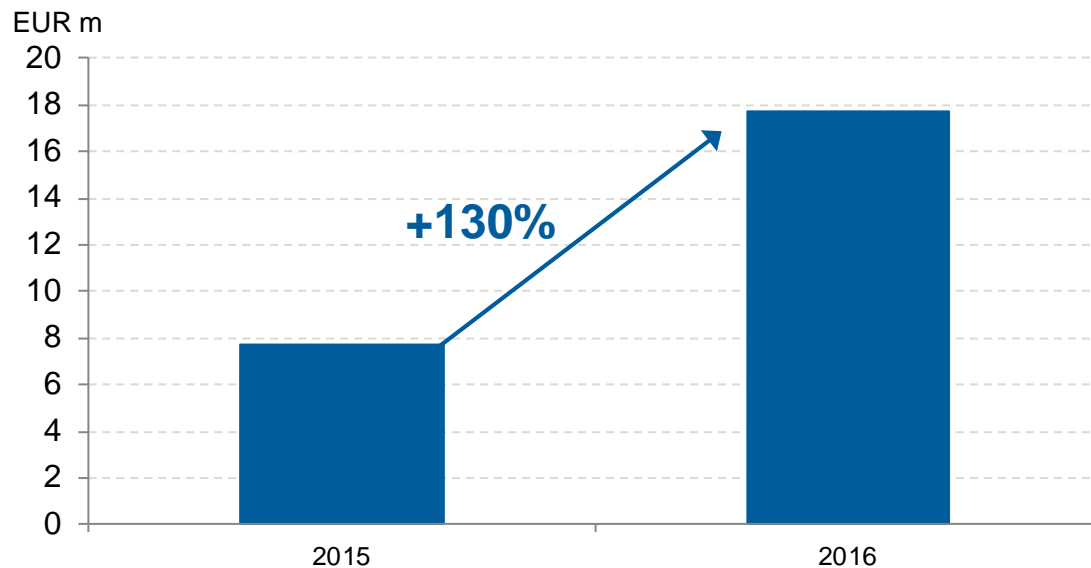
Handelsbanken the Netherlands



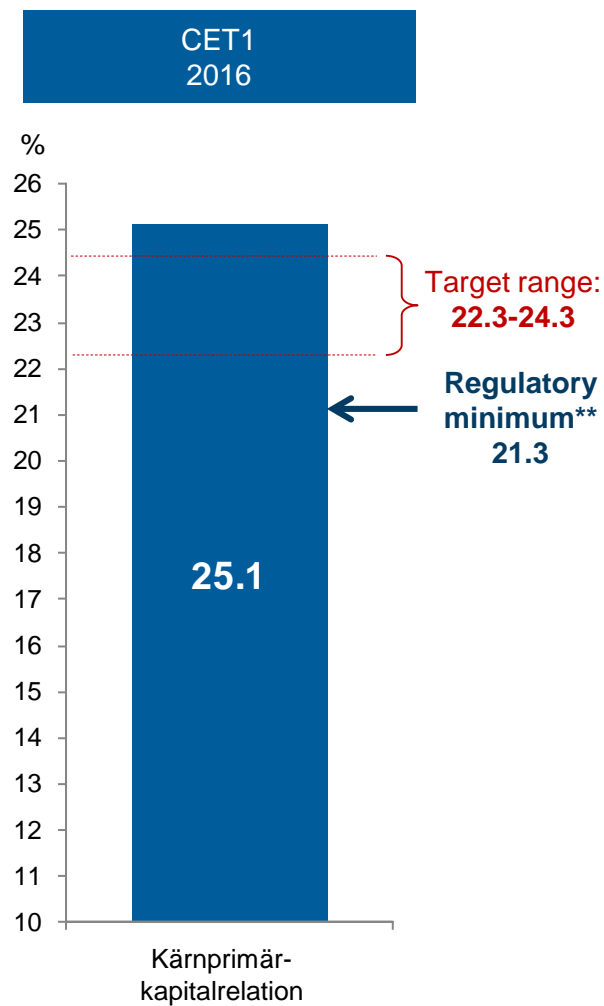
Strong progress

- Operating profit in local currency increased by 130% in 2016
 - ROE was 12%
 - Average lending increased by 36% and to households by 40%
 - C/I ratio dropped by 11.6% points
 - Loan loss ratio of 0.0%
 - The most satisfied customers according to EPSI

Operating profit in local currency



Financial stability



	31 Dec 2016	31 Dec 2015	Change
Capital CRR/CRD IV, %			
Capital ratio, %	31.4	27.2	+4.2%-points
Tier 1 ratio, %	27.9	23.8	+4.1%-points
Common equity tier 1 ratio, %	25.1	21.2	+3.9%-points
Total own funds, SEK bn	144.2	128.5	+15.7
Common equity tier 1 capital, SEK bn	115.2	100.5	+14.7
Leverage ratio, %	4.8	4.4	+0.4%-points

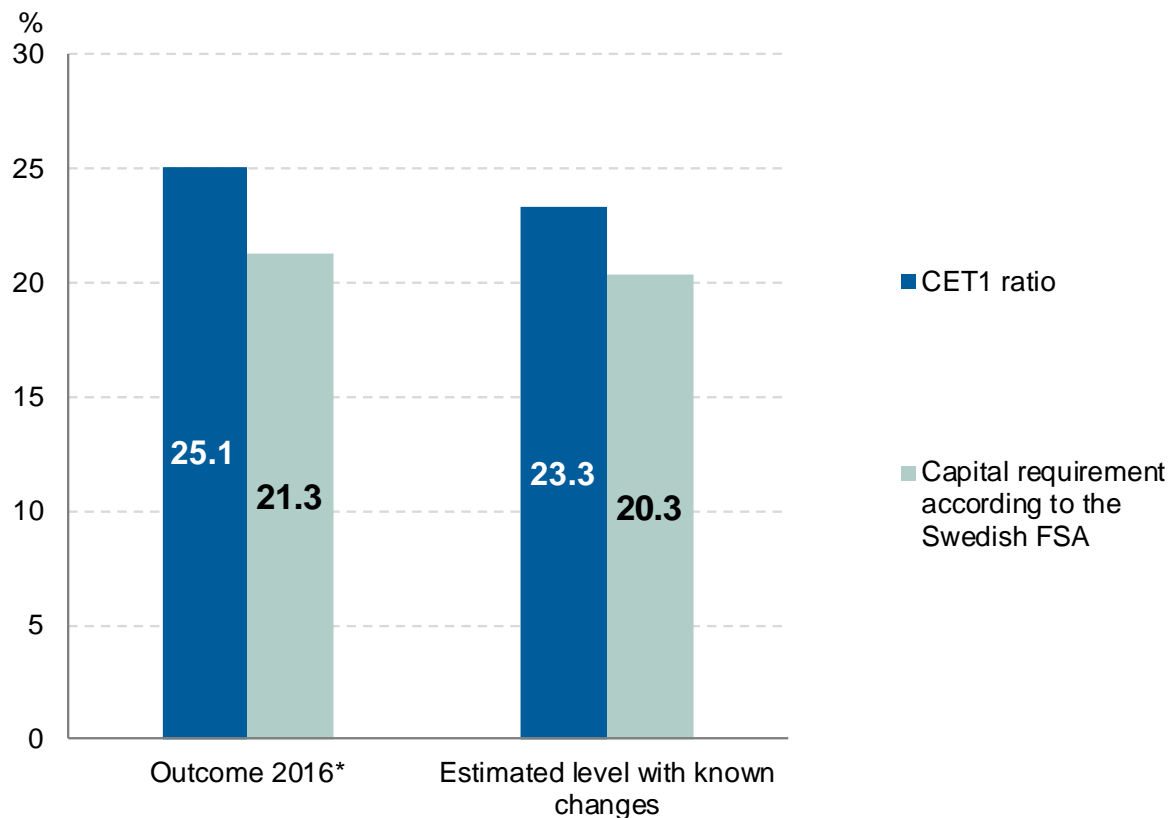
	31 Dec 2016
Liquidity	
LCR Total*	126%
LCR EUR*	136%
LCR USD*	322%
LCR according to the EU Commission's delegated act	142%
NSFR	102%

