

# Highlights of Stadshypotek's Annual Report

January-December

# 2018

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**Income** totalled SEK 13,650m (13,373).

**Expenses before credit losses** increased by SEK 103m and amounted to SEK -1,237m (-1,134).

**Net credit losses** totalled SEK -12m (10).

**Operating profit rose by** SEK 152m to SEK 12,401m (12,249).

**Profit after tax** totalled SEK 9,672m (9,543).

**Loans to the public** increased by 6%, or SEK 78bn, to SEK 1,300bn (1,222).

# Highlights of Stadshypotek's Annual Report January–December 2018

## JANUARY–DECEMBER 2018 COMPARED WITH JANUARY–DECEMBER 2017

Stadshypotek's operating profit increased by 1%, or SEK 152m, to SEK 12,401m (12,249). Net interest income grew by SEK 331m to SEK 13,688m (13,357), mainly due to higher lending volumes to the private and corporate markets in Sweden. Net interest income was adversely affected by an increase in the fee paid to the Resolution Fund in 2018. The cost rose to SEK 1,044m (658). Of the net interest income, SEK 862m (885) was attributable to the branch in Norway, SEK 408m (363) to the branch in Finland and SEK 475m (422) to the branch in Denmark. Excluding the branches, net interest income increased by SEK 257m. Net gains/losses on financial transactions decreased by SEK 54m to SEK -12m (42).

Expenses increased by SEK 103m to SEK -1,237m (-1,134). This increase was mainly attributable to an increase in the sales compensation paid to the parent company for the services performed by the branch office operations on behalf of Stadshypotek in relation to administration.

Credit losses totalled SEK -12m (10). The credit loss ratio pursuant to IFRS 9 was 0.00% (0.00% in 2017 under IAS 39).

## LENDING

Compared with the end of the corresponding period of the previous year, loans to the public increased by 6%, or SEK 78bn, to SEK 1,300bn (1,222). In Sweden, loans to the public increased by 6%, or SEK 64bn, to SEK 1,116bn (1,052). Mortgage lending to households in Sweden increased by 5%, or SEK 41bn, to SEK 800bn (759).

## FUNDING

Issues of Stadshypotek's benchmark programme<sup>1</sup> loans in Swedish kronor totalled SEK 136.4bn (109.8) during the year. During the year, a nominal volume totalling SEK 148.6bn (105.0) matured or was repurchased. The carrying amount of the outstanding Swedish kronor bonds was SEK 440.0bn (452.9) at year-end, including accrued interest.

Issues of Swedish kronor commercial paper totalled SEK 10bn during the year, and the outstanding volume at year-end was the same amount.

Issues of bonds under the EMTCN programme totalled EUR 1.2bn (1.7) and GBP 0.6bn (0.0). The nominal outstanding volume in the programme at year-end was EUR 11.5bn (10.9). There were no outstanding volumes in the European commercial paper programme at year-end.

No issues were made in USD or AUD during the year. The outstanding volume in the US programme totalled USD 3.7bn (5.0) at year-end. There is no longer any outstanding volume in AUD.

The Norwegian kroner issue was a nominal amount of NOK 5bn (0). The outstanding volume at year-end was NOK 23.5bn (23.0).

## CAPITAL ADEQUACY

The total capital ratio according to CRD IV was 20.8% (53.1), while the common equity tier 1 ratio calculated according to CRD IV was 12.6% (30.7). Further information on capital adequacy is provided in note 15, Capital adequacy, on page 21.

## RATING

Stadshypotek's ratings remained unchanged during the year.

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

<sup>1</sup> See Definitions on page 25.

# Income statement

SEK m	Jul-Dec 2018	Jul-Dec 2017	Change %	Full year 2018	Full year 2017	Change %
Interest income	10,286	10,126	2	20,438	20,210	1
<i>of which interest income according to the effective interest method and interest on derivatives for hedging</i>	<i>10,286</i>	<i>10,126</i>	<i>2</i>	<i>20,438</i>	<i>20,210</i>	<i>1</i>
Interest expense	-3,439	-3,146	9	-6,750	-6,853	-2
<b>Net interest income</b>	<b>6,847</b>	<b>6,980</b>	<b>-2</b>	<b>13,688</b>	<b>13,357</b>	<b>2</b>
Fee and commission income	6	6	0	13	12	8
Fee and commission expense	-19	-19	0	-39	-38	3
<b>Net fee and commission income</b>	<b>-13</b>	<b>-13</b>	<b>0</b>	<b>-26</b>	<b>-26</b>	<b>0</b>
<b>Net gains/losses on financial transactions</b>	<b>-7</b>	<b>36</b>	<b>-</b>	<b>-12</b>	<b>42</b>	<b>-</b>
Other income	0	0	0	0	0	0
<b>Total income</b>	<b>6,827</b>	<b>7,003</b>	<b>-3</b>	<b>13,650</b>	<b>13,373</b>	<b>2</b>
Staff costs	-49	-57	-14	-95	-116	-18
Other administrative expenses	-600	-519	16	-1,138	-1,012	12
Depreciation and amortisation	-2	-3	-33	-4	-6	-33
<b>Total expenses</b>	<b>-651</b>	<b>-579</b>	<b>12</b>	<b>-1,237</b>	<b>-1,134</b>	<b>9</b>
<b>Profit before credit losses</b>	<b>6,176</b>	<b>6,424</b>	<b>-4</b>	<b>12,413</b>	<b>12,239</b>	<b>1</b>
Net credit losses	2	8	-75	-12	10	-
<b>Operating profit</b>	<b>6,178</b>	<b>6,432</b>	<b>-4</b>	<b>12,401</b>	<b>12,249</b>	<b>1</b>
Taxes	-1,359	-1,396	-3	-2,729	-2,706	1
<b>Profit for the period</b>	<b>4,819</b>	<b>5,036</b>	<b>-4</b>	<b>9,672</b>	<b>9,543</b>	<b>1</b>
Earnings per share, SEK	29,750	31,086		59,706	58,905	

# Statement of comprehensive income

SEK m	Jul-Dec 2018	Jul-Dec 2017	Change %	Full year 2018	Full year 2017	Change %
<b>Profit for the period</b>	<b>4,819</b>	<b>5,036</b>	<b>-4</b>	<b>9,672</b>	<b>9,543</b>	<b>1</b>
<b>Other comprehensive income</b>						
<b>Items that may subsequently be reclassified to the income statement</b>						
Cash flow hedges <sup>1</sup>	78	-934		-61	-2,391	-97
Translation differences for the period <sup>2</sup>	-581	85		88	-44	
<b>Tax on items that may subsequently be reclassified to the income statement</b>						
Cash flow hedges <sup>3</sup>	-12	205		19	526	-96
<b>Total comprehensive income for the period</b>	<b>4,304</b>	<b>4,392</b>	<b>-2</b>	<b>9,718</b>	<b>7,634</b>	<b>27</b>

<sup>1</sup>Cash flow hedges may be reclassified if the purpose of some or all of the hedge changes. The line refers to net market value changes on hedges during the year.

<sup>2</sup>Translation differences refer to the effect of recalculation of foreign branches' earnings to the average rate and the balance sheet at the balance sheet rate.

<sup>3</sup>The item refers to tax on the value change for cash flow hedges.

# Half-yearly performance

SEK m	Jul-Dec 2018	Jan-Jun 2018	Jul-Dec 2017	Jan-Jun 2017	Jul-Dec 2016
Interest income	10,286	10,152	10,126	10,084	10,153
Interest expense	-3,439	-3,311	-3,146	-3,707	-3,825
<b>Net interest income</b>	<b>6,847</b>	<b>6,841</b>	<b>6,980</b>	<b>6,377</b>	<b>6,328</b>
<b>Net fee and commission income</b>	<b>-13</b>	<b>-13</b>	<b>-13</b>	<b>-13</b>	<b>-15</b>
<b>Net gains/losses on financial transactions</b>	<b>-7</b>	<b>-5</b>	<b>36</b>	<b>6</b>	<b>39</b>
<b>Total income</b>	<b>6,827</b>	<b>6,823</b>	<b>7,003</b>	<b>6,370</b>	<b>6,352</b>
Staff costs	-49	-46	-57	-59	-46
Other administrative expenses	-600	-538	-519	-493	-480
Depreciation and amortisation	-2	-2	-3	-3	-3
<b>Total expenses</b>	<b>-651</b>	<b>-586</b>	<b>-579</b>	<b>-555</b>	<b>-529</b>
<b>Profit before credit losses</b>	<b>6,176</b>	<b>6,237</b>	<b>6,424</b>	<b>5,815</b>	<b>5,823</b>
Net credit losses	2	-14	8	2	-7
<b>Operating profit</b>	<b>6,178</b>	<b>6,223</b>	<b>6,432</b>	<b>5,817</b>	<b>5,816</b>

# Balance sheet

31 December SEK m		2018	2017
<b>Assets</b>			
Loans to credit institutions		11,735	12,565
Loans to the public	Note 7	1,299,766	1,222,456
Value change of interest-hedged item in portfolio hedge		33	36
Shares and participating interests in Group companies		0	0
Assets where the customer bears the value change risk		8	10
Derivative instruments	Note 8	18,866	16,895
Intangible assets		42	6
Property and equipment		0	0
Current tax assets		8	3
Other assets		306	3,143
Prepaid expenses and accrued income		56	1,337
<b>Total assets</b>		<b>1,330,820</b>	<b>1,256,451</b>
<i>of which Group claims</i>	Note 14	30,685	29,515
<b>Liabilities and equity</b>			
Due to credit institutions		635,846	557,742
Liabilities where the customer bears the value change risk		8	10
Issued securities	Note 9	627,475	621,958
Derivative instruments	Note 8	1,068	3,697
Current tax liability		836	341
Deferred tax liability		191	210
Other liabilities		7,470	12,798
Accrued expenses and deferred income		56	5,627
<b>Total liabilities</b>		<b>1,272,950</b>	<b>1,202,383</b>
<i>of which Group liabilities</i>	Note 14	644,363	572,297
<b>Equity</b>			
Equity		4,050	4,050
Other funds		30,649	30,567
Retained earnings		13,499	9,908
Profit for the year		9,672	9,543
<b>Total equity</b>		<b>57,870</b>	<b>54,068</b>
<b>Total liabilities and equity</b>		<b>1,330,820</b>	<b>1,256,451</b>

Changed presentation of accrued interest SEK m	Carrying amount 31 Dec 2018	Changed presentation of accrued interest	Value without changed presentation of accrued interest
<b>Assets</b>			
Loans to credit institutions	11,735	2	11,733
Loans to the public	Note 7	1,299,766	1,298,508
Prepaid expenses and accrued income	56	-1,260	1,316
<b>Total</b>	<b>1,311,557</b>	<b>-</b>	<b>1,311,557</b>
<b>Liabilities</b>			
Due to credit institutions	635,846	663	635,183
Issued securities	Note 9	627,475	622,760
Accrued expenses and deferred income	56	-5,378	5,434
<b>Total</b>	<b>1,263,377</b>	<b>-</b>	<b>1,263,377</b>

As of 2018, Stadshypotek presents contractual accrued interest on financial assets and financial liabilities as part of the carrying amount for the asset or liability on the balance sheet. The size of the total balance sheet has not been affected. The presentation of historical comparison

figures has not been changed. Previous years' contractual accrued interest on financial assets and financial liabilities will continue to be presented under Prepaid expenses and accrued income and Accrued expenses and deferred income on the balance sheet.

The table above shows the effect on the affected balance sheet lines at 31 December 2018 if the changed presentation of accrued interest had not been implemented.

# Statement of changes in equity

SEK m	Restricted equity				Non-restricted equity			Total
	Share capital <sup>1</sup>	Statutory reserve	Capital contribution	Fund for internally developed software	Hedge reserve	Translation reserve	Retained earnings including profit for the year	
<b>Closing equity 2016</b>	4,050	8,106		12	2,607	57	18,186	33,018
Profit for the year							9,543	9,543
Other comprehensive income					-1,865	-44		-1,909
<b>Total comprehensive income for the year</b>					<b>-1,865</b>	<b>-44</b>	<b>9,543</b>	<b>7,634</b>
Fund for internally developed software				-6			6	-
Reclassification of subordinated loans as equity			21,700					21,700
Dividend <sup>2</sup>							-250	-250
Group contributions provided							-10,300	-10,300
Tax effect on Group contributions							2,266	2,266
<b>Closing equity 2017</b>	<b>4,050</b>	<b>8,106</b>	<b>21,700</b>	<b>6</b>	<b>742</b>	<b>13</b>	<b>19,451</b>	<b>54,068</b>

SEK m	Restricted equity				Non-restricted equity			Total
	Share capital <sup>1</sup>	Statutory reserve	Capital contribution	Fund for internally developed software	Hedge reserve	Translation reserve	Retained earnings including profit for the year	
<b>Closing equity 2017</b>	4,050	8,106	21,700	6	742	13	19,451	54,068
Effect of transition to IFRS 9							-98	-98
Tax effect due to transition to IFRS 9							22	22
<b>Opening equity 2018</b>	<b>4,050</b>	<b>8,106</b>	<b>21,700</b>	<b>6</b>	<b>742</b>	<b>13</b>	<b>19,375</b>	<b>53,992</b>
Profit for the year							9,672	9,672
Other comprehensive income					-42	88		46
<i>Reclassified in equity</i>						-197		
<b>Total comprehensive income for the year</b>					<b>-42</b>	<b>88</b>	<b>9,672</b>	<b>9,718</b>
Reclassified to retained earnings							197	197
Fund for internally developed software				36			-36	-
Dividend <sup>2</sup>							-265	-265
Group contributions provided							-7,400	-7,400
Tax effect on Group contributions							1,628	1,628
<b>Closing equity 2018</b>	<b>4,050</b>	<b>8,106</b>	<b>21,700</b>	<b>42</b>	<b>700</b>	<b>101</b>	<b>23,171</b>	<b>57,870</b>

<sup>1</sup> Average number of shares, 162,000 (162,000).

<sup>2</sup> The dividend totalled SEK 1,636.20 (1,540.24) per share.

# Condensed statement of cash flows

SEK m	Full year 2018	Full year 2017
Operating profit	12,401	12,249
of which paid-in interest	20,328	21,015
of which paid-out interest	-6,105	-8,730
Adjustment for non-cash items in profit/loss	2,132	-2,682
Paid income tax	-331	-18
Changes in the assets and liabilities of operating activities	-4,596	1,182
<b>Cash flow from operating activities</b>	<b>9,606</b>	<b>10,731</b>
<b>Cash flow from investing activities</b>	<b>-40</b>	<b>0</b>
Group contribution paid	-10,300	-10,100
Dividend paid	-265	-250
Other changes in equity	0	0
<b>Cash flow from financing activities</b>	<b>-10,565</b>	<b>-10,350</b>
<b>Cash flow for the year</b>	<b>-999</b>	<b>381</b>
Liquid funds at beginning of year	12,565	12,027
Cash flow for the year	-999	381
Exchange rate difference on liquid funds	170	157
<b>Liquid funds at end of year</b>	<b>11,735</b>	<b>12,565</b>
<i>Liquid funds consist of funds available with banks and equivalent institutions, excluding funds on a blocked account.</i>		
Liquid funds with banks and equivalent institutions	6,735	7,565
Funds on a blocked account with banks relating to issuance of covered bonds	5,000	5,000
<b>Loans to credit institutions</b>	<b>11,735</b>	<b>12,565</b>

The cash flow statement has been prepared using the indirect method.

## Key figures

	Jul-Dec 2018	Jul-Dec 2017	Full year 2018	Full year 2017
Net interest margin, %	1.05	1.09	1.05	1.10
C/l ratio before credit losses, %	9.5	8.3	9.0	8.5
C/l ratio after credit losses, %	9.5	8.2	9.0	8.4
Return on equity, % <sup>1</sup>	15.7	22.7	15.9	22.5
Total capital ratio, CRD IV, %	20.8	53.1	20.8	53.1
Tier 1 ratio, CRD IV, %	12.6	30.7	12.6	30.7
Common equity tier 1 ratio, CRD IV, %	12.6	30.7	12.6	30.7

<sup>1</sup> Subordinated loans SEK 21,700m were reclassified to equity in December 2017. 2017 figures restated.

For definitions and calculation of key figures, see pages 23 and 25.



# Notes

## NOTE 1 Accounting policies and other matters relating to the preparation of the financial reports

### 1. STATEMENT OF COMPLIANCE

#### Basis for accounts

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The contents of the interim report also comply with the applicable provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25 on annual reports in credit institutions and securities companies. RFR 2 Accounting for legal entities, as well as statements issued by the Swedish Financial Reporting Board, were also applied when preparing the accounts.

Stadshypotek's subsidiary holdings comprise the dormant company Svenska Intecknings Garanti AB Sigab. In accordance with Chapter 7, section 7 (4) of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, Stadshypotek has not prepared consolidated accounts as its subsidiary is of marginal significance.

The accounting policies applied in the report comply with the accounting policies applied in the 2017 annual report, with the exception of the following amendments.

### 2. AMENDMENTS TO ACCOUNTING POLICIES

#### Changed presentation of accrued interest

As of 1 January 2018, the company presents contractual accrued interest on financial assets and financial liabilities, including derivatives, as part of the carrying amount for the related asset or liability on the balance sheet. Previously contractual accrued interest, excluding derivatives, was presented under prepaid expenses and accrued income or under accrued expenses and deferred income. Balance sheets for the periods of comparison have not been restated.

### Financial Instruments (IFRS 9)

On 1 January 2018, IFRS 9, Financial Instruments entered into force for application within the EU, replacing IAS 39. Since 1 January 2018, the company has applied the new rules for classification and measurement and for impairment. The company has decided to continue applying the hedge accounting rules in IAS 39 in accordance with the transitional rules in IFRS 9.

The new rules for classification and measurement have resulted in changed classification rules and new measurement categories for financial assets and liabilities. The new rules for impairment mean that the previous model, which was based on incurred credit loss events in IAS 39, has been replaced by a model based on expected credit losses in IFRS 9. The company has not recalculated the comparative figures for previous periods in conjunction with the transition, and has instead opted to recognise adjustments to the carrying amounts of financial assets and liabilities as at the transition date of 1 January 2018 under retained earnings in equity.

The company's opening retained earnings decreased by SEK 98m before tax due to the transition to IFRS 9; this is attributable to the new rules for impairment. The company illustrates the transition to IFRS 9 in the table on page 8. The company does not apply the transitional regulations which have been decided for capital adequacy, and instead applies IFRS 9 to capital adequacy in its entirety.

### Revenue from Contracts with Customers (IFRS 15)

The new standard entered into force on 1 January 2018. The standard introduces a new model to establish how and when income must be recognised. The standard does not apply to reporting of income for financial instruments, insurance contracts or leases. The transition to IFRS 15 has entailed expanded disclosure

requirements, but has otherwise not had any impact on the company's financial reports, capital adequacy or large exposures.

The company applies the new regulations retroactively, with the total effect of the initial application recognised on the first day of application.

### 3. CHANGES IN IFRS WHICH ARE YET TO BE APPLIED

#### Leases (IFRS 16)

The standard has been adopted by the EU for application as of the 2019 financial year. The main change arising from the new standard is that all leases (with the exception of short-term contracts and contracts of minor value) must be recognised as an asset (right-of-use asset) and as a liability on the lessee's balance sheet. In the income statement, the straight-line expense for the operating lease is replaced by a charge for depreciation on the leased asset and an interest expense attributable to the liability.

In accordance with the exemption in RFR 2 Accounting for Legal Entities, under which the application of IFRS 16 is not mandatory in legal entities, the company will not apply IFRS 16.

#### Other changes in IFRS

None of the other changes in the accounting regulations issued for application are expected to have any material impact on the company's financial reports, capital adequacy, large exposures or other circumstances under the applicable operating rules.

NOTE 1 Accounting policies, cont.

TRANSITION TO IFRS 9

The table below shows the reclassification of assets and liabilities at the time of the transition to IFRS 9 and the initial effect on equity at 1 January 2018.

SEK m	IAS 39 Classification 31 Dec 2017	IFRS 9 Classification 1 Jan 2018	IAS 39 Carrying amount 31 Dec 2017	IFRS 9 Carrying amount 1 Jan 2018	Impact on equity 1 Jan 2018	<i>of which revaluation effect due to new rules for impairment</i>
<b>Financial assets</b>						
Loans to credit institutions <sup>1</sup>	Loans and receivables	Amortised cost	12,565	12,565		
Loans to the public <sup>1</sup>	Loans and receivables	Amortised cost	1,222,436	1,222,338	-98	-98
Value change of interest-hedged item in portfolio hedge <sup>2</sup>	Loans and receivables	Fair value in the income statement, Mandatory	36	36		
Derivative instruments	Derivatives identified as hedging instruments	Derivatives identified as hedging instruments	16,895	16,895		
Assets where the customer bears the value change risk <sup>3</sup>	At fair value in the income statement, other	Fair value in the income statement, Mandatory	10	10		
Other assets	Loans and receivables	Amortised cost	3,150	3,150		
Prepaid expenses and accrued income	Loans and receivables	Amortised cost	1,284	1,284		
<b>Total financial assets</b>			<b>1,256,376</b>	<b>1,256,278</b>	<b>-98</b>	<b>-98</b>
Other non-financial assets <sup>4</sup>			75	97	22	22
<b>Total assets</b>			<b>1,256,451</b>	<b>1,256,375</b>	<b>-76</b>	<b>-76</b>
<b>Financial liabilities</b>						
Due to credit institutions	Other financial liabilities	Amortised cost	557,742	557,742		
Deposits and borrowing from the public	Other financial liabilities	Amortised cost	0	0		
Liabilities where the customer bears the value change risk	At fair value in the income statement, other	Fair value in the income statement, Fair value option	10	10		
Issued securities	Other financial liabilities	Amortised cost	621,958	621,958		
Derivative instruments	Derivatives identified as hedging instruments	Derivatives identified as hedging instruments	3,697	3,697		
Other liabilities	Other financial liabilities	Amortised cost	12,705	12,705		
Accrued expenses and deferred income	Other financial liabilities	Amortised cost	5,573	5,573		
<b>Total financial liabilities<sup>5</sup></b>			<b>1,201,685</b>	<b>1,201,685</b>		
Other non-financial liabilities			698	698		
<b>Total liabilities</b>			<b>1,202,383</b>	<b>1,202,383</b>		
Share capital			4,050	4,050		
Other funds			30,567	30,567		
Retained earnings			9,908	9,832	-76	-76
Profit for the year			9,543	9,543		
<b>Total equity</b>			<b>54,068</b>	<b>53,992</b>	<b>-76</b>	<b>-76</b>
<b>Total liabilities and equity</b>			<b>1,256,451</b>	<b>1,256,375</b>	<b>-76</b>	<b>-76</b>

<sup>1</sup>As a result of the IFRS 9 regulations for impairment, the provision for credit losses for assets measured at amortised cost has increased.

<sup>2</sup>According to IAS 39, certain loans were designated at fair value through profit or loss, using the fair value option. According to IFRS 9, these are designated at amortised cost because the business model for these holdings is for collection of contractual cash flows, and the cash flows solely represent payments of principal and interest.

<sup>3</sup>According to IAS 39, assets where the customer bears the value change risk were classified as fair value through profit or loss, using the fair value option since these were managed and the result measured on the basis of fair values. According to IFRS 9, it is mandatory to designate these assets at fair value through profit or loss.

<sup>4</sup>Tax effect due to transition to IFRS 9.

<sup>5</sup>No financial liabilities have been subject to revaluation as a result of an amended classification in line with IFRS 9.

The table below shows the transition from the model for incurred credit losses in IAS 39 to the model for expected credit losses in IFRS 9 at 1 January 2018.

<b>Specification of the transition to IFRS 9, new rules for impairment</b>			
SEK m	IAS 39 Incurred credit losses 31 Dec 2017	IFRS9 Expected credit losses 1 Jan 2018	<i>Impact on retained earnings as a result of new rules for impairment</i>
<b>IAS 39</b>			
<b>Credit losses incurred 31 Dec 2017</b>			
Collective provisions for individually assessed loans	-4		4
Specific provisions for individually assessed loans	-33		33
<b>IFRS 9</b>			
<b>Expected credit losses 1 Jan 2018</b>			
Expected credit losses Stage 1, assets amortised cost		-81	-81
Expected credit losses Stage 2, assets amortised cost		-21	-21
Expected credit losses Stage 3, assets amortised cost		-33	-33
Expected credit losses for off-balance-sheet items, Stage 1		0	0
Tax effect due to transition to IFRS 9		22	22
<b>Total</b>	<b>-37</b>	<b>-113</b>	<b>-76</b>

## NOTE 2 Other information

### RISKS AND UNCERTAINTY FACTORS

In recent months, house prices have shown a weaker trend, which has affected companies focused on housing development. Stadshypotek's low risk tolerance means that, as part of the Handelsbanken Group, Stadshypotek avoids granting credits to companies that are focused on high-risk housing development. Regulatory developments are continuing at a fast pace. Stadshypotek's historically low tolerance of risk, sound capitalisation and, as part of the Handelsbanken Group, strong liquidity mean that the company is well equipped to operate in line with the new, stricter regulations and to cope with substantially more difficult market conditions than those experienced in recent years.

### RISK CONTROL

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. Credit risk is the risk of Stadshypotek facing economic loss because its counterparties cannot fulfil their contractual obligations. Market risks stem from price changes in the financial markets. The market risks affecting Stadshypotek are interest

rate risk and exchange rate risk. At 31 December 2018, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -430m (-338). Liquidity risk refers to the risk that Stadshypotek will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses. Operational risk is defined as the risk of loss due to inadequate or failed internal processes, human error, malfunctioning systems, or external events. The definition includes legal risk. The Stadshypotek Board establishes policies describing how various risks should be managed and reported. In addition, Stadshypotek's Chief Executive sets guidelines and instructions for managing and controlling all types of risk. These documents have been based on the policies that the Board of Handelsbanken has adopted for managing and reporting risks within the Handelsbanken Group as a whole. Stadshypotek's risk management aims to ensure compliance with the strict approach to risk established by its Board.

Stadshypotek's lending operations are integrated with those of Handelsbanken, which means that Stadshypotek's lending is carried out

via the Bank's branch network. Moreover, Stadshypotek's funding needs are managed by Handelsbanken's Treasury department. Individual outsourcing agreements specify the services which Handelsbanken is to perform on behalf of Stadshypotek. Thus, the business operations at Stadshypotek are conducted according to the same fundamental principles which apply at Handelsbanken. The Bank's corporate culture is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and for risk management. The person who is most familiar with the customer and the market conditions is the person best equipped to assess the risk and also take action at an early stage in the event of problems. Each branch and each profit centre bears the responsibility for dealing with any problems that arise. This encourages high risk awareness and a cautious approach in the business operations.

In addition to the accountability of decision-makers, control procedures are in place to ensure that excessive risks are not taken in individual transactions or local operations. In lending, this means that large loans are subject to limits and assessed by a dedicated credit organisation.

## NOTE 2 Other information, cont.

Decisions on limits are made at the branch, regional or central level, depending on the size of the credit limit. As regards the procedures for limiting market risk and liquidity risk at Stadshypotek, the company's Board establishes limits for this purpose. Stadshypotek also has risk control independent of business operations which is responsible for the regular follow-up and monitoring of all risks applying to operations, primarily credit risk, market risk, liquidity risk and operational risk. The risk control function performs daily calculations and checks to ensure that risk exposure remains within the set limits. Limit utilisation is reported internally within the company, and to the parent company's Group Risk Control. In addition, limit utilisation is reported regularly to Stadshypotek's Chief Executive and Board of Directors.

Stadshypotek is also covered by Group Risk Control at Handelsbanken, which has the task of identifying the Handelsbanken Group's risks, gauging them, and ensuring that management of these risks complies with the Group's low risk tolerance. Group Risk Control is responsible for the independent reporting of risks for the banking group of which Stadshypotek is a part.

Group Risk Control also develops and provides models for measuring risk that are

applied in Stadshypotek's operations and performs certain calculations that provide a basis for some of Stadshypotek's external reporting. Information about credit risks regarding credit losses can be found in notes 6 and 7 of this report.

### PREPAREDNESS FOR LIQUIDITY CRISIS

Stadshypotek is covered by an agreement regarding liquidity support within the Handelsbanken Group. According to the agreement, Handelsbanken holds a liquidity reserve for the Handelsbanken Group as a whole and is thus responsible for Stadshypotek fulfilling the liquidity reserve requirement as stipulated in the Swedish Financial Supervisory Authority's regulation FFFS 2010:7. The agreement also stipulates that the parties, in accordance with Article 8 of CRR and Chapter 6, Section 1 of FFFS 2014:12, are required to provide each other with liquidity support as necessary.

Stadshypotek's liquidity situation is regularly stress-tested. The stress tests focus on the short-term effects in the case of certain assumptions of relevance to its operations, for example disruptions in the market for covered bonds. Group Risk Control conducts stress tests focusing on long-term disruptions for the entire

Group, taking Stadshypotek's liquidity requirements into consideration.

### CAPITAL PLANNING

Stadshypotek also has a procedure for continual capital planning to ensure that it has a sufficient amount of capital to secure the company's survival if a serious loss were to occur, despite the measures taken to manage the risks. The method for calculating economic capital ensures that all risks are considered in a consistent manner when the need for capital is assessed.

### CAPITAL REQUIREMENT

In the second half of 2018, the Swedish Financial Supervisory Authority approved Stadshypotek's application to exclude structural hedges when calculating the capital requirement for exchange rate risk in accordance with article 352.2 of the Capital Requirements Regulation.

Stadshypotek's assessment is that, taking into account all current capital requirement regulations, the company is well-capitalised.

### MATERIAL EVENTS AFTER BALANCE SHEET DATE

No material events have occurred after the balance sheet date.

## NOTE 3 Net interest income

SEK m	Jul-Dec 2018	Jul-Dec 2017	Change %	Full year 2018	Full year 2017	Change %
<b>Interest income</b>						
Loans to the public	10,169	10,024	1	20,215	20,024	1
Loans to credit institutions	117	102	15	223	186	20
<b>Total interest income</b>	<b>10,286</b>	<b>10,126</b>	<b>2</b>	<b>20,438</b>	<b>20,210</b>	<b>1</b>
<i>of which interest income according to the effective interest method and interest on derivatives for hedging</i>	<i>10,286</i>	<i>10,126</i>	<i>2</i>	<i>20,438</i>	<i>20,210</i>	<i>1</i>
<b>Interest expense</b>						
Due to credit institutions	-1,541	-1,344	15	-2,932	-2,659	10
Due to the public	0	0		0	0	
Issued securities	-2,737	-3,031	-10	-5,591	-6,608	-15
Subordinated liabilities	-	121		-	-	
Derivative instruments <sup>1</sup>	1,362	1,436	-5	2,818	3,071	-8
Fee to Swedish Stability Fund	-522	-329	59	-1,044	-658	59
Other	-1	1		-1	1	
<b>Total interest expense</b>	<b>-3,439</b>	<b>-3,146</b>	<b>9</b>	<b>-6,750</b>	<b>-6,853</b>	<b>-1</b>
<i>of which interest expense according to effective interest method and interest on derivatives for hedging</i>	<i>-2,917</i>	<i>-2,817</i>	<i>4</i>	<i>-5,706</i>	<i>-6,195</i>	<i>-8</i>
<b>Net interest income</b>	<b>6,847</b>	<b>6,980</b>	<b>-2</b>	<b>13,688</b>	<b>13,357</b>	<b>2</b>

<sup>1</sup> Net interest income from derivative instruments related to Stadshypotek's funding may have both a positive and a negative impact on interest expenses.

## NOTE 4 Net gains/losses on financial transactions

SEK m	Jul-Dec 2018	Jul-Dec 2017	Change %	Full year 2018	Full year 2017	Change %
<b>Hedge accounting</b>	<b>0</b>	<b>3</b>	<b>-100</b>	<b>-2</b>	<b>7</b>	<b>-129</b>
<i>of which fair value hedges</i>	0	3	-100	-1	2	-150
<i>of which ineffective portion of cash flow hedges</i>	0	0	0	-1	5	-120
<b>Amortised cost</b>	<b>-15</b>	<b>21</b>	<b>-171</b>	<b>-28</b>	<b>-6</b>	<b>367</b>
<i>of which loans</i>	74	112	-34	149	209	-29
<i>of which issued securities</i>	-89	-91	-2	-177	-215	-18
<b>Fair value through profit or loss, mandatory, including foreign exchange effects</b>	<b>8</b>	<b>12</b>	<b>-33</b>	<b>18</b>	<b>41</b>	<b>-56</b>
<b>Total</b>	<b>-7</b>	<b>36</b>	<b>-119</b>	<b>-12</b>	<b>42</b>	<b>-129</b>

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 this hedge accounting. Interest income and interest expense for hedging instruments are recognised under net interest income. Changes in the value of hedging instruments in cash flow hedges which exceed the changes in value-hedged future cash flows are recognised under the item Ineffective portion of cash flow hedges.

The line item Loans, recognised at amortised cost refers to early redemption charges for loans and receivables which have been repaid ahead of time. Issued securities refers to realised price differences when repurchasing bonds.

## NOTE 5 Other administrative expenses

SEK m	Jul-Dec 2018	Jul-Dec 2017	Change %	Full year 2018	Full year 2017	Change %
Cost of premises	-5	-4	25	-9	-8	13
IT costs	-47	-57	-18	-116	-121	-4
Communication	-1	-1	0	-1	-1	0
Travel and marketing	-1	-1	0	-3	-3	0
Purchased services <sup>1</sup>	-520	-454	15	-979	-861	14
Supplies	0	0	0	0	0	0
Other expenses <sup>2</sup>	-26	-2	1200	-30	-18	67
<b>Total</b>	<b>-600</b>	<b>-519</b>	<b>16</b>	<b>-1,138</b>	<b>-1,012</b>	<b>12</b>

<sup>1</sup>Purchased services mainly comprise remuneration to Handelsbanken for services ordered by Stadshypotek and performed by regional banks/branches of the Bank.

Purchased services also includes remuneration to Handelsbanken for IT services ordered by Stadshypotek, as well as funding services.

<sup>2</sup>Increased fee to the Swedish Financial Supervisory Authority for its ongoing supervision, due to changed basis for calculation of the fee.

## NOTE 6 Credit losses

Credit losses IFRS 9 SEK.m	Jul-Dec 2018	Jul-Dec 2017	Change %	Full year 2018	Full year 2017	Change %
<b>Provision Stage 3</b>						
Provision for the period, Stage 3	-9			-16		
Stage 3 provision reversed to Stage 1 or Stage 2	7			4		
<b>Total</b>	<b>-2</b>			<b>-12</b>		
<b>Provision Stage 1 and 2</b>						
Net provision for the period, Stage 2	-4			-32		
Net provision for the period, Stage 1	17			28		
<b>Total</b>	<b>13</b>			<b>-4</b>		
<b>Provision for the period for off-balance-sheet items</b>						
Net provision for the period, Stage 3	-			-		
Net provision for the period, Stage 2	-			-		
Net provision for the period, Stage 1	0			0		
<b>Total</b>	<b>0</b>			<b>0</b>		
<b>Write-offs</b>						
Actual credit losses for the period	-9			-14		
Utilised share of previous provisions	-2			6		
<b>Total</b>	<b>-11</b>			<b>-8</b>		
<b>Recoveries</b>	<b>2</b>			<b>12</b>		
<b>Net credit losses</b>	<b>2</b>			<b>-12</b>		
<b>Credit losses IAS 39</b> SEK.m	<b>Jan-Jun 2018</b>	<b>Jan-Jun 2017</b>	<b>Change %</b>	<b>Full year 2018</b>	<b>Full year 2017</b>	<b>Change %</b>
<b>Specific provision for individually assessed loans</b>						
Provisions for the period		-5			-11	
Reversal of previous provisions		3			4	
<b>Total</b>		<b>-2</b>			<b>-7</b>	
<b>Collective provision</b>						
Collective provision for individually assessed loans		0			0	
<b>Write-offs</b>						
Actual credit losses for the period		-8			-12	
Utilised share of previous provisions		4			6	
Reversal of actual credit losses in previous years		14			23	
<b>Total</b>		<b>10</b>			<b>17</b>	
<b>Net credit losses</b>		<b>8</b>			<b>10</b>	

<b>Credit losses IFRS 9 – Key figures</b>	<b>Full year 2018</b>	<b>Full year 2017</b>	<b>Full year 2016</b>
SEK m			
Credit loss ratio expressed as a percentage of loans to the public, accumulated	0.00		
Total reserve ratio loans to the public, %	0.01		
Reserve ratio Stage 1 to the public, %	0.00		
Reserve ratio Stage 2 to the public, %	0.26		
Reserve ratio Stage 3 to the public, %	5.11		
Proportion of loans to the public in Stage 3, %	0.06		
<b>Credit losses IAS 39 – Key figures</b>	<b>Full year 2018</b>	<b>Full year 2017</b>	<b>Full year 2016</b>
SEK m			
Impaired loans		135	103
Specific provision for individually assessed loans		-33	-32
Collective provision for individually assessed loans		-4	-4
<b>Net impaired loans</b>		<b>98</b>	<b>67</b>
Proportion of impaired loans, %		0.01	0.01
Impaired loans reserve ratio, %		24.3	31.2
Credit loss ratio, %		0.00	0.00
Non-performing loans which are not impaired loans		236	328

## NOTE 7 Loans to the public

Loans to the public (IFRS 9), by sector and industry 2018 SEK m	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	882,024	14,842	593	-37	-34	-25	897,363
<i>of which mortgage loans</i>	882,024	14,842	593	-37	-34	-25	897,363
Housing co-operative associations	191,140	1,358	26	-4	0	-10	192,510
<i>of which mortgage loans</i>	191,140	1,358	26	-4	0	-10	192,510
Property management	176,375	2,874	17	-9	-11	0	179,246
Manufacturing	235	32	-	0	0	-	267
Retail	726	98	9	0	-1	-1	831
Hotel and restaurant	744	55	1	0	0	0	800
Passenger and goods transport by sea	12	4	-	0	0	-	16
Other transport and communication	519	32	-	0	0	-	551
Construction	995	147	-	0	-1	-	1,141
Electricity, gas and water	1,450	152	-	0	0	-	1,602
Agriculture, hunting and forestry	9,291	608	2	-3	-5	-	9,893
Other services	2,494	276	1	-1	-2	-1	2,767
Holding, investment and insurance companies, mutual funds, etc.	1,676	53	-	0	0	-	1,729
Sovereigns and municipalities	8,539	266	-	0	0	-	8,805
Other corporate lending	2,075	73	98	0	0	-1	2,245
<b>Total</b>	<b>1,278,295</b>	<b>20,870</b>	<b>747</b>	<b>-54</b>	<b>-54</b>	<b>-38</b>	<b>1,299,766</b>

**Note 7** Loans to the public, cont.

Loans to the public (IAS 39), by borrower category 2017 SEK m	Loans before provisions	Provisions for probable credit losses	Loans after provisions
Households	882,017	-20	881,997
Public sector, municipal companies	19,682	-	19,682
Housing co-operative associations	177,964	-11	177,953
Other legal entities	142,830	-2	142,828
<b>Total loans to the public, before collective provision</b>	<b>1,222,493</b>	<b>-33</b>	<b>1,222,460</b>
Collective provision		-4	-4
<b>Total loans to the public</b>	<b>1,222,493</b>	<b>-37</b>	<b>1,222,456</b>
<b>of which in operations outside Sweden</b>			
Households	123,172	-3	123,169
Public sector, municipal companies	8,345	-	8,345
Housing co-operative associations	32,141	-	32,141
Other legal entities	7,258	-	7,258
<b>Total loans to the public in operations outside Sweden before collective provision</b>	<b>170,916</b>	<b>-3</b>	<b>170,913</b>
Collective provision		-1	-1
<b>Total loans to the public in operations outside Sweden</b>	<b>170,916</b>	<b>-4</b>	<b>170,912</b>

Change in provision for expected credit losses Loans to the public, IFRS 9 2018 SEK m				
	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-81	-21	-33	-135
Derecognised assets	6	7	7	20
Write-offs	0	0	-6	-6
Remeasurement due to changes in credit risk	6	-16	15	5
Changes due to update in the methodology for estimation	-3	0	-	-3
Foreign exchange effect, etc.	-1	-1	-1	-3
Purchased or originated assets	-10	-5	-1	-16
Transfer to Stage 1	-3	7	-	4
Transfer to Stage 2	18	-37	0	-19
Transfer to Stage 3	14	12	-19	7
<b>Provision at end of year</b>	<b>-54</b>	<b>-54</b>	<b>-38</b>	<b>-146</b>



## NOTE 8 Derivative instruments

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	up to 1 year	over 1 year up to 5 years	over 5 years	2018	2017	2018	2017	2018	2017
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Options	785	4,698	-	5,483	5,812	11	23	-	-
<b>Total</b>	<b>785</b>	<b>4,698</b>	<b>-</b>	<b>5,483</b>	<b>5,812</b>	<b>11</b>	<b>23</b>	<b>-</b>	<b>-</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	50,386	155,805	44,023	250,214	308,673	6,732	6,433	1,020	1,505
Currency-related contracts									
Swaps	26,503	83,272	18,838	128,613	129,623	12,123	10,439	48	2,192
<b>Total</b>	<b>76,889</b>	<b>239,077</b>	<b>62,861</b>	<b>378,827</b>	<b>438,296</b>	<b>18,855</b>	<b>16,872</b>	<b>1,068</b>	<b>3,697</b>
<b>Total derivative instruments</b>	<b>77,674</b>	<b>243,775</b>	<b>62,861</b>	<b>384,310</b>	<b>444,108</b>	<b>18,866</b>	<b>16,895</b>	<b>1,068</b>	<b>3,697</b>
<i>of which OTC derivatives not settled by CCP</i>	<i>77,674</i>	<i>243,775</i>	<i>62,861</i>	<i>384,310</i>	<i>444,108</i>	<i>18,866</i>	<i>16,895</i>	<i>1,068</i>	<i>3,697</i>
<b>Net amount</b>				<b>384,310</b>	<b>444,108</b>	<b>18,866</b>	<b>16,895</b>	<b>1,068</b>	<b>3,697</b>

Currency breakdown of market values	Positive market values		Negative market values	
	2018	2017	2018	2017
SEK	-106,923	-89,416	11,638	32,489
USD	34,090	22,764	638	-18,200
EUR	84,290	83,547	-11,208	-6,759
GBP	7,409	0	0	-3,833
<b>Total</b>	<b>18,866</b>	<b>16,895</b>	<b>1,068</b>	<b>3,697</b>

Derivative contracts are presented gross in the note. Stadshypotek performs all derivative transactions with its parent company Svenska Handelsbanken AB (publ) (502007-7862).

## NOTE 9 Issued securities

SEK m	2018	2017
<b>Issued securities at beginning of year</b>	<b>621,958</b>	<b>612,787</b>
Issued	177,044	145,646
Repurchased	-68,820	-51,300
Matured	-109,793	-76,208
Exchange rate effects, etc.	2,371	-8,967
<b>Issued securities at end of year</b>	<b>622,760</b>	<b>621,958</b>
Accrued interest <sup>1</sup>	4,715	-
<b>Issued securities according to the balance sheet including accrued interest</b>	<b>627,475</b>	<b>621,958</b>

<sup>1</sup> For more information see the changed presentation of accrued interest on page 4.

## NOTE 10 Classification of financial assets and liabilities

2018 IFRS 9	Fair value through profit or loss			Derivatives identified as hedging instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option						
SEK m								
<b>Assets</b>								
Loans to credit institutions						11,735	11,735	11,735
Loans to the public						1,299,766	1,299,766	1,307,308
Assets where the customer bears the value change risk	8						8	8
Derivative instruments			18,866				18,866	18,866
Value change of interest-hedged item in portfolio hedge	33						33	33
Other assets						362	362	362
<b>Total</b>	<b>41</b>	<b>-</b>	<b>18,866</b>	<b>-</b>	<b>-</b>	<b>1,311,863</b>	<b>1,330,770</b>	<b>1,338,312</b>
Non-financial assets						50	50	50
<b>Total assets</b>	<b>41</b>	<b>-</b>	<b>18,866</b>	<b>-</b>	<b>-</b>	<b>1,311,913</b>	<b>1,330,820</b>	<b>1,338,362</b>
<b>Liabilities</b>								
Due to credit institutions						635,846	635,846	630,041
Liabilities where the customer bears the value change risk		8					8	8
Issued securities						627,475	627,475	632,351
Derivative instruments			1,068				1,068	1,068
Other liabilities						7,526	7,526	7,526
<b>Total</b>	<b>-</b>	<b>8</b>	<b>1,068</b>	<b>-</b>	<b>-</b>	<b>1,270,847</b>	<b>1,271,924</b>	<b>1,270,995</b>
Non-financial liabilities						1,027	1,027	1,027
<b>Total liabilities</b>	<b>-</b>	<b>8</b>	<b>1,068</b>	<b>-</b>	<b>-</b>	<b>1,271,874</b>	<b>1,272,950</b>	<b>1,272,021</b>

2017 (IAS 39)	At fair value in the income statement, broken down by					Total carrying amount	Fair value
	Held for trading	Other <sup>1</sup>	Derivatives identified as hedging instruments	Loans and receivables	Other financial liabilities		
SEK m							
<b>Assets</b>							
Loans to credit institutions				12,565		12,565	12,565
Loans to the public				1,222,456		1,222,456	1,227,923
Assets where the customer bears the value change risk		10				10	10
Derivative instruments			16,895			16,895	16,895
Value change of interest-hedged item in portfolio hedge		36				36	36
Other assets				3,143		3,143	3,143
Prepaid expenses and accrued income				1,337		1,337	1,337
<b>Total</b>	<b>-</b>	<b>46</b>	<b>16,895</b>	<b>1,239,501</b>	<b>-</b>	<b>1,256,442</b>	<b>1,261,909</b>
Non-financial assets				9		9	9
<b>Total assets</b>	<b>-</b>	<b>46</b>	<b>16,895</b>	<b>1,239,510</b>	<b>-</b>	<b>1,256,451</b>	<b>1,261,918</b>
<b>Liabilities</b>							
Due to credit institutions					557,742	557,742	562,418
Liabilities where the customer bears the value change risk		10				10	10
Issued securities					621,958	621,958	629,457
Derivative instruments			3,697			3,697	3,697
Other liabilities					12,798	12,798	12,798
Accrued expenses and deferred income					5,627	5,627	5,627
<b>Total</b>	<b>-</b>	<b>10</b>	<b>3,697</b>	<b>-</b>	<b>1,198,125</b>	<b>1,201,832</b>	<b>1,214,007</b>
Non-financial liabilities					551	551	551
<b>Total liabilities</b>	<b>-</b>	<b>10</b>	<b>3,697</b>	<b>-</b>	<b>1,198,676</b>	<b>1,202,383</b>	<b>1,214,558</b>

<sup>1</sup> Classified to be measured at fair value.

A description of the principles applied for measurement at fair value is given in note 1.

## NOTE 11 Fair value measurement of financial instruments

Financial instruments at fair value, IFRS 9 2018 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Value change of interest-hedged item in portfolio hedge			33	33
Assets where the customer bears the value change risk	8			8
Derivative instruments		18,866		18,866
<b>Total financial assets at fair value</b>	<b>8</b>	<b>18,866</b>	<b>33</b>	<b>18,907</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk		8		8
Derivative instruments		1,068		1,068
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>1,076</b>	<b>-</b>	<b>1,076</b>

Financial instruments at fair value (IAS 39) 2017 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Value change of interest-hedged item in portfolio hedge			36	36
Assets where the customer bears the value change risk	10			10
Derivative instruments		16,895		16,895
<b>Total financial assets at fair value</b>	<b>10</b>	<b>16,895</b>	<b>36</b>	<b>16,941</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk		10		10
Derivative instruments		3,697		3,697
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>3,707</b>	<b>-</b>	<b>3,707</b>

The principles applied are described in note 1.

Financial instruments at fair value Change in holdings of financial instruments in level 3 SEK m	2018	2017
<b>Value change of interest-hedged item in portfolio hedge</b>		
Carrying amount at 31 Dec 2017	36	35
Effect of transition to IFRS 9	-	-
<b>Carrying amount at beginning of year</b>	<b>36</b>	<b>35</b>
Acquisitions	8	16
Matured	0	0
<b>Unrealised value change in income statement</b>	<b>-11</b>	<b>-15</b>
<b>Carrying amount at end of year</b>	<b>33</b>	<b>36</b>

Fair value of financial instruments measured at amortised cost, IFRS 9 2018 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Loans to credit institutions	-	11,735	-	11,735
Loans to the public	-	-	1,307,308	1,307,308
Other assets	-	-	362	362
<b>Total</b>	<b>-</b>	<b>11,735</b>	<b>1,307,660</b>	<b>1,319,405</b>
<b>Liabilities</b>				
Due to credit institutions	-	630,041	-	630,041
Issued securities	556,707	75,644	-	632,351
Other liabilities	-	-	7,526	7,526
<b>Total</b>	<b>556,707</b>	<b>705,685</b>	<b>7,526</b>	<b>1,269,919</b>

**Note 11** Fair value measurement of financial instruments, cont.

**Fair value of financial instruments recognised at cost or amortised cost, IAS 39**

2017 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Loans to credit institutions	-	12,565	-	12,565
Loans to the public	-	-	1,227,923	1,227,923
Other assets	-	-	4,480	4,480
<b>Total</b>	<b>-</b>	<b>12,565</b>	<b>1,232,403</b>	<b>1,244,968</b>
<b>Liabilities</b>				
Due to credit institutions	-	562,418	-	562,418
Issued securities	569,011	60,446	-	629,457
Other liabilities	-	-	18,425	18,425
<b>Total</b>	<b>569,011</b>	<b>622,864</b>	<b>18,425</b>	<b>1,210,300</b>

**VALUATION PROCESS**

Stadshypotek's independent risk control is responsible for the existence of fit-for-purpose instructions and processes for the fair value measurement of financial instruments. In general, the valuations are based on externally generated data as far as is possible, considering the circumstances in each case. In the case of model valuation, valuation models that are established in the market are always used. The models and input data which form the basis of the valuations are regularly validated by the independent risk control function to ensure that they are consistent with market practice and established financial theory. New and changed valuation models are always validated before they come into use.

Stadshypotek is also included in the Handelsbanken Group's guidelines and instructions for valuation of financial instruments. Valuation matters which are of principle importance are discussed by the Handelsbanken Group's valuation committee, which includes representatives of both central and local risk control as well as financial functions. The valuation committee ensures that general instructions for valuation of financial instruments are consistently followed throughout the Handelsbanken Group and serve as support for decision-making in valuation and accounting matters.

**PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants. For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information

received can be verified by means of regularly occurring transactions. The current market price is generally the same as the current bid price for financial assets or the current asking price for financial liabilities.

For financial instruments where there is no reliable information about market prices, fair value is established using valuation models. The valuