

# The History of Handelsbanken



# In spring 1871, a new bank was founded

The history of Handelsbanken dates back to the spring of 1871, when a number of prominent companies and individuals in Stockholm's business community founded Stockholms Handelsbank. This was the result of a personal conflict at Stockholms Enskilda Bank which culminated in April 1871 with the resignation of eight board members who shortly after decided to form a new bank. Handelsbanken's first board largely comprised previous members of the executive board of Enskilda Banken.

Unlike Enskilda Banken, which, being a bank where the owners had joint and several liability, could issue its own bank notes, Handelsbanken became a limited company. The paid-up share capital totalled SEK 1 million. The Bank's shares were first listed on the Swedish market in 1873, and today it is the oldest share on the Stockholm exchange.

While its main competitors focused on bond transactions and corporate customers outside Stockholm, Stockholms Handelsbanken emphasised at the outset that it would pursue "true banking activities" with deposits and loans and that it would focus on the local bank market, that is, the business activities of Sweden's capital city.

The Bank received its first charter to run a bank from His Majesty the King on 12 May, and on 1 July 1871 the Bank began operations in rented offices located at Kornhamnstorg in Stockholm's Old Town, which at that time was still the commercial and financial centre of the city. Including the managing director, there were twelve employees. During the Bank's first year, the whole of its operations, including the premises where it served

customers, were based on the first floor of the Schinkel building at Kornhamnstorg 4. A couple of years later, the first branches were opened in Stockholm: 1876 in the Södermalm district (Götgatan 16), 1878 in Norrmalm (Fredsgatan 32) and 1882 in Östermalm (Humlegårdsgatan 24). The Bank opened a branch in Jönköping in 1874, but it was closed in 1895.

The Bank's first year of operations was very successful and after only a couple of years, Handelsbanken held a strong position among Stockholm banks. The first major test for the new bank came with the difficult crisis years of 1878–1879, which severely impacted on large sections of Swedish banking, particularly due to uncertainty regarding railway bonds. The Bank put large amounts of money into a special fund to meet expected loan losses. However, compared with other Stockholm banks, Handelsbanken managed relatively well. While its main competitors needed to be rescued with state support, Handelsbanken was able to advance its positions.



Handelsbanken's first advertisement dated 29 June 1871.



Stockholms Handelsbank's first branch at Kornhamnstorg in the Old Town of Stockholm.

## The Fraenckel period

In the crisis years of the late 1870s and early 1880s, the Bank grew more rapidly than its competitors. The major crash in the construction sector in Stockholm in 1885 and the subsequent economic downturn seriously affected the previously expanding bank. With still poor results in the early 1890s, the Bank's owners demanded new management. In 1893, Louis Fraenckel, a private banker, was appointed new managing director. He would lead the Bank for 18 years until 1911. The business connections of Mr Fraenckel's old firm, including international ones, were transferred to Stockholms Handelsbank.

A year or so after his appointment, rapid economic development in Sweden created a strong demand for banking services. The boom offered opportunities for higher profits, but also risks which were difficult to assess. In the tough competition between the banks, under Louis Fraenckel's leadership, Stockholms Handelsbank succeeded best. It was able to acquire a large number of corporate customers and to develop its international contacts. Mr Fraenckel focused on what we



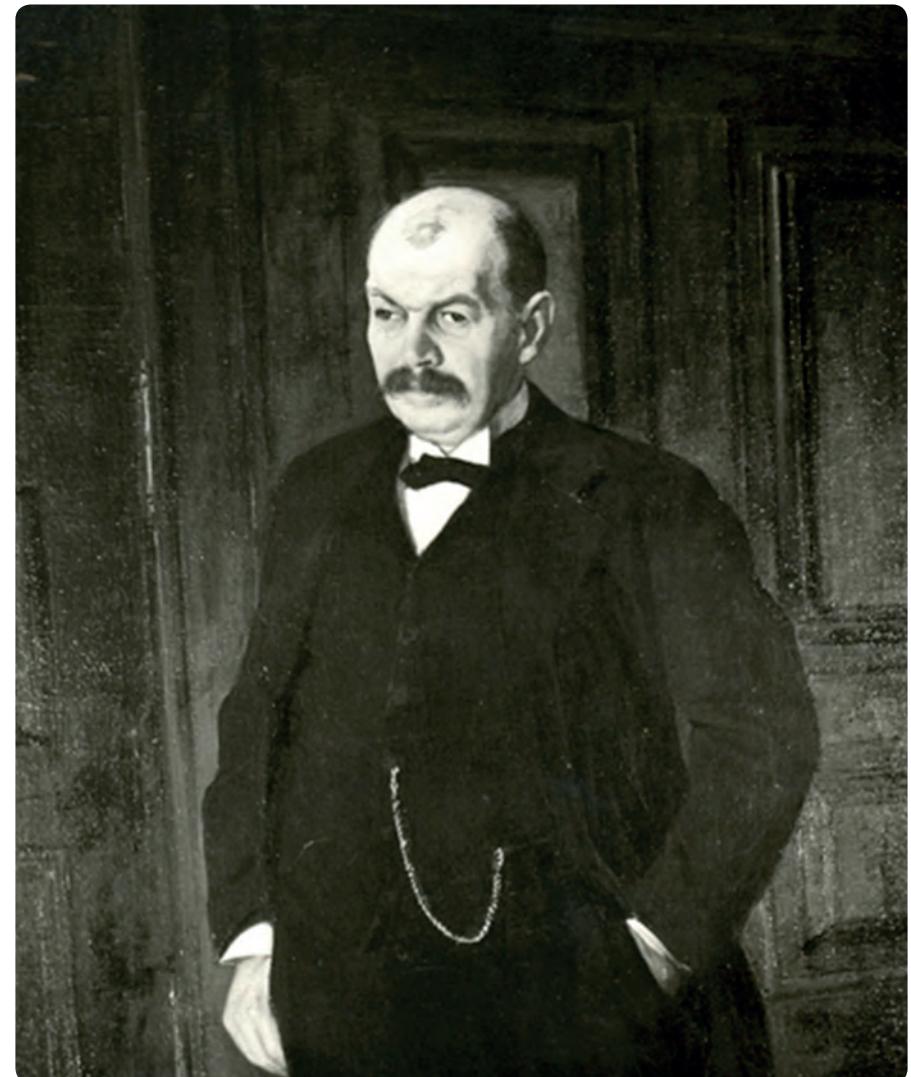
Handelsbanken's headquarters have been located at Kungsträdgården in Stockholm since spring 1905.

