

Interim report
January–March



Stadshypotek's interim report

January–March 2012

SUMMARY

- Income for the period January–March was SEK 2,013 million (1,465).
Income for the fourth quarter of 2011 was SEK 1,735 million.
- Operating profit for the period January–March was SEK 1,944 million (1,414).
Operating profit for the fourth quarter of 2011 was SEK 1,641 million.
- Net loan losses for the period January–March totalled SEK -3 million (10).
Net loan losses for the fourth quarter of 2011 totalled SEK -9 million.
- Lending increased by SEK 2 billion (14) during the period to SEK 846 billion.

Stadshypotek's interim report January–March 2012

FINANCIAL PERFORMANCE

January to March 2012 compared with January to March 2011

For the period January to March 2012, operating profit increased by SEK 530 million to SEK 1,944 million (1,414). Net interest income amounted to SEK 1,958 million (1,438), with the branch in Norway accounting for SEK 116 million (105), the branch in Denmark accounting for SEK 23 million (19) and the branch in Finland, established on 1 May 2011, accounting for SEK 48 million (–). Excluding these branches, net interest income thus rose by SEK 457 million, which was due to an increase in lending volume and to improved margins as a result of the company's good position in the funding market. Net gains/losses on financial items at fair value amounted to SEK 56 million (31).

Expenses rose by SEK 5 million to SEK 66 million (61), primarily due to increased costs for purchased services from the parent company and IT expenses related to the branch in Finland. Net loan losses amounted to SEK -3 million (10). Before deduction of the provision for probable loan losses, the volume of impaired loans was SEK 112 million (93). Of this amount, non-performing loans accounted for SEK 74 million (45), while SEK 38 million (48) related to loans on which the borrowers pay interest and amortisation, but which are nevertheless considered impaired. There were also non-performing loans of SEK 1,042 million (542) that are not classed as being impaired loans. After deductions for specific provisions totalling SEK -49 million (-36) and collective provisions of SEK -7 million (-6) for probable loan losses, impaired loans totalled SEK 56 million (51).

Q1 2012 compared with Q4 2011

Stadshypotek's operating profit for the first quarter of 2012 increased by SEK 303 million to SEK 1,944 million (1,641). Net interest income increased by SEK 244 million to SEK 1,958 million (1,714). SEK 116 million (91) of the net interest income was attributable to the branch in Norway, SEK 23 million (25) to the branch in Denmark and SEK 48 (46) million to the branch in Finland. Excluding these branches, net interest income thus rose by SEK 219 million. Net gains/losses on financial items at fair value amounted to SEK 56 million (23).

Expenses decreased by SEK 19 million to SEK 66 million (85), mainly due to a reduction of SEK 17 million in administrative expenses. The reduction was mainly due to the fact that administrative expenses during the fourth quarter were charged with higher expenses for updating existing foreign loan programmes and with the initial expenses associated with setting up loan programmes for covered bonds in Australia and Norway.

GROWTH IN LENDING

During the period, loans to the public increased by SEK 2 billion (14) to SEK 846 billion.

CAPITAL ADEQUACY

The capital ratio according to Basel II was 56.8 per cent (49.1) while the Tier 1 ratio calculated according to Basel II was 40.3 per cent (37.7). Further information on capital adequacy is provided in the "Capital base and capital requirement" section on page 15.

RATING

Stadshypotek's rating remained unchanged during the year, with a stable outlook.

Stadshypotek	Covered bonds	Long-term	Short-term
Moody's	Aaa	-	P-1
Standard & Poor's		AA-	A-1+
Fitch		AA-	F1+

Stockholm, 26 April 2012

Per Beckman
Chief Executive

This interim report has not been examined by the company's auditors.

Stadshypotek Group

Income statement – Group SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan–Mar 2012	Jan–Mar 2011	Change %	Full year 2011
Interest income	8,408	6,548	28	8,216	2	8,408	6,548	28	29,869
Interest expense	-6,450	-5,110	26	-6,502	-1	-6,450	-5,110	26	-23,625
Net interest income	1,958	1,438	36	1,714	14	1,958	1,438	36	6,244
Net gains/losses on financial items at fair value	56	31	81	23	-	56	31	81	19
Fee and commission income	4	3	33	3	33	4	3	33	12
Fee and commission expense	-5	-7	-29	-5	0	-5	-7	-29	-24
Net fee and commission income	-1	-4	-75	-2	-50	-1	-4	-75	-12
Total income	2,013	1,465	37	1,735	16	2,013	1,465	37	6,251
Staff costs	-12	-12	0	-14	-14	-12	-12	0	-49
Other administrative expenses	-51	-46	11	-68	-25	-51	-46	11	-208
Depreciation and amortisation	-3	-3	0	-3	0	-3	-3	0	-12
Total expense	-66	-61	8	-85	-22	-66	-61	8	-269
Profit before loan losses	1,947	1,404	39	1,650	18	1,947	1,404	39	5,982
Net loan losses	-3	10	-	-9	-67	-3	10	-	12
Operating profit	1,944	1,414	37	1,641	18	1,944	1,414	37	5,994
Tax	-516	-372	39	-434	19	-516	-372	39	-1,587
Profit for the period	1,428	1,042	37	1,207	18	1,428	1,042	37	4,407
Net earnings per share, before and after dilution, SEK	8,817	6,435		7,456		8,817	6,435		27,204

