

Interim report
January–June



Stadshypotek's interim report

January–June 2012

SUMMARY JANUARY – JUNE 2012 COMPARED WITH JANUARY – JUNE 2011

- Income for the period January–June was SEK 4,008 million (2,916).
- Operating profit for the period January–June was SEK 3,876 million (2,813).
- Net loan losses for the period January–June were SEK 0 million (21).
- Lending increased by SEK 13 billion (36) during the period, to SEK 857 billion.

SUMMARY OF Q2 2012 COMPARED WITH Q1 2012

- Income during the second quarter amounted to SEK 1,995 million (2,013).
- Operating profit for the second quarter was SEK 1,932 million (1,944).
- Recoveries exceeded loan losses during the second quarter so that net loan losses amounted to SEK 3 million (-3).

Stadshypotek's interim report January–June 2012

FINANCIAL PERFORMANCE

January – June 2012 compared with January – June 2011

For the period January to June 2012, operating profit increased by SEK 1,063 million to SEK 3,876 million (2,813). Net interest income amounted to SEK 3,937 million (2,921), with the branch in Norway accounting for SEK 280 million (198), the branch in Denmark accounting for SEK 51 million (39) and the branch in Finland, which was established on 1 May 2011, accounting for SEK 107 million (1). Excluding these branches, net interest income thus increased by SEK 816 million. The increase in net interest income is due to an increase in lending volume and to improved margins due to the company's good position in the funding market. Net gains/losses on financial items at fair value amounted to SEK 75 million (1).

Expenses rose by SEK 8 million to SEK 132 million (124), primarily due to increased IT expenses related to the branch in Finland. Net loan losses were SEK 0 million since new loan losses during the period were offset by recoveries. During January to June of the previous year, recoveries exceeded new loan losses and the net amount recovered was SEK 21 million. Before deduction of the provision for probable loan losses, the volume of impaired loans was SEK 98 million (85). Of this amount, non-performing loans accounted for SEK 62 million (51), while SEK 36 million (34) 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 995 million (753) that are not classed as being impaired loans. After deductions for specific provisions totalling SEK -40 million (-33) and collective provisions of SEK -6 million (-5) for probable loan losses, impaired loans totalled SEK 52 million (47).

Q2 2012 compared with Q1 2012

Stadshypotek's operating profit for the second quarter of 2012 decreased by SEK 12 million to SEK 1,932 million (1,944). However, net interest income increased by SEK 21 million to SEK 1,979 million (1,958). SEK 164 million (116) of the net interest income was attributable to the branch in Norway, SEK 28 million (23) to the branch in Denmark and SEK 59 million (48) to the branch in Finland. The increase in net interest income at the branches outside Sweden was mainly due to improved margins. Excluding these branches, net interest income went down by SEK 43 million, which was mainly due to a slightly higher funding cost. Net gains/losses on financial items at fair value amounted to SEK 19 million (56). Expenses were unchanged at SEK 66 million (66).

GROWTH IN LENDING

During the period, loans to the public increased by SEK 13 billion (36) to SEK 857 billion.

CAPITAL ADEQUACY

The capital ratio according to Basel II was 60.4 per cent (60.7) while the Tier 1 ratio calculated according to Basel II was 44.0 per cent (41.4). 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 period, 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+

Stadshypotek Group

Income statement – Group SEK m	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan–Jun 2012	Jan–Jun 2011	Change %	Full year 2011
Interest income	8,113	7,247	12	8,408	-4	16,521	13,795	20	29,869
Interest expense	-6,134	-5,764	6	-6,450	-5	-12,584	-10,874	16	-23,625
Net interest income	1,979	1,483	33	1,958	1	3,937	2,921	35	6,244
Net gains/losses on financial items at fair value	19	-30	-	56	-66	75	1	-	19
Fee and commission income	3	3	0	4	-25	7	6	17	12
Fee and commission expense	-6	-5	20	-5	20	-11	-12	-8	-24
Net fee and commission income	-3	-2	50	-1	-	-4	-6	-33	-12
Total income	1,995	1,451	37	2,013	-1	4,008	2,916	37	6,251
Staff costs	-12	-12	0	-12	0	-24	-24	0	-49
Other administrative expenses	-51	-48	6	-51	0	-102	-94	9	-208
Depreciation and amortisation	-3	-3	0	-3	0	-6	-6	0	-12
Total expense	-66	-63	5	-66	0	-132	-124	6	-269
Profit before loan losses	1,929	1,388	39	1,947	-1	3,876	2,792	39	5,982
Net loan losses	3	11	-73	-3	-	0	21	-	12
Operating profit	1,932	1,399	38	1,944	-1	3,876	2,813	38	5,994
Tax	-508	-376	35	-516	-2	-1,024	-748	37	-1,587
Profit for the period	1,424	1,023	39	1,428	0	2,852	2,065	38	4,407
Net earnings per share, before and after dilution, SEK	8,791	6,312		8,817		17,608	12,747		27,204

Statement of comprehensive income – Group SEK m	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan–Jun 2012	Jan–Jun 2011	Change %	Full year 2011
Profit for the period	1,424	1,023	39	1,428	0	2,852	2,065	38	4,407
Translation differences for the period	-13	28	-	14	-	1	20	-	-7
Total comprehensive income for the period	1,411	1,051	34	1,442	-2	2,853	2,085	37	4,400

Quarterly performance – Group SEK m	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Interest income	8,113	8,408	8,216	7,858	7,247
Interest expense	-6,134	-6,450	-6,502	-6,249	-5,764
Net interest income	1,979	1,958	1,714	1,609	1,483
Net gains/losses on financial items at fair value	19	56	23	-5	-30
Net fee and commission income	-3	-1	-2	-4	-2
Total income	1,995	2,013	1,735	1,600	1,451
Staff costs	-12	-12	-14	-11	-12
Other administrative expenses	-51	-51	-68	-46	-48
Depreciation and amortisation	-3	-3	-3	-3	-3
Total expense	-66	-66	-85	-60	-63
Profit before loan losses	1,929	1,947	1,650	1,540	1,388
Net loan losses	3	-3	-9	0	11
Operating profit	1,932	1,944	1,641	1,540	1,399

Summary balance sheet – Group SEK m		30 Jun 2012	31 Dec 2011	30 Jun 2011
Assets				
Loans to credit institutions		6,756	9,435	5,804
Loans to the public	Note 7	856,735	843,929	795,357
Value change of interest-hedged item in portfolio hedge		5,042	4,490	4,632
Derivative instruments	Note 8	18,291	18,211	13,419
Other assets		4,118	3,962	4,299
Total assets		890,942	880,027	823,511
Liabilities and equity				
Due to credit institutions		267,369	267,353	284,290
Issued securities		556,993	546,149	481,796
Derivative instruments	Note 8	9,048	7,765	6,595
Other liabilities and provisions		12,612	16,693	10,614
Subordinated liabilities		16,700	16,700	13,700
Total liabilities		862,722	854,660	796,995
Equity		28,220	25,367	26,516
Total liabilities and equity		890,942	880,027	823,511

Statement of changes in equity – Group Jan–Jun 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			2,852	2,852
Other comprehensive income		1		1
Total comprehensive income for the period		1	2,852	2,853
Equity 30 June 2012	4,050	-43	24,213	28,220

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–Jun 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			2,065	2,065
Other comprehensive income		20		20
Total comprehensive income for the period		20	2,065	2,085
Equity 30 June 2011	4,050	-17	22,483	26,516

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

Summary cash flow statement – Group SEK m	Jan–Jun 2012	Jan–Jun 2011	Full year 2011
Cash flow from operating activities	2,139	-3,498	24,894
Cash flow from investing activities	-6	-38	-27,881
Cash flow from financing activities	-4,700	3,272	6,272
Cash flow for the period	-2,567	-264	3,285
Liquid funds at beginning of year	4,319	1,049	1,049
Cash flow for the period	-2,567	-264	3,285
Exchange rate difference on liquid funds	4	19	-15
Liquid funds at end of period	1,756	804	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	1,756	804	4,319
Funds in blocked account with banks relating to issuance of covered bonds	5,000	5,000	5,116
Loans to credit institutions	6,756	5,804	9,435

Key figures	Q2 2012	Q2 2011	Q1 2012	Jan–Jun 2012	Jan–Jun 2011	Full year 2011
Net interest margin, %	0.89	0.73	0.88	0.89	0.72	0.75
C/l ratio before loan losses, %	3.3	4.3	3.3	3.3	4.2	4.3
C/l ratio after loan losses, %	3.2	3.6	3.4	3.3	3.5	4.1
Return on equity, %*	19.6	15.5	19.5	19.7	15.8	16.3*
Capital ratio according to Basel II, %	60.4	60.7	56.8	60.4	60.7	58.1
Tier 1 ratio according to Basel II, %	44.0	41.4	40.3	44.0	41.4	40.5

