FitchRatings

Banks
Universal Commercial Banks
Sweden

Svenska Handelsbanken AB

Update

Key Rating Drivers

Very Strong Credit Profile: Svenska Handelsbanken AB's ratings reflect its ability to generate strong and resilient earnings with minimal credit losses through the cycle. Its stable and traditional low-risk business model and its operations in Sweden and Norway, which Fitch Ratings considers among the strongest operating environments for banks, underpin its financial profile and balance its material wholesale funding requirements. The bank's very strong risk profile drives a one-notch positive adjustment to its 'aa-' implied Viability Rating (VR).

Stable, Risk-Averse Business Model: Handelsbanken has a strong record of operating with a very low risk appetite in its home markets. Its largest operations are in Sweden, but it also considers Norway, the UK and the Netherlands as home markets. The bank focuses on maintaining tight business relationships with low-risk customers. This strategic focus and the strong operating environments in its home markets have allowed it to generate strong risk-adjusted earnings with modest loan impairment charges (LICs) through numerous credit cycles.

Low-Risk Culture: Fitch believes the bank's prudent risk appetite and long-term strategic approach make it particularly resilient to downturns. Risk appetite is underscored by the bank's outstanding asset quality through many credit cycles. The bank consistently applies more conservative underwriting standards than global industry practice, maintains zero tolerance for credit losses, and ensures high loan book collateralisation. The bank's strong customer relationships allow swift remedial actions should problems arise.

Resilient and Strong Asset Quality: Handelsbanken's asset quality has been resilient in the current economic uncertainty, and Fitch expects it to remain very strong, despite its material exposure to commercial real estate. We expect Handelsbanken's impaired loans ratio (end-September 2025: 0.4%) to remain flat in the medium term.

Robust and Stable Profitability: Handelsbanken's profitability benefits from healthy revenue generation, high efficiency and exceptionally low and stable LICs. We expect profitability to decline slightly from the exceptionally strong levels in 2024 as interest rates are cut, but it should remain strong, supported by high cost efficiency and low LICs. We forecast operating profit to ease towards 3.5% of risk-weighted assets (RWAs) in 2025 (2024: 4.2%).

Strong Capitalisation: Handelsbanken has maintained strong risk-weighted capital ratios, with a common equity Tier 1 (CET1) ratio of 18.2% at end-September 2025. We expect the CET1 ratio to remain above 16% in the long term, given Handelsbanken's capital targets. Handelsbanken's only moderate leverage ratio and fairly small capital base, compared with that of international banks rated in the 'aa' category, are offset by historically low LICs, an overall low risk profile and robust internal capital generation.

Wholesale-Funded, Strong Liquidity: Handelsbanken's reliance on wholesale funding, similar to its Nordic peers, reflects a well-developed covered bond market matching mortgage lending and a structural deposit shortage in Sweden. The bank uses its geographically diversified funding platform to tap the international bond markets, which are used to fund non-domestic lending and meet regulatory requirements. Refinancing risk is well-controlled due to evenly balanced maturities and prudent liquidity management.

Ratings

Foreign Currency	
Long-Term IDR	AA
Short-Term IDR	F1+
Derivative Counterparty Rating	AA+(dcr)
Viability Rating	aa
Government Support Rating	ns
Sovereign Risk (Sweden)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Svenska Handelsbanken at 'AA'; Outlook Stable (May 2025)

Svenska Handelsbanken AB (June 2025)

Nordic Banking M&A Activity: Q&A (October 2025)

Analysts

Markus Glabach
+49 69 768076 195
markus.glabach@fitchratings.com

Christian Scarafia
+44 20 3530 1012
christian.scarafia@fitchratings.com

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Handelsbanken's high ratings have limited rating headroom to absorb potential pressure on its credit profile. We may downgrade the rating on a weaker assessment of the bank's risk profile, which could be driven by a deteriorating operating environment in Sweden or a shift in the bank's low-risk culture. Such changes could undermine the bank's ability to generate strong risk-adjusted earnings.

We would also be likely to downgrade the bank if we expect its impaired loans ratio to increase durably above 1% without clear prospects of a swift improvement, the CET1 ratio to fall below 16%, or operating profit to decline below 3% of RWAs on a sustained basis.