would today call merchant banking. Increasing profits was one of his major goals and his strategies included greater focus on bond and foreign exchange business.

He did not want the Bank to be direct owner of branches outside Stockholm. Instead it was an active participant in founding new local banks with which Stockholms Handelsbank had close collaboration and ownership interests. In 1895, the Jönköping branch was closed and transferred to the new Jönköpings Handelsbank. In 1896, Skånska Handelsbanken was founded, and in the following year Göteborgs Handelsbank. Co-operation agreements were entered into with these banks, and also with Sundsvalls Handelsbank. But the collaboration which Louis Fraenckel had set up between these "Handelsbanks" did not last long and ended in 1911.

When Louis Fraenckel became managing director, Handelsbanken was the tenth largest commercial bank in Sweden. By the time he left, the Bank had risen to second place.

In autumn 1896, the head office was moved from the Old Town to rented premises at Gustaf Adolfs Torg in the new business centre of Stockholm. These premises turned out to be too small after only a couple of years so a larger property at Kungsträdgårdsgatan 2B was acquired, and a new head office for the Bank was built there. On 22 May 1905 – long after its two main competitors – Handelsbanken moved into its own building on Kungsträdgårdsgatan where the Bank's head office is still situated, now greatly expanded. At that time, the Bank had around 50 employees at six branches.



Louis Fraenckel, Managing Director 1893–1911

# Stockholms Handelsbank expands to become Svenska Handelsbanken



Stockholms Handelsbank's branch on the corner of Nybrogatan and Köpmangatan in Härnösand, which was included in the acquisition of Bankaktiebolaget Norra Sverige in 1914. One hundred years later, Handelsbanken's branch is still in the same building.

The first decades of the twentieth century were an era of bank mergers in Sweden as well as in Europe. The number of banks in Sweden was reduced by more than one-half.

During Louis Fraenckel's time as managing director, Stockholms Handelsbank only had branches in Stockholm, but the new management saw many advantages in expanding the branch operations to other parts of the coun-

try. In spring 1914, Bankaktiebolaget Norra Sverige was acquired. The merger significantly expanded Handelsbanken's operations, giving it branch offices in 36 new towns, primarily along Norrland's coast, but also some branches in Central Sweden.

In connection with the acquisition, operations were split into two divisions: a Stockholm operation and a provincial operation. The provincial

centre which reported directly to the managing director and had the task of managing the acquired operations in the provinces, was situated at Kungsträdgårdsgatan 16. The organisation with a Stockholm operation and a provincial operation was retained until the late 1960s.

While competing banks expanded to the west and south during this consolidation period, Handelsbanken's management continued to look to the north where the forest industry was booming. In 1917, Handelsbanken further strengthened its position in this promising area through the acquisition of Norrländsbanken and its 79 branches. As in the case of Bankaktiebolaget Norra Sverige, Norrländsbanken was a product of the merger of several smaller banks.

Although the acquisitions in Norrland improved the ratio between deposits and loans, having such a strong concentration in northern Sweden soon proved to be unwise. In 1918, Handelsbanken opened new branches in Gothenburg and Malmö. The Stockholm banks also found an attractive deposit surplus in southern Sweden, and in 1919, Handelsbanken acquired Bankaktiebolaget Södra Sverige with its 67 branches.