* The comparative figure for the full year 2011 has been adjusted with effect from Q1 2012 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 142 billion (104)
Repurchased	SEK 30 billion (21)
Matured	SEK 78 billion (46)

Segment information SEK m	Jan–Jun 2012			Jan–Jun 2011			Full year 2011		
	Private	Corporate	Group	Private	Corporate	Group	Private	Corporate	Group
Net interest income	2,885	1,052	3,937	2,097	824	2,921	4,607	1,637	6,244
Net gains/losses on financial items at fair value	55	20	75	1	0	1	14	5	19
Net fee and commission income	-3	-1	-4	-5	-1	-6	-9	-3	-12
Total income	2,937	1,071	4,008	2,093	823	2,916	4,612	1,639	6,251
Expenses	-97	-35	-132	-88	-36	-124	-202	-67	-269
Profit before loan losses	2,840	1,036	3,876	2,005	787	2,792	4,410	1,572	5,982
Loan losses	-6	6	0	17	4	21	9	3	12
Operating profit	2,834	1,042	3,876	2,022	791	2,813	4,419	1,575	5,994
Loans to the public	589,023	267,718	856,741	546,741	248,616	795,357	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–Jun 2012		Jan–Jun 2011		Full year 2011	
	Income	Total assets	Income	Total assets	Income	Total assets
Sweden	3,569	791,218	2,710	762,553	5,685	786,604
Norway	280	58,168	174	51,988	397	54,466
Denmark	51	11,707	32	8,356	89	10,005
Finland	108	29,849	0	614	80	28,952
Group	4,008	890,942	2,916	823,511	6,251	880,027

Parent company

Income statement – parent company SEK m	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan–Jun 2012	Jan–Jun 2011	Change %	Full year 2011
Interest income	8,113	7,247	12	8,408	-4	16,521	13,795	20	29,869
Interest expense	-6,134	-5,764	6	-6,450	-5	-12,584	-10,874	16	-23,625
Net interest income	1,979	1,483	33	1,958	1	3,937	2,921	35	6,244
Fee and commission income	3	3	0	4	-25	7	6	17	12
Fee and commission expense	-6	-5	20	-5	20	-11	-12	-8	-24
Net fee and commission income	-3	-2	50	-1	-	-4	-6	-33	-12
Net gains/losses on financial operations	19	-30	-	56	-66	75	1	-	19
Total income	1,995	1,451	37	2,013	-1	4,008	2,916	37	6,251
Staff costs	-12	-12	0	-12	0	-24	-24	0	-49
Other administrative expenses	-51	-48	6	-51	0	-102	-94	9	-208
Depreciation and amortisation	-3	-3	0	-3	0	-6	-6	0	-12
Total expense	-66	-63	5	-66	0	-132	-124	6	-269
Profit before loan losses	1,929	1,388	39	1,947	-1	3,876	2,792	39	5,982
Net loan losses	3	11	-73	-3	-	0	21	-	12
Operating profit	1,932	1,399	38	1,944	-1	3,876	2,813	38	5,994
Tax	-508	-376	35	-516	-2	-1,024	-748	37	-1,587
Profit for the period	1,424	1,023	39	1,428	0	2,852	2,065	38	4,407

Statement of comprehensive income – parent company SEK m	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan–Jun 2012	Jan–Jun 2011	Change %	Full year 2011
Profit for the period	1,424	1,023	39	1,428	0	2,852	2,065	38	4,407
Translation differences for the period	-13	28	-	14	-	1	20	-	-7
Total comprehensive income for the period	1,411	1,051	34	1,442	-2	2,853	2,085	37	4,400