Pressure on Handelsbanken's ratings could also come from an adverse change in investor sentiment materially affecting the bank's access to debt markets. However, we do not believe this is likely.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is unlikely in light of the bank's high ratings unless it substantially strengthens its franchise through wider geographical and borrower diversification without compromising its strong asset quality and profitability.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits and senior preferred debt	AA+/F1+
Senior non-preferred	AA
Tier 2 subordinated debt	A+
Additional Tier 1 notes	A-

Source: Fitch Ratings

Handelsbanken's long-term senior preferred debt and deposit ratings of 'AA+' and Derivative Counterparty Rating of 'AA+(dcr)' are one notch above its Long-Term IDR. This reflects the protection we expect will accrue to deposits and senior preferred debt from the bank's junior bank resolution debt and equity buffers. The short-term senior preferred debt and deposit ratings of 'F1+' are the only option mapping to their respective long-term ratings.

We expect Handelsbanken's buffer of subordinated and senior non-preferred debt to be comfortably above 10% of RWAs in the long term. This buffer was above 12% at end-March 2025. For the same reason, its long-term senior non-preferred debt rating is equalised with the Long-Term IDR.

Handelsbanken's Tier 2 subordinated debt and additional Tier 1 securities are notched down from its VR. We rate the Tier 2 debt two notches below the VR to reflect loss severity.

The additional Tier 1 securities are four notches below the VR to reflect the loss severity of these securities (two notches) and their high risk of non-performance (two notches). Our assessment is based on the bank operating with a CET1 ratio that is comfortably above maximum distributable amount thresholds, and our expectation that this will continue.

Significant Changes from Last Review

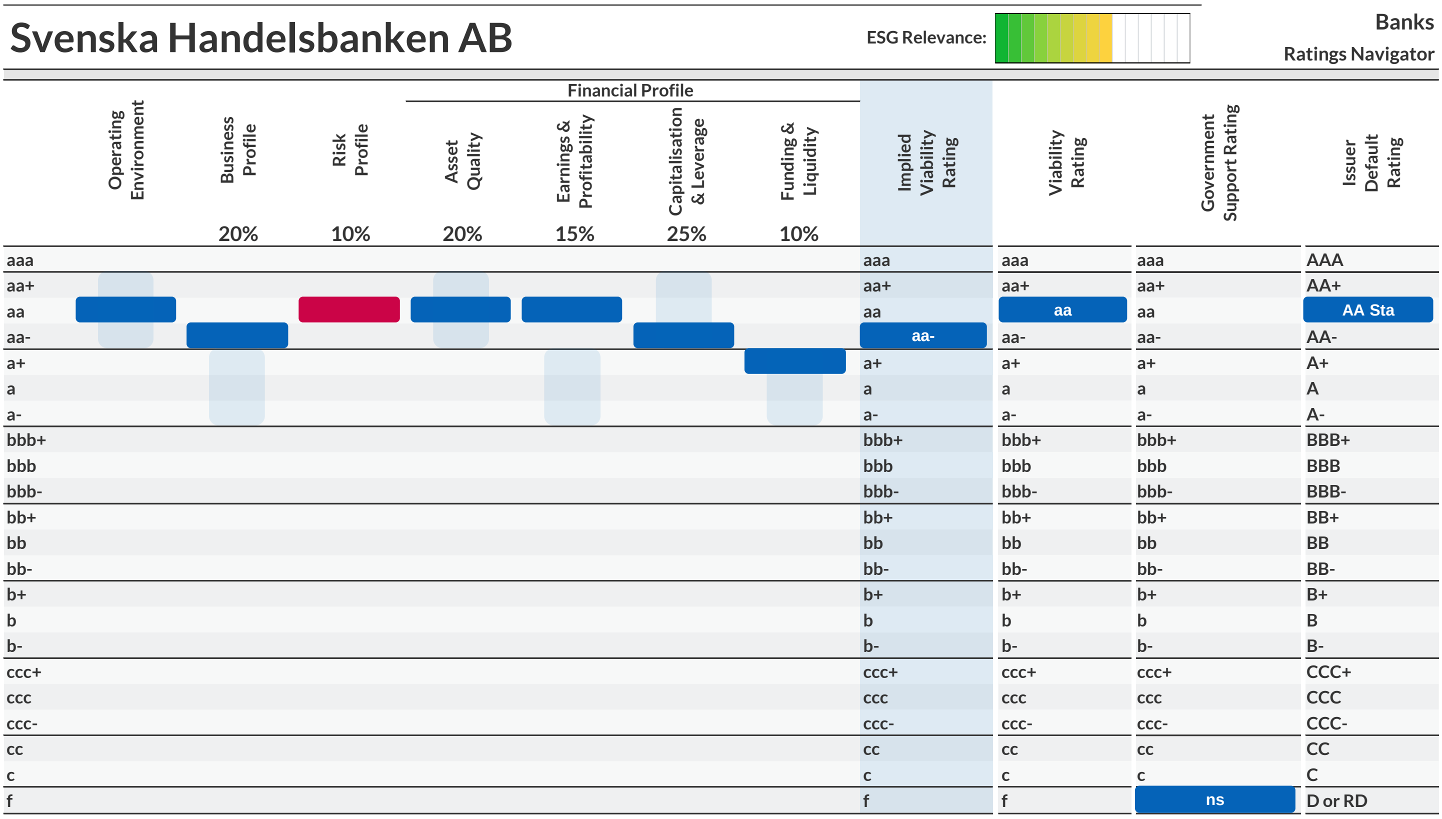
The bank's operating profit/RWAs ratio (3.8%) remained strong despite 9M25 operating profit falling by 11% year on year. This was mainly due to lower interest rates driving a 7% fall in net interest income (NII). NII remains Handelsbanken's main revenue source, at about 75% of income. This decline was mitigated by a 1% increase in fee income, driven by the good performance of fund management, brokerage and insurance activities. Handelsbanken's operating performance was also supported by lower operating expenses (-6%), reflecting the bank's tighter cost management.