Following the merger with Bankaktiebolaget Södra Sverige, the Bank changed its name to Svenska Handelsbanken. In addition, Svenska Handelsbanken adopted the octagon symbol from Bankaktiebolaget Södra Sverige, which would function as its own logo for many years.



The octagon symbol accompanied the acquisition of Bankaktiebolaget Södra Sverige and served as the symbol for Svenska Handelsbanken for many years.

# Deflation and the Kreuger crash



Handelsbanken's branch at Stortorget in Helsingborg in the 1950s. Handelsbanken took over the building, which was previously the headquarters of Bankaktiebolaget Södra Sverige, in 1919.

The 1920s were a testing time for the Swedish economy. Early in 1920, the United States entered a deep depression, and demand for Swedish exports declined. Between 1920 and 1922, prices in Sweden fell by over 30 per cent. This deflation triggered a serious crisis that threatened the entire financial system. Much of the Bank's lending comprised credits secured by shares. The stock market crash between 1919 and 1922 meant that the Bank's collateral was often insufficient.

In 1921, Handelsbanken celebrated its 50th anniversary, but the annual report did not bring good tidings. Instead, it was filled with concern about the economic situation. The Board pointed out in its report that "business has suffered under extreme conditions, which have directly affected the bank's operations". It stated that "substantial amounts... are proposed for write-downs due to losses".

The year after, the situation became even worse and 1922 was a major crisis year for

the commercial banks. For the first time in the 50-year history of the Bank, the annual accounts did not show a profit and at the AGM in spring 1923, both a new managing director and a new chairman of the Board were appointed. The major write-offs the Bank was forced to make in 1922 were due to the previously expansive lending policy. Borrowers included Svenska Emissions AB, a company associated with the Bank and companies in which it had significant ownership interests. But in the late 1920s, the situation improved and the Bank's operations developed well.

The Wall Street Crash in late 1929 and the ensuing worldwide depression in the first half of the 1930s led to renewed problems for many of the Bank's borrowers, and profits were more than halved.

In the prosperous years of the 1920s, the most hyped name on the Swedish financial market was the 'Match King', Ivar Kreuger, and his corporate empire. In the early 1920s, the Kreuger Group was a large borrower from Handelsbanken but after the management change in 1923, Handelsbanken was more cautious in its dealings with Mr Kreuger, and in the late 1920s, the only major dealings the Bank had with him related to Svenska Cellulosa-bolaget (SCA). After the Kreuger crash in 1932, Handelsbanken became by far the largest owner of SCA – it was a subsidiary of the Bank right up until 1950, when it was sold to the Bank's shareholders and listed on the stock exchange.

During the financial crises of the 1920s and 1930s, Handelsbanken took over majority shareholdings in several Swedish industrial companies in order to protect its claims. After

the companies were reconstructed, in the late 1930s, the Bank began to plan for a coordinated phase-out of these interests. A holding company called Industrivärden was formed in the winter of 1943/1944 to which shareholdings in seven companies were transferred. One of the largest holdings was in the L M Ericsson telephone company. The Bank's shareholders were offered the opportunity to subscribe for shares in the new company and it was listed on the stock exchange in 1945.

Consolidation continued on the Swedish bank market in the interwar era. Acquisitions such as Mälarebanken in 1926, enabled Handelsbanken to generally maintain the number of branches at a stable level of just over 260, while the other commercial banks drastically reduced the number of branches.

In the post-war period, Handelsbanken continued to expand on an increasingly consolidated Swedish bank market. The acquisitions of Vänersborgsbanken and Norrköpings Folkbank in the 1940s were followed by the purchase of Luleå Folkbank and Gotlandsbanken in the 1950s.



Handelsbanken's branch no. 8 in Stockholm, on Regeringsgatan 47 in the 1920s.

## Operations are broadened

Alongside its traditional commercial banking operations offering lending and deposits, Handelsbanken broadened its operations at an early stage to include more product areas. In 1955, the mortgage company SIGAB was purchased, which subsequently changed its name to Handelsbanken Hypotek. In 1963, Handelsbanken was the first Swedish bank to form a

finance company providing leasing and factoring services. The name Säljfinans was changed to Svenska Finans in 1973, and in 1991 to Handelsbanken Finans. In 1971, Handelsbanken took over as the general agent for sales of the "Koncentra" funds from Åhlén & Holm AB. This was the start of the mutual fund operation, Handelsbanken Fonder.



Handelsbanken contributed financially to salvaging the Swedish warship, the *Wasa*, which sank in 1628 and was salvaged in 1961. Here we see Handelsbanken's bank bus parked close the salvage site.

## Handelsbanken in the 1960s

In Sweden, the decades following the Second World War were the longest period of continuous economic growth that the country had experienced.

In the 1950s and 1960s, Handelsbanken focused not only on profitability; a great deal of attention was focused on the Bank's size and volume growth. One milestone which attracted great attention internally at the Bank was in November 1964, when total assets surpassed SEK 10 billion. When the Riksbank put a ceiling on the growth of lending for purposes other than residential property construction, Handelsbanken began to focus on increasing deposits. The means to achieve this end was to focus more on household savings by setting attractive interest rates, implementing various sales campaigns, and expanding the branch network considerably.