Summary balance sheet – parent company SEK m	30 Jun 2012	31 Dec 2011	30 Jun 2011
Assets			
Loans to credit institutions	6,756	9,435	5,804
Loans to the public	856,735	843,929	795,357
Value change of interest-hedged item in portfolio hedge	5,042	4,490	4,632
Derivative instruments	18,291	18,211	13,419
Other assets	4,118	3,962	4,299
Total assets	890,942	880,027	823,511
Liabilities and equity			
Due to credit institutions	267,369	267,353	284,290
Issued securities	556,993	546,149	481,796
Derivative instruments	9,048	7,765	6,595
Other liabilities and provisions	12,612	16,693	10,614
Subordinated liabilities	16,700	16,700	13,700
Total liabilities	862,722	854,660	796,995
Equity	28,220	25,367	26,516
Total liabilities and equity	890,942	880,027	823,511
Memorandum items			
Assets pledged for own debt*	596,739	594,238	519,663
Other pledged assets	None	None	None
Contingent liabilities	None	None	None
Undertakings	3,222	4,077	3,971

*Assets pledged 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 of up to 75 per cent of the market value, as well as office and commercial properties with a loan-to-value ratio of up to 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 Annual Accounts Act for 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 Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25 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 Risk and capital management

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 30 June 2012, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -197 million (-242), 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 0.11 percentage point effect on the Tier 1 ratio as at 30 June 2012. This transaction affects only capital adequacy in accordance with the transitional rules.

NOTE 3 Net interest income

SEK m	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan-Jun 2012	Jan-Jun 2011	Change %	Full year 2011
Interest income									
Loans to the public	8,029	7,157	12	8,322	-4	16,351	13,620	20	29,516
Loans to credit institutions	84	90	-7	86	-2	170	175	-3	353
Total	8,113	7,247	12	8,408	-4	16,521	13,795	20	29,869
Interest expense									
Due to credit institutions	-1,721	-1,825	-6	-1,888	-9	-3,609	-3,384	7	-7,381
Issued securities	-4,270	-3,981	7	-4,324	-1	-8,594	-7,774	11	-16,260
Subordinated liabilities	-185	-54	-	-199	-7	-384	-97	-	-333
Derivative instruments*	99	150	-34	15	-	114	483	-76	572
Fee to the Swedish Stabilisation Fund	-53	-49	8	-50	6	-103	-91	13	-202
Other	-4	-5	-20	-4	0	-8	-11	-27	-21
Total	-6,134	-5,764	6	-6,450	-5	-12,584	-10,874	16	-23,625
Net interest income	1,979	1,483	33	1,958	1	3,937	2,921	35	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	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan-Jun 2012	Jan-Jun 2011	Change %	Full year 2011
Hedge accounting, fair value hedges	12	-79	-	10	20	22	-84	-	-69
<i>of which hedged items</i>	-821	-1,536	-46	1,186	-	365	1,000	-64	-3,604
<i>of which hedging instruments</i>	833	1,457	-42	-1,176	-	-343	-1,084	-68	3,535
Loans, valued at cost	66	38	74	52	27	118	71	66	174
Financial liabilities, valued at cost	-54	8	-	-30	80	-84	-18	-	-41
Derivatives not recognised as hedges	-5	3	-	24	-	19	32	-41	-45
Total	19	-30	-	56	-66	75	1	-	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	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan-Jun 2012	Jan-Jun 2011	Change %	Full year 2011
IT costs	-27	-23	17	-24	13	-51	-45	13	-94
Cost of premises	-1	-1	0	-1	0	-2	-2	0	-4
Purchased services	-19	-21	-10	-23	-17	-42	-41	2	-86
Other administrative expenses	-4	-3	33	-3	33	-7	-6	17	-24
Total	-51	-48	6	-51	0	-102	-94	9	-208

NOTE 6 Loan losses

SEK m	Q2 2012	Q2 2011	Change %	Q1 2012	Change %	Jan-Jun 2012	Jan-Jun 2011	Change %	Full year 2011
Specific provision for individually assessed loans									
Provision for the period	-2	-1	-	-9	-78	-11	-1	-	-16
Write-back of previous provisions	2	1	-	1	-	3	5	-40	7
Total	0	0	-	-8	-	-8	4	-	-9
Collective provision									
Collective provision for individually assessed loans	1	1	0	-1	-	0	1	-	0
Write-offs									
Actual loan losses for the period	-16	-8	-	-10	60	-26	-15	73	-31
Utilised share of previous provisions	9	3	-	3	-	12	5	-	7
Write-back of actual loan losses in previous years	9	15	-40	13	-31	22	26	-15	45
Total	2	10	-80	6	-	8	16	-50	21
Net loan losses	3	11	-73	-3	-	0	21	-	12