Statement of comprehensive income – Group SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan–Mar 2012	Jan–Mar 2011	Change %	Full year 2011
Profit for the period	1,428	1,042	37	1,207	18	1,428	1,042	37	4,407
Translation differences for the period	14	-8	-	-26	-	14	-8	-	-7
Total comprehensive income for the period	1,442	1,034	39	1,181	22	1,442	1,034	39	4,400

Quarterly performance – Group SEK m	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Interest income	8,408	8,216	7,858	7,247	6,548
Interest expense	-6,450	-6,502	-6,249	-5,764	-5,110
Net interest income	1,958	1,714	1,609	1,483	1,438
Net gains/losses on financial items at fair value	56	23	-5	-30	31
Net fee and commission income	-1	-2	-4	-2	-4
Total income	2,013	1,735	1,600	1,451	1,465
Staff costs	-12	-14	-11	-12	-12
Other administrative expenses	-51	-68	-46	-48	-46
Depreciation and amortisation	-3	-3	-3	-3	-3
Total expense	-66	-85	-60	-63	-61
Profit before loan losses	1,947	1,650	1,540	1,388	1,404
Net loan losses	-3	-9	0	11	10
Operating profit	1,944	1,641	1,540	1,399	1,414

Summary balance sheet – Group SEK m		31 Mar 2012	31 Dec 2011	31 Mar 2011
Assets				
Loans to credit institutions		13,373	9,435	10,428
Loans to the public	Note 7	846,368	843,929	772,810
Value change of interest hedged item in portfolio hedge		5,121	4,490	4,447
Derivative instruments	Note 8	17,258	18,211	12,820
Other assets		11,862	3,962	6,447
Total assets		893,982	880,027	806,952
Liabilities and equity				
Due to credit institutions		280,808	267,353	292,419
Issued securities		547,916	546,149	461,608
Derivative instruments	Note 8	8,757	7,765	8,043
Other liabilities and provisions		12,992	16,693	10,617
Subordinated liabilities		16,700	16,700	8,800
Total liabilities		867,173	854,660	781,487
Equity		26,809	25,367	25,465
Total liabilities and equity		893,982	880,027	806,952

Statement of changes in equity – Group Jan–Mar 2012 SEK m	Share capital*	Translation reserve	Retained earnings	Total
Equity at 31 December 2011	4,050	-44	21,361	25,367
Profit for the period			1,428	1,428
Other comprehensive income		14		14
Total comprehensive income for the period		14	1,428	1,442
Equity 31 March 2012	4,050	-30	22,789	26,809

Statement of changes in equity – Group Jan–Dec 2011 SEK m	Share capital*	Translation reserve	Retained earnings	Total
Equity 31 December 2010	4,050	-37	20,418	24,431
Profit for the year			4,407	4,407
Other comprehensive income		-7		-7
Total comprehensive income for the year		-7	4,407	4,400
Group contributions provided			-4,700	-4,700
Tax effect on group contributions			1,236	1,236
Equity 31 December 2011	4,050	-44	21,361	25,367

Statement of changes in equity – Group Jan–Mar 2011 SEK m	Share capital*	Translation reserve	Retained earnings	Total
Equity 31 December 2010	4,050	-37	20,418	24,431
Profit for the period			1,042	1,042
Other comprehensive income		-8		-8
Total comprehensive income for the period		-8	1,042	1,034
Equity 31 March 2011	4,050	-45	21,460	25,465

* Average number of shares, before and after dilution, 162,000.