During the 1955–65 period, Handelsbanken opened no fewer than 157 new branches. Most of these were in the new suburbs of Stockholm, which were expanding rapidly, due to the substantial movements in population at that time. The expansion of the branch network was justified by a wish to improve service for existing customers, and to reach new customers.

However, in the late 1960s, the Bank was affected by events that caused negative publicity in the media and brought criticism from public authorities: in 1966, the takeover of a well-known travel company, and in 1969, foreign exchange transactions that contravened the strict currency regulation at that time. However, the epilogue to these years of crisis would spur the rejuvenation of Handelsbanken.



To commemorate Handelsbanken's 90th anniversary in 1961, CEO Tore Browaldh asked designer Stig Lindberg (left) to create a new savings box. The Bank's marketing used the Scottie Dog savings bank a great deal in the 1960s to boost household savings.

# Jan Wallander focuses on profitability



In the late 1960s, Handelsbanken ran into a crisis. The management resigned and in early 1970, Jan Wallander was recruited from the Norrland provincial bank Sundsvallsbanken as the new CEO of Handelsbanken. Mr Wallander introduced new ideas which Sundsvallsbanken had started to practice. A decision was made to extensively decentralise Handelsbanken's organisation and to wind down the existing organisation with 26 districts. But in order to meet the requirements from larger customers, the branches needed specialist support, so they grouped into larger units. If these units were about the same size as Sundsvallsbanken, they would not be unmanageably large. The Bank's branch operations were therefore divided into eight regional banks, each consisting of about 70 branches. In January 1971, the first regional bank was founded, with its head office in Malmö. When it was seen that operations in the Southern Sweden regional bank had generated healthy profits, the other seven regional banks were started during the course of 1972. The new regional banks had their own boards and a high degree of independence.

In the new, decentralised organisation, many of the previous tasks of the head office were transferred to the regional head offices,

while other functions were no longer needed. This latter group included the central unit that worked on budgeting. Mr Wallander considered budgets to be not only an unnecessary evil but in some cases outright dangerous. Instead, a new financial reporting and management system was developed based on the actual profit outcome.

The new organisation would focus on profitability rather than volumes. The goal was, and still is, to have a return on equity that exceeds the average for the other listed banks. From having lower profitability than its competitors in the late 1960s, Handelsbanken managed to achieve the same level of profitability as the other banks in 1971. Every year since 1972, Handelsbanken has met the goal of being more profitable than the average for other listed banks.

A condition for achieving better profitability than other banks on the same market and working under the same conditions is that Handelsbanken employees outperform their peers in the rest of the sector. Consequently, the Bank's management thought it was reasonable that employees shared in these extra profits. At the time, there was lively debate in Sweden on how employees could gain more influence in companies. In February 1973, the Board decided to allocate SEK 10 million to a profit-sharing foundation called Oktogonen formed by the Bank's trade union club. The funds were invested in Handelsbanken shares, thus giving the employees owner representation on the Board. Since the managed funds are not paid out directly but at the time of

retirement, Oktogonen became an informed, long-term, major owner – something that is lacking in many companies. The Bank's good profit development facilitated new allocations

in the next few years and a large part of the funds were invested in Handelsbanken shares. Since 1998, Oktogonen has owned around 10 per cent of the voting rights in Handelsbanken.



The first allocation to the Oktogonen profit-sharing foundation, which is owned by the employees. On 7 February 1973, CEO Jan Wallander (right) presents a symbolic cheque to personnel representative Kaj Ytterskog.

# The evolution of IT

In the 1960s, work volumes at the Bank increased considerably. Not least the increasing use of current accounts led to the number of lending and deposit transactions close to quadrupling between 1957 and 1966.

With the aim of rationalising laborious ledger routines for customer accounts, Handelsbanken started its computer operations in the

early 1960s. For the first few years, the computer centre was based at the Grev Turegatan 44 premises in the Östermalm area of Stockholm, but in 1964 was transferred to Tegeluddsvägen in the Gårdet area. In 1964, the computer centre changed its name to the computer department and after 1967 was part of the administrative rationalisation unit.



Inside the computer department at Värtavägen, Stockholm, 1967.

In 1966, the Bank bought two computers in the modern IBM 360 series, which were to play a key role in its data processing.

In the mid-1960s, the idea of creating an online system for transfers and processing monetary transactions was born. The idea was to connect the branches via the telecom network to the Bank's central computer at Gårdet in Stockholm. By providing the branches with cash and query terminals, it would be possible to collect the numerous monetary transactions from the cash desks and then book them centrally. The development work for the project – called System 71 – lasted several years.