Impaired loans SEK m	30 Jun 2012	31 Dec 2011	30 Jun 2011
Impaired loans	98	110	85
Specific provision for individually assessed loans	-40	-44	-33
Collective provision for individually assessed loans	-6	-6	-5
Net impaired loans	52	60	47
Proportion of impaired loans, %	0.01	0.01	0.01
Reserve ratio for impaired loans, %	40.7	39.8	38.4
Loan loss ratio, %	0.00	-0.00	-0.01
Non-performing loans which are not impaired loans	995	906	753

NOTE 7 Loans to the public

Loans to the public, by borrower category	30 Jun 2012			31 Dec 2011			30 Jun 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	613,315	-24	613,291	604,994	-22	604,972	570,885	-14	570,871
Public sector, municipal companies	24,033	-	24,033	25,706	-	25,706	24,925	-	24,925
Housing co-operative associations	111,952	-12	111,940	110,529	-14	110,515	102,631	-11	102,620
Other legal entities	107,481	-4	107,477	102,750	-8	102,742	96,954	-8	96,946
Total loans to the public, before collective provisions	856,781	-40	856,741	843,979	-44	843,935	795,395	-33	795,362
Collective provision		-6	-6		-6	-6		-5	-5
Total loans to the public	856,781	-46	856,735	843,979	-50	843,929	795,395	-38	795,357
of which in operations outside Sweden									
Households	80,017	-	80,017	76,266	-	76,266	52,311	-	52,311
Public sector, municipal companies	3,012	-	3,012	1,482	-	1,482	-	-	-
Housing co-operative associations	10,951	-	10,951	10,065	-	10,065	5,860	-	5,860
Other legal entities	3,843	-	3,843	3,858	-	3,858	1,860	-	1,860
Total loans to the public in operations outside Sweden	97,823	-	97,823	91,671	-	91,671	60,031	-	60,031

NOTE 7 Loans to the public, cont.

Loans to the public, by type of collateral	30 Jun 2012			31 Dec 2011			30 Jun 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	446,655	-18	446,637	439,372	-14	439,358	417,141	-7	417,134
Housing co-operative apartments	131,323	-1	131,322	130,983	-1	130,982	128,981	0	128,981
Owner-occupied apartments*	11,065	-	11,065	11,325	-	11,325	626	-	626
Private market	589,043	-19	589,024	581,680	-15	581,665	546,748	-7	546,741
Multi-family housing	206,417	-20	206,397	203,814	-26	203,788	193,531	-24	193,507
Offices and commercial buildings	61,321	-1	61,320	58,485	-3	58,482	55,116	-2	55,114
Corporate market	267,738	-21	267,717	262,299	-29	262,270	248,647	-26	248,621
Total loans to the public, before collective provision	856,781	-40	856,741	843,979	-44	843,935	795,395	-33	795,362
Collective provision		-6	-6		-6	-6		-5	-5
Total loans to the public	856,781	-46	856,735	843,979	-50	843,929	795,395	-38	795,357
of which in operations outside Sweden									
Single-family housing	65,793	-	65,793	61,915	-	61,915	47,501	-	47,501
Housing co-operative apartments	4,426	-	4,426	4,335	-	4,335	4,252	-	4,252
Owner-occupied apartments*	11,065	-	11,065	11,325	-	11,325	626	-	626
Private market	81,284	-	81,284	77,575	-	77,575	52,379	-	52,379
Multi-family housing	16,137	-	16,137	13,665	-	13,665	7,172	-	7,172
Offices and commercial buildings	402	-	402	431	-	431	480	-	480
Corporate market	16,539	-	16,539	14,096	-	14,096	7,652	-	7,652
Total loans to the public in operations outside Sweden	97,823	-	97,823	91,671	-	91,671	60,031	-	60,031

* 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 4 243 million as at 30 June 2011.

NOTE 7 Loans to the public, cont.