* According to the Swedish FSA's definition

** According to the Swedish FSA in Q3 2016

Known changes to capital requirement

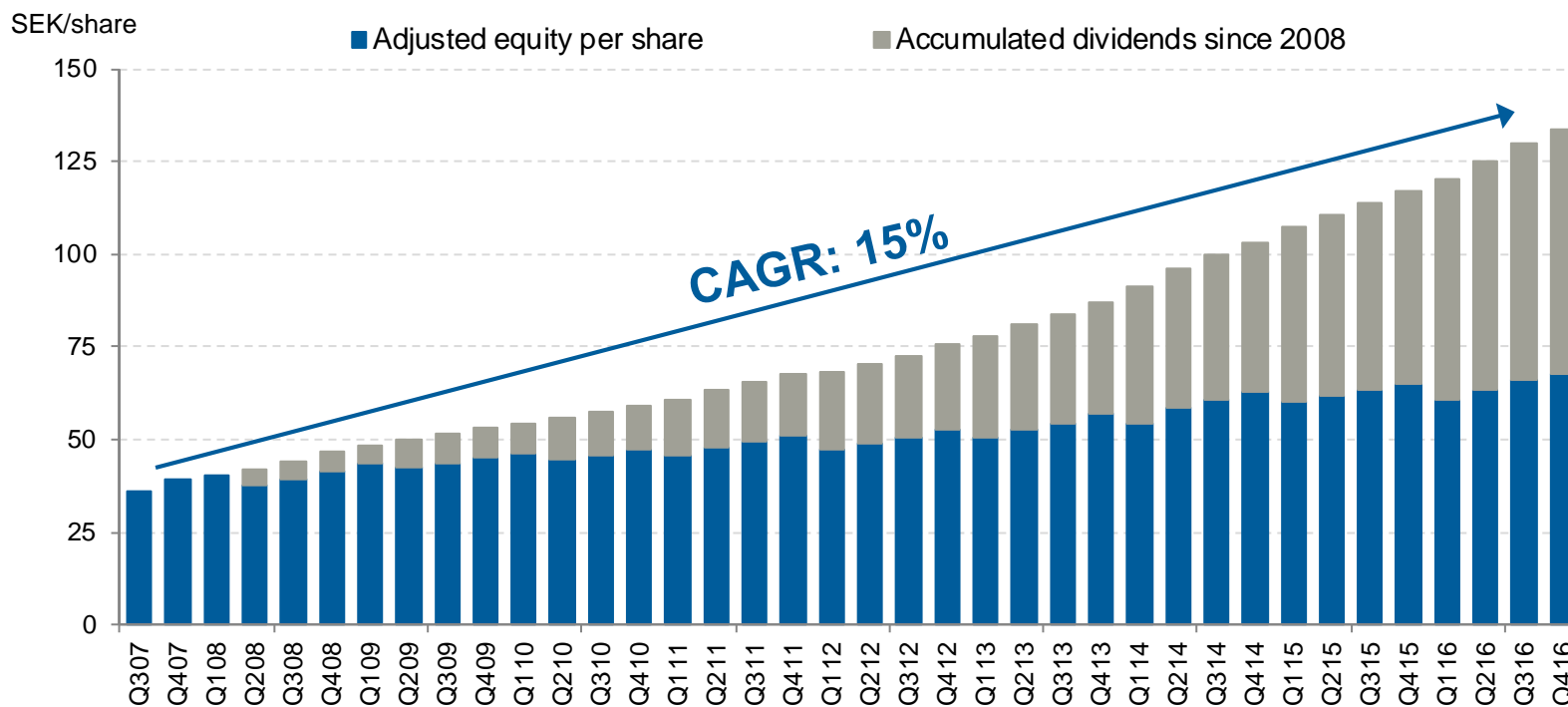
- Increase of the countercyclical buffer in Sweden in Q1 2017
- Impact from new models for risk calculation of corporate exposures



