



The Handelsbanken Case

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EVP Control & Accounting



Svenska Handelsbanken Group

- Universal bank established 1871
- Total assets: SEK 1 350 billion
- Operating profit: SEK 13.1 billion (2004)
- Total staff: 9 150 (excl. SPP Liv)
- 453 branches in Sweden, 34 in Norway, 35 in Finland, 36 in Denmark and 15 in Great Britain

Subsidiaries:

- SPP Liv
- Handelsbanken Liv
- Stadshypotek
- Handelsbanken Finans
- Handelsbanken Fonder

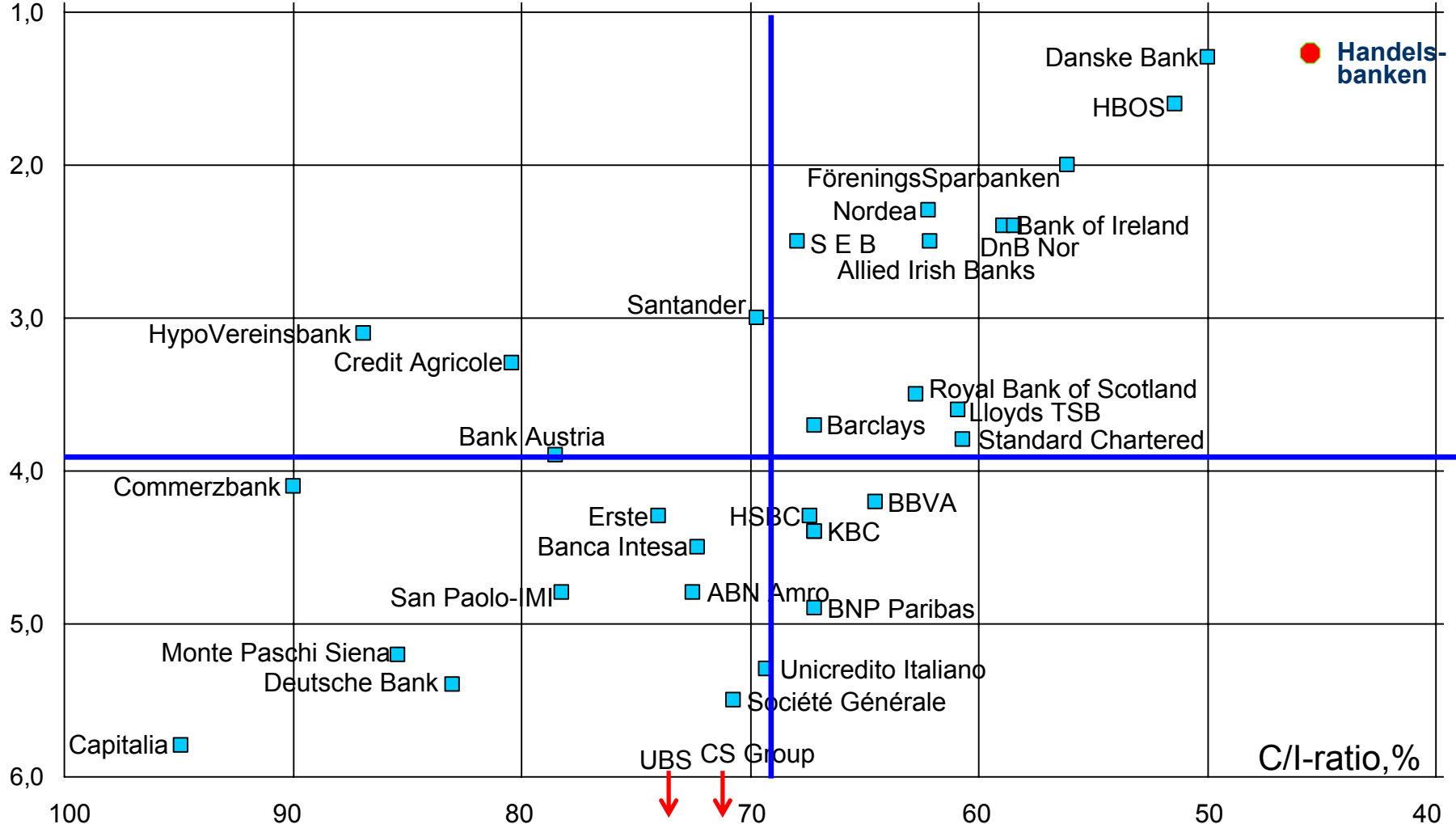
Handelsbanken's corporate goal

- Higher return on equity than the average of comparable banks in core markets
- Achieved through:
 - Better service
 - Lower costs

Cost-effectiveness, European universal banks

Comparison of listed European universal banks with lending > EUR 100bn and major Nordic banks.
 Costs including loan losses Jan-Dec 2004.

Costs / Total loans* %

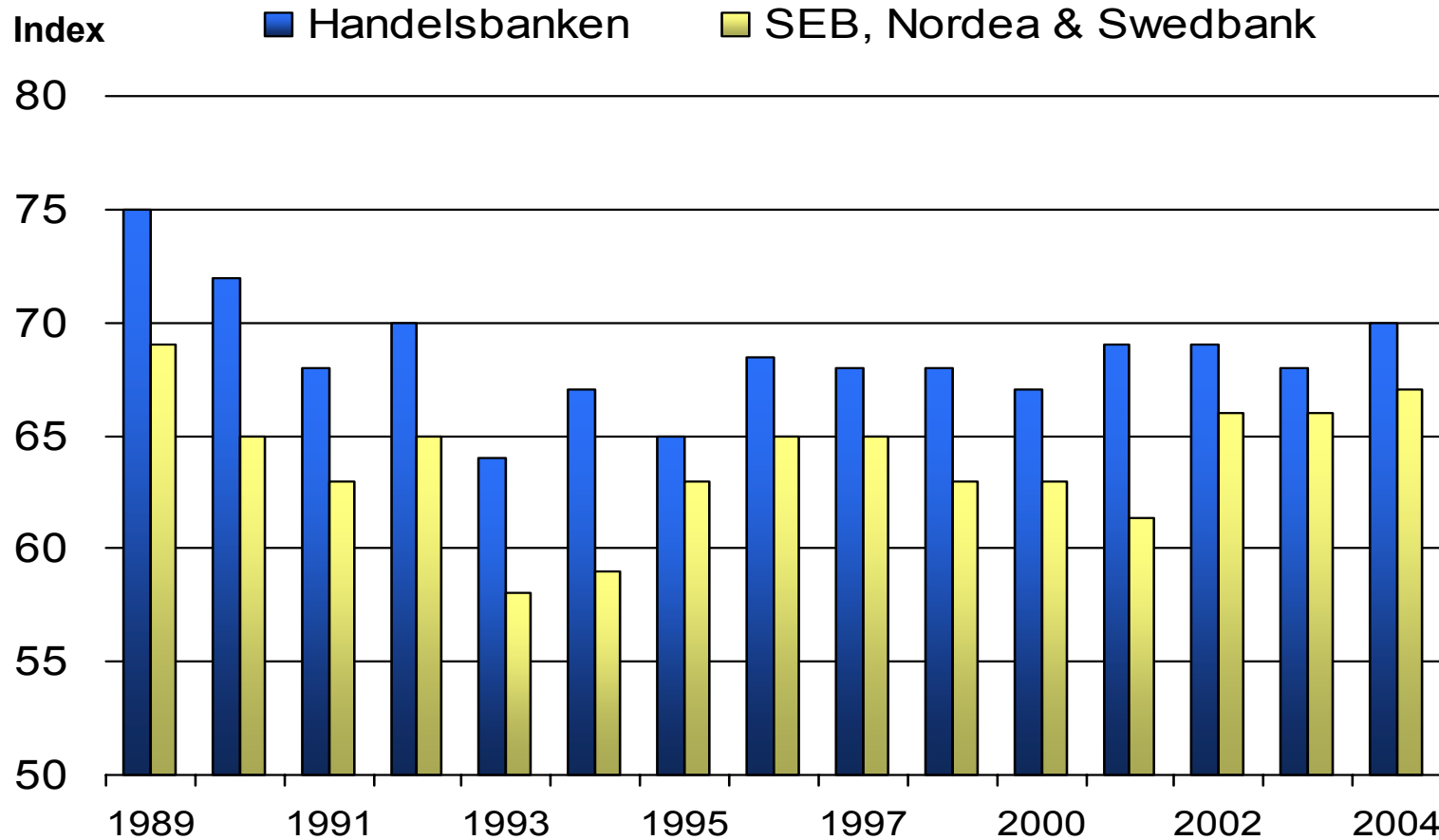


Source: Deutsche Bank: European Banks - Running the Numbers, Spring edition.