Non-performing loans by borrower category	30 Jun 2012		31 Dec 2011		30 Jun 2011	
	Non-performing loans which are not impaired	Non-performing loans which are included in impaired	Non-performing loans which are not impaired	Non-performing loans which are included in impaired	Non-performing loans which are not impaired	Non-performing loans which are included in impaired
SEK m						
Households	935	56	770	48	698	32
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	3	-	5	-	13	12
Other legal entities	57	6	131	9	42	7
Total	995	62	906	57	753	51
of which in operations outside Sweden						
Households	102	-	99	-	110	-
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-
Other legal entities	-	-	-	-	-	-
Total non-performing loans in operations outside Sweden	102	-	99	-	110	-

Non-performing loans by type of collateral	30 Jun 2012		31 Dec 2011		30 Jun 2011	
	Non-performing loans which are not impaired	Non-performing loans which are included in impaired	Non-performing loans which are not impaired	Non-performing loans which are included in impaired	Non-performing loans which are not impaired	Non-performing loans which are included in impaired
SEK m						
Single-family housing	737	48	629	34	576	21
Housing co-operative apartments	143	3	118	2	100	0
Owner-occupied apartments*	31	-	20	-	1	-
Private market	911	51	767	36	677	21
Multi-family housing	60	10	120	14	64	25
Offices and commercial buildings	24	1	19	7	12	5
Corporate market	84	11	139	21	76	30
Total	995	62	906	57	753	51
of which in operations outside Sweden						
Single-family housing	68	-	72	-	101	-
Housing co-operative apartments	3	-	7	-	8	-
Owner-occupied apartments*	31	-	20	-	1	-
Private market	102	-	99	-	110	-
Multi-family housing	-	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-
Corporate market	-	-	-	-	-	-
Total non-performing loans in operations outside Sweden	102	-	99	-	110	-

* For a definition, see page 10.

NOTE 7 Loans to the public, cont.

Impaired loans by borrower category	30 Jun 2012			31 Dec 2011			30 Jun 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	63	-24	39	63	-22	41	43	-14	29
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	29	-12	17	35	-14	21	30	-11	19
Other legal entities	6	-4	2	12	-8	4	12	-8	4
Total	98	-40	58	110	-44	66	85	-33	52
of which in operations outside Sweden									
Households	-	-	-	-	-	-	-	-	-
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-	-	-	-
Other legal entities	-	-	-	-	-	-	-	-	-
Total impaired loans in operations outside Sweden	-	-	-	-	-	-	-	-	-
Impaired loans by type of collateral									
SEK m									
Single-family housing	52	-18	34	44	-14	30	28	-7	21
Housing co-operative apartments	5	-1	4	6	-1	5	3	0	3
Owner-occupied apartments*	-	-	-	-	-	-	-	-	-
Private market	57	-19	38	50	-15	35	31	-7	24
Multi-family housing	40	-20	20	53	-27	26	47	-24	23
Offices and commercial buildings	1	-1	0	7	-2	5	7	-2	5
Corporate market	41	-21	20	60	-29	31	54	-26	28
Total	98	-40	58	110	-44	66	85	-33	52
of which in operations outside Sweden									
Single-family housing	-	-	-	-	-	-	-	-	-
Housing co-operative apartments	-	-	-	-	-	-	-	-	-
Owner-occupied apartments*	-	-	-	-	-	-	-	-	-
Private market	-	-	-	-	-	-	-	-	-
Multi-family housing	-	-	-	-	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-	-	-	-
Corporate market	-	-	-	-	-	-	-	-	-
Total impaired loans in operations outside Sweden	-	-	-	-	-	-	-	-	-

* 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 30 Jun 2012	Market value 31 Dec 2011	Market value 30 Jun 2011
Positive values			
Interest rate instruments	17,708	17,399	12,435
Currency instruments	583	812	984
Total	18,291	18,211	13,419
Negative values			
Interest rate instruments	2,594	2,614	1,343
Currency instruments	6,454	5,151	5,252
Total	9,048	7,765	6,595
Net	9,243	10,446	6,824

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	30 Jun 2012	31 Dec 2011	30 Jun 2011
BALANCE SHEET			
Group claims			
Loans to credit institutions	6,756	9,435	4,711
Derivative instruments	18,300	18,030	13,098
Other assets	100	55	117
Total	25,156	27,520	17,926
Group liabilities			
Due to credit institutions	267,349	263,341	282,391
Derivative instruments	8,889	7,403	6,210
Other liabilities	767	5,536	749
Subordinated liabilities	16,700	16,700	13,700
Total	293,705	292,980	303,050
INCOME STATEMENT			
Interest income	205	294	151
Interest expense	-3,853	-6,990	-3,113
Fee and commission expense	-3	-9	-5
Other administrative expenses	-92	-180	-87
Total	-3,743	-6,885	-3,054

