FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Svenska Handelsbanken at 'AA+'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 12 Jun 2026: Fitch Ratings has affirmed Svenska Handelsbanken AB's (Handelsbanken) Long-Term Issuer Default Rating (IDR) at 'AA+' and Viability Rating (VR) at 'aa'. Fitch has also affirmed the Long-Term IDRs of Handelsbanken's wholly owned subsidiaries, Stadshypotek AB (publ) and Handelsbanken Plc, at 'AA+'. The Outlooks on the Long-Term IDRs are Stable. A full list of rating actions is below.

KEY RATING DRIVERS

Very Strong Credit Profile: Handelsbanken's VR reflects 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 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 the one-notch positive adjustment to its 'aa-' implied VR.

The Long-term IDR is one notch above the VR to reflect Handelsbanken's large resolution debt buffer.

Stable and 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 its 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 low loan impairment charges (LICs) through numerous credit cycles.

Low-Risk Culture: Fitch believes Handelsbanken's prudent risk appetite and long-term strategic approach make it particularly resilient to downturns, which is underscored by its 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 the commercial real estate sector. We expect Handelsbanken's impaired loans ratio (end-March 2026: 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 strong levels in recent years mainly to lower policy rates, but it should remain robust, supported by good cost efficiency and low LICs. We forecast the bank's operating profit to remain at about 3.5% of risk-weighted assets (RWAs) in the coming two years (2025: 4.0%).

Strong Capitalisation: Handelsbanken has maintained strong risk-weighted capital ratios, with a common equity Tier 1 (CET1) ratio of 17.2% at end-1Q126. We expect the CET1 ratio to remain above 16% in the long term, given the bank's capital targets. Handelsbanken's only moderate leverage ratio and fairly small capital base, compared with those 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 remains reliant on wholesale funding, similar to its Nordic peers, which reflects a well-developed covered bond market matching mortgage lending and a structural deposit shortage in Sweden. The bank also uses its geographically diversified funding platform to tap international bond markets, which are used to fund non-domestic lending and meet regulatory requirements. The bank's refinancing risk is well controlled due to evenly balanced maturities and prudent liquidity management.

RATING SENSITIVITIES

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

Handelsbanken's Long-Term IDR would be downgraded if its VR was downgraded, or if its resolution debt buffer falls below 10% of RWAs and the bank uses senior unsecured debt to comply with MREL.

Handelsbanken's high VR has 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. These changes could undermine the bank's ability to generate strong risk-adjusted earnings.

We would also likely 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

Fitch is unlikely to upgrade Handelsbanken's Long-Term IDR to 'AAA' due to the untested effectiveness of resolution strategies at the highest level on the rating scale.

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

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Handelsbanken's long-term senior preferred debt (senior unsecured debt under Fitch's Bank Rating Criteria) and deposit ratings of 'AA+', and Derivative Counterparty Rating of 'AA+(dcr)' are one notch above its VR. This reflects Handelsbanken's large resolution debt buffer. At end-March 2026, the buffer was about 16% of RWAs and we expect it to remain sustainably between 10% and 15%. For the same reason, its long-term senior non-preferred debt (senior resolution debt under Fitch's Bank Rating Criteria) is equalised with the VR.

The Short-Term IDR, short-term senior preferred debt and deposit ratings of 'F1+' are the only option mapping to their respective long-term ratings.

Handelsbanken's Tier 2 subordinated debt and additional Tier 1 (AT1) securities are notched down from its VR. We rate the Tier 2 debt two notches below the VR to reflect their loss severity.

The AT1 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.

Handelsbanken's Government Support Rating (GSR) of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if the bank becomes 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 instead of a bank receiving sovereign support.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

Handelsbanken's DCR, senior preferred and senior non-preferred debt a would be downgraded if Handelsbanken's VR was downgraded or if its resolution debt buffer falls below 10% of RWAs and the bank uses senior unsecured debt to comply with MREL.

A downgrade of Handelsbanken's long-term deposit rating is highly unlikely, as it would require a multi-notch downgrade of its VR.

The ratings of Handelsbanken's AT1 securities and Tier 2 subordinated debt are sensitive to changes in its VR. The ratings of the AT1 securities are also sensitive to Fitch's assessment of their incremental non-performance risk relative to the risk captured in Handelsbanken's VR.

Fitch is unlikely to upgrade Handelsbanken's DCR and long-term senior preferred debt and deposit ratings to 'AAA' due to the untested effectiveness of resolution strategies at the highest level on the rating scale.

An upgrade of the GSR would be contingent on a positive change in the sovereign's propensity to support its banks. While not impossible, this is highly unlikely in Fitch's view, in light of the prevailing resolution regime.

SUBSIDIARIES & AFFILIATES: KEY RATING DRIVERS

Handelsbanken and Stadshypotek, its mortgage-lending subsidiary, share a group VR, reflecting Stadshypotek's close integration within the group and our view that the failure risk of the two entities is substantially the same. Consequently, Stadshypotek's VR and IDRs are aligned with those of Handelsbanken. The GSR of 'no support' 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 IDR, as Handelsbanken Plc's creditors are protected by the parent's resolution debt buffers. The SSR also reflects Fitch's view of 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 a default of the UK subsidiary would create significant reputational risk for the group, particularly 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 its importance within the Handelsbanken group mean it cannot be meaningfully analysed on a standalone basis.

Handelsbanken Plc's deposit ratings are aligned with its IDRs, reflecting depositor protection from the parent's large resolution debt buffer.

SUBSIDIARIES AND AFFILIATES: RATING SENSITIVITIES

Stadshypotek's and Handelsbanken Plc's ratings are sensitive to changes in Handelsbanken's ratings. Stadshypotek's ratings are also sensitive to reduced integration within Handelsbanken, which we view as unlikely.

Handelsbanken Plc's ratings are also sensitive to a change in Handelsbanken's propensity to support its UK subsidiary. This could be driven by a change in Fitch's view of the subsidiary's role in the group. In particular, if we perceive that the UK is no longer a core market for Handelsbanken, this would likely be negative for the subsidiary's ratings.

Handelsbanken Plc's long-term deposit rating is mainly sensitive to a multi-notch downgrade of Handelsbanken's VR.

Handelsbanken Plc's Long-Term IDR and long-term deposit rating could also be downgraded if the UK sovereign rating is downgraded.

VR ADJUSTMENTS

The business profile score of 'aa-' is above the 'a' category implied score due to the following adjustment reason(s): business model (positive).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of Handelsbanken Plc and Stadshypotek are linked to the ratings of their parent, Handelsbanken.

ESG CONSIDERATIONS

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, visithttps://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Svenska Handelsbanken AB	LT IDR	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+
	Viability	aa	Affirmed	aa
	DCR	AA+(dcr)	Affirmed	AA+(dcr)
	Government Support	ns	Affirmed	ns
subordinated	LT	A+	Affirmed	A+
subordinated	LT	A-	Affirmed	A-
Senior non-preferred	LT	AA	Affirmed	AA
Senior preferred	LT	AA+	Affirmed	AA+
long-term deposits	LT	AA+	Affirmed	AA+

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Bank Rating Criteria (pub. 08 May 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Handelsbanken Plc	EU Issued, UK Endorsed
Stadshypotek AB (publ)	EU Issued, UK Endorsed
Svenska Handelsbanken AB	EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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