Summary cash flow statement – Group SEK m	Jan–Mar 2012	Jan–Mar 2011	Full year 2011
Cash flow from operating activities	8,746	1,044	24,894
Cash flow from investing activities	-2	-38	-27,881
Cash flow from financing activities	-4,700	-1,628	6,272
Cash flow for the period	4,044	-622	3,285
Liquid funds at beginning of year	4,319	1,049	1,049
Cash flow for the period	4,044	-622	3,285
Exchange rate difference on liquid funds	10	1	-15
Liquid funds at end of period	8,373	428	4,319
Liquid funds consist of funds available with banks and equivalent institutions, excluding funds in blocked account.			
Liquid funds with banks and equivalent institutions	8,373	428	4,319
Funds in blocked account with banks relating to issuance of covered bonds	5,000	10,000	5,116
Loans to credit institutions	13,373	10,428	9,435

Key figures	Q1 2012	Q1 2011	Q4 2011	Jan–Mar 2012	Jan–Mar 2011	Full year 2011
Net interest margin, %	0.88	0.72	0.78	0.88	0.72	0.75
C/l ratio before loan losses, %	3.3	4.2	4.9	3.3	4.2	4.3
C/l ratio after loan losses, %	3.4	3.5	5.4	3.4	3.5	4.1
Return on equity, %*	19.5	16.1	17.1	19.5	16.1	16.3*
Capital ratio according to Basel II, %	56.8	49.1	58.1	56.8	49.1	58.1
Tier 1 ratio according to Basel II, %	40.3	37.7	40.5	40.3	37.7	40.5

* The comparative figure for the full year 2011 has been adjusted following the rectification of a calculation error.

TURNOVER OF OWN DEBT INSTRUMENTS

Stadshypotek issues and repurchases debt instruments which it has issued on its account. This is for the purposes of financing its operations.

Turnover during the period was as follows:

Issued (sold)	SEK 95 billion (43)
Repurchased	SEK 30 billion (14)
Matured	SEK 39 billion (9)

Segment information SEK m	Jan–Mar 2012			Jan–Mar 2011			Full year 2011		
	Private	Corporate	Group	Private	Corporate	Group	Private	Corporate	Group
Net interest income	1,434	524	1,958	997	441	1,438	4,607	1,637	6,244
Net gains/losses on financial items at fair value	40	16	56	21	10	31	14	5	19
Net fee and commission income	-1	0	-1	-3	-1	-4	-9	-3	-12
Total income	1,473	540	2,013	1,015	450	1,465	4,612	1,639	6,251
Expenses	-48	-18	-66	-44	-17	-61	-202	-67	-269
Profit before loan losses	1,426	521	1,947	971	433	1,404	4,410	1,572	5,982
Loan losses	-3	0	-3	8	2	10	9	3	12
Operating profit	1,426	521	1,944	979	435	1,414	4,419	1,575	5,994
Loans to the public	583,718	262,657	846,375	533,432	239,378	772,810	581,665	262,270	843,935

Private market is defined as lending secured by mortgages in single-family or two-family houses, second homes, housing co-operative apartments, owner-occupied apartments or residential farms. Corporate market is defined as lending secured by mortgages in multi-family dwellings, family farms, commercial and office buildings or state and municipal loans.

Geographical breakdown of business segments SEK m	Jan–Mar 2012		Jan–Mar 2011		Full year 2011	
	Income	Total assets	Income	Total assets	Income	Total assets
Sweden	1,825	798,524	1,342	750,714	5,685	786,604
Norway	116	56,277	105	49,200	397	54,466
Denmark	24	10,840	18	7,038	89	10,005
Finland	48	28,341			80	28,952
Group	2,013	893,982	1,465	806,952	6,251	880,027

Parent company

Income statement – parent company SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan–Mar 2012	Jan–Mar 2011	Change %	Full year 2011
Interest income	8,408	6,548	28	8,216	2	8,408	6,548	28	29,869
Interest expense	-6,450	-5,110	26	-6,502	-1	-6,450	-5,110	26	-23,625
Net interest income	1,958	1,438	36	1,714	14	1,958	1,438	36	6,244
Fee and commission income	4	3	33	3	33	4	3	33	12
Fee and commission expense	-5	-7	-29	-5	0	-5	-7	-29	-24
Net fee and commission income	-1	-4	-75	-2	-50	-1	-4	-75	-12
Net gains/losses on financial operations	56	31	81	23	-	56	31	81	19
Total income	2,013	1,465	37	1,735	16	2,013	1,465	37	6,251
Staff costs	-12	-12	0	-14	-14	-12	-12	0	-49
Other administrative expenses	-51	-46	11	-68	-25	-51	-46	11	-208
Depreciation and amortisation	-3	-3	0	-3	0	-3	-3	0	-12
Total expense	-66	-61	8	-85	-22	-66	-61	8	-269
Profit before loan losses	1,947	1,404	39	1,650	18	1,947	1,404	39	5,982
Net loan losses	-3	10	-	-9	-67	-3	10	-	12
Operating profit	1,944	1,414	37	1,641	18	1,944	1,414	37	5,994
Tax	-516	-372	39	-434	19	-516	-372	39	-1,587
Profit for the period	1,428	1,042	37	1,207	18	1,428	1,042	37	4,407