* Refers to lending to the general public or deposits if deposits > lending

Customer satisfaction index - corporate customers

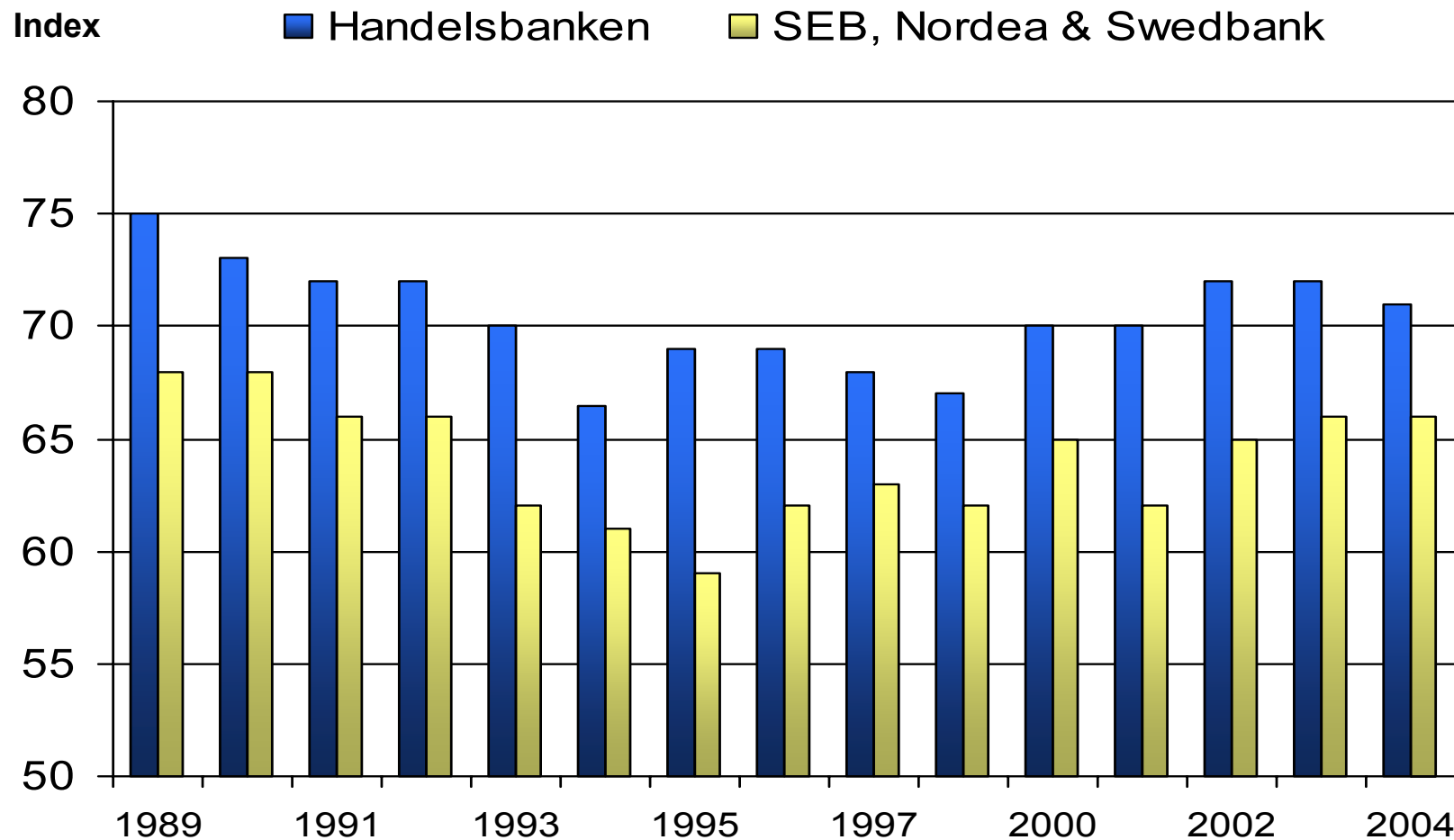
