Newcastle University Investment Fund

Svenska Handelsbanken, Stockholm Stock Exchange, SHBA

Long: Target Price:148kr - (17.74% Upside)

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Handelsbanken

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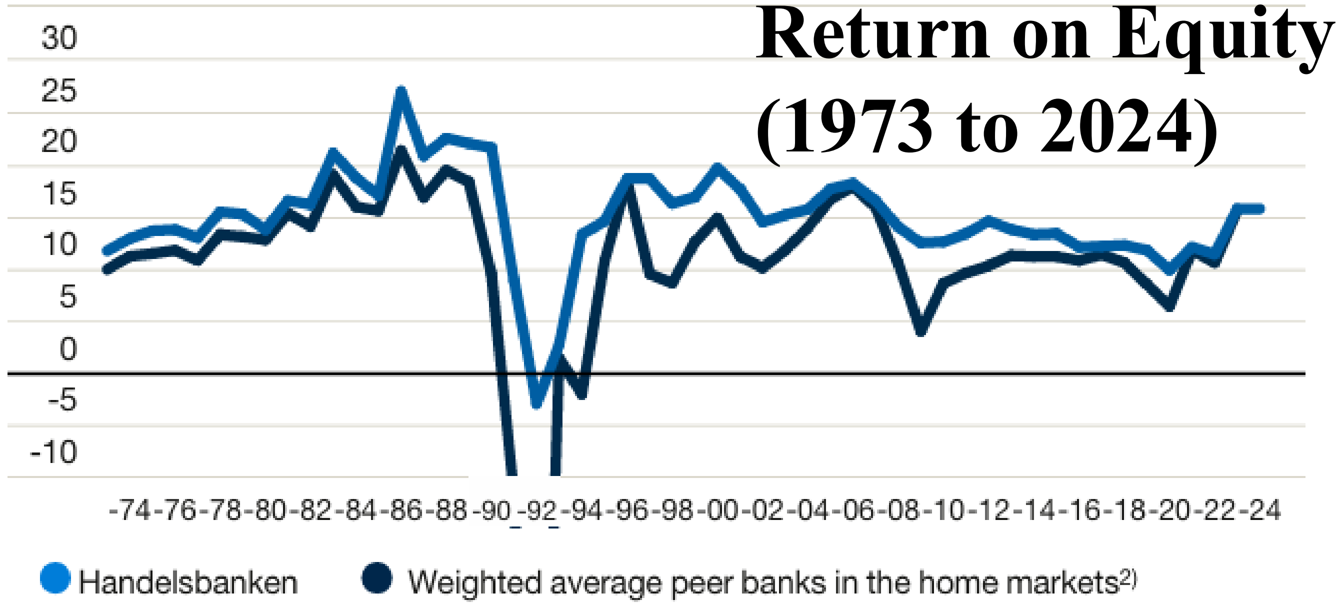
Svenska Handelsbanken			
Summary Financials (SEK 000s):			
	2022	**2023**	**2024**
Net Interest Margin	36,614	47,578	46,841
Total Income	50,374	62,250	62,344
Net Income	**21,678**	**29,114**	**27,456**
Efficiency Ratio	*42.1%*	*37.2%*	*40.4%*
Loans to the public	2,299,202	2,282,151	2,291,479
Deposits	1,325,061	1,298,480	1,310,739
Total Assets	3,453,716	3,537,790	3,539,174
Equity	**196,031**	**205,086**	**210,027**
Return on Equity	*12.8%*	*15.9%*	*14.6%*
Common equity tier 1 ratio	*19.6%*	*18.8%*	*18.8%*
Equity/Total Assets	*5.7%*	*5.8%*	*5.9%*
Valuation			
	2024	**2025**	**2026**
P/B	1.21	1.18	1.20
P/E	**9.1**	**9.2**	**8.9**
Dividend Yield	*10.4%*	*11.7%*	*8.8%*

Nordic bank ratings

	Standard & Poor's		Fitch		Moody's	
31 December 2024	Long term	Short term	Long term	Short term	Long term	Short term
Handelsbanken	AA-	A-1+	AA	F1+	Aa2	P-1
DNB	AA-	A-1+			Aa2	P-1
Nordea	AA-	A-1+	AA-	F1+	Aa3	P-1
SEB	A+	A-1	AA	F1+	Aa3	P-1
Swedbank	A+	A-1	AA	F1+	Aa3	P-1
Danske Bank	A+	A-1	AA-	F1	A1	P-1

Source: SNL

Return on Equity (1973 to 2024)



Business Overview.

- Traditional retail and wealth-management bank; ~75% of revenues from lending, primarily residential mortgages.
- ~65% of revenues come from Sweden, with additional operations in the U.K. and Norway.
- Straightforward business model with minimal trading or investment-banking exposure.

Competitive Strengths

- Conservative lending culture, low exposure to high-risk lending.
- Cost efficiency: Cost-to-income ratio: 41%, improving into 2025, outperforming competitors.
- Superior credit performance: Long-term credit-loss experience is roughly *half the industry rate*.

Market Concerns

- Fear of a Swedish real-estate correction after years of strong housing and construction markets.
- Market extrapolating risks from overleveraged developers to Handelsbanken due to its mortgage exposure.

Valuation

- Current valuation ~1.2x price/book, well below the 1.5x long-term norm.
- Bank currently earns ~14% ROE and can distribute near 100% of earnings. Even assuming lower rates and a more conservative payout, expected dividend yield ≈ 11% at today's price.
- Book value growth estimated at 3–4% annually through the cycle.

Company Overview

Handelsbanken

Handelsbanken (SH) is a universal Swedish bank that has sustained growth through acquisition and the development of a distinctive value proposition. The bank offers a comprehensive range of financial services to corporate and retail clients across Europe and the US, with its prime operations in Sweden, the Netherlands, Norway, and the UK. Today, SH is recognised as one of the world's most stable and conservatively managed banks.
Since the 1970's, the bank has leveraged a decentralised operational model; an organisational structure that delegates decision-making authority to each regional bank. This strategy offers branch managers a high degree of independence and responsibility, and over time, has differentiated the bank from its competitors.

Benefits of implementation

1. **Operational efficiency** improved as bureaucracy diminished, resulting in decreased operating costs.
2. **Customer satisfaction** increased, as branch autonomy enabled faster, more personal, and better-informed decisions.
3. **Shifted focus** of the main office to setting the bank's overarching policies, frameworks, and risk-parameters; enhanced lending quality and governance practices.

These benefits led to the development of Handlesbanken's value proposition — one that remains effective today.

Value Proposition

Customer-centric philosophy:

Each branch offers tailored solutions designed to meet the unique requirements of its local community.
Viewing profitability as an outcome rather than an input, the bank recognises the importance of providing the highest quality of financial services, instilling trust and confidence in how it manages society's capital and supporting customers through all economic conditions. In doing so, SH does not need to persuade clients to entrust their wealth: they *choose* to.

Strength and stability:

SH has been ranked the safest commercial bank in Europe and the fifth safest globally by Global Finance, while enjoying the highest combined global credit rating from Fitch, Moody's, and S&P .
In times of global macroeconomic turmoil, the bank has remained a pillar of strength: lending significant amounts to public institutions during periods of crises rather than relying on taxpayer-funded bailouts, contributing to stable societies.