Statement of comprehensive income – parent company SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan–Mar 2012	Jan–Mar 2011	Change %	Full year 2011
Profit for the period	1,428	1,042	37	1,207	18	1,428	1,042	37	4,407
Translation differences for the period	14	-8	-	-26	-	14	-8	-	-7
Total comprehensive income for the period	1,442	1,034	39	1,181	22	1,442	1,034	39	4,400

Summary balance sheet – parent company SEK m	31 Mar 2012	31 Dec 2011	31 Mar 2011
Assets			
Loans to credit institutions	13,373	9,435	10,428
Loans to the public	846,368	843,929	772,810
Value change of interest hedged item in portfolio hedge	5,121	4,490	4,447
Derivative instruments	17,258	18,211	12,820
Other assets	11,862	3,962	6,447
Total assets	893,982	880,027	806,952
Liabilities and equity			
Due to credit institutions	280,808	267,353	292,419
Issued securities	547,916	546,149	461,608
Derivative instruments	8,757	7,765	8,043
Other liabilities and provisions	12,992	16,693	10,617
Subordinated liabilities	16,700	16,700	8,800
Total liabilities	867,173	854,660	781,487
Equity	26,809	25,367	25,465
Total liabilities and equity	893,982	880,027	806,952
Memorandum items			
Pledged assets for own debt*	583,912	594,238	507,674
Other pledged assets	none	none	none
Contingent liabilities	none	none	none
Undertakings	2,956	4,077	5,993

* Pledged assets for own debt relates to collateral for covered bonds, which comprises loans against mortgages in single-family dwellings, second homes, multi-family dwellings and housing co-operative apartments with a loan-to-value ratio within 75 per cent of the market value, as well as office and commercial properties with a loan-to-value ratio within 60 per cent of the market value, plus additional collateral in the form of cash funds on a blocked account.

Notes

The information in these notes relates to both the Group and the parent company.

NOTE 1 Accounting policies

Information relating to the Group has been stated in accordance with IAS 34. The contents of the interim report also comply with the applicable provisions of the Swedish Act on Annual Reports in Credit Institutions and Securities Companies, the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25 on annual reports in credit institutions and securities companies and recommendations from the Swedish Financial Reporting Board.

The interim report for the parent company has been prepared in accordance with the Swedish Act on Annual Reports in Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25 on annual reports in credit institutions and securities companies.

None of the changes in the accounting standards which have come into force during the period has had a material impact on the parent company's or the Group's financial reports.

The Group's and parent company's interim reports have been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2011.

NOTE 2 Information

RISK

Stadshypotek's operations are conducted with a controlled low level of risk. Stadshypotek's risks are credit risk, market risk, liquidity risk, operational risk and business risk. A description of material risks and uncertainty factors, and how they are handled by the Group, is presented in the company's 2011 annual report. No material changes have occurred since the annual report was published that are not presented in this report. Information about credit risks regarding loan losses and non-performing loans and impaired loans can be found in notes 6 and 7 of this interim report.

At 31 March 2012, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -142 million (-182), which was well within the limit set by the board.

CAPITAL-RELATED MATTERS

At the start of the transition to Basel II, Stadshypotek entered into a guarantee facility relating to mortgages for housing co-operative properties, to speed up the transition. In June 2008, Stadshypotek utilised the guarantee, which had a 0.13 percentage point effect on the Tier 1 ratio as at 31 March 2011. This transaction affects only capital adequacy in accordance with the transitional rules.

NOTE 3 Net interest income

SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan-Mar 2012	Jan-Mar 2011	Change %	Full year 2011
Interest income									
Loans to the public	8,322	6,463	29	8,124	2	8,322	6,463	29	29,516
Loans to credit institutions	86	85	1	92	-7	86	85	1	353
Total	8,408	6,548	28	8,216	2	8,408	6,548	28	29,869
Interest expense									
Due to credit institutions	-1,888	-1,559	21	-1,981	-5	-1,888	-1,559	21	-7,381
Issued securities	-4,324	-3,793	14	-4,359	-1	-4,324	-3,793	14	-16,260
Subordinated liabilities	-199	-43	-	-119	67	-199	-43	-	-333
Derivative instruments*	15	333	-95	26	-42	15	333	-95	572
Fee to the Swedish Stabilisation Fund	-50	-42	19	-63	-21	-50	-42	19	-202
Other	-4	-6	-33	-6	-33	-4	-6	-33	-21
Total	-6,450	-5,110	26	-6,502	-1	-6,450	-5,110	26	-23,625
Net interest income	1,958	1,438	36	1,714	14	1,958	1,438	36	6,244

* Net interest income from derivative instruments which are related to Stadshypotek's funding and can have both a positive and a negative impact on interest expenses.