For the branch staff, a major change came in 1973–1975, when the first terminal system was introduced. These terminals facilitated faster service to customers, such as immediate information about their account balance. This system, referred to in-house as HTS, was used for many years, but was replaced in 1986–89 by a new terminal system called HTD. With this multi-function terminal, most procedures at a branch could be carried out from a single workstation, faster than before and with higher quality. But it wasn't until the early 1990s that the Bank approached a figure of one terminal per branch employee. In the late 1990s, when the concept of Electronic Data Processing support made way for IT, HTD was supplemented with networks of PCs.



HTS (Handelsbanken's Terminal System) was implemented at the Bank's branches in 1973–75.

## The Swedish banking market is deregulated



During the Second World War, state control of the Swedish financial market was tightened up, and in the ensuing decades, the credit market became a vital part of government policy. The Riksbank (the Swedish central bank) came to control not only interest rates but also credit volumes. Lending in Swedish kronor was strictly regulated. Banks' ability to grant loans for purposes other than mortgage financing was limited, as the Riksbank decided to what extent lending volumes were allowed to increase. Naturally, this restricted free competition and led to a deadlocked competitive situation between the banks.

In the mid-1980s, it became increasingly clear that the lending ceiling was an ineffective

way of preventing credit expansion, as greater proportions of credit started to be granted outside the banking system. On 14 May 1985, the Riksbank's recommendation for the maximum permitted average interest rate for bank lending ceased, and six months later, on 22 November 1985, the lending ceilings applying to banks were removed. This deregulation led to bank lending increasing sharply so the banks were able to win back some of the borrowers who had sought credit from other sources. In the last three years of the 1980s, Handelsbanken's lending volumes doubled.

On 1 July 1989, the last step was taken in deregulating the Swedish credit market with the removal of foreign currency regulations.

## Handelsbanken copes with the major financial crisis of the 1990s

The last in a long line of Swedish provincial bank acquisitions was in 1990, when Handelsbanken acquired Skånska Banken. With its 76 branches, Skånska Banken boosted Handelsbanken's service levels and business volumes in southern Sweden. The acquisition was aptly described as a milestone at the time it was presented. Handelsbanken's expansion would certainly continue, but it was about to take a new path.

During the protracted boom of the 1980s, bank lending in Sweden had grown at an exceptionally fast rate, much of it going to speculative investments. In autumn 1990, a serious crisis emerged in Swedish banking as a result of a deep recession. Corporate loans were the primary cause of huge loan losses reported by Swedish banks. The Swedish government's costs for supporting the bank sector were an incredible SEK 66 billion. During the banking crisis, Handelsbanken was the only major Swedish bank that was not forced to discuss applying for government aid.

Handelsbanken was able to use the situation to advance its position on the Swedish banking market. For example, Handelsbanken's share of deposits from Swedish households increased from 11 per cent in 1990 to more than 17 per cent by the end of the decade.

In 1997 – a year of several restructuring deals in the banking sector – Handelsbanken utilised its strong financial position to make a cash acquisition of the mortgage company, Stadshypotek. In summer 1996, when the government declared its intention to divest its stake in Stadshypotek, the Bank made an

offer to acquire all shares. In December 1996, the government agreed to accept Handelsbanken's offer and on 26 February 1997 the Bank became the owner of Stadshypotek AB for a total purchase price of SEK 23 billion. Stadshypotek's lending operations were immediately integrated into the Bank's branch network.

During the 1990s, its range of savings-related products was also expanded. In 1992, for example, the Bank introduced equity-linked bonds, and since 1 January 1994, customers have been able to save for their pensions with the Bank and benefit from the same tax regulations as for pension insurance.

In late 1994, the Bank pooled all its operations on the securities and foreign exchange markets in a new unit named Handelsbanken Markets, comprising equity, foreign exchange and money market trading, asset management, trade finance and corporate finance.



## Expansion in the Nordic countries

Swedish foreign currency regulations were lifted in 1989, and a few years earlier it had become possible for Swedish banks to open branches abroad. This led to increased internationalisation of the Swedish banking market. Handelsbanken was well prepared for this change. During the 1980s, the Bank had built up its international operations with branches and subsidiaries in London, New York and Singapore, for example.

Could Handelsbanken's successful Swedish model also be used to provide full-service banking in other countries? Based on this premise, in 1988, Handelsbanken decided to start operations in Norway, opening its first branch in Oslo the year after. In February 1990, the Bank made a cash offer for Oslo Handelsbank. Through a combination of organic growth and the purchase of Stavanger Bank in September 1991, Handelsbanken could take advantage of the historical opportunity for expansion created by the banking crisis in Norway in the early 1990s. In the 1990s, the Bank created a nationwide branch network in Norway, supplemented by the purchase of Bergensbanken in 1999. Handelsbanken's 50th branch in Norway opened in spring 2014.