Cost discipline:

SH does not dwell over sunk costs and activities that do not create value. In October 2021, the bank ceased its operations in Finland and Denmark, selling its branches to domestic banks, and utilising the proceeds in its home markets.
SH's overarching corporate goal of higher ROE and ensuring its customers remain satisfied with its services requires a high level of efficiency.
Efficiency provides the basis for profitability, as by keeping costs low, the bank is able to market attractive offerings to its clients, which in turn is essential to customer retention and driving long-term growth.

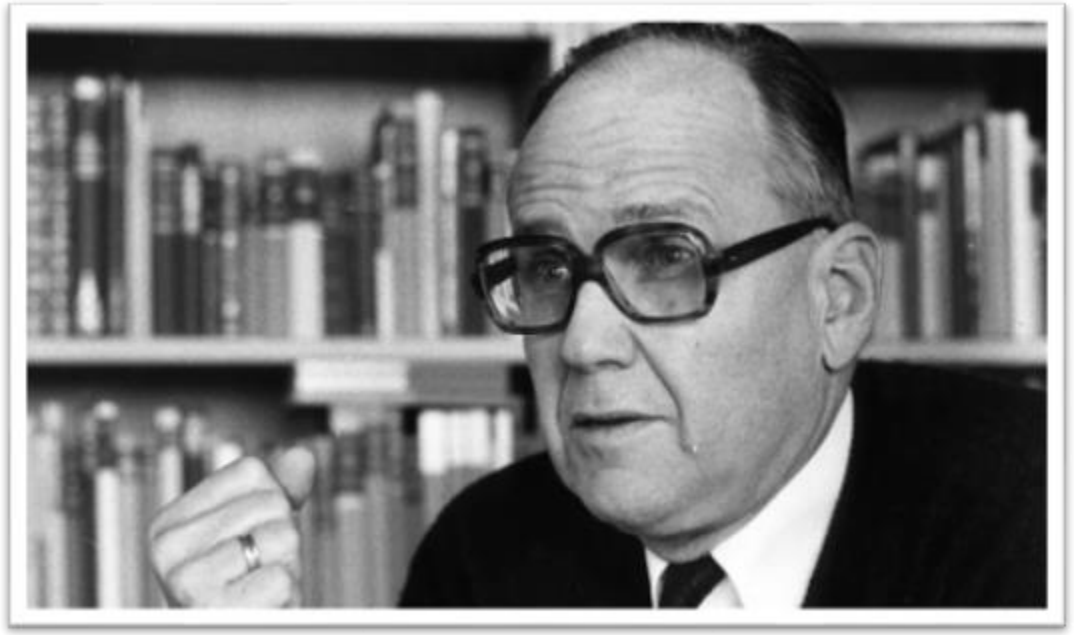
Long-term perspective:

Much like J.P. Morgan under Jamie Dimon and his renowned *fortress balance sheet*, SH exemplifies the merits of long-term value appreciation through prudent risk management: maintaining low leverage, high liquidity, and expanding opportunistically during periods of market distress.
By focusing on the larger picture, the bank prioritises sustainable growth over making a quick buck, aiming to fund itself at low cost through stable deposits, lending to high quality borrowers, and consistently earn a reasonable spread.

History

Handelsbanken

In 1970, after a major political shift in Sweden, Handelsbanken appointed Jan Wallander as CEO — a move that completely reshaped the bank.
Within just two years, he introduced a decentralised operating model and redirected the bank's priorities from volume growth to profitability.
Banking is ultimately a commodity business, and in commodity businesses the low-cost operator wins.
Wallander understood this clearly. His mission was simple but decisive: make Handelsbanken the most cost-efficient bank in the market and ensure the strongest lending quality — because a bank doesn't lose money when its borrowers don't default.

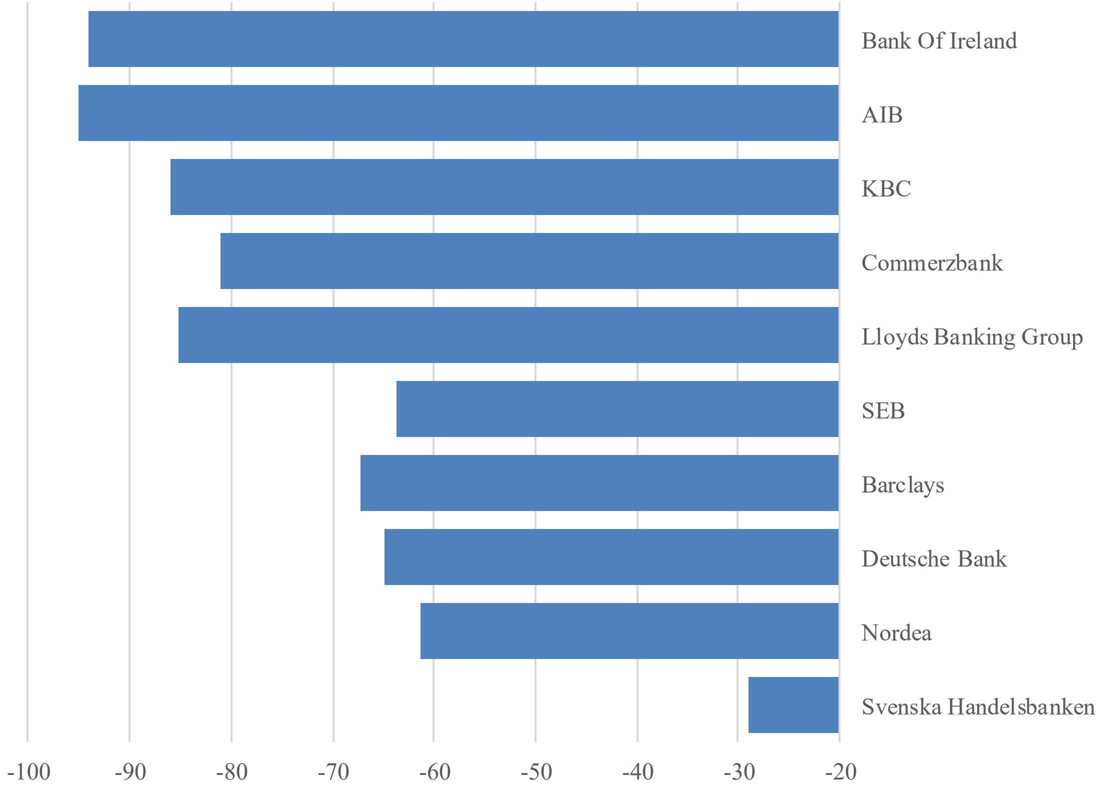


The 2008 global financial crisis further highlights the strength of Handelsbanken's strategy. As shown in the chart, Handelsbanken experienced the smallest share-price decline among all major European banks over the period. While many competitors suffered severe losses, some exceeding 80%, Handelsbanken's decline was minimal by comparison. This resilience also reflects investors' confidence in the bank's ability to extend credit only to high-quality borrowers. The strong trust placed in the bank by its depositors further reinforces its cost efficiency — depositors are willing to accept lower rates in exchange for safety, enabling the bank to earn wider spreads than its competitors and maintain superior profitability.

The Experience of Major Banks During the Banking Crisis

	Total lending in 1985 (billion SEK)	Losses in % of lending	Increase in lending, 1985–8 (%)	Real estate lending 1990 (%)	Development
SE-banken	65.6	11.7	76	12	New capital from owners in 1993
Handelsbanken	73.1	9.5	38	9	Survived, met capital requirements without new capital
Nordbanken	84.2	21.4	78	12	New capital from owner (state). Non-performing loans separated in Securum
Gota	29.8	37.3	102	16	Bankrupt. Bought by the state, merged with Nordbanken. Non-performing loans into Securum
Sparbanken Sverige	78.3	17.6	88	14	One billion SEK loan from government, new capital from owners.
Föreningsbanken	23.1	16.6	67	10	Received 'capital requirement guarantee', that was never used
Total		16.8	77	12	

Share Price Performance of major European Banks from 2008 to 2009 (% Decline)



In the 1990s, Sweden underwent significant financial deregulation that triggered a rapid expansion of credit and fuelled a housing bubble.
When the bubble burst in 1992, the country entered a severe housing and banking crisis. However, Handelsbanken's prudent and conservative lending approach set it apart.
As shown in the table on the left, the bank did not expand its lending during the deregulation period to the same extent as competitors such as Gota and Sparbanken Sverige. This discipline meant that Handelsbanken emerged as the only major Swedish bank that did not require a government bailout.

Remarkably, ***the bank has never received financial assistance from any government to this day.***

Company Overview – Culture and Structure

"The branch is the bank"
– Jan Wallander

Decentralisation:

Prior to Wallander the bank's legacy centralised structure was suboptimal in producing both efficiency and credit quality. Wallander realised that a largely decentralised corporate structure would markedly improve credit quality and remove the unnecessary costs of corporate bureaucracy.

Wallander's logic derived from the fact that the branch managers, who have a relationship with their clients and their local economy, know their customers better than those at corporate headquarters. Handelsbanken's trust in its local branch managers is reciprocated the through running low-cost operations with excellent credit quality.

Culture:

Executives at Handelsbanken keep a low profile and are keen to avoid any management cult. While not as charismatic as the likes of Fred Goodwin or Sandy Weil, this creates a truly egalitarian structure and allows Handelsbanken to avoid Persian messenger syndrome, among other things.

Handelsbanken's incentive structure has allowed managers to stay for long periods of time and truly develop a long-term mindset.

Incentives:

Unlike any other bank operating in a capitalist system Handelsbanken does not pay bonuses. The reasons are numerous, but ultimately the bank does not want to encourage reckless risk taking with other people's money.

How does Handelsbanken motivate its employees?

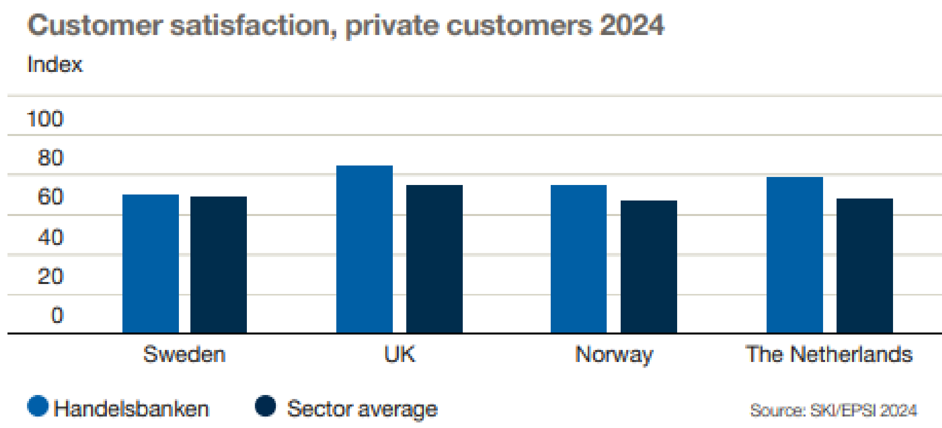
- *Self direction & Responsibility.*
- *Client contact.*
- *Stability.*
- *Progression.*
- *Oktogonen.*

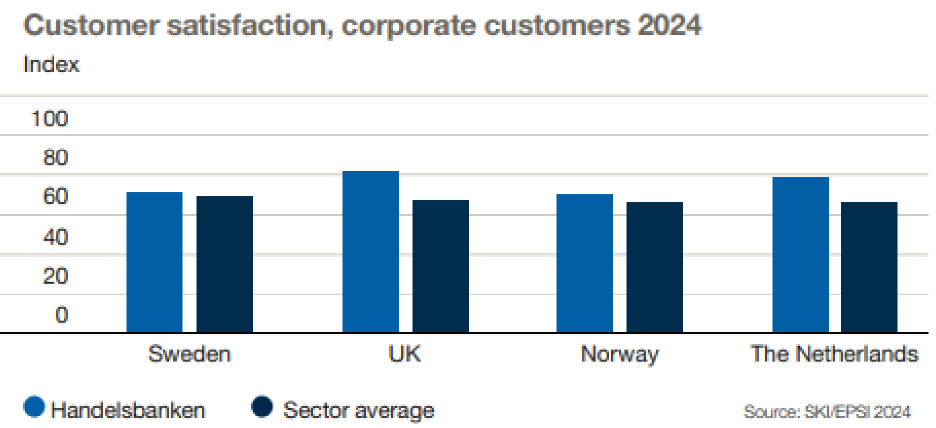
Capital Markets Communication:

Management, much to the annoyance of sell side research analysts, do not publish any earnings guidance. Some guidance is given towards capital ratios, but otherwise reports are designed to give shareholders the facts and make their own decisions accordingly.

The lack of guidance has 2 reasons:

- To signal to branch managers that there is no centralised pressure to reach certain short-term profit targets.
- To remove the incentives for earnings management. Estimates around credit loss provisions are subject to a high degree of uncertainty, in the past banks have had some very erratic provisioning practises.





Economic Backdrop

Handelsbanken

Economic Growth

According to the IMF Sweden's Real GDP growth in 2024 was about 1% in 2024 and is projected to reach 1.9% in 2025 and subsequently 2.2% in 2026.
Key drivers of this Growth are :

- **Household Consumption Recovery** - real incomes are expected to recover as inflation comes under control, boosting household spending.
- **Investment** - Investment is likely to recover as credit conditions are easing and as monetary policy becomes more supportive businesses may increase fixed investments.
- **Export Sector** - Sweden is a highly open, export-intensive economy, and its strong export base is a key pillar of economic growth.
- **Productivity** - Sweden's long-term growth relies heavily on strong productivity and high levels of innovation. The country benefits from major investment in research, technology and a skilled workforce.

Inflation

- Headline CPI: 0.7%, reflecting a sharp decline.
- Core inflation (CPIF): 2.8%, above the Riksbank's 2% target, showing persistent price pressures.
- Drivers of CPI decline: Temporary factors—lower energy prices, falling mortgage costs, and easing imported prices.
- Riksbank policy: Policy rate held at 2.25% due to global uncertainty and domestic economic weakness.
- Inflation outlook: Expected 2–3% in 2025, gradually returning to 2%.
- Risks: Domestic wage pressures, exchange rate swings, external cost shocks.

Trade & External Sector

- Open, export-driven economy with a strong trade surplus.
- Goods exports: High-value manufacturing—machinery, vehicles, telecom equipment.
- Services exports: Growing, helping narrow the services deficit.
- External position: Sweden is a net international lender, supporting the current account.

Sweden Fiscal Policy – 2024–2025

- Approach: Cautious but supportive due to weak economy and elevated unemployment.
- Public finances: Low government debt, small deficits, strong by international standards.
- Main Focuses: Support households facing high living costs, welfare services, and defence spending.
- Strategy: Avoid large-scale stimulus; aim to gradually restore fiscal discipline while supporting growth and vulnerable groups.

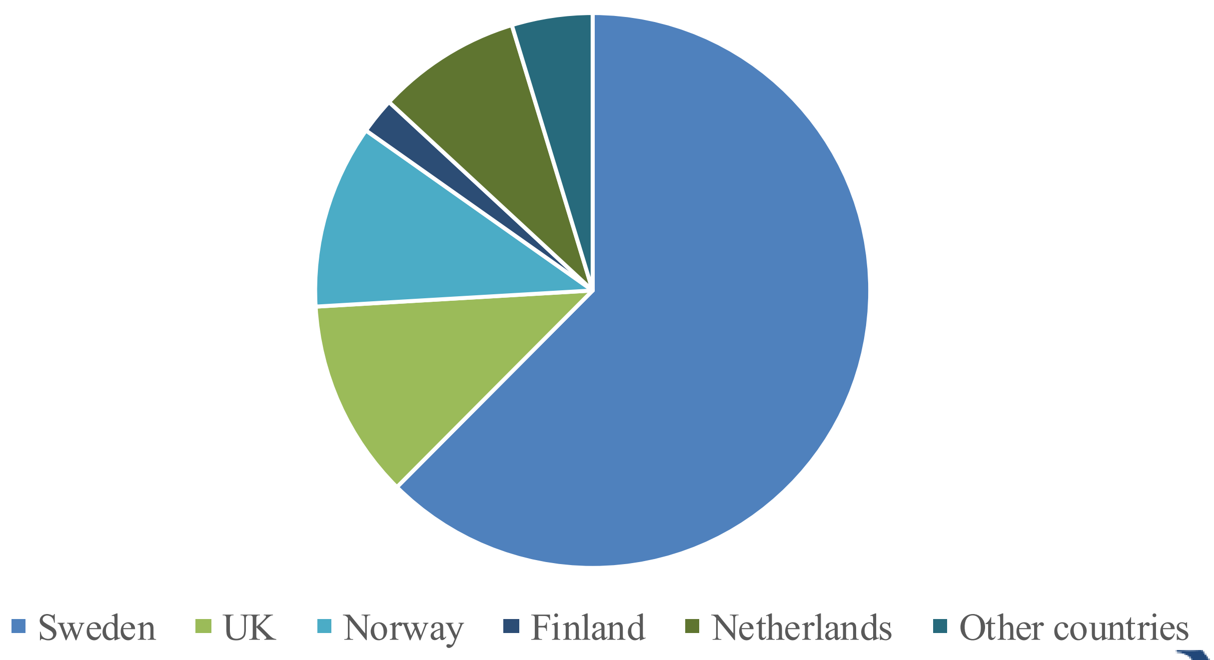
Labour Market

- Unemployment: 9.3% (~545,000 people), remaining relatively high.
- Structural challenges: Long-term unemployment and skills mismatches persist, especially in education, healthcare, and ICT.
- Impact: Limits job creation and productivity growth, posing risks of long-term economic scarring.
- Outlook: Slight decline in overall unemployment expected, but structural issues remain.

Structural Challenges & Risks

- Ageing population: Shrinks labour supply, raises dependency ratios, and pressures public finances.
- Labour market mismatches: Skill shortages in healthcare, education, ICT alongside high unemployment among youth, migrants, and long-term unemployed.
- Slowing productivity: Risks competitiveness without continued investment in innovation and digitalisation.
- External vulnerabilities: Open economy exposed to global shocks, supply chain risks, geopolitical tensions.
- Housing & debt risks: Limited housing supply and high household debt threaten financial stability.

Percentage Exposure By Country

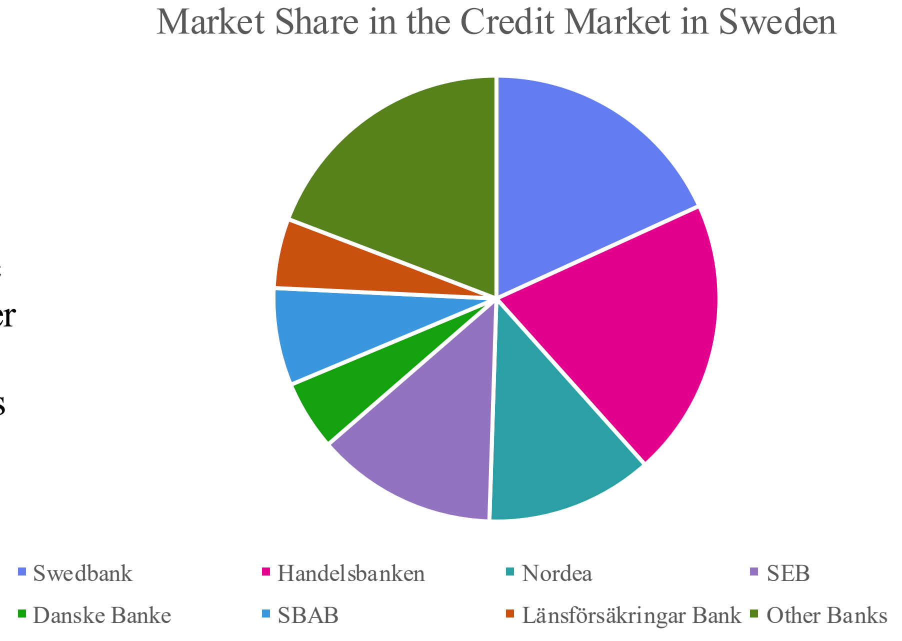


Industry Overview – Swedish Banking Sector

Handelsbanken

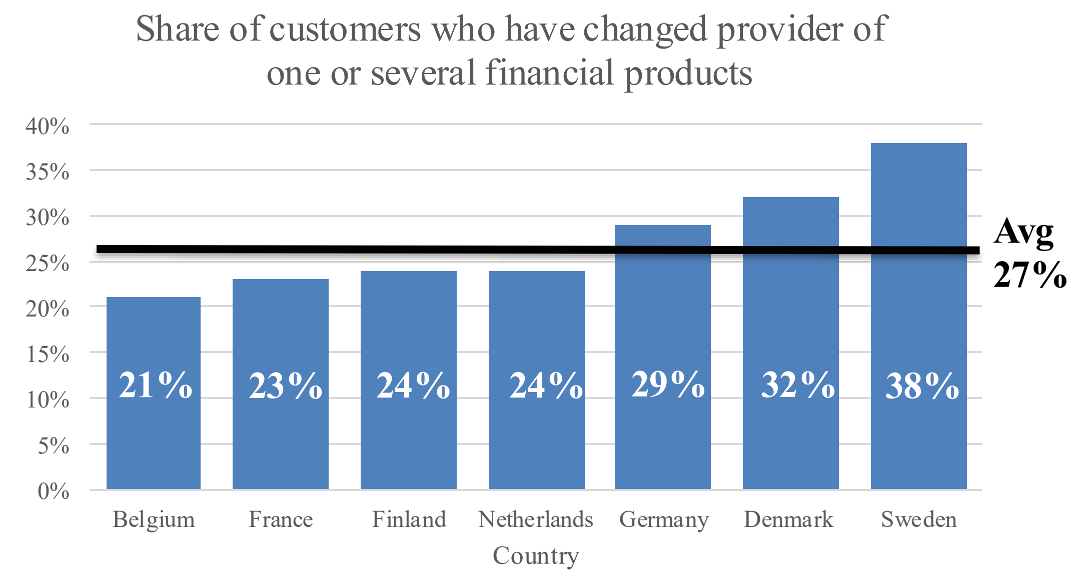
Market Structure

The sector is dominated by four major banks; Swedbank, SEB, Nordea, and Handelsbanken but overall market concentration is lower than in many EU and Nordic peers. Over the past decade, smaller banks have steadily gained market share, demonstrating that Sweden's banking market is competitive, dynamic, and not overly concentrated.