NOTE 4 Net gains/losses on financial items at fair value

SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan-Mar 2012	Jan-Mar 2011	Change %	Full year 2011
Hedge accounting, fair value hedges	10	-5	-	4	-	10	-5	-	-69
<i>of which hedged items</i>	1,186	2,536	-52	-475	-	1,186	2,536	-53	-3,604
<i>of which hedging instruments</i>	-1,176	-2,541	-52	479	-	-1,176	-2,541	-54	3,535
Loans, valued at cost	52	33	58	51	2	52	33	58	174
Financial liabilities, valued at cost	-30	-26	16	-23	30	-30	-26	15	-41
Derivatives not recognised as hedges	24	29	-16	-9	-	24	29	-17	-45
Total	56	31	81	23	-	56	31	81	19

The profit/loss item "Fair value hedges" includes the net result of unrealised and realised changes in the fair value of financial assets and liabilities which are subject to hedge accounting. Interest income and interest expenses for these instruments are recognised under net interest income. Derivatives not recognised as hedges are included in the held-for-trading category.

Loans, valued at cost, refers to the early redemption charge for loans and other receivables which are repaid ahead of time. Financial liabilities, valued at cost, refers to realised price differences when repurchasing bonds.

NOTE 5 Other administrative expenses

SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan-Mar 2012	Jan-Mar 2011	Change %	Full year 2011
IT costs	-24	-22	9	-28	-14	-24	-22	9	-94
Cost of premises	-1	-1	0	-1	0	-1	-1	0	-4
Purchased services	-23	-20	15	-23	0	-23	-20	15	-86
Other administrative expenses	-3	-3	0	-16	-81	-3	-3	0	-24
Total	-51	-46	11	-68	-25	-51	-46	11	-208

NOTE 6 Loan losses

SEK m	Q1 2012	Q1 2011	Change %	Q4 2011	Change %	Jan-Mar 2012	Jan-Mar 2011	Change %	Full year 2011
Specific provision for individually assessed loans									
Provision for the period	-9	0	-	-8	13	-9	0	-	-16
Wrote-back of previous provisions	1	4	-75	2	-50	1	4	-75	7
Total	-8	4	-	-6	33	-8	4	-	-9
Collective provision									
Collective provision for individually assessed loans	-1	0	-	-1	0	-1	0	-	0
Write-offs									
Actual loan losses for the period	-10	-7	43	-10	0	-10	-7	43	-31
Utilised share of previous provisions	3	2	50	1	-	3	2	50	7
Write-back of actual loan losses in previous years	13	11	18	7	86	13	11	18	45
Total	6	6	0	-2	-	6	6	0	21
Net loan losses	-3	10	-	-9	-67	-3	10	-	12

Impaired loans SEK m	31 Mar 2012	31 Dec 2011	31 Mar 2011
Impaired loans	112	110	93
Specific provision for individually assessed loans	-49	-44	-36
Collective provision for individually assessed loans	-7	-6	-6
Net impaired loans	56	60	51
Proportion of impaired loans, %	0.01	0.01	0.01
Reserve ratio for impaired loans, %	43.6	39.8	38.6
Loan loss ratio, %	0.00	-0.00	-0.01
Non-performing loans which are not impaired loans	1,042	906	542

NOTE 7 Loans to the public

Loans to the public, by borrower category	31 Mar 2012			31 Dec 2011			31 Mar 2011		
	Loans before provisions	Provisions for probable loan losses	Loans after provisions	Loans before provisions	Provisions for probable loan losses	Loans after provisions	Loans before provisions	Provisions for probable loan losses	Loans after provisions
SEK m									
Households	607,255	-26	607,229	604,994	-22	604,972	557,267	-16	557,251
Public sector, municipal companies	24,237	-	24,237	25,706	-	25,706	21,100	-	21,100
Housing co-operative associations	110,549	-14	110,535	110,529	-14	110,515	99,597	-12	99,585
Other legal entities	104,383	-9	104,374	102,750	-8	102,742	94,888	-8	94,880
Total loans to the public, before collective provisions	846,424	-49	846,375	843,979	-44	843,935	772,852	-36	772,816
Collective provision		-7	-7		-6	-6		-6	-6
Total loans to the public	846,424	-56	846,368	843,979	-50	843,929	772,852	-42	772,810
of which in operations outside Sweden									
Households	78,483	-1	78,482	76,266	-	76,266	48,719	-	48,719
Public sector, municipal companies	1,689	-	1,689	1,482	-	1,482	-	-	-
Housing co-operative associations	10,482	-	10,482	10,065	-	10,065	5,563	-	5,563
Other legal entities	3,893	-	3,893	3,858	-	3,858	1,666	-	1,666
Total loans to the public in operations outside Sweden	94,547	-1	94,546	91,671	-	91,671	55,948	-	55,948

NOTE 7 Loans to the public, cont.

