

Handelsbanken UK

Investor Presentation

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Handelsbanken's strengths

- For the past 41 years, the bank has had **higher profitability** than the average of its competitors
- Since the first independent survey was made in 1989, Handelsbanken has had **the highest level of customer satisfaction** of the four largest banks in Sweden
- For many years, Handelsbanken has been one of **the most cost-efficient** universal banks in Europe with
 - lower **administrative costs**
 - lower **loan losses**
 - lower **funding cost**

Handelsbanken has six home markets

	Sweden 461 branches
	Norway 49 branches
	Finland 45 branches
	Denmark 55 branches
	Great Britain 166 branches *
	The Netherlands 16 branches



* Per 6 November 2013, including recruited branch managers.

Outside its home markets, the bank has operations in 28 locations in 18 countries :

Branches:

- USA** (New York)
- Singapore**
- Germany**
- France** (Paris, Nice)
- Greater China** (Hong Kong, Shanghai)
- Luxembourg**

- Poland** (Warsaw)
- Austria** (Vienna)
- Estonia** (Tallinn)
- Latvia** (Riga)
- Lithuania** (Vilnius)

Representative offices:

- Beijing
- Kuala Lumpur
- Marbella
- Moscow
- Mumbai
- São Paolo
- Sydney
- Taipei
- Zürich

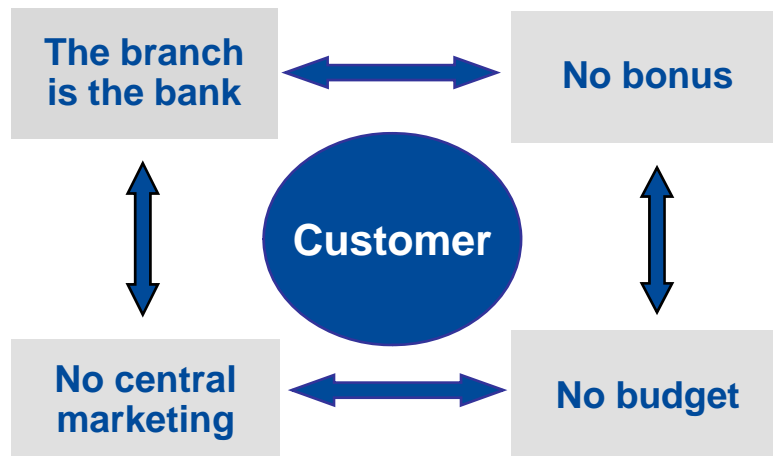
Unchanged business model for 41 years

Financial goal – focus on profitability

To have a higher return on equity than a weighted average of comparable peers

This goal has been reached for the last 41 consecutive years

Decentralisation



Non-negotiable

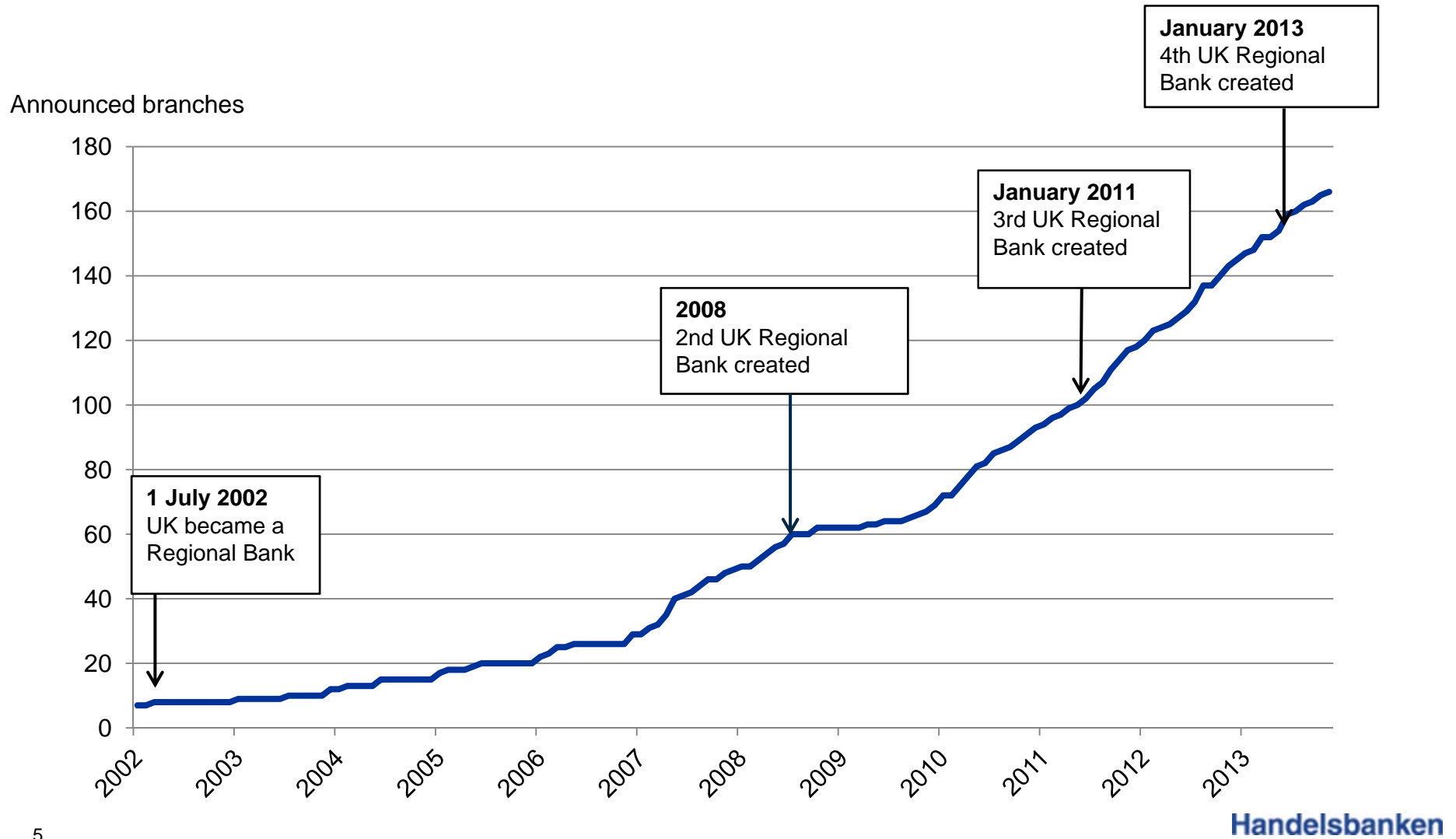
- Credit policy
- Business control system
- Responsibility and Accountability