* Capital requirement according to the Swedish FSA in Q3 2016

Average annual growth in equity

Including dividends*



* Dividends reinvested in ROE per quarter
CAGR = Compounded annual growth rate

Appendix

The Board's proposal for the AGM 2017

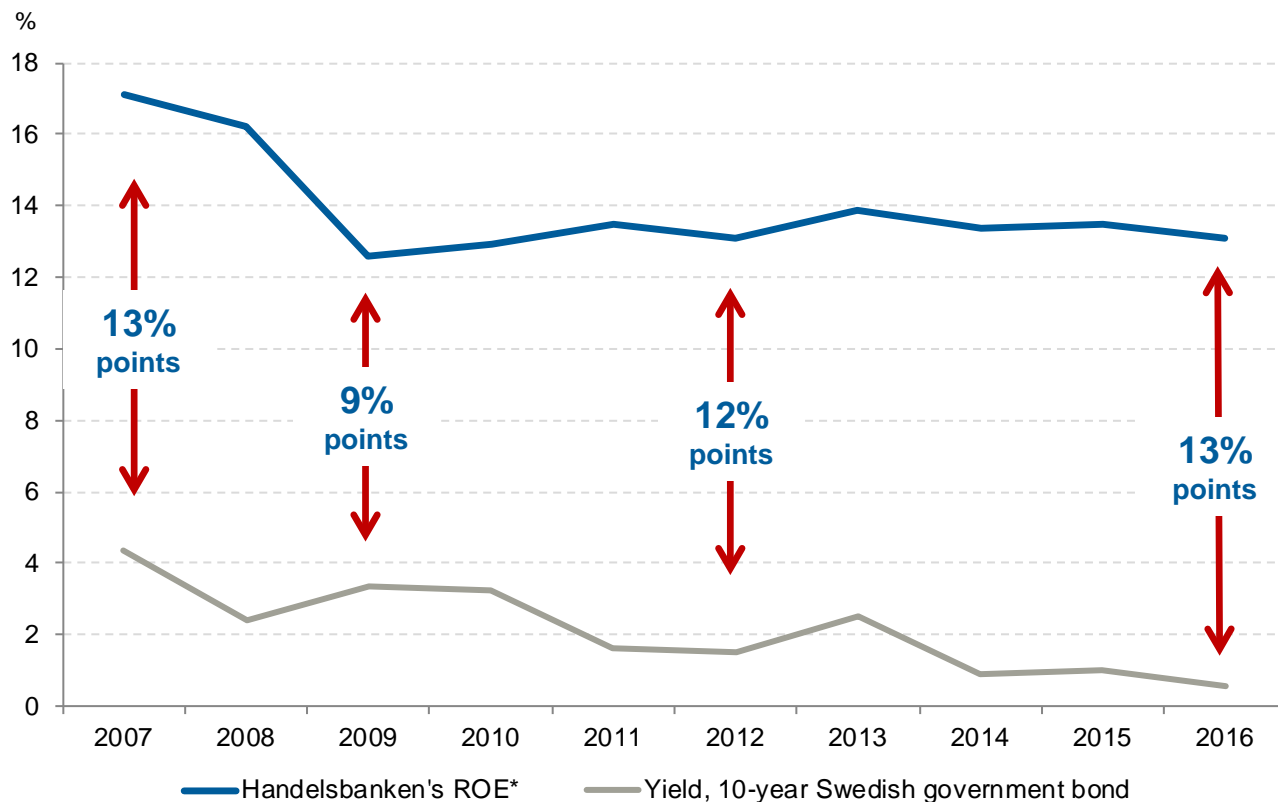
	2016	2015	2014	2013	2012
Ordinary dividend per share, SEK	5.00	4.50	4.17	11.50	10.75
Total dividend per share, SEK	5.00	6.00	5.83	16.50	10.75
Total dividends, SEK bn	9.7	11.4	11.1	10.5	6.8
Payout ratio, ordinary dividend	60%	53%	52%	51%	47%
Payout ratio, total dividend	60%	70%	73%	73%	47%
Dividend growth, ordinary dividend	11%	8%	9%	7%	10%
Dividend growth, total dividend	-17%	3%	6%	54%	10%

Record date for dividends: 31 March 2017

Ex-dividend date: 30 March 2017

Payment: 5 April 2017

Stable ROE relative to the “risk-free interest rate”



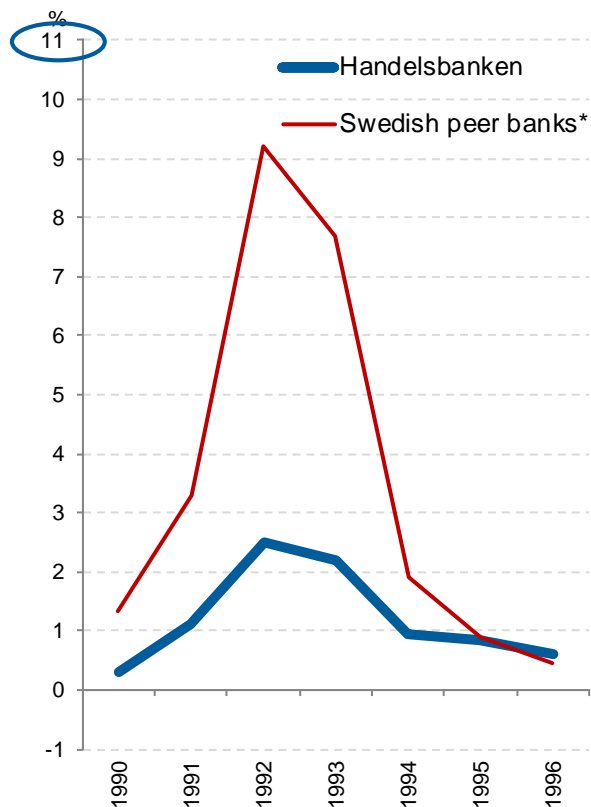
Stable return premium over the business cycle confirms the low risk profile

* Excluding capital gain from sale of SPP in 2007 and effects from recalculations of deferred taxes in 2012