Loans to the public, by type of collateral	31 Mar 2012			31 Dec 2011			31 Mar 2011		
	Loans before provisions	Provisions for probable loan losses	Loans after provisions	Loans before provisions	Provisions for probable loan losses	Loans after provisions	Loans before provisions	Provisions for probable loan losses	Loans after provisions
SEK m									
Single-family housing	442,149	-18	442,131	439,372	-14	439,358	407,820	-9	407,811
Housing co-operative apartments	130,518	-1	130,517	130,983	-1	130,982	125,188	0	125,188
Owner-occupied apartments*	11,071	-1	11,070	11,325	-	11,325	433	-	433
Private market	583,738	-20	583,718	581,680	-15	581,665	533,441	-9	533,432
Multi-family housing	202,737	-27	202,710	203,814	-26	203,788	187,005	-25	186,980
Offices and commercial buildings	59,949	-2	59,947	58,485	-3	58,482	52,406	-2	52,404
Corporate market	262,686	-29	262,657	262,299	-29	262,270	239,411	-27	239,384
Total loans to the public, before collective provision	846,424	-49	846,375	843,979	-44	843,935	772,852	-36	772,816
Collective provision		-7	-7		-6	-6		-6	-6
Total loans to the public	846,424	-56	846,368	843,979	-50	843,929	772,852	-42	772,810
of which in operations outside Sweden									
Single-family housing	64,274	-	64,274	61,915	-	61,915	44,262	-	44,262
Housing co-operative apartments	4,400	-	4,400	4,335	-	4,335	4,032	-	4,032
Owner-occupied apartments*	11,071	-1	11,070	11,325	-	11,325	433	-	433
Private market	79,745	-1	79,744	77,575	-	77,575	48,727	-	48,727
Multi-family housing	14,376	-	14,376	13,665	-	13,665	6,791	-	6,791
Offices and commercial buildings	426	-	426	431	-	431	430	-	430
Corporate market	14,802	-	14,802	14,096	-	14,096	7,221	-	7,221
Total loans to the public in operations outside Sweden	94,547	-1	94,546	91,671	-	91,671	55,948	-	55,948

* Owner-occupied apartments entail individual ownership of a specific apartment in a multi-family dwelling and either an undivided interest in the property where the apartment is situated (direct ownership), or an interest in a legal entity which owns the property where the apartment is situated (indirect ownership).

At the Norwegian branch, a lending volume has been reclassified from owner-occupied apartments to housing co-operative apartments. The comparative figures have been changed and the impact on these is SEK 4,025 million as at 31 March 2011.

NOTE 7 Loans to the public, cont.

Non-performing loans by borrower category	31 Mar 2012		31 Dec 2011		31 Mar 2011	
	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans
SEK m						
Households	977	60	770	48	514	36
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	9	0	5	-	5	2
Other legal entities	56	14	131	9	23	7
Total	1,042	74	906	57	542	45
of which in operations outside Sweden						
Households	96	4	99	-	83	-
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-
Other legal entities	-	-	-	-	-	-
Total non-performing loans in operations outside Sweden	96	4	99	-	83	-

Non-performing loans by type of collateral	31 Mar 2012		31 Dec 2011		31 Mar 2011	
	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans
SEK m						
Single-family housing	662	44	629	34	441	23
Housing co-operative apartments	217	5	118	2	68	2
Owner-occupied apartments*	24	4	20	-	1	-
Private market	903	53	767	36	510	25
Multi-family housing	114	18	120	14	28	19
Offices and commercial buildings	25	3	19	7	4	1
Corporate market	139	21	139	21	32	20
Total	1,042	74	906	57	542	45
of which in operations outside Sweden						
Single-family housing	66	-	72	-	79	-
Housing co-operative apartments	6	-	7	-	3	-
Owner-occupied apartments*	24	4	20	-	1	-
Private market	96	4	99	-	83	-
Multi-family housing	-	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-
Corporate market	-	-	-	-	-	-
Total non-performing loans in operations outside Sweden	96	4	99	-	83	-

* For a definition, see page 10.

NOTE 7 Loans to the public, cont.