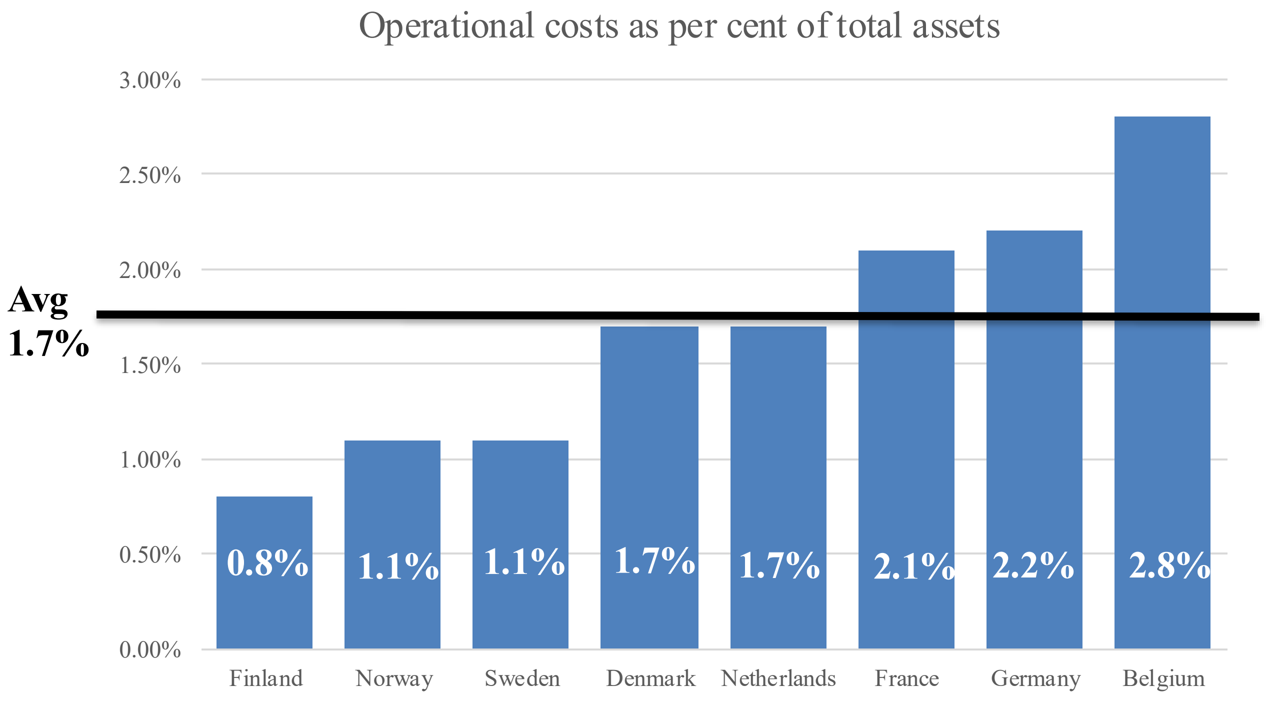
Risk and Lending Quality

Swedish banks have strong lending quality and very low credit losses, thanks to careful underwriting, conservative loan-to-value ratios, and solid collateral. Efficient legal processes and clear property rights support asset quality. Mortgages, while large, remain safe due to strict affordability tests, amortisation rules, and stable funding through a deep covered bond market. Commercial real estate is the main risk, but strong capital buffers, high liquidity, and active oversight by Finansinspektionen help keep the banking sector resilient and well-capitalized.



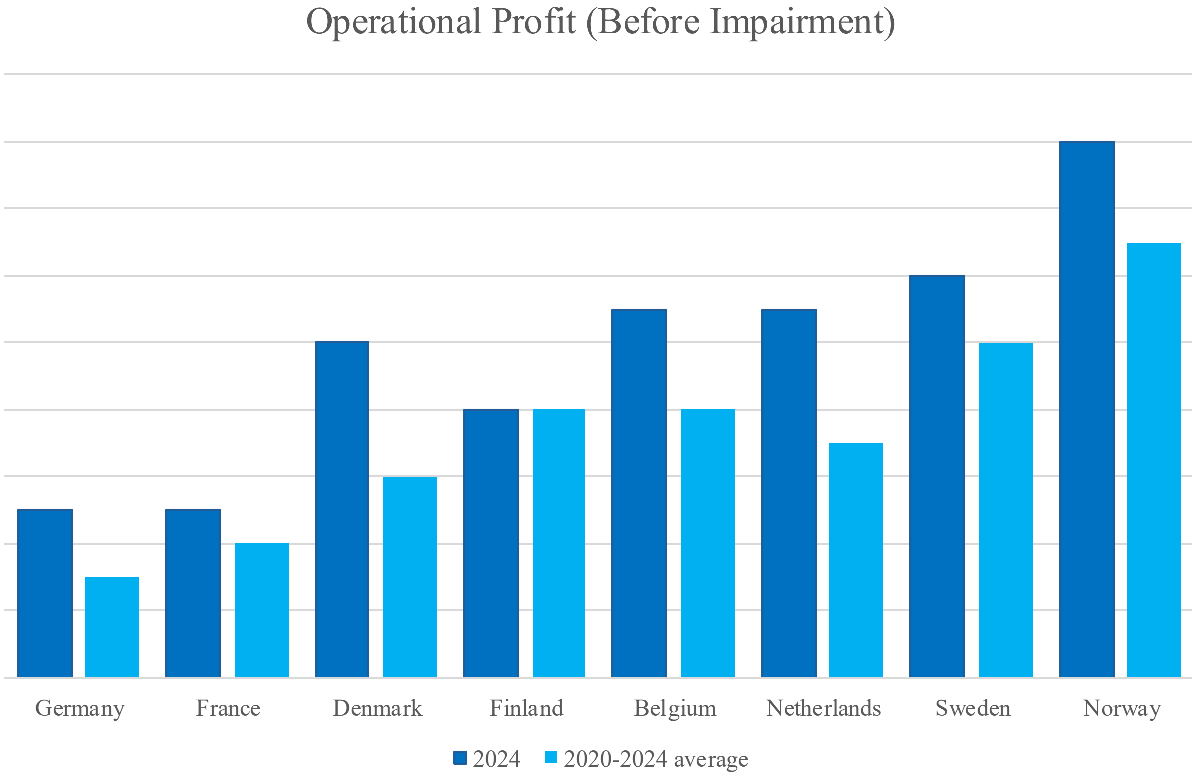
Consumer Behaviour

Sweden has one of the highest levels of consumer mobility in Europe. Customers frequently switch providers for financial products and mortgages, reflecting low switching barriers and strong competitive pressure across the sector.