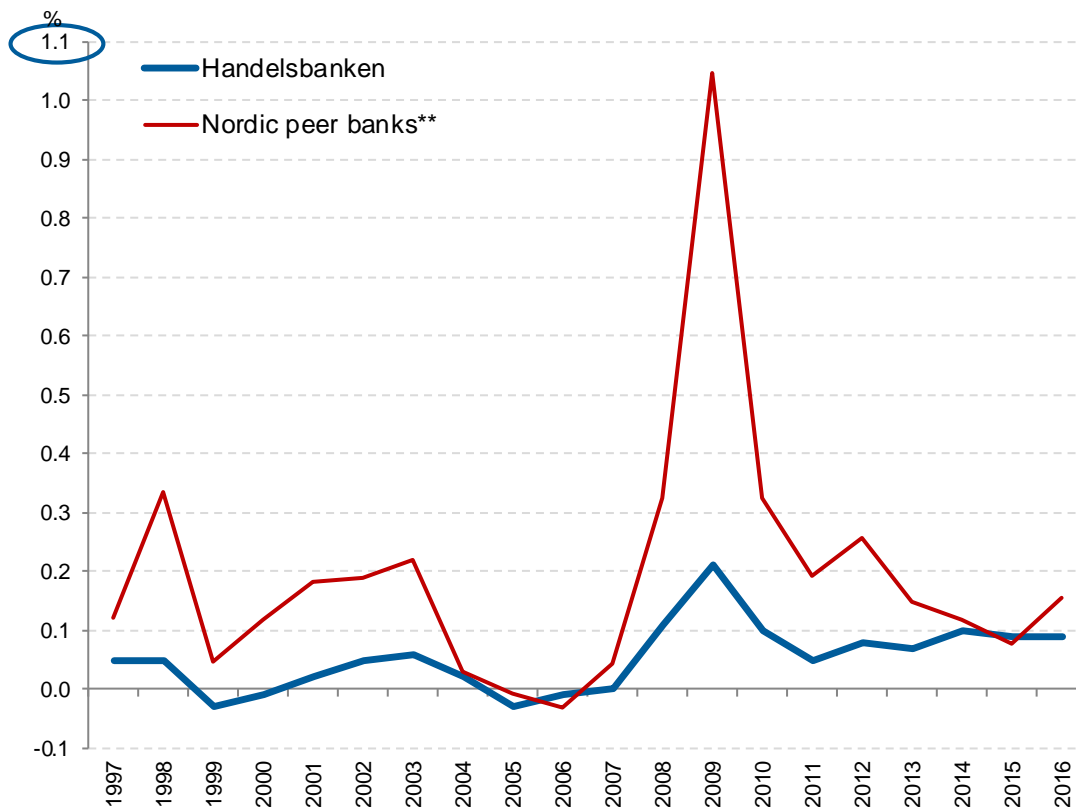
Source: Handelsbanken and Factset

Significantly lower loan losses

1990 – 1996



1997 – 2016



* Gota bank (nationalised 1992), Nordea (Nordbanken [nationalised 1992]) and SEB. Swedbank included from 1995

** Danske Bank, DNB, Nordea, SEB, and Swedbank

Income statement – five quarters

SEK m	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	7,299	7,041	6,808	6,795	6,971
Net fee and commission income	2,447	2,259	2,280	2,170	2,343
Net gains/losses on financial transactions	269	1,112	523	1,162	1,503
Risk result - insurance	6	25	35	76	36
Other income	104	36	276	40	56
Total income	10,125	10,473	9,922	10,243	10,909
Staff costs	-2,981	-2,941	-2,952	-3,668	-3,353
Other expenses	-1,632	-1,371	-1,465	-1,428	-1,554
Total expenses	-4,613	-4,312	-4,417	-5,096	-4,907
Profit before loan losses	5,512	6,161	5,505	5,147	6,002
Net loan losses	-832	-476	-229	-187	-475
Gains/losses on disposal of property, equipment and intangible assets	18	6	1	7	6
Operating profit	4,698	5,691	5,277	4,967	5,533

Change in net interest income

NII Q3 2016 , SEK m	7,041	Change
Lending and deposits in Handelsbanken Sweden	-15	
Lending margins	24	
Lending volumes	14	
Deposit margins	-39	
Deposit volumes	-14	
Lending and deposits in home markets outside Sweden	0	
Lending margins	-43	
Lending volumes	31	
Deposit margins	-4	
Deposit volumes	16	
Total lending and deposits in home markets	-15	0%
Other in branch operations	55	
Mandatory government fees (deposit insur., stability fund etc.)	6	
Benchmark effect	88	
Day count effect	0	
Exchange rate movements	77	
Other	47	
Other	273	4%
NII Q4 2016	7,299	4%