Impaired loans by borrower category	31 Mar 2012			31 Dec 2011			31 Mar 2011		
	Impaired loans	Provision for probable loan losses	Net impaired loans	Impaired loans	Provision for probable loan losses	Net impaired loans	Impaired loans	Provision for probable loan losses	Net impaired loans
SEK m									
Households	69	-26	43	63	-22	41	47	-16	31
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	29	-14	15	35	-14	21	33	-12	21
Other legal entities	14	-9	5	12	-8	4	13	-8	5
Total	112	-49	63	110	-44	66	93	-36	57
of which in operations outside Sweden									
Households	4	-1	3	-	-	-	-	-	-
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-	-	-	-
Other legal entities	-	-	-	-	-	-	-	-	-
Total impaired loans in operations outside Sweden	4	-1	3	-	-	-	-	-	-
Impaired loans by type of collateral									
SEK m									
Single-family housing	50	-17	33	44	-14	30	31	-9	22
Housing co-operative apartments	7	-1	6	6	-1	5	6	0	6
Owner-occupied apartments*	4	-1	3	-	-	-	-	-	-
Private market	61	-19	42	50	-15	35	37	-9	28
Multi-family housing	48	-28	20	53	-27	26	52	-25	27
Offices and commercial buildings	3	-2	1	7	-2	5	4	-2	2
Corporate market	51	-30	21	60	-29	31	56	-27	29
Total	112	-49	63	110	-44	66	93	-36	57
of which in operations outside Sweden									
Single-family housing	-	-	-	-	-	-	-	-	-
Housing co-operative apartments	-	-	-	-	-	-	-	-	-
Owner-occupied apartments*	4	-1	3	-	-	-	-	-	-
Private market	4	-1	3	-	-	-	-	-	-
Multi-family housing	-	-	-	-	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-	-	-	-
Corporate market	-	-	-	-	-	-	-	-	-
Total impaired loans in operations outside Sweden	4	-1	3	-	-	-	-	-	-

* For a definition, see page 10.

The reserved amount for probable losses in the tables showing impaired loans consists of a specific provision for individually assessed receivables.

NOTE 8 Derivative instruments

SEK m	Market value 31 Mar 2012	Market value 31 Dec 2011	Market value 31 Mar 2011
Positive values			
Interest rate instruments	16,643	17,399	12,335
Currency instruments	615	812	485
Total	17,258	18,211	12,820
Negative values			
Interest rate instruments	2,491	2,614	1,100
Currency instruments	6,266	5,151	6,943
Total	8,757	7,765	8,043
Net	8,501	10,446	4,777

Stadshypotek uses fair value hedges to protect the Group against undesirable impact on profit/loss due to changes in the market prices of reported assets or liabilities. Hedged risks in hedging packages at fair value comprise interest rate risk on lending and funding at fixed interest rates and currency risk on funding in foreign currency. The hedging instruments in these hedging packages consist of interest rate swaps and cross-currency interest rate swaps. Fair value hedges are also applied for portfolios of financial instruments. The hedged risk in these portfolio hedges is the interest rate risk for lending where the original interest rate was fixed for three months and interest rate caps for lending with a fixed-interest period of three months. The hedging instruments in these portfolio hedges consist of interest rate swaps and interest rate options (caps). Interest rate swaps and currency swaps are also used as hedges for changes in market value without hedge accounting being applied.

Related-party transactions

Group claims/Group liabilities SEK m	31 Mar 2012	31 Dec 2011	31 Mar 2011
BALANCE SHEET			
Group claims			
Loans to credit institutions	13,373	9,435	10,428
Derivative instruments	17,262	18,030	12,684
Other assets	74	55	85
Total	30,709	27,520	23,197
Group liabilities			
Due to credit institutions	274,485	263,341	291,095
Derivative instruments	8,656	7,403	6,876
Other liabilities	972	5,536	482
Subordinated liabilities	16,700	16,700	8,800
Total	300,813	292,980	307,253
INCOME STATEMENT			
Interest income	92	294	80
Interest expense	-1,976	-6,990	-1,470
Fee and commission expense	-1	-9	-3
Other administrative expenses	-47	-180	-43
Total	-1,932	-6,885	-1,436

The business operations of Stadshypotek are highly decentralised. The basic principle is that organisation and working practices are determined by the branch offices of the Handelsbanken Group, which are responsible for all the business of individual customers. One consequence of this approach is that Stadshypotek's lending operations are run via Handelsbanken's Swedish branch operations and the lending operations in Stadshypotek's branches in Norway, Denmark and Finland are run via Handelsbanken's branch operations in Norway, Denmark and Finland respectively. Lending is to be carried out to the extent and on the terms stated in guidelines for granting credits, established annually by the board of Stadshypotek. These guidelines include the maximum permitted loan-to-value ratio for various property types, as well as the decision limits which apply to the branches' lending. In addition, for loans in excess of a certain amount, an advance examination of the case is to be conducted by Stadshypotek's credit department before the loan can be disbursed. Stadshypotek's treasury function is also integrated with Handelsbanken's treasury department. Functions necessary for management and control of the company remain within Stadshypotek. Those services which Handelsbanken performs on behalf of Stadshypotek are regulated in a collaboration agreement between the parties.