Other key features

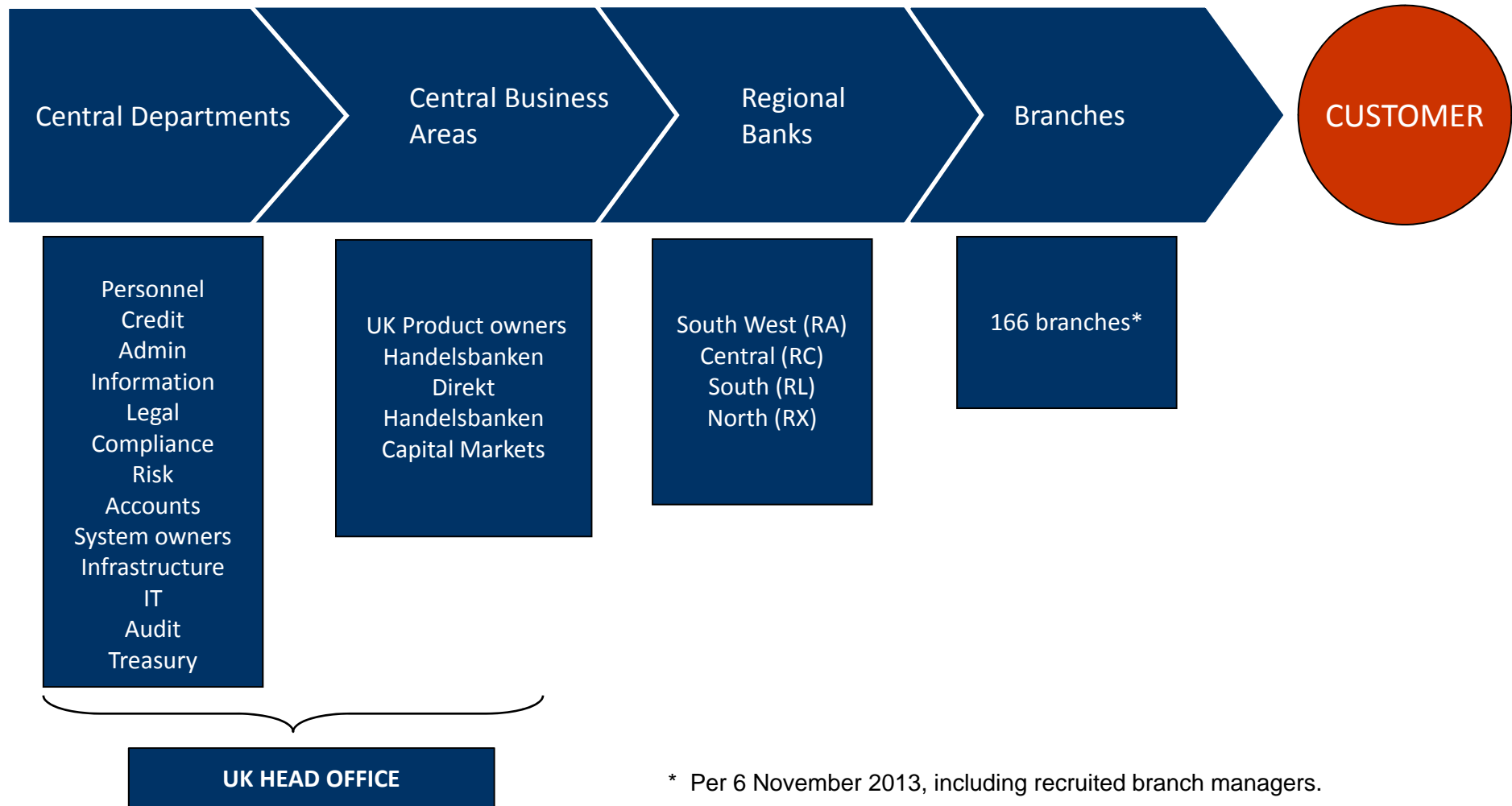
- Focus on profitability – not volumes
- Organic growth
- Not a mass market bank
- Minimise risks – no macro bets

Handelsbanken in the UK - recent history

Handelsbanken has been in the UK since 1982, designating it a home market in 2002



Handelsbanken UK

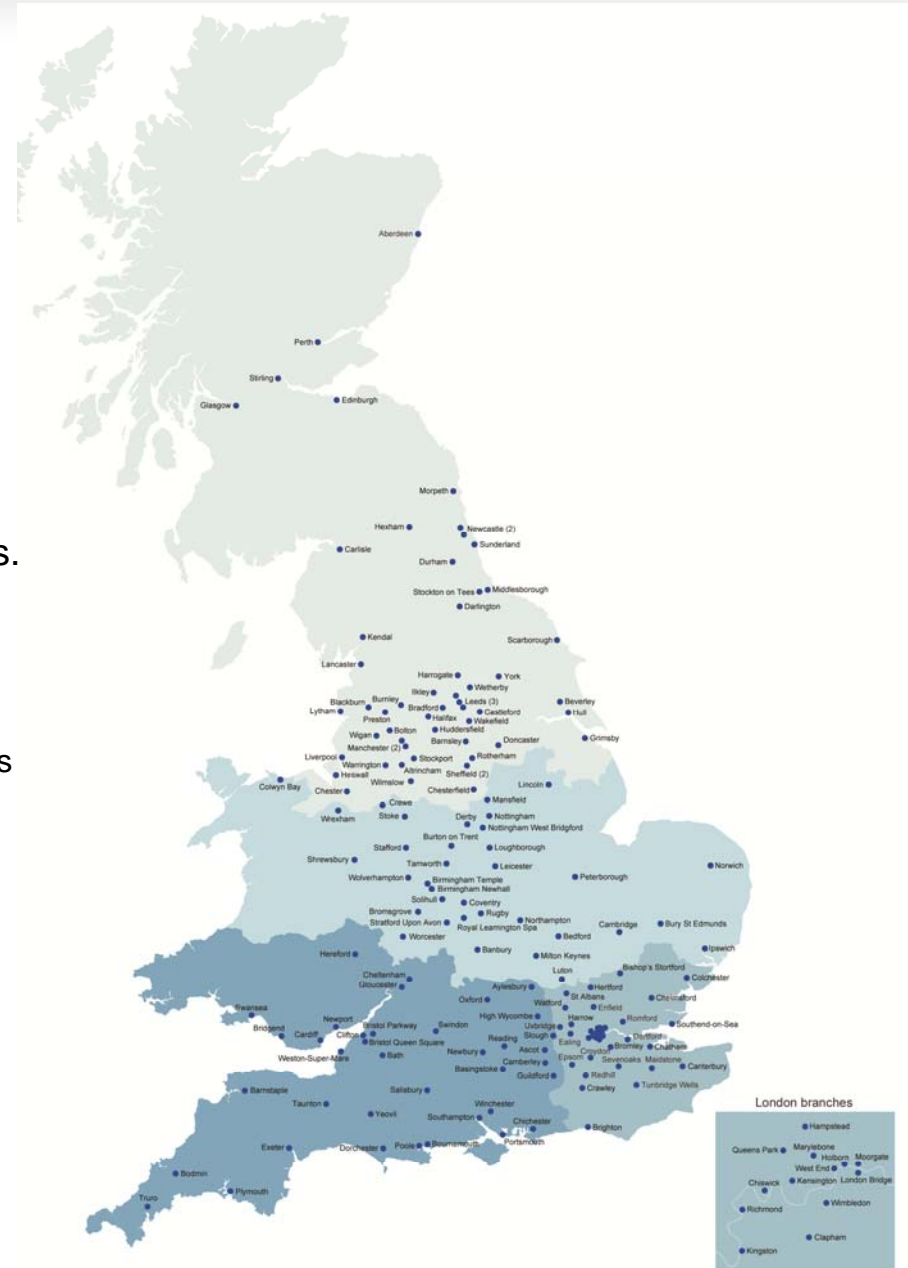


* Per 6 November 2013, including recruited branch managers.