Change in net interest income

NII 2015, SEK m	27,740	Change
Lending and deposits in Handelsbanken Sweden	-599	
Lending margins	20	
Lending volumes	688	
Deposit margins	-1119	
Deposit volumes	-188	
Lending and deposits in home markets outside Sweden	419	
Lending margins	-588	
Lending volumes	824	
Deposit margins	104	
Deposit volumes	79	
Total lending and deposits in home markets	-180	-1%
Other in branch operations	838	
Mandatory government fees (deposit insur., stability fund etc.)	-182	
Benchmark effect	97	
Day count effect	21	
Exchange rate movements	-489	
Other	98	
Other	383	1%
NII 2016	27,943	1%

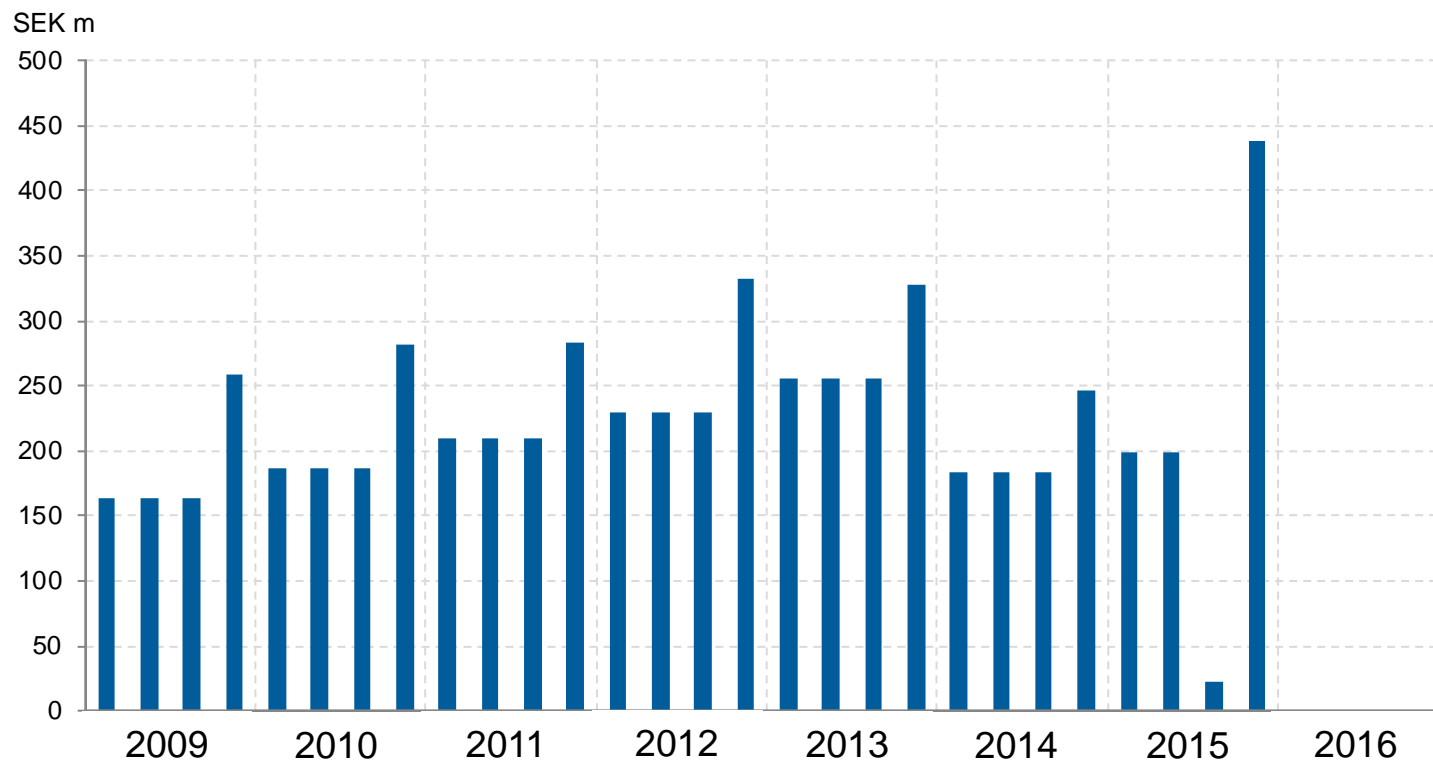
Fees and commissions

SEK m	Full year 2016	Full year 2015	Change
Brokerage and other securities commissions	916	1,071	-14%
Mutual funds	3,023	2,987	1%
Custody and other asset management fees	623	600	4%
Advisory services	317	326	-3%
Insurance	634	639	-1%
Payments	3,185	3,364	-5%
Loans and deposits	1,172	1,096	7%
Guarantees	422	421	0%
Other	488	471	4%
Total fee and commission income	10,780	10,975	-2%
Securities	-260	-244	7%
Payments	-1,289	-1,337	-4%
Other	-75	-74	1%
Total fee and commission expense	-1,624	-1,655	-2%
Net fee and commission income	9,156	9,320	-2%