In Finland, the Bank opened a representative office in Helsinki on 9 April 1985, with two employees. Five years later, in December 1990, a subsidiary was formed, which was converted to a branch in August 1991 to gain full access to the parent company's balance sheet. This

marked the actual start of Handelsbanken in Finland. Handelsbanken has been a member of the Finnish bank clearing system since February 1992. The first street-level branch was established at Eteläranta in Helsinki in 1993, and it opened in February 1994. The following year, Handelsbanken acquired the healthy parts of Skopbank and at the same time decided to open branches in several major Finnish cities. Through this expansion, Handelsbanken became the fourth largest bank in Finland.

In Denmark, a representative office was opened in Copenhagen in 1990. Handelsbanken's first Danish branch opened for business in 1996. This Copenhagen branch was soon followed by others in Denmark. In 2001, Handelsbanken purchased Midtbank, which had a very strong presence in the Jutland area. This added a further 23 branches to Handelsbanken's network. Another 14 branches in a very attractive part of Denmark were added in autumn 2008 when Handelsbanken acquired Lokalbanken i Nordsjælland A/S, making Handelsbanken the fifth largest bank in Denmark, with over 50 branches. Today, Handelsbanken is a full-service bank in Denmark with branches all over the country.

On 1 January 1998, branch operations in Norway, Finland and Denmark gained the status of separate regional banks, after which the business was run on the same principles as in Sweden.



Tornio, Finland



Videbaek, Denmark



Stavanger Straen, Norway

## Increased interest in life insurance

The 1990s was also a period of some realignment between the financial and insurance sectors. Pension savings became an increasingly important part of long-term savings for the Bank's customers. Through a change in the law in 1991, banks in Sweden were allowed to own insurance companies and vice versa. Handelsbanken immediately entered the life insurance market by starting a unit-linked insurance company. From the outset, the Bank took the strategic decision to offer both unit-linked insurance and traditional life insurance. Given this development, in 1992, the Bank acquired the mutual life insurance company RKA, with which it had closely collaborated since the late 1980s. In conjunction with this purchase, the company changed its name to Handelsbanken Liv. Following a change in legislation, Handelsbanken Liv was demutualised on 1 January 2002, thus becoming a for-profit life insurance company. This was the first demutualisation of its kind in Sweden. Before demutualisation, customers who would

be affected by the change were given the opportunity to vote on it. 98 per cent of voters were in favour of demutualisation.

In March 2001, Handelsbanken acquired the life insurance company SPP, a leading company for occupational pensions in Sweden. But this market rapidly changed and as a result, independent insurance brokers gained a stronger position, while mass marketing became increasingly important for success. This led to fewer points of contact between SPP and the Bank's branches. On 3 September 2007, the Bank therefore entered into an agreement to sell SPP to Storebrand, a Norwegian insurance company. During the six years Handelsbanken owned SPP, the company was completely changed. SPP's operating costs were halved and on 1 January 2006, it was converted into a for-profit insurance company. The sale of SPP helped to reduce the amount of capital tied up and yielded a capital gain of SEK 4.1 billion.



## Increased availability



Technical developments also benefited customers, with the growth of self-service banking. In the 1970s, Bankomat ATMs were launched in Sweden. In autumn 1991, the Bank launched a telephone service in Sweden under the name Datasvar (the name was later changed to Telesvar), enabling customers to carry out standard banking business such as transfers between accounts, as well as checking balances and the latest transactions.

The range of automated services entered a new era on 10 December 1997, with online banking. Customers could now carry out all common banking transactions online, including payments and securities trading.

In 2006, the Bank expanded its telephone service, offering individual and corporate customers in Sweden personal service via Handelsbanken Direkt, staffed 24/7 by experienced bank employees.

## Building Handelsbanken in the UK

Handelsbanken began its British banking operations in London in the early 1980s. By the end of that decade, a second office had opened in Manchester, followed five years later by a third in Birmingham.

Operations focused on Nordic-related corporate business until – at the turn of the millennium – the Bank decided to offer individual and corporate customers in the UK a full range of banking services. Over the next three years, online banking services were developed and another five branches opened. In 2002, Handelsbanken designated the UK its fifth home market, establishing a regional bank based on the same principles as its Nordic branch operations.

This regional bank structure supported a steady acceleration of branch openings over the following years, leading to the establishment in 2008 of a second regional bank.

By the end of that year, Handelsbanken had grown to serve almost 60 communities across England and Wales, and the following year the Bank announced its first branches in Scotland.

This organic expansion continued in response to growing customer demand. The Bank's 100th and 200th British branches were announced in 2011 and 2015. Further regional banks were set up to provide increasingly local, focused support for these branches, along with a UK Head Office to develop common infrastructure and coordinate support where necessary.

Alongside this geographical expansion, Handelsbanken developed a complete range of products and services for both individual and corporate customers. This range was further enhanced in spring 2013 through the acquisition and integration of UK wealth and investment management company, Heartwood.



# Stable throughout the global financial crisis 2008-2009

Early in 2007, Handelsbanken started to reduce the financial risks in its operations in order to lower the volatility. One step in this process in autumn 2007 was the sale of the occupational pension company SPP to Storebrand for SEK 18.2 billion. Other market risks were also purposefully reduced.