Our UK branch network

- 166* branches, including recruited managers
 - 20 new branches announced year to date in 2013
 - Expansion costs funded by UK operations
- Growth in lending support throughout financial crisis. Year-on-year growth in Q3 2013:
 - UK lending increased by 19% to GBP 11.9bn
 - Corporate lending up 16% to GBP 8.5bn, much of this support to SME customers

* Per 6 November 2013, including recruited branch managers.

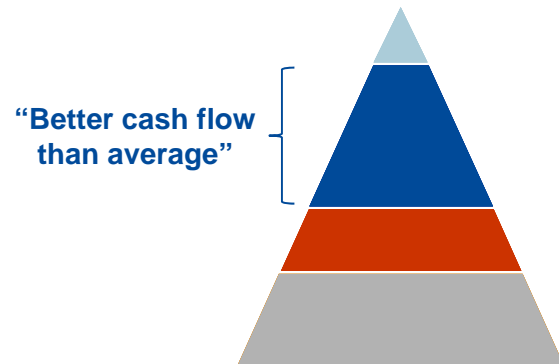


Why the UK is an interesting market for Handelsbanken

- **Competitors** - reputationally and financially damaged
- **Customers** - widespread dissatisfaction with UK banks
- **Market size** - twice as large as our other home markets combined

Key elements of Handelsbanken's UK growth

- Selecting the right customers



- The Branch is the Bank
- Relationships – not transactions
- Universal banking
- Applying the long-term approach
- No internal targets (products, volumes etc.)
- No bonuses

The competition

UK competition

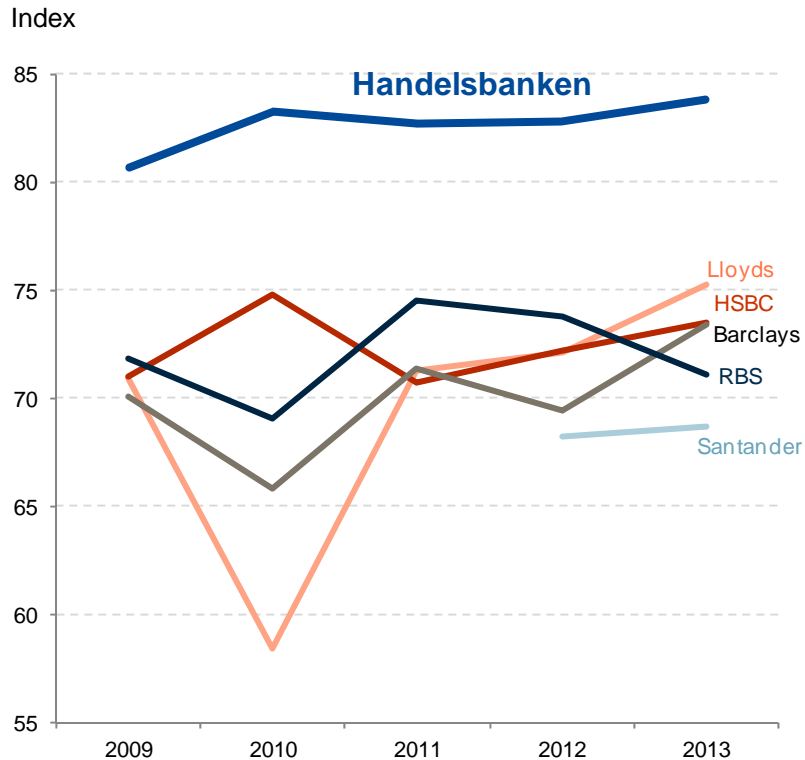
- Centralised
- Hierarchical
- Volume focused
- Constant restructuring
- Product driven
- High cost base
- Poor customer service

Handelsbanken

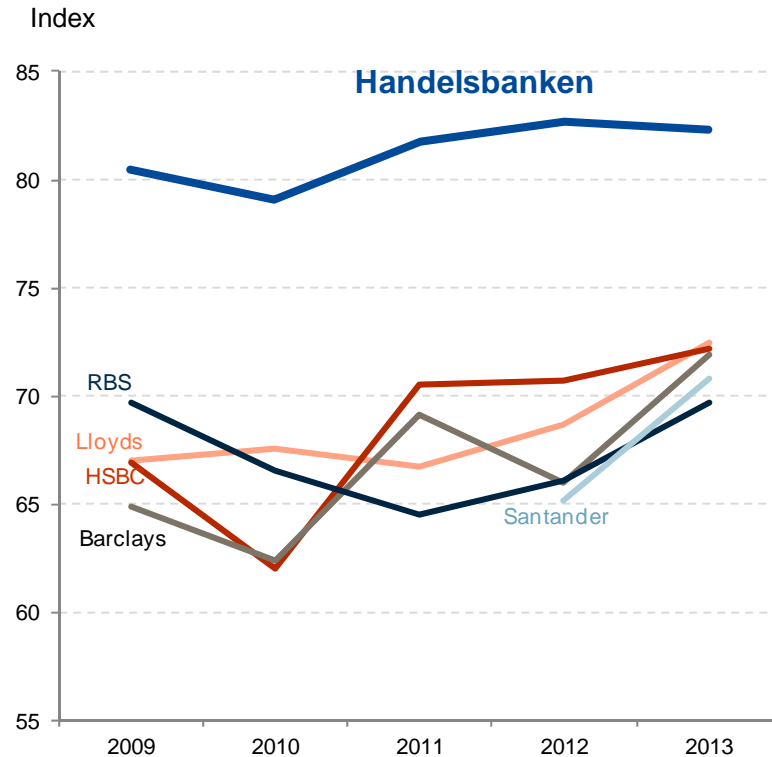
- Decentralised
- Flat structure
- Focus on profitability
- Stable structure
- Relationship driven
- Good cost control
- Strong customer service

More satisfied customers in the UK...

Individuals



Businesses

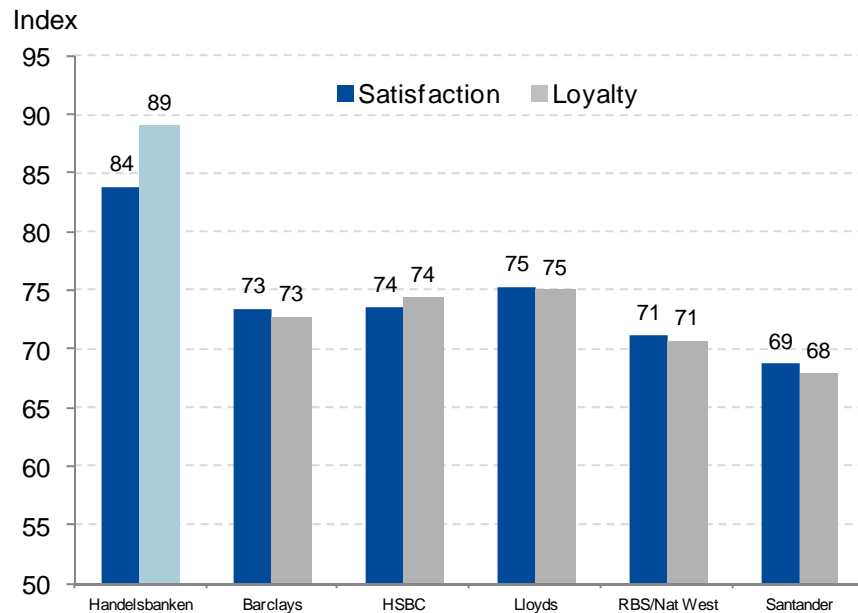


Ranked top for customer satisfaction and loyalty, for the 5th year running, in an independent survey of UK bank customers.

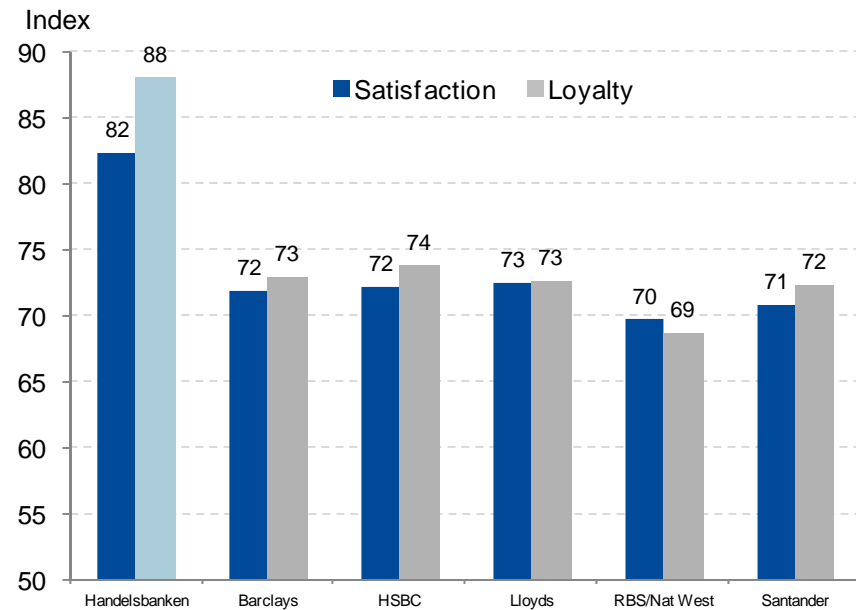
Source: EPSI Rating UK 2013
 EPSI notes that in 2010 the error margin for Lloyds was unusually high

... and more loyal

Individuals



Businesses



Ranked top for customer satisfaction and loyalty, for the 5th year running, in an independent survey of UK bank customers.

Source: EPSI Rating UK 2013

How branches operate

“The Branch is the Bank”

- The Branch Manager makes all decisions regarding:
 - Recruitment
 - Costs
 - Marketing, customer selection & management
 - Credits
 - Pricing
- Operate within a strong compliance framework/culture
- There are no sales or activity targets
- No central call centres

Huddersfield Branch – an example

- Opened January 2008 with 4 staff
- Now 8 staff with banking experience of 227 years
- All staff live locally
- SME town with population of 150,000
- Broke even after 18 months



The decision to open a new branch

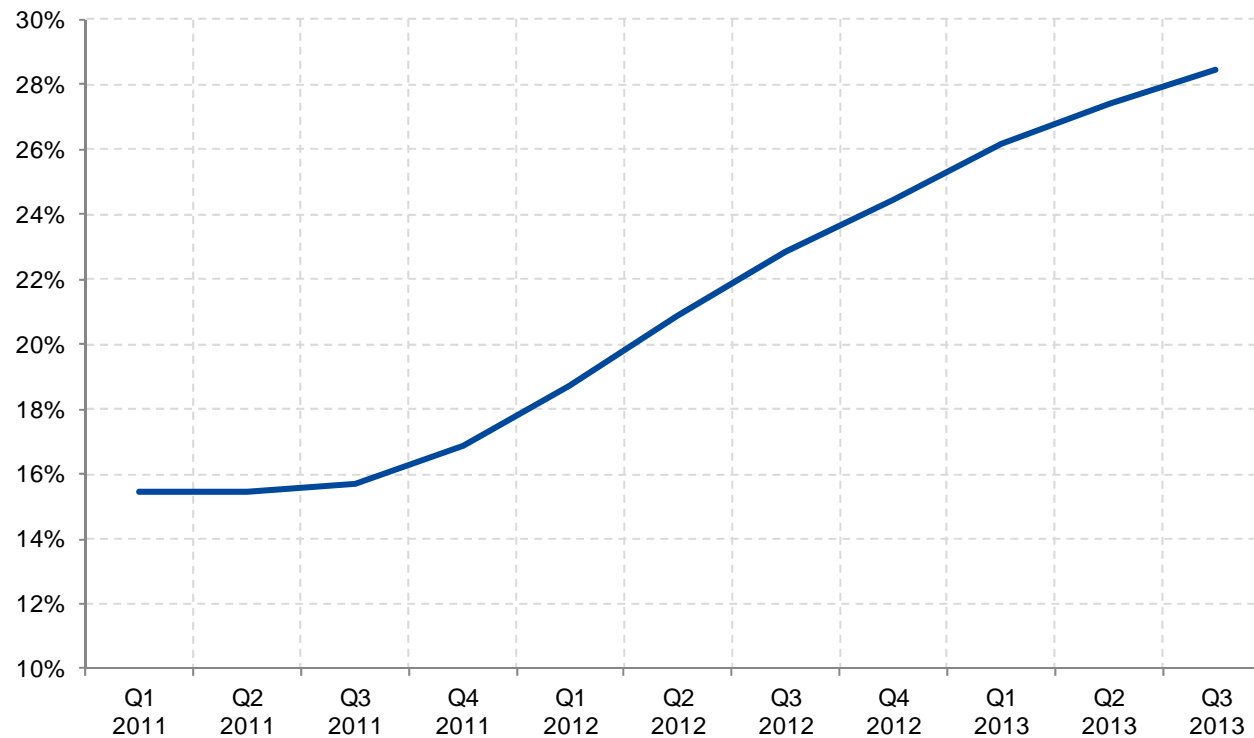
- No fixed plans or timescale for opening new branches – “*as long as it takes...*”
- The essential starting point is to find the right Branch Manager, who must:
 - share our values - lengthy recruitment process, heavy focus on cultural fit
 - convince us he/she can develop, over time, a branch with a better than average C/I ratio (within its region)
- In addition they will have:
 - Typically over 30 years' banking experience
 - strong local market knowledge and connections
- Increasingly, Branch Managers are internally recruited – half of all BM appointments and a third of new branch BM appointments in the last 12 months

Establishing a new branch

- A Branch Manager and his/ her staff spend considerable time in neighbouring branches before opening their own
- The vast majority of new branches contain at least one 'Handelsbanker'
- Strong emphasis on only selecting customers with whom we wish to develop a long-term relationship
- No targets set (volume, break even etc) – a patient focus on building a sustainable branch
- Only customers that have a significantly better cash flow than average
- Limited discretion, and particularly close credit scrutiny in early period
 - strong credit follow-up process
- More branches lead to a tighter network, where (regional) head office support is delivered ever closer to the branches → **results in stronger control**

Share of group profits from home markets outside Sweden

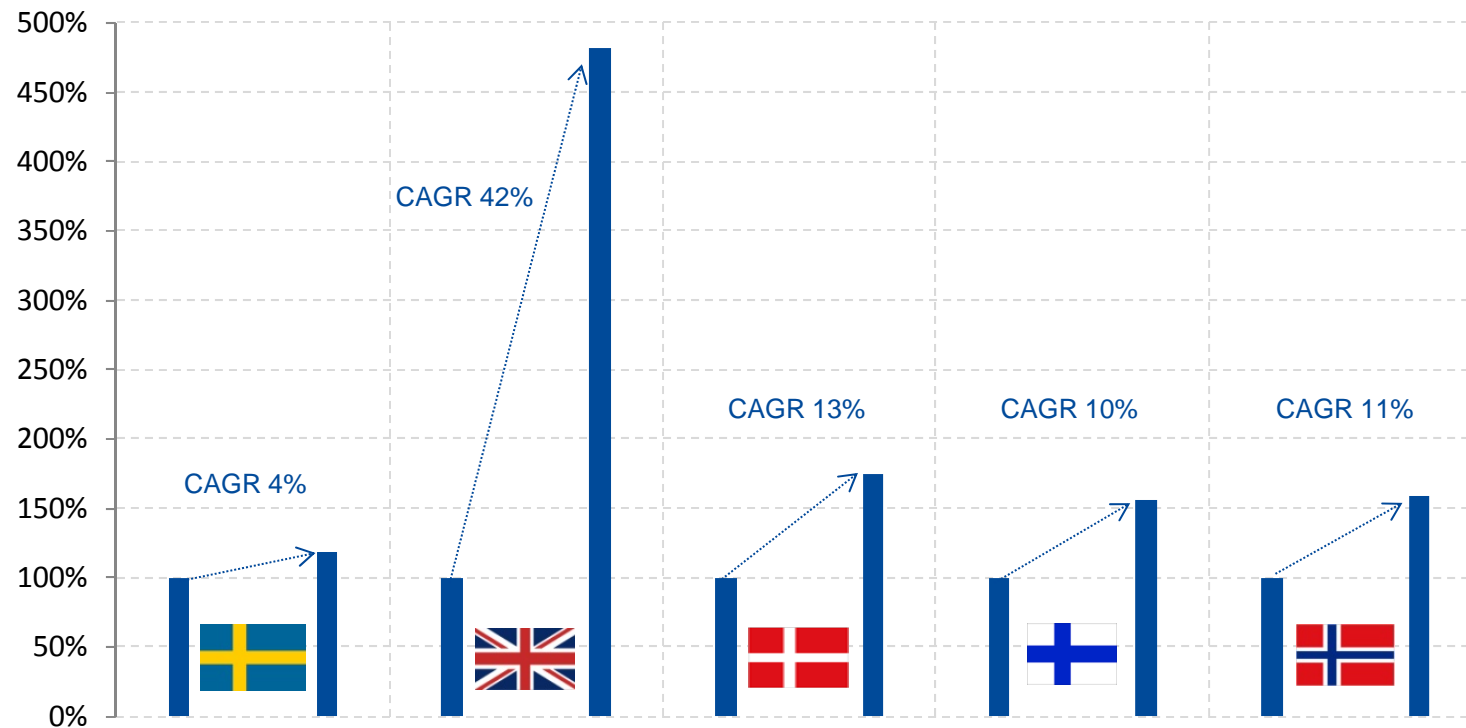
Home markets outside Sweden account for 28% of group earnings*



* 12 month rolling operating profits

Net interest income growth in home markets

Net interest income growth Q1 2009 - Q3 2013*

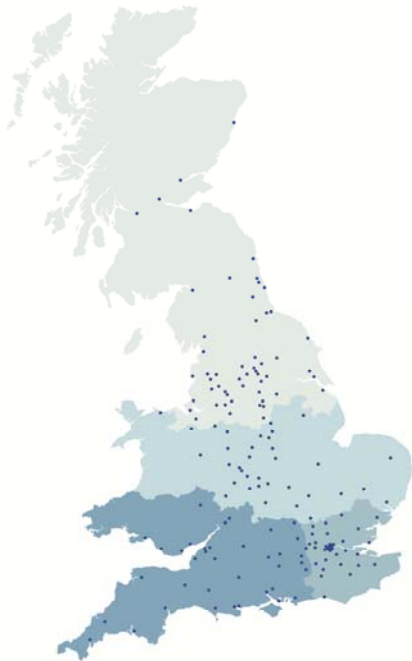


* In local currency. Netherlands excluded since it became a home market in 2013

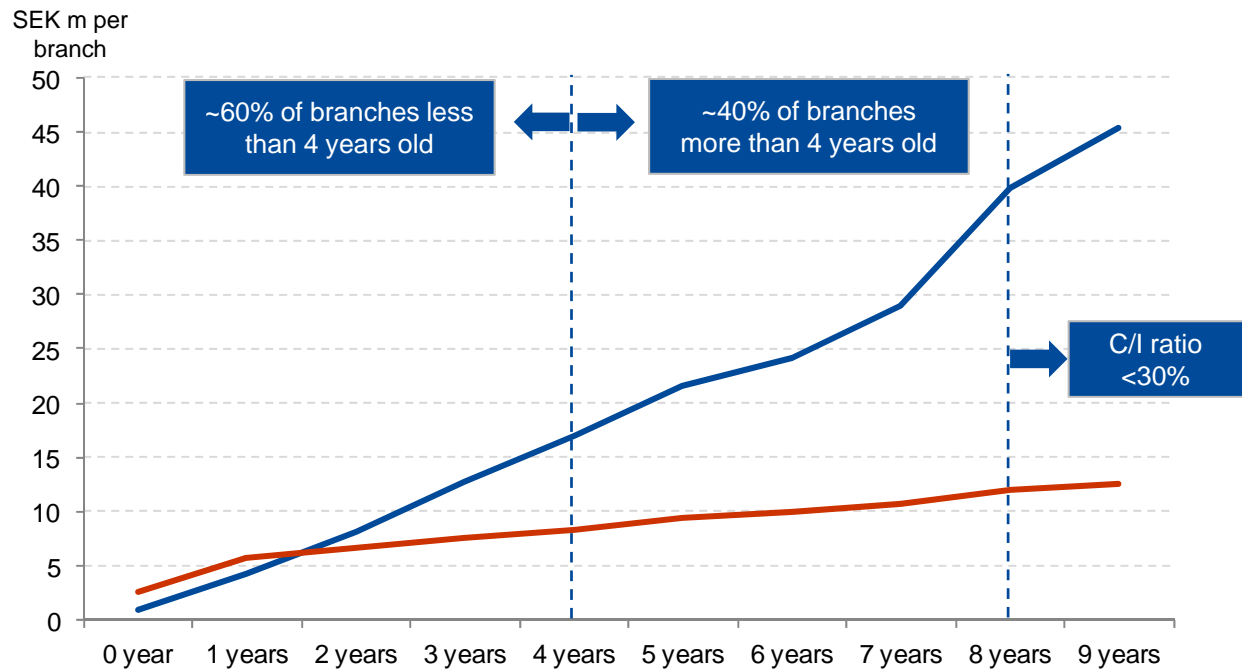
CAGR = Compounded Annual Growth Rate

Income/expense trend for UK branches

- Continued expansion and increased availability
- 166 branches* including appointed branch managers
- Around 1,500 employees in the UK
- Income in Q3 in local currency increased by 37% compared to a year ago



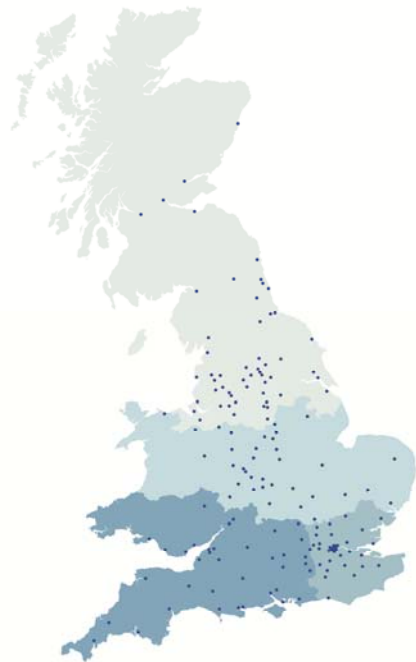
Income and expense trend in branches in the UK



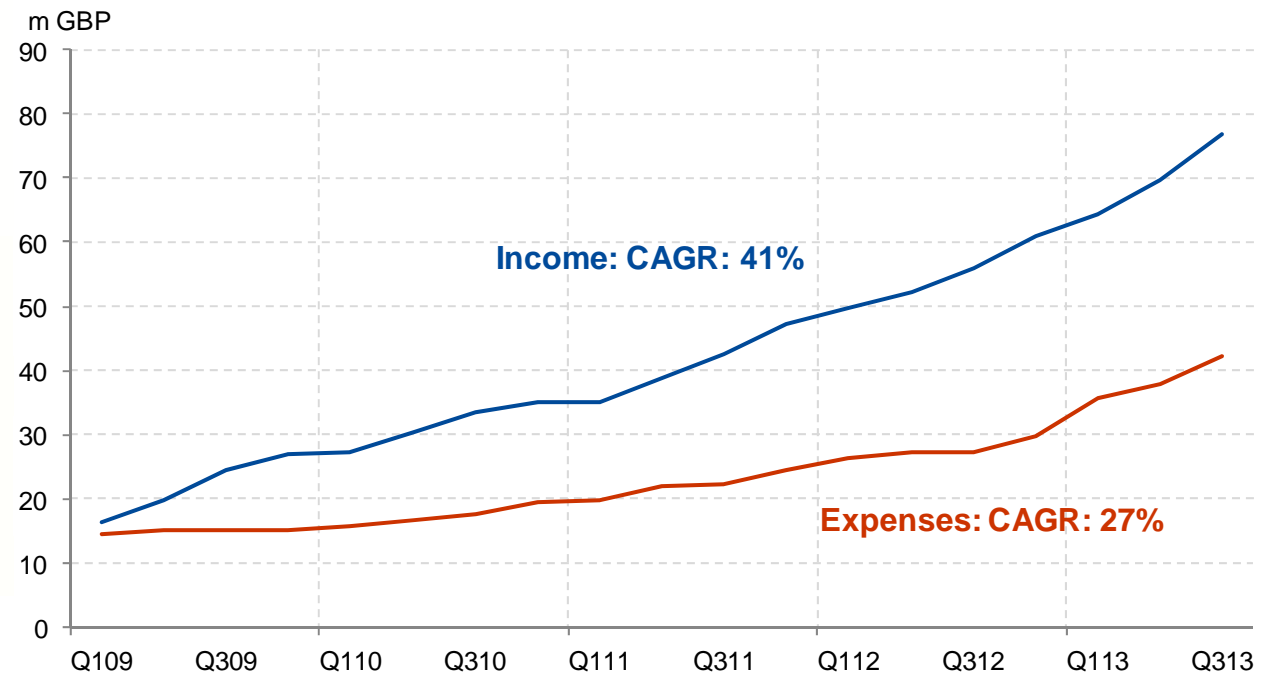
* Per 6 November 2013, including recruited branch managers.

— Income, average — Expenses, average

Branch operations in the UK



Income and expense trend in the UK



CAGR = Compounded Annual Growth Rate

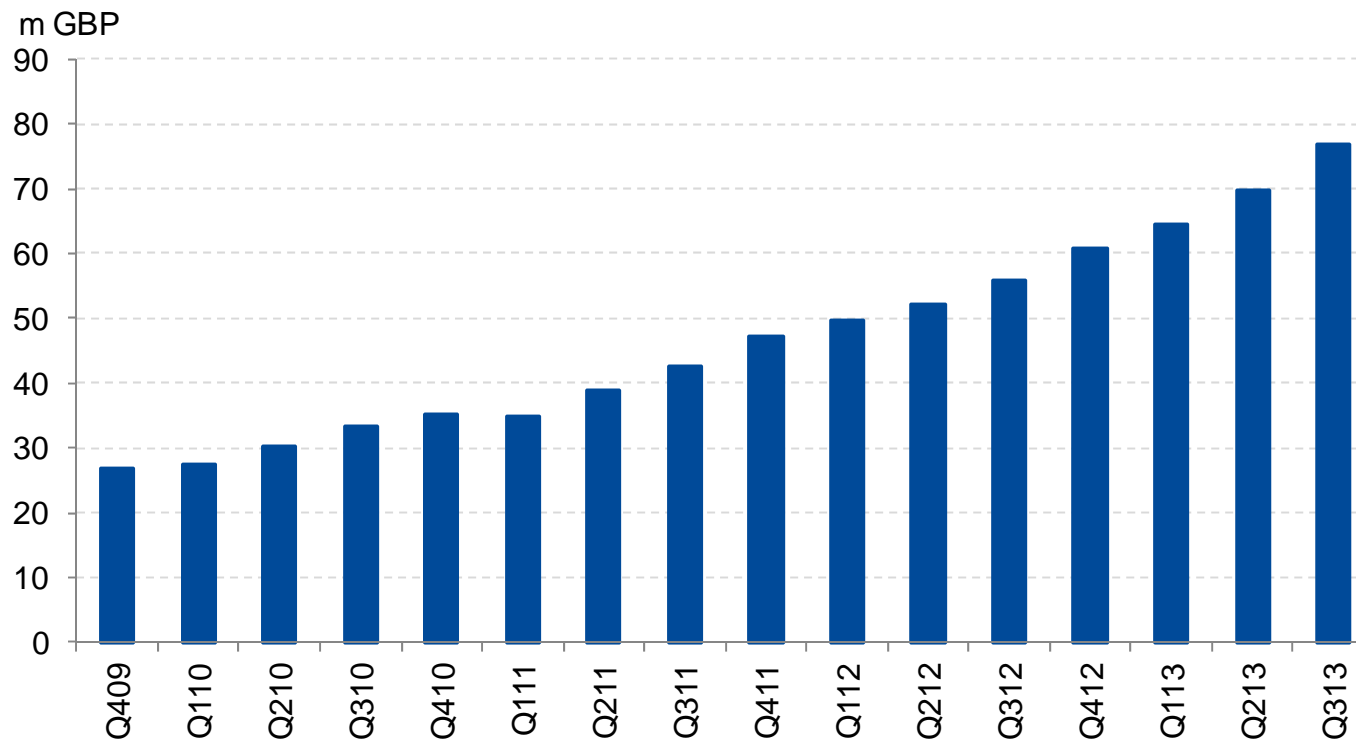
Handelsbanken UK business volumes

Quarterly average volumes, percentage changes

	Outstanding volume (GBP)	Growth 1 year (since Q3 2012)	Growth 4 year (since Q3 2009)
Total lending	11,853	19%	115%
Corporate lending	8,509	16%	91%
Household lending	3,344	28%	216%
Total deposits	3,872	27%	190%
Corporate deposits	3,093	21%	204%
Household deposits	779	61%	145%

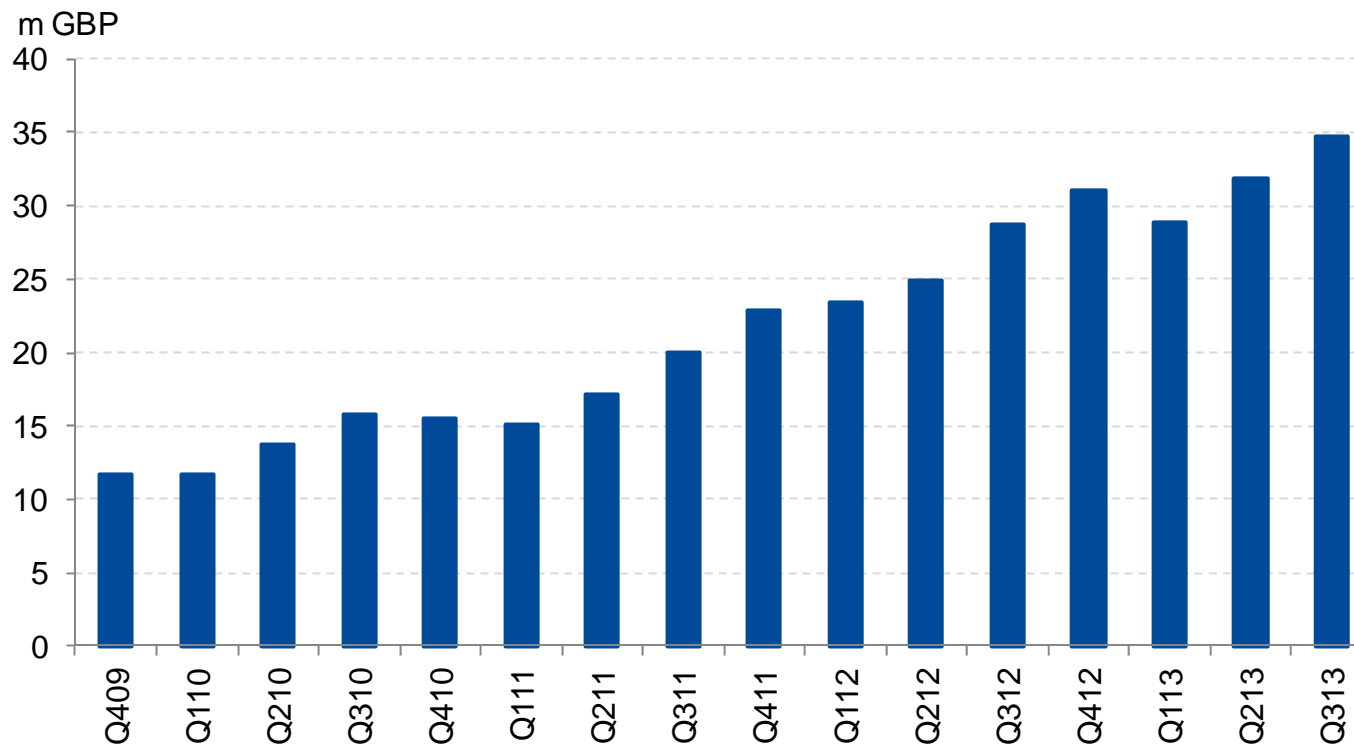
UK branches, total income last 16 quarters

Total income, local currency



UK branches, profit before loan losses last 16 quarters

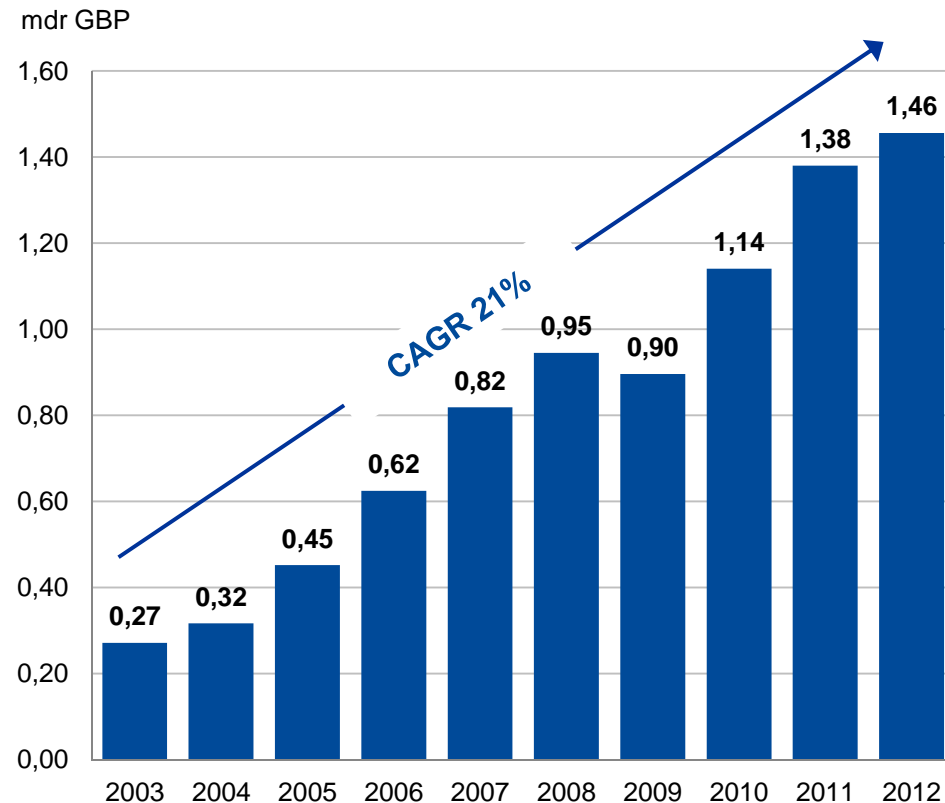
Profit before loan losses, local currency