Mandatory government fees

Q4 2016, SEK m	Resolution fund	Deposit guarantee	Total
Sweden	-100	-64	-164
UK	-19	-6	-25
Denmark	-7	-2	-9
Finland	-9	-3	-12
Norway	-15	-4	-19
The Netherlands	-2	-1	-3
Capital Markets	-9	0	-9
Other	-79	-	-79
Total	-240	-80	-320

Oktagonen quarterly



Effective tax rate

Effective tax rate	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Per quarter	26.7%	19.8%	20.7%	18.7%	19.4%	21.7%	21.1%	21.5%	21.7%
Accumulated year to date	21.3%	19.7%	19.7%	18.7%	20.9%	21.4%	21.3%	21.5%	21.2%

Change in common equity tier 1 ratio

CRR/CRD IV

Common equity tier 1 ratio Q3 2016, %	24.0
Change, percentage points:	
Common equity tier 1 capital	0.9
Earnings after estimated dividends	0.0
Conversions of staff convertibles	0.1
Currency effects	0.0
IAS 19	1.0
AFS holdings	0.0
Other and rounding	-0.2
Lending volume	-0.1
Lending growth	-0.1
Currency effects	0.0
Net effect different quality of inflows and outflows in loan portfolio	0.4
Credit risk migration in the lending portfolio	-0.3
Sale of AFS holdings	0.0
Other effects, net	0.2
Change in common equity tier 1 ratio	1.1
Common equity tier 1 ratio Q4 2016, %	25.1

Change in common equity tier 1 ratio

CRR/CRD IV

Common equity tier 1 ratio Q4 2015, %	21.2
Change, percentage points:	
Common equity tier 1 capital	3.1
Earnings after estimated dividends	2.2
Conversions of staff convertibles	0.5
Currency effects	0.3
IAS 19	0.8
AFS holdings	-0.2
Other and rounding	-0.5
Lending volume	-0.4
Lending growth	-0.1
Currency effects	-0.3
Net effect different quality of inflows and outflows in loan portfolio	0.8
Credit risk migration in the lending portfolio	-0.5
Sale of AFS holdings	0.6
Other effects, net	0.3
Change in common equity tier 1 ratio	3.9
Common equity tier 1 ratio Q4 2016, %	25.1

Balance sheet

SEK bn	Full year 2016	Full year 2015	Change
Cash and central banks	225	237	-5%
Loans to the public	1,964	1,866	5%
Loans to other credit institutions	31	50	-39%
Interest-bearing securities	161	119	35%
Other assets	247	250	-1%
Total assets	2,628	2,522	4%
Deposits and borrowing from the public	829	754	10%
Due to credit institutions	179	164	9%
Issued securities	1,262	1,245	1%
Other liabilities	222	231	-4%
Total equity	136	128	6%
Total liabilities and equity	2,628	2,522	4%

Non-encumbered assets, NEA

31 December 2016

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

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

** Over-collateralisation in cover pool (OC)

Long-term bond funding, January – December

Long term bond issuance, SEK bn	2016	2015	Change
Senior bonds	50	32	18
Covered bonds	148	139	9
Subordinated loans	0	10	-10
Total	198	181	17

Loans to the public*

	Q4	Q3	Q2	Q1	Q4
SEK bn, end of period	2016	2016	2016	2016	2015
<i>Households</i>	760	754	745	728	714
<i>Corporates</i>	471	473	479	478	478
Handelsbanken Sweden	1,231	1,227	1,224	1,206	1,193
<i>Households</i>	93	93	87	83	81
<i>Corporates</i>	152	156	146	137	129
Handelsbanken Norway	245	249	233	220	210
<i>Households</i>	65	64	63	63	64
<i>Corporates</i>	128	126	125	126	130
Handelsbanken UK	193	190	188	189	194
<i>Households</i>	36	37	35	35	35
<i>Corporates</i>	84	84	83	80	80
Handelsbanken Finland	120	121	118	115	115
<i>Households</i>	56	55	52	49	48
<i>Corporates</i>	40	38	38	38	36
Handelsbanken Denmark	96	93	90	87	84
<i>Households</i>	16	15	14	12	11
<i>Corporates</i>	16	16	16	12	11
Handelsbanken the Netherlands	32	31	30	24	22
Other	45	52	52	58	46
<i>Households</i>	1,034	1,025	1,003	977	960
<i>Corporates</i>	929	938	932	922	903
Total lending to the public	1,963	1,963	1,935	1,899	1,863