In summer 2007, there were increasingly strong signs of problems in the American sub-prime loan market – mortgage loans to families with weak repayment capacity, liberally granted by American banks during the economic boom in line with the wishes of leading politicians in the US. This proved to be the start of the worst global financial crisis since the major depression of the 1930s.

On Monday, 15 September 2008, one of the largest and oldest US investment banks – Lehman Brothers – applied for bankruptcy, sending shock waves throughout the global financial markets. That autumn, more and more banks worldwide ran into problems and in several countries, banks had to be bailed out by the government. The Swedish Riksbank was forced to lend money to the Swedish banks in order to secure liquidity in the system. Handelsbanken was the only major Swedish bank which did not receive support from a central bank during the crisis. Due to its large financial reserves, Handelsbanken could instead lend large amounts to the Swedish

central bank – at times as much as SEK 100 billion – these funds thus being available to the central bank during the crisis.

In 2008, the Swedish National Debt Office was given the mandate to provide government guarantees for bank funding. When the need was at its greatest, in June 2009, the guarantees amounted to SEK 354 billion. Two of Handelsbanken's three main competitors in Sweden joined the state guarantee programme. The third bank was covered by the government capital contribution programme. Handelsbanken was the only one of the four major Swedish banks which did not need any kind of support from the tax-payers.

During the financial crisis, Handelsbanken was the only listed bank on the Stockholm stock exchange which did not need to ask its shareholders for a capital contribution – a new share issue. Of the four major Swedish banks, only Handelsbanken created positive shareholder value – changes in market capitalisation plus dividends and minus new issue amounts – during the turbulent five-year period between 2007 and 2011.

During these very tough years for the banking sector, Handelsbanken was able to both expand its operations by opening new branches, to increase customer satisfaction and also strengthen its balance sheet and boost its profits.



# The Netherlands becomes the Bank's sixth home market



Handelsbanken's branch in Het Gooi in the Netherlands.

Handelsbanken became the first Nordic bank to start up in the Netherlands when it opened a branch in Amsterdam in June 2002. This enabled the Bank to start the same process in the Netherlands as it had previously developed on other home markets. Initially, operations were part of Handelsbanken Markets's unit for Mid-Europe with the task of supporting the Bank's home market customers with their banking business in the Netherlands.

Operations in Amsterdam performed well, so after five years it was decided to expand the branch network in the Netherlands. The approach was exactly the same as in the UK: organic growth as the basic strategy – growing customer by customer, branch by branch. In October 2007, the Bank opened a branch in Rotterdam and in the first quarter of 2008,

another branch was started in Amsterdam Zuid. The fourth branch in the country was opened in autumn 2008 in Breda. More branches were started in the following years.

At the beginning of 2013, when the Bank had 13 branches in the country, it was decided to make the Netherlands Handelsbanken's sixth home market. Since 1 January 2013, the branches in the Netherlands are organised as a separate regional bank, run on the same principles as the branch operations in the Nordic countries and the UK.

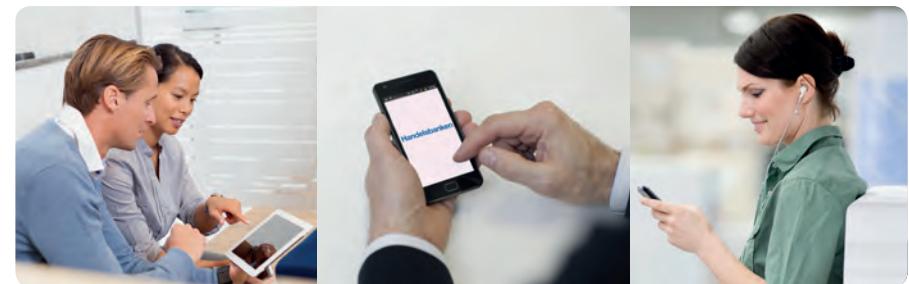
The Bank's 20th branch in the Netherlands was opened in late summer 2014. More new branches have been started since then. Since early 2016, Handelsbanken offers full-service banking for both private and corporate customers in the Netherlands.