Most of the inter-company transactions are thus with the parent company, Handelsbanken. The services that Stadshypotek purchases from the parent company, which are included in other administrative expenses, consist primarily of IT services and the treasury function. As in previous years, no payments have been made to the parent company in respect of the services performed by the latter in relation to the sale and administration of mortgage loans in Sweden. However, at Stadshypotek's branches outside Sweden, payments in line with market levels have been made to Handelsbanken's branches in the country in question for services performed on behalf of Stadshypotek in relation to the sale and administration of mortgage loans. In addition, inter-company transactions consist of funding from the parent company, derivative transactions and lending to the parent company.

Capital base and capital requirement

Capital base SEK m	31 Mar 2012	31 Dec 2011	31 Mar 2011
Tier 1 capital ¹⁾	28,325		24,355
Tier 1 capital ²⁾	29,753	28,319	25,397
Tier 2 capital	11,580	12,289	7,378
Capital base¹⁾	39,905		31,733
Capital base²⁾	41,333	40,608	32,775

Capital requirement SEK m	31 Mar 2012	31 Dec 2011	31 Mar 2011
Credit risk according to standardised approach	16	20	23
Credit risk according to IRB approach	4,841	4,918	4,495
Operational risk	760	655	655
Total capital requirement according to Basel II	5,617	5,593	5,173
Adjustment according to transitional rules	27,144	26,894	24,265
Capital requirement according to Basel II, transitional rules	32,761	32,487	29,438
Risk-weighted assets in accordance with transitional rules	409,516	406,091	367,970
Risk-weighted assets according to Basel II (capital requirement/8%)	70,213	69,913	64,663

Capital adequacy analysis	31 Mar 2012	31 Dec 2011	31 Mar 2011
Capital requirement in Basel II compared with transitional rules	17%	17%	18%
Capital ratio according to Basel II ¹⁾	56.8%		49.1%
Capital ratio according to transitional rules ¹⁾	9.7%		8.6%
Capital ratio according to Basel II ²⁾	58.9%	58.1%	50.7%
Capital ratio according to transitional rules ²⁾	10.1%	10.0%	8.9%
Tier 1 ratio according to Basel II ¹⁾	40.3%		37.7%
Tier 1 ratio according to transitional rules ¹⁾	6.9%		6.6%
Tier 1 ratio according to Basel II ²⁾	42.4%	40.5%	39.3%
Tier 1 ratio according to transitional rules ²⁾	7.3%	7.0%	6.9%
Capital base in relation to capital requirement Basel II ²⁾	736%	726%	634%
Capital base in relation to capital requirement according to transitional rules ²⁾	126%	125%	111%

The figures reported in this section refer to the minimum capital requirements under Pillar 1 of the capital adequacy rules in Basel II. Table references marked "According to Basel II" mean that the figures are based on the minimum capital requirements after the transitional rules have ceased to apply.

Stadshypotek has applied the advanced IRB approach for retail exposures (households and small companies) since 2007. As of 31 December, the advanced IRB approach was applied for medium-sized companies, housing co-operative associations and property companies. For the remaining credit risk exposures, the capital requirement is measured using the Basel II standardised regulations.

¹⁾ Excluding profits generated during the period, since the interim report has not been examined by the auditors.

²⁾ Including profit generated during the period.

Capital base and capital requirement, cont.

Credit risks 31 March 2012	Standardised approach	IRB approach		
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
SEK m				
Institutions	2	-	-	-
Companies	-	228,564	12.4%	2,275
<i>of which advanced approach</i>		227,641	12.4%	2,254
<i>of which foundation approach</i>		923	28.8%	21
Households	11	588,912	5.4%	2,566
Other	3	-	-	-
Total	16	817,476	7.4%	4,841

Credit risks 31 December 2011	Standardised approach	IRB approach		
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
SEK m				
Institutions	7	-	-	-
Companies	-	226,311	13.1%	2,373
<i>of which advanced approach</i>		225,251	13.0%	2,344
<i>of which foundation approach</i>		1,060	17.9%	29
Households	10	586,238	5.4%	2,545
Other	3	-	-	-
Total	20	812,549	7.6%	4,918

Credit risks 31 March 2011	Standardised approach	IRB approach		
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
SEK m				
Institutions	10	-	-	-
Companies	-	209,836	15.1%	2,531
<i>of which advanced approach</i>		208,548	15.0%	2,502
<i>of which foundation approach</i>		1,288	27.9%	29
Households	9	539,479	4.6%	1,964
Other	4	-	-	-
Total	23	749,315	7.5%	4,495

Facts about the company

Registered name: Stadshypotek AB (publ).

Corporate identity number: 556459-6715.

Ownership: A subsidiary of Svenska Handelsbanken AB (publ), corporate identity 502007-7862.

The Bank publishes consolidated accounts in which Stadshypotek is included.

The next interim report: will be published on 17 July 2012.

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