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 the respective countries. 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	30 Jun 2012	31 Dec 2011	30 Jun 2011
Tier 1 capital	31,160	28,319	26,473
Tier 2 capital	11,576	12,289	12,300
Capital base	42,736	40,608	38,773

Capital requirement SEK m	30 Jun 2012	31 Dec 2011	30 Jun 2011
Credit risk according to standardised approach	16	20	28
Credit risk according to IRB approach	4,888	4,918	4,430
Operational risk	760	655	655
Total capital requirement according to Basel II	5,664	5,593	5,113
Adjustment according to transitional rules	27,667	26,894	25,329
Capital requirement according to Basel II, transitional rules	33,331	32,487	30,442
Risk-weighted assets in accordance with transitional rules	416,634	406,091	380,520
Risk-weighted assets according to Basel II (capital requirement/8%)	70,800	69,913	63,917

Capital adequacy analysis	30 Jun 2012	31 Dec 2011	30 Jun 2011
Capital requirement in Basel II compared with transitional rules	17%	17%	17%
Capital ratio according to Basel II	60.4%	58.1%	60.7%
Capital ratio according to transitional rules	10.3%	10.0%	10.2%
Tier 1 ratio according to Basel II	44.0%	40.5%	41.4%
Tier 1 ratio according to transitional rules	7.5%	7.0%	7.0%
Capital base in relation to capital requirement Basel II	755%	726%	758%
Capital base in relation to capital requirement according to transitional rules	128%	125%	127%

The figures reported in this section refer to the minimum capital requirements under Pillar 1 of 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. Since 31 December 2010, the advanced IRB approach has been 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.

Capital base and capital requirement, cont.

Credit risks 30 June 2012	Standardised approach	IRB approach		
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
SEK m				
Institutions	2	-	-	-
Companies	-	233,705	12.3%	2,294
<i>of which advanced approach</i>		233,054	12.2%	2,279
<i>of which foundation approach</i>		651	29.4%	15
Households	11	593,949	5.5%	2,594
Other	3	-	-	-
Total	16	827,654	7.4%	4,888

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 30 June 2011	Standardised approach	IRB approach		
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
SEK m				
Institutions	14	-	-	-
Companies	-	214,629	14.2%	2,438
<i>of which advanced approach</i>		214,029	14.2%	2,423
<i>of which foundation approach</i>		600	31.9%	15
Households	10	552,058	4.5%	1,992
Other	4	-	-	-
Total	28	766,687	7.2%	4,430

We hereby confirm that this half-year report gives a true and fair overview of the parent company's and the Group's operations, position and results and describes material risks and uncertainties which the parent company and the Group companies are facing.

Stockholm, 16 July 2012

Håkan Sandberg
Chairman

Yonnie Bergqvist

Olle Lindstrand

Tommy Mossinger

Camilla Persson
Employee Representative

Per Beckman
Chief Executive

Auditor's review

TO THE BOARD OF STADSHYPOTEK AB

CORPORATE IDENTITY NUMBER: 556459-6715

Introduction

We have reviewed the half-year report for Stadshypotek AB as at 30 June 2012 and for the six-month period ending as at this date. The Board and the Chief Executive are responsible for the preparation and presentation of this half-year report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this half-year report based on our review.

Focus and scope of the review

We have conducted our review in accordance with the Standard on review engagements SÖG 2410, Review of interim financial information performed by the auditors elected for the company. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review differs from and is substantially less in scope than an audit conducted in

accordance with the International Standards on Auditing and in Sweden generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion that is expressed on the basis of a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year report is not, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and, for the parent company, in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 17 July 2012

KPMG AB

Stefan Holmström, *Authorised Public Accountant*

Facts about the company

Registered name: Stadshypotek AB (publ).

Corporate identity number: 556459-6715.

Ownership: A subsidiary of Svenska Handelsbanken AB (publ), corporate identity number 502007-7862.
The Bank publishes consolidated accounts in which Stadshypotek is included.

The next interim report: will be published on 22 October 2012.

ADDRESS

Stadshypotek AB

Office address: Torsgatan 12

Postal address: SE-103 70 Stockholm, Sweden

Tel: +46 (0)8 701 54 00, **Fax:** +46 (0)8 701 55 40

Website: www.stadshypotek.se