Pricing and Cost Efficiency

Swedish banks operate with low and stable operating costs—around 1% of total assets, which is lower than most European peers. This strong efficiency is supported by very high digital adoption among Swedish customers, allowing banks to maintain low costs and high service quality. These efficiencies are passed on to consumers, reflected in low net interest margins relative to many European countries and consistently some of the lowest mortgage rates in Europe.



Profitability and Performance

Swedish banks' profitability has fluctuated in line with the interest rate cycle, with recent increases in ROE driven mainly by higher interest rates, not by weak competition. Over the long term, banks' profitability is stable and comparable to other large Swedish listed companies, indicating a healthy and sustainable return environment. Swedish banks also tend to pass rate increases through to depositors more fully than euro-area banks, meaning profits rise but do not disproportionately benefit from monetary policy changes.

Competition– Comparative Analysis

Handelsbanken

Swedbank

- Retail Focus: heavily reliant on retail banking and mortgages in Sweden and the Baltic countries (Estonia, Latvia, Lithuania).
- Compliance History: Has faced significant historical challenges and volatility related to anti-money laundering (AML) governance.
- Higher ROE Volatility: often targets higher Return on Equity (ROE) through slightly more aggressive risk-taking, whereas Handelsbanken targets stability and lower credit losses.
- Valuation: P/E, 10.1 (peak cycle).

SEB

- Corporate & Investment Banking: Traditionally recognized as the bank for large Nordic corporations and institutions, with a stronger focus on investment banking and trading operations.
- Wallenberg Sphere: Controlled by the prominent Wallenberg family, giving it deep industrial ties and a focus on servicing major export companies.
- Market Risk. Has higher exposure to market risk (trading/equities) compared to Handelsbanken's "vanilla" lending model.
- Valuation: P/E 11.5 (peak cycle).

Nordea

- Centralized Structure: The result of multiple mergers, operating as a highly centralized "systemically important" institution, directly contrasting Handelsbanken's decentralised model.
- Eurozone Regulatory Environment: Relocated its headquarters to Helsinki (Finland) to be under the European Banking Union supervision, unlike its Swedish peers.
- Branch Consolidation: Has aggressively closed branches to focus on digital-only channels, whereas Handelsbanken views the physical branch as essential to the customer relationship.
- Valuation: P/E, 10.6

Risk Management – The Seven Deadly sins of Banking. 1

Handelsbanken

1. Asset liability mismatches:

Banks are inherently highly levered institutions, compared any standard corporation. Assets are often large multiples of equity usually (10 to 25). If assets and liabilities do not react in the same way to changes in environment, shareholders can get wiped out.

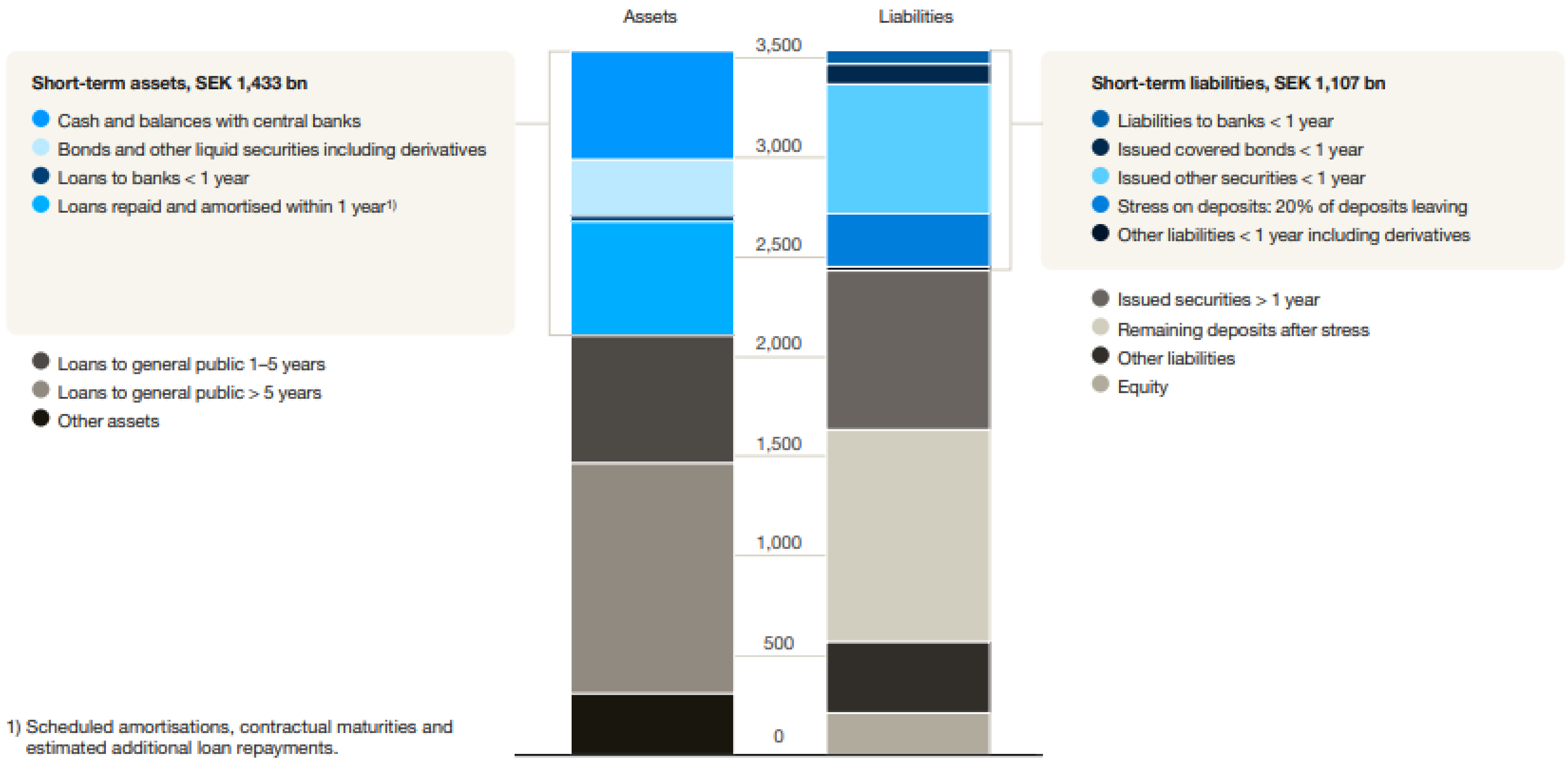
Some of my personal favourites:

- Northern Rock and the Irish banks. Relied heavily on short term commercial paper to finance long duration mortgages. When poor lending standards were exposed, the collapse of commercial paper markets created a perfect storm, both required a bailout and shareholders were wiped out.

How Handelsbanken protects itself:

- Handelsbanken's takes part in very little maturity transformation. Deposits are invested in short term loans and central bank deposits. Long term debt is issued to fund the long duration assets, Handelsbanken is in a unique position to do this due to its suburb credit rating.