Svenskt Kvalitetsindex



Source: Svenskt Kvalitetsindex.

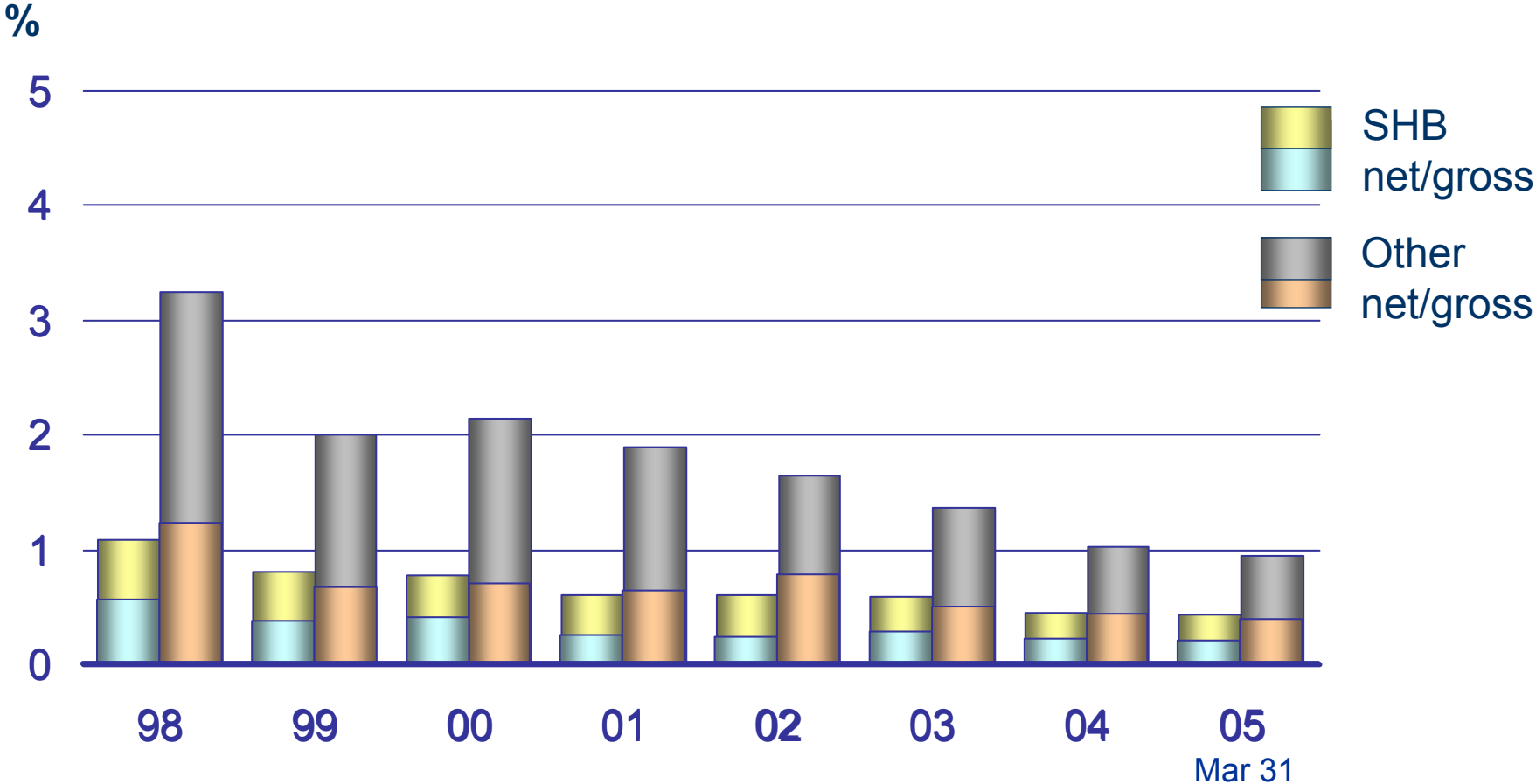
Customer satisfaction index - private customers