Handelsbanken's LICs remained benign with 2bp of net reversals, as releases of post-model adjustments were the main benefit to risk costs.

The end-September 2025 CET1 ratio of 18.2% was about 350bp above regulatory requirements. We expect the bank to maintain a prudent buffer above requirements as it will not optimise its capital base aggressively.

We expect Handelsbanken to sustain solid performance in 2026, despite lower rates and compressed margins pressurising NII, as lending growth should pick up gradually. Fees and commissions and trading income are likely to remain broadly stable. We expect this to result in an operating profit/RWAs ratio of about 3.5% in 2026. Adequate GDP growth and firm labour markets are likely to preserve asset quality and result in low LICs.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

Handelsbanken's business profile score of 'aa-' is above the 'a' implied category score due to the following adjustment reasons: business model (positive) and strategy and execution (positive).

Handelsbanken's earnings and profitability score of 'aa' is above the 'a' implied category score due to the following adjustment reason: earnings stability (positive).

Financials

Financial Statements

	31 Dec 22 12 months (SEKm)	31 Dec 23 12 months (SEKm)	31 Dec 24 12 months (SEKm)	30 Sep 25 9 months (SEKm)	31 Dec 25F 12 months (SEKm)	31 Dec 26F 12 months (SEKm)
Summary income statement						
Net interest and dividend income	36,627	47,581	46,857	32,507	-	-
Net fees and commissions	11,103	10,465	10,950	8,144	-	-
Other operating income	1,462	4,203	4,536	1,885	-	-
Total operating income	49,192	62,249	62,343	42,536	55,060	55,509
Operating costs	23,607	25,806	27,940	19,782	26,421	26,685
Pre-impairment operating profit	25,585	36,443	34,403	22,754	28,639	28,824
Loan and other impairment charges	49	141	-601	-308	-20	68
Operating profit	25,536	36,302	35,004	23,062	28,659	28,756
Other non-operating items (net)	1,363	1,229	247	-131	-	-
Tax	5,429	8,417	7,795	5,172	-	-
Net income	21,470	29,114	27,456	17,759	22,068	22,142
Other comprehensive income	2,046	-2,447	2,412	-3,396	-	-
Fitch comprehensive income	23,516	26,667	29,868	14,363	-	-
Summary balance sheet						
Assets						
Gross loans	2,305,355	2,276,799	2,281,509	2,255,383	2,255,383	2,300,491
– Of which impaired	5,716	7,064	8,525	7,951	-	-
Loan loss allowances	2,454	2,395	1,609	1,153	-	-
Net loans	2,302,901	2,274,404	2,279,900	2,254,230	-	-
Interbank	14,015	15,953	20,195	40,542	-	-
Derivatives	19,645	20,453	40,670	22,253	-	-
Other securities and earning assets	404,751	534,035	552,976	776,736	-	-
Total earning assets	2,741,312	2,844,845	2,893,741	3,093,761	-	-
Cash and due from banks	475,868	476,171	529,995	598,245	-	-
Other assets	236,536	216,776	115,437	110,261	-	-
Total assets	3,453,716	3,537,792	3,539,173	3,802,267	3,798,593	3,843,633
Liabilities						
Customer deposits	1,325,056	1,298,363	1,310,631	1,397,294	1,402,375	1,430,423
Interbank and other short-term funding	709,006	729,563	699,541	735,541	-	-
Other long-term funding	874,314	913,062	962,008	950,153	-	-
Trading liabilities and derivatives	30,979	36,602	16,963	36,744	-	-
Total funding and derivatives	2,939,355	2,977,590	2,989,143	3,119,732	-	-
Other liabilities	302,748	340,998	330,190	487,845	-	-
Preference shares and hybrid capital	15,583	14,119	9,813	-	-	-
Total equity	196,030	205,085	210,027	194,690	-	-
Total liabilities and equity	3,453,716	3,537,792	3,539,173	3,802,267	3,798,593	3,843,633
Exchange rate	USD1= SEK10.4273	USD1= SEK10.1812	USD1= SEK11.0299	USD1= SEK9.4170	-	-

Source: Fitch Ratings, Fitch Solutions, SHB

Key Ratios

	31 Dec 22	31 Dec 23	31 Dec 24	30 Sep 25	31 Dec 25F	31 Dec 26F
(%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	3.2	4.3	4.2	3.8	3.5	3.5
Net interest income/average earning assets	1.4	1.7	1.6	1.5	1.4	1.4
Non-interest expense/gross revenue	48.0	41.5	44.8	46.4	48.0	48.1
Net income/average equity	11.5	14.8	13.7	12.2	-	-
Asset quality						
Impaired loans ratio	0.3	0.3	0.4	0.4	0.4	0.4
Growth in gross loans	7.1	-1.2	0.2	-1.1	-1.1	2.0
Loan loss allowances/impaired loans	42.9	33.9	18.9	14.5	18.9	18.0
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0	0.0	0.0
Capitalisation						
Common equity Tier 1 ratio	19.6	18.8	18.8	18.2	18.5	18.7
Tangible common equity/tangible assets	5.5	5.6	5.7	4.9	-	-
Basel leverage ratio	5.2	5.1	4.9	4.3	-	-
Net impaired loans/common equity Tier 1	2.1	3.0	4.5	4.7	-	-
Funding and liquidity						
Gross loans/customer deposits	174.0	175.4	174.1	161.4	-	-
Gross loans/customer deposits + covered bonds	118.4	117.5	114.3	109.6	109.5	110.0
Liquidity coverage ratio	159.0	210.0	183.4	188.0	-	-
Customer deposits/total non-equity funding	45.3	43.9	43.9	45.1	-	-
Net stable funding ratio	114.0	120.0	123.6	122.0	-	-

Source: Fitch Ratings, Fitch Solutions, SHB

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Handelsbanken's Government Support Rating of 'no support' (ns) reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event of the bank becoming non-viable. The EU's Bank Recovery and Resolution Directive provides a framework for resolving banks that will require senior creditors to participate in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

Subsidiaries and Affiliates

Subsidiary Ratings

Rating Level	Stadshypotek AB (publ)	Handelsbanken Plc
Long-Term IDR	AA/Stable	AA/Stable
Short-Term IDR	F1+	F1+
Viability Rating	aa	-
Government Support Rating	ns	-
Shareholder Support Rating	-	aa

Source: Fitch Ratings

Handelsbanken and its mortgage lending subsidiary Stadshypotek share a group VR, reflecting Stadshypotek's close integration within the group, meaning the entities' credit profiles cannot be meaningfully disentangled. Consequently, Stadshypotek's IDRs are aligned with those of Handelsbanken. The Government Support Rating of 'ns' reflects the prevailing resolution regime in Sweden.

The IDRs and Shareholder Support Rating of Handelsbanken Plc, the UK-based wholly owned subsidiary, are equalised with Handelsbanken's ratings, reflecting Fitch's view that there is an extremely high probability of support from the parent for its UK subsidiary. The UK subsidiary is an integral part of Handelsbanken, operating in one of the group's home markets. In addition, Fitch believes there is significant reputational risk for the group from a default of the UK subsidiary, in particular given the former's reliance on wholesale funding.

We do not assign a VR to Handelsbanken Plc, as its strong integration with its parent and the importance of being part of Handelsbanken group to its franchise mean we believe it cannot be meaningfully analysed on a standalone basis.

Environmental, Social and Governance Considerations

FitchRatings **Svenska Handelsbanken AB**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Svenska Handelsbanken AB has 5 ESG potential rating drivers

- Svenska Handelsbanken AB has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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