Acquisition of UK wealth and asset manager

- Handelsbanken has acquired Heartwood Wealth Group Ltd., a wealth and asset manager offering private customers a total solution for their savings
- The acquisition is part of Handelsbanken's establishment of a full-service offering in the UK
- Heartwood's corporate culture fits well with Handelsbanken and the acquisition will create a platform for growth in the savings area
- As at 30 April 2013, Heartwood had assets under management of GBP 1.6 billion
- The deal initially has a marginal impact on the consolidated financial position and is expected to be completed during the second quarter of 2013 subject to customary regulatory approvals

Heartwood – growth in assets managed*



*Due to the split financial year, the assets managed are shown as at 30 April in the respective year

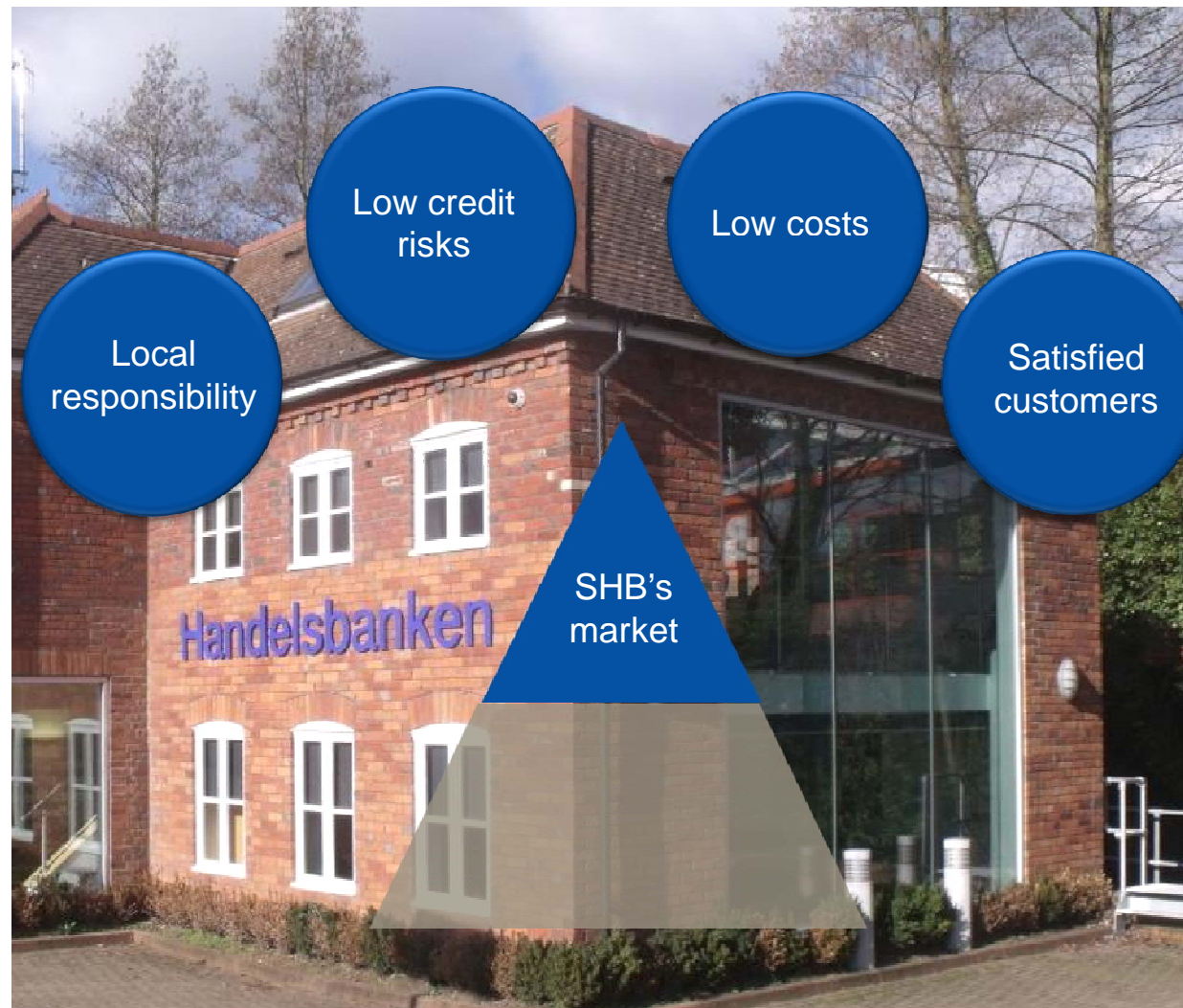
Source: Heartwood Wealth Group Ltd

Recommended by our customers...



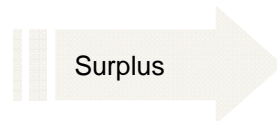
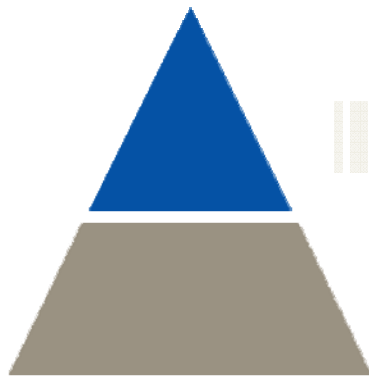
"Handelsbanken's scores really stood out against the competition and the judges commended the bank for its decentralised approach and customer focus."

It's really a matter of basic banking...

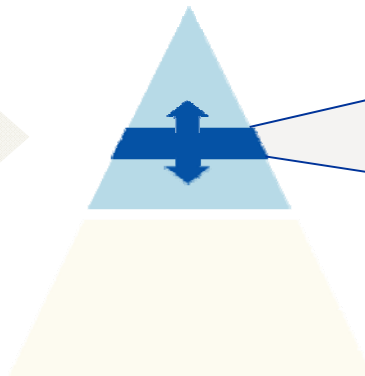


... but with a modern growth strategy

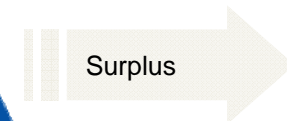
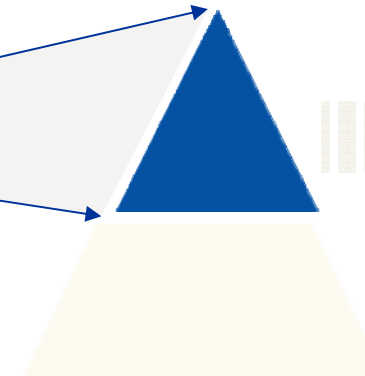
A mature branch covers its market and generates a surplus...



... which is used to open new branches...



... which gradually cover their markets and generate new surpluses



Repeatable

Scalable

Cost-effective

Low risk

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