Svenskt Kvalitetsindex

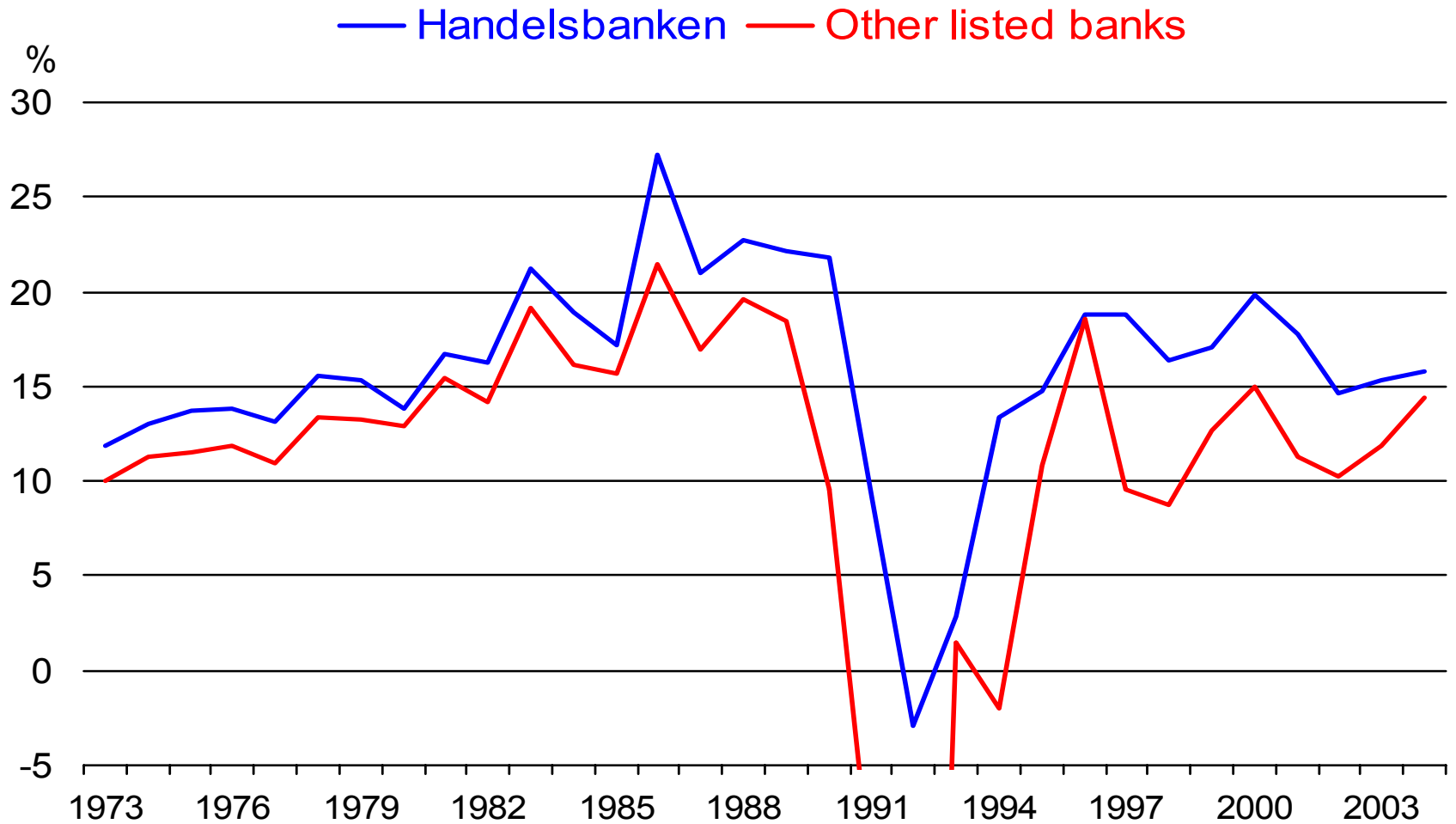


Source: Svenskt Kvalitetsindex.

Bad debts in % of total loans - SHB and other Swedish banks



Return on shareholder's equity 1973 - 2004



Return on shareholder's equity after standard tax.

The essence of Handelsbanken

- Focus on the customer
- Decentralisation
- Focus on profitability - not on volumes
- We grow our own leaders
- Think for yourself!
- Profit sharing

Decentralisation

- Overall customer responsibility close to the customer
- A simple organisation – clear areas of responsibility
- Flexibility and decisiveness, instead of long-range planning
- But a strongly decentralised organisation needs:
 - an efficient financial control system
 - a central credit policy

Decentralisation - how to get there

- Devolution of power - in practice
- Central staff to refrain from issuing instructions
- Internal pricing
- Enhance branch office status
- Put an end to product-selling
- Clear and realistic corporate goal
- Convince watch-dog