Composition of the balance sheet from a maturity perspective, SEK bn



2. Supporting Client Balance sheet mismatches:

There's no point protecting yourself from asset/liability mismatches if your customers are doing so.
Some notable historical examples:

- 1990s Swedish Banking Crisis. Many corporate borrowers avoided high krona rate by borrowing in Deutschemarks. When the Deutschemark appreciated, they could not service their debt.

How Handelsbanken protects itself:

- Conservative lending culture, heavily decentralised.

Risk Management – The Seven Deadly sins of Banking. 2

3. Lending to heavily indebted customers:

While obvious, it is not wise to loan money to someone who is unlikely to repay you.
Some of my personal favourites:

- 2000s real estate developers in Ireland. The Celtic Tiger would roar no more.
- LTCM crisis. Every house on Wall Street wanted to loan money to LTCM, which despite comprising of 2 Nobel prize winners went bust, for one reason: too much leverage.

How Handelsbanken protects itself:

- Handelsbanken does not typically take on high risk debt in exchange for larger rates, ruling out highly levered customers.

4. Investing in noncore assets:

Risk comes from not knowing what your doing. Tempted by the holy shrine of diversification, banks occasionally foray into areas in which they have no expertise. This is the hight of asininity.
My personal favourite example:

- Japanese Banks investing in stocks at the peak of the Japanese stock market bubble.

How Handelsbanken protects itself:

- Handelsbanken only competes where they think they have an edge.

5. Dealing with the shadow banking system:

Lack of regulations, opaque reporting, and poor lending standards is not a recipe for prudent lending.
Examples:

- General Electric 2008. GE capital grew so large that it almost wiped-out GE's valuable underlying assets.
- LTCM.
- Collapse of the REPO market in 2008.

How Handelsbanken protects itself:

Handelsbanken does not participate (other than a very limited extent) to financing other financial companies.

Risk Management – The Seven Deadly sins of Banking. 2

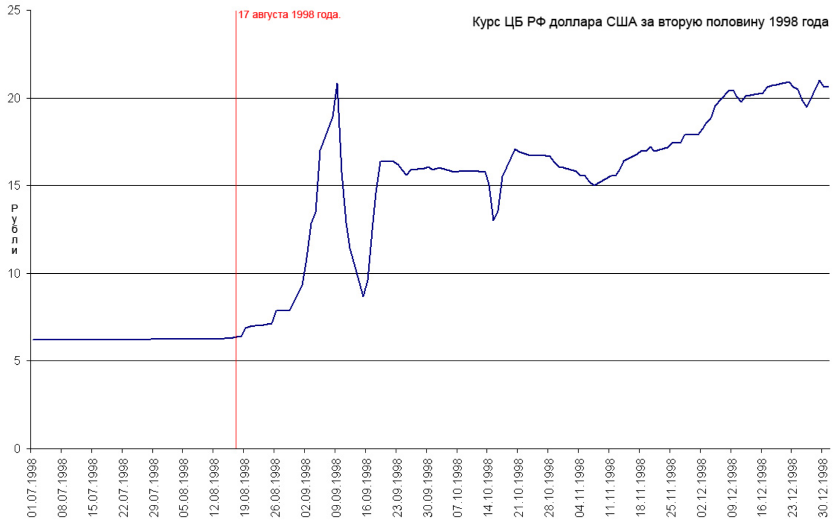
Handelsbanken

6. Emerging Markets and Real Estate:

Even with a miniscule knowledge of financial history this point is obviously true:
A lot of examples to chose from: Asian crisis 1997, the Russian Crisis 1998, the Argentina Crisis 2001, and US subprime real estate crisis.

How Handelsbanken protects itself:

- No emerging market operations, highly conservative real estate lending practises.



7. Continuity:

There is predominantly a problem of dementia in banking. If one waits long enough after a crash, eventually a new generation of lenders and borrowers can be observed. Often aided by innovative new credit products, they share the same vaulting ambition as their predecessors but have forgotten the horror of the collapse. John Stumpf (the now disgraced former Chairman of Wells Fargo) summarised innovations in credit succinctly: "I don't know why we keep thinking of new ways to lose money when the old ones were working so well."

How Handelsbanken protects itself:

- Unique culture prevents staff turnover. Successful branch managers tend to climb up the ranks, as is the case with the current CEO, Michael Green who has been employed by Handelsbanken for over 30 years, starting his career with the company in 1994 as a corporate account manager.
- Every member of the executive team (except HR) was employed by Handelsbanken during the GFC.

Executive Team[1)]

Name	Position	Year of birth	Employed
Per Beckman	Chief Credit Officer and Executive Vice President	1962	1993
Carl Cederschiöld[2)]	Chief Financial Officer and Executive Vice President	1973	1998
Pernilla Eldestrand[3)]	Chief Communication Officer	1969	1989
Michael Green	President and Chief Executive Officer	1966	1994
Maria Hedin	Chief Risk Officer	1964	2010
Dan Lindwall	Responsible for subsidiaries and group-wide matters	1965	2000
Cecilia Lundin	Chief Human Resources Officer	1970	2023
Anton Romare Keller[4)]	Chief Information Officer	1982	2007

Thesis & Catalysts:

Handelsbanken

Unrivalled Quality

- Highest-Rated Bank: Handelsbanken holds the highest average credit rating (S&P, Moody's, Fitch) in the world, reflecting exceptional financial strength and discipline.
- Superior Efficiency: A Cost-to-Income Ratio of 41% is 4-5 percentage points better than its competitors, highlighting best-in-class operational efficiency driven by its decentralized culture.
- Best in Class Credit disciple.

Catalysts

- Continued strength in credit losses reaffirms market position.
- Cost cutting initiatives in FY25 and FY26.
- Completion of new digital tech stack, adapting to customer preferences.
- Further inversion of Swedish yield curve. However, Handelsbanken performs well in all macro environments.

Compelling Valuation

- Valuation Discount: Despite earning a current Return on Equity (ROE) of 13-15%, the stock trades at approximately 1.2x Price-to-Book Value (P/B), well below its historical norm of 1.5.
- Even assuming lower rates and a more conservative payout, expected dividend yield ≈ 11% at today's price.
- Book value growth estimated at 3–4% annually through the cycle.

Risks

- In a 0% interest rate environment as was the case in 2021. The bank earned 11% on equity, a solid but not fantastic return. While we think the odds of this are low, there is always the possibility that this macro environment impairs earnings.
- Developing competitiveness from Swedish banking peers.
- Evolving tech landscape in banking.