## Digital paths to the branch

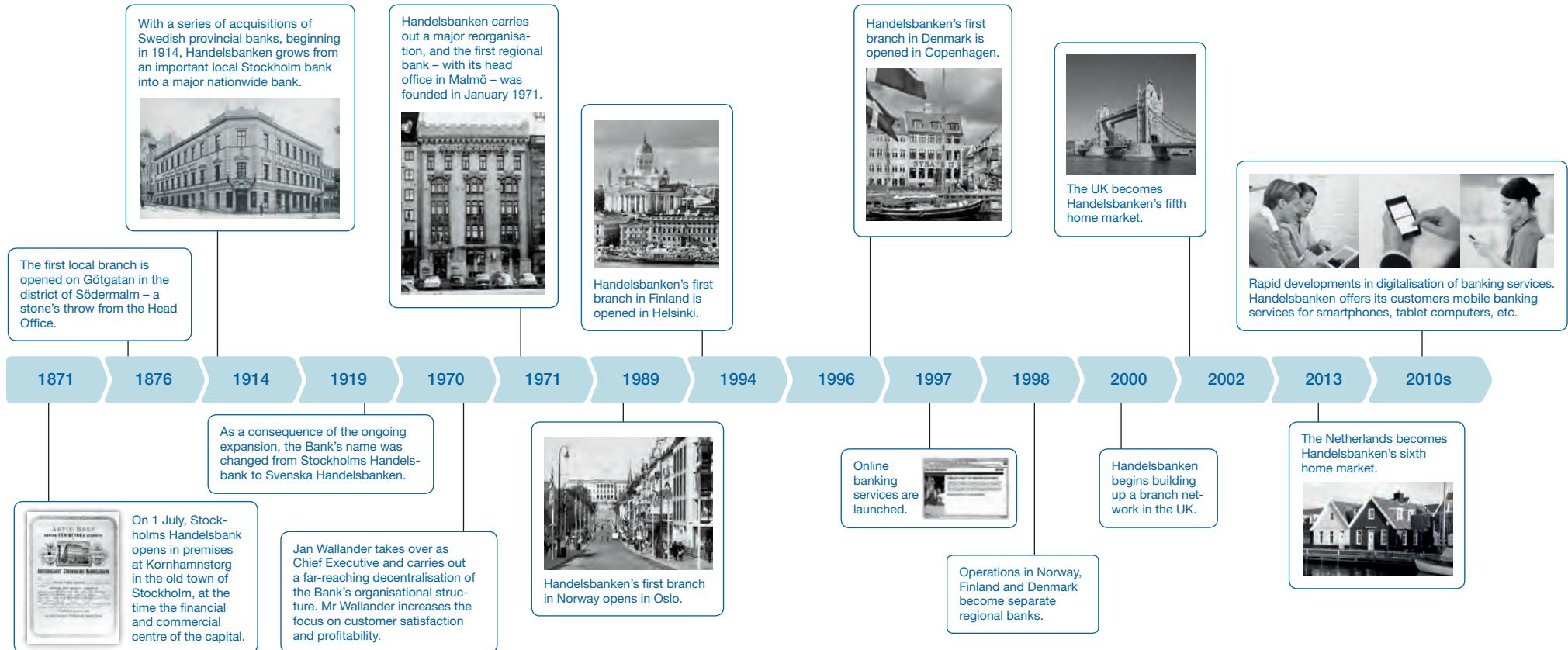
The early years of the 2010s, saw continued rapid development in digitalisation of banking services. Apps for mobile phones and tablet devices were launched in the Bank's home markets. When the Bank's online payment services were also made available as apps, customers were able to carry out simple banking transactions on their mobile phones. The next step made it possible to manage cards and to trade in mutual funds and other securities via apps for mobile phones and tablets. This means that customers could do almost all their banking business via one of the Bank's digital platforms.

Digitalisation has changed the banking sector. It has become much easier for customers to do most of their banking transactions, while the trend towards smaller screens has made it more difficult for banks to inform customers about their products. Since most banks have similar digital solutions, it is also more difficult for banks to differentiate themselves.

But Handelsbanken differs from most of its competitors in a very tangible way. Regardless of how the customer opts to contact the Bank – digitally, by phone or by visiting in person – customer responsibility always lies with the local branch. Unlike most other banks, Handelsbanken has chosen to retain its local branches. Not only does this offer customers better personal service, it also gives Handelsbanken clear advantages. Having local branches is a cost-effective way of running banking operations. Proximity to the customer gives the Bank better knowledge of its customers which is an important reason why Handelsbanken has had more satisfied customers and lower loan losses than peer banks for the past few decades. External customer satisfaction surveys also highlight that there is a strong link between available local branches and satisfied customers.



# Handelsbanken through the years



**Handelsbanken was founded in 1871 in premises at Kornhamnstorg in Stockholm, the capital's financial centre at the time. In 1876, the first local branch was opened on Götgatan in Stockholm.**

## 1871–1914

During the Bank's first 40 years, it focused entirely on the banking market in the capital city, and in 1910, all branches were located in central Stockholm.

## 1914–1990

Between 1910 and 1920, the Bank expanded its operations greatly, from only having branches in Stockholm to a nationwide branch network. This expansion was mainly achieved through the acquisition of provincial banks from north to south. This was a process that continued for most of the 20th century; it can be said that it began in the spring of 1914, with the acquisition of Bankaktiebolaget Norra Sverige, and

was completed in the early 1990s, with the purchase of Skånska Banken.

## From 1990

The Swedish banking market was deregulated in the late 1980s, and thus it became possible for Handelsbanken to "export" its model of running banking operations to new markets. The establishment of the Bank in Norway was soon followed by branches in Finland and

Denmark. By the turn of the millennium, the Bank was ready to offer its services to UK customers, and in 2013, the Netherlands became the Bank's sixth home market.