* Excluding loans to the Swedish National Debt Office

Deposits from the public

	Q4	Q3	Q2	Q1	Q4
SEK bn, end of period	2016	2016	2016	2016	2015
<i>Households</i>	309	308	305	288	280
<i>Corporates</i>	199	204	195	193	191
Handelsbanken Sweden	508	512	500	481	470
<i>Households</i>	37	31	30	25	26
<i>Corporates</i>	80	80	81	78	76
Handelsbanken UK	117	111	111	103	102
<i>Households</i>	21	21	20	18	18
<i>Corporates</i>	44	58	42	43	39
Handelsbanken Norway	65	79	62	61	57
<i>Households</i>	14	14	14	13	13
<i>Corporates</i>	22	19	15	17	17
Handelsbanken Finland	36	33	29	30	30
<i>Households</i>	16	16	15	14	14
<i>Corporates</i>	21	19	19	16	17
Handelsbanken Denmark	37	35	34	30	31
<i>Households</i>	1	1	1	1	1
<i>Corporates</i>	2	6	2	5	2
Handelsbanken the Netherlands	3	7	3	6	3
Other	64	233	396	332	61
<i>Households</i>	404	399	392	365	356
<i>Corporates</i>	425	611	743	677	398
Total deposits from the public	829	1,009	1,135	1,042	754

Lending in home markets outside Sweden

Average volumes local currency

	Q4 2016	Q3 2016	Change
Private, local currency			
Denmark, DKK bn	42.5	41.3	2.9%
Finland, EUR m	3,997	3,998	0.0%
Norway, NOK bn	87.6	86.4	1.4%
UK, GBP m	5,754	5,609	2.6%
The Netherlands, EUR m	1,629	1,502	8.5%

Corporate, local currency

Denmark, DKK bn	29.0	28.7	1.0%
Finland, EUR m	8,822	8,747	0.9%
Norway, NOK bn	146.1	144.3	1.2%
UK, GBP m	11,418	11,196	2.0%
The Netherlands, EUR m	1,667	1,741	-4.3%

Lending in home markets outside Sweden

Average volumes local currency

Private, local currency	Full year 2016	Full year 2015	Change
Denmark, DKK bn	40.8	36.7	11.2%
Finland, EUR m	3,975	3,947	0.7%
Norway, NOK bn	85.9	81.3	5.7%
UK, GBP m	5,527	4,809	14.9%
The Netherlands, EUR m	1,434	1,022	40.3%

Corporate, local currency

Denmark, DKK bn	28.8	28.9	-0.3%
Finland, EUR m	8,761	8,619	1.6%
Norway, NOK bn	143.1	120.5	18.8%
UK, GBP m	11,007	10,026	9.8%
The Netherlands, EUR m	1,519	1,149	32.2%

Deposits in home markets outside Sweden

Average volumes local currency

	Q4 2016	Q3 2016	Change
Private, local currency			
Denmark, DKK bn	12.4	12.1	2.5%
Finland, EUR m	1,508	1,485	1.5%
Norway, NOK bn	19.7	20.0	-1.5%
UK, GBP m	3,039	2,751	10.5%
The Netherlands, EUR m	73	65	12.3%

Corporate, local currency

Denmark, DKK bn	16.2	15.7	3.2%
Finland, EUR m	2,211	1,933	14.4%
Norway, NOK bn	54.2	45.8	18.3%
UK, GBP m	7,550	7,526	0.3%
The Netherlands, EUR m	455	378	20.4%

Deposits in home markets outside Sweden

Average volumes local currency

	Full year 2016	Full year 2015	Change
Private, local currency			
Denmark, DKK bn	11.9	11.1	7.2%
Finland, EUR m	1,451	1,367	6.1%
Norway, NOK bn	19.3	17.3	11.6%
UK, GBP m	2,569	1,747	47.1%
The Netherlands, EUR m	62	47	31.9%
Corporate, local currency			
Denmark, DKK bn	15.7	16.9	-7.1%
Finland, EUR m	1,991	2,226	-10.6%
Norway, NOK bn	46.3	51.1	-9.4%
UK, GBP m	7,218	6,576	9.8%
The Netherlands, EUR m	420	703	-40.3%

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