Average Branch Office

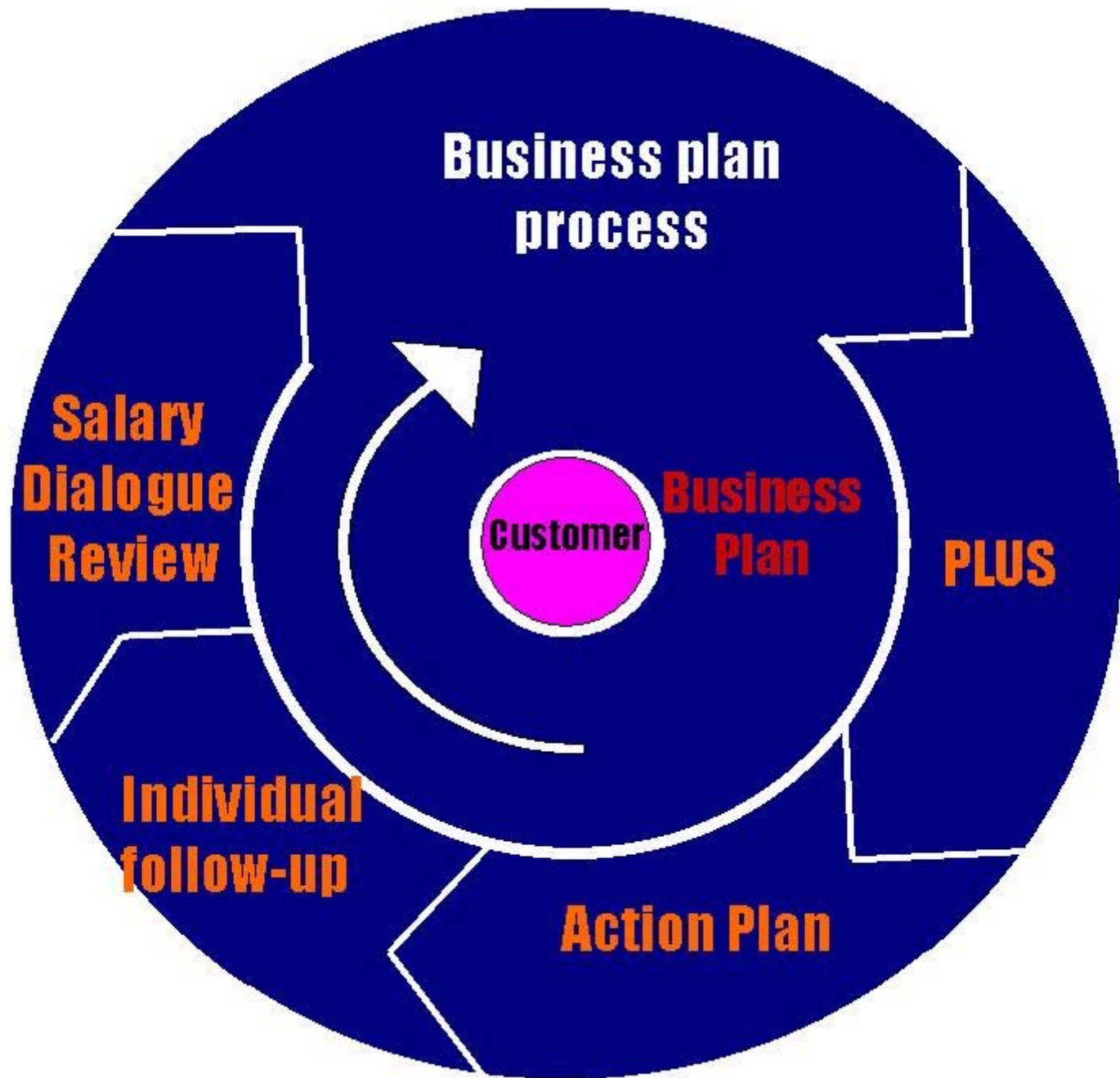
	2004	2003	Change
Operating income (SEK m)	24,0	23,6	2%
Operating expenses (SEK m)	-8,8	-8,6	3%
Operating profit (SEK m)	15,1	15,0	1%
Loan losses (SEK m)	-0,1	-0,1	
C/I after loan losses (%)	37,2	36,5	0,7
C/I before loan losses (%)	36,9	36,3	0,6
D (Staff)	6,7	6,7	0,0
Operating profit/D (SEK m)	2,3	2,2	1%

Most profitable

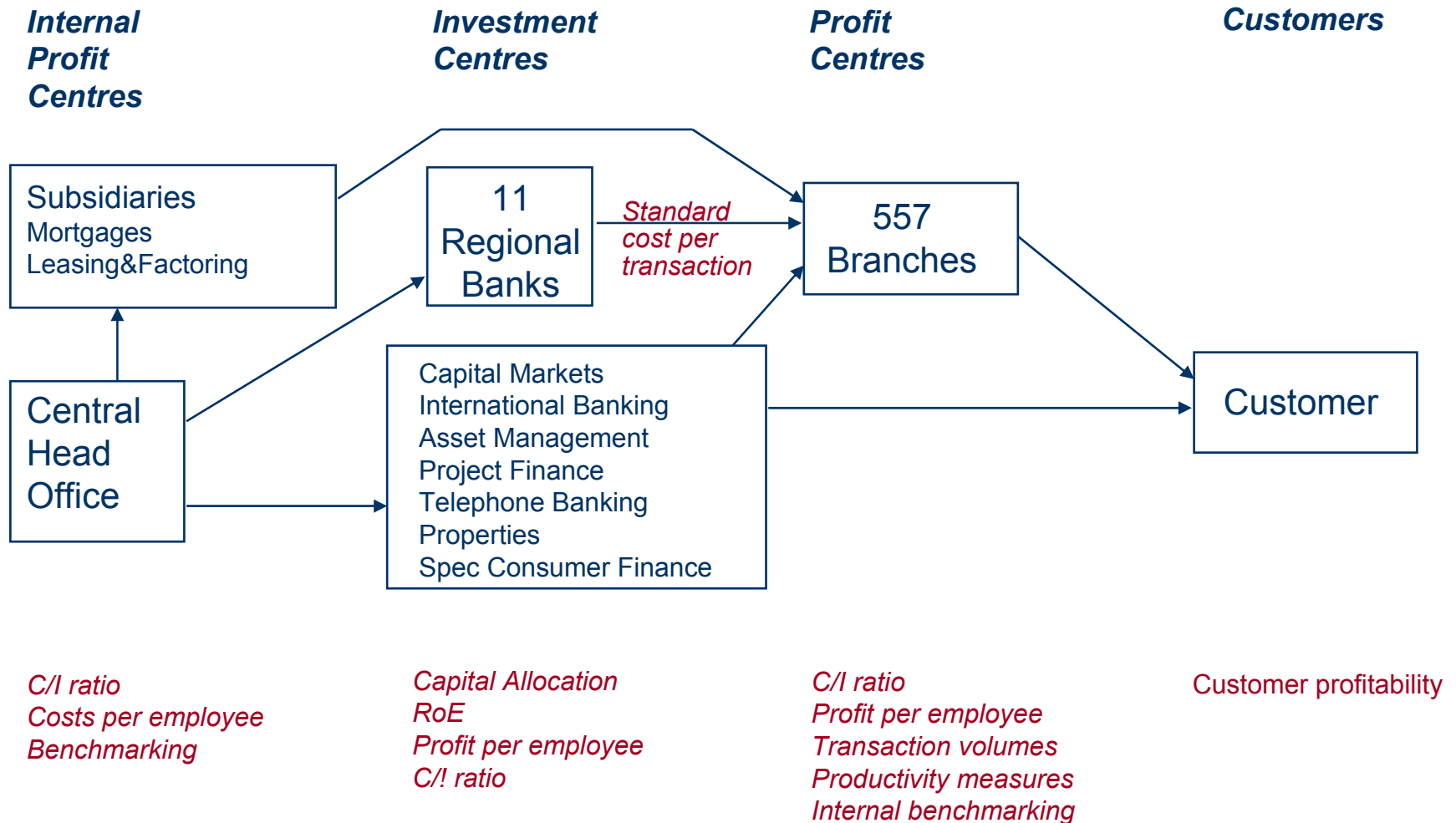
Plats 2004	2003	Regb	C/I %	Change	Operating Income mSEK	Operating Profit mnkr
1		RD	12,4	-9,3	31,0	27,2
2	(7)	RM	14,7	-7,7	64,0	54,6
3	(1)	RC	15,0	3,3	125,5	106,6
4	(2)	RC	15,2	2,5	78,4	66,5
5		RD	16,5	-12,2	36,9	30,8
6	(3)	RC	17,0	0,5	102,3	84,9
7	(13)	RC	19,3	-5,0	93,7	75,7
8	(5)	RM	22,4	3,2	81,5	63,2
9		RF	22,4	-19,2	128,4	100,0
10	(8)	RV	23,4	0,4	50,1	38,4
11		RS	24,0	-14,2	90,6	68,9
12	(9)	RV	24,5	1,4	44,0	33,2
13	(12)	RC	24,8	0,6	92,2	69,3
14		RN	24,9	-4,5	95,3	71,5
15	(18)	RM	25,2	-0,5	61,5	46,0
16	(10)	RM	25,3	1,7	51,9	38,7
17	(16)	RV	25,5	0,6	90,7	67,6
18		RC	25,5	-6,4	118,4	88,2
19		RS	25,6	-2,8	176,4	131,2
20		RN	25,9	-3,1	44,3	32,8
Average			21,8	-2,5	82,9	64,8

Corporate Goals and Means

- No absolute targets, such as RoE above 15% or C/I ratio below 50%.
- No volume targets, such as largest bank in Nordic area or fastest top-line growth.
- No sales targets per product, such as biggest mutual fund manager. Always focus on customer needs !



The Information System



The Internal Market