Valuation, Scenarios

Handelsbanken

Svenska Handelsbanken

Economic and business scenarios

Scenario switch: Base case

	Forecasted 2025	2026	2027	2028	
Net Interest Margins	1.324%	1.324%	1.324%	1.324%	
Base case (Moderate rates stability)	1.3240%	1.3240%	1.3240%	1.3240%	*2024 levels*
Best case (Yield curve steepens)	1.6550%	1.6550%	1.6550%	1.6550%	*Pre financial crisis levels*
Worst case (Rates decline to 2021 levels)	0.9575%	0.9575%	0.9575%	0.9575%	*Covid levels*
Growth In asset Base	2.909%	2.909%	2.909%	2.909%	
Base case	2.9092%	2.9092%	2.9092%	2.9092%	*2024 Historic Book Value Growth + Market share 0.5%*
Best case	3.9092%	3.9092%	3.9092%	3.9092%	*2024 Historic Book Value Growth + Market share 1.5%*
Worst case	3.4092%	3.4092%	3.4092%	3.4092%	*2024 Historic Book Value Growth + Market share 1%*
P/ Book Value Multiple (2028)	1.40	1.40	1.40	1.40	
Base case	1.3985	1.3985	1.3985	1.3985 *(current multiple)*	*2024 levels*
Best case	1.66	1.66	1.66	1.66 *(Historic High multiple)*	*Pre financial crisis levels*
Worst case	1.05	1.05	1.05	1.05 *(Historic low multiple)*	*Covid levels*
Leverage Ratio	5.71%	5.71%	5.71%	5.71%	

We have assumed that the bank will maintain historical capital ratios, by paying out appropriate dividends to maintain sufficient capital
Market share growth will be higher in pressure years given handelsbanken's resilient balance sheet and low cost advantage

Valuation, Income Statement (base case)

Income statement

SEK m's	2018	2019	2020	2021	2022	2023	2024	*2025*	*2026*	*2027*	*Proje* *2028*
Net interest income	**31,286**	**32,135**	**29,963**	**30,321**	**36,614**	**47,578**	**46,841**	**48,222**	**49,625**	**51,068**	**52,554**
Net fee and commission income	10,247	10,697	9,670	11,458	10,981	11,139	11,726	11,992	12,265	12,544	12,829
Net gains/losses on financial transactions	908	1,299	1,217	1,699	1,540	2,661	3,103	1,775	1,827	1,880	1,935
Other (Insurance and dividends etc)	1,329	433	402	799	1,239	872	674	821	845	870	895
Total income	**43,770**	**44,564**	**41,252**	**44,277**	**50,374**	**62,250**	**62,344**	**62,811**	**64,562**	**66,362**	**68,213**
Staff costs	(13,465)	(13,549)	(13,907)	(12,452)	(13,040)	(13,642)	(15,731)	(16,046)	(16,367)	(16,694)	(17,028)
Other expenses	(6,712)	(6,524)	(5,245)	(5,577)	(6,526)	(7,796)	(7,474)	(7,691)	(7,915)	(8,145)	(8,382)
"Depreciation, amortisation and impairment of property, equipment and intangible assets"	(713)	(1,670)	(1,775)	(1,814)	(1,646)	(1,743)	(2,004)	(2,004)	(2,004)	(2,004)	(2,004)
Profit before credit losses and regulatory fees	**22,880**	**22,821**	**20,325**	**24,434**	**29,162**	**39,069**	**37,135**	**37,070**	**38,276**	**39,519**	**40,798**
Net credit losses	(881)	(1,045)	(649)	(43)	(47)	(141)	601	(324)	(324)	(324)	(324)
Gains/losses on disposal of property, equipment and intangible assets	14	20	5	14	24	20	13	-	-	-	-
Regulatory fees	-	-	(884)	(930)	(2,311)	(2,624)	(2,733)	(2,733)	(2,788)	(2,843)	(2,900)
Operating profit	**22,013**	**21,796**	**18,797**	**23,475**	**26,829**	**36,322**	**35,016**	**34,013**	**35,164**	**36,351**	**37,574**
Taxes	(4,656)	(4,871)	(4,240)	(4,627)	(5,431)	(8,417)	(7,795)	(7,007)	(7,244)	(7,488)	(7,740)
Profit for the year from continuing operations	-	-	14,557	18,848	21,398	27,905	27,221	27,006	27,920	28,863	29,834
Profit for the year from discontinued operations, after tax	-	-	1,031	695	280	1,209	234	-	-	-	-
Profit for the year	**17,357**	**16,925**	**15,588**	**19,543**	**21,678**	**29,114**	**27,456**	**27,006**	**27,920**	**28,863**	**29,834**
Dividends paid	-14,581	-10,693	0	-16,666	-9,900	-15,840	-25,740	-29,091	-21,871	-22,637	-23,427
Dividend payout ratio	**84.0%**	**63.2%**	**0.0%**	**85.3%**	**45.7%**	**54.4%**	**93.8%**	**107.7%**	**78.3%**	**78.4%**	**78.5%**
sustainable growth rate				2%	6%	6%	1%	-1.00%	2.83%	2.83%	2.83%

Valuation, Balance Sheet

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Balance sheet

SEK m's	2018	2019	2020	2021	2022	2023	2024	*2025*	*2026* (*Projected*)	*2027*	*2028*
Assets											
Cash and central banks				292,839	480,472	482,453	542,542	470,094	483,770	497,844	512,328
Loans to other credit institutions				21,745	9,411	19,294	18,922	18,231	18,761	19,307	19,869
Loans to the public				2,161,235	2,299,202	2,282,151	2,291,479	2,371,055	2,440,035	2,511,021	2,584,073
Interest bearing securities				133,855	165,475	249,215	220,114	200,814	206,656	212,668	218,855
Assets held for sale				421,417	191,916	178,590	74,506	230,382	237,084	243,981	251,079
Other Assets				315,673	307,240	326,087	391,611	351,561	361,789	372,314	383,145
Total assets				3,346,764	3,453,716	3,537,790	3,539,174	3,642,137	3,748,095	3,857,136	3,969,349
Liabilities											
Due to credit institutions				83,034	81,693	90,143	84,280	89,011	91,601	94,266	97,008
Deposits and borrowing from the public				1,286,637	1,325,061	1,298,480	1,310,739	1,370,798	1,410,678	1,451,718	1,493,951
Issued securities				1,353,768	1,474,801	1,523,481	1,550,027	1,548,011	1,593,046	1,639,392	1,687,085
Liabilities held for sale				133,922	68,938	63,721	10,623	73,743	75,889	78,096	80,368
Subordinated liabilities				32,257	42,404	43,117	37,054	40,585	41,766	42,981	44,232
Other liabilities				275,415	264,788	313,762	336,424	312,046	321,124	330,466	340,080
Total liabilities				3,165,033	3,257,685	3,332,704	3,329,147	3,434,195	3,534,104	3,636,919	3,742,725
Net assets				181,731	196,031	205,086	210,027	207,942	213,991	220,217	226,624
Total equity				181,731	196,031	205,086	210,027	207,942	213,991	220,217	226,624

Valuation, summary

Dividend discount model

Handelsbanken

SEK m's	2025	Projected 2026	2027	2028
Dividend	29,091	21,871	22,637	23,427
Discount rate	1.07	1.16	1.24	1.33
TV (exit valuation based on P/B)				316,933
PV	27,067	18,933	18,232	237,499

Equity Risk Premium	*4.33%*	*NYU Stern, Damoderan*
Beta	*0.76*	*Bloomberg*
10 Yr Swedish Bond Yield	*2.693%*	*Bloomberg*
Discount Rate(CAPM)	*6.0%*	*r= r+beta*ERP*
Conserative Discount Rate	***7.5%***	*25% higher than CAPM*

Bloomberg Beta:

Beta vs OMX	0.76

Equity value	**301,730**
No. shares outstanding	**1,980**
Equity value P/S	**152.39**
Current market price (SEK)	**125.55**
No. shares outstanding	**1,980**
Upside	**21.38%**

Swedish 10 yr Yield:

Probability weighting

P(X)	***R***	***P(X)*R***
5%	52.64%	2.63%
80%	21.38%	17.10%
15%	-13.32%	-2.00%
	E(R)=	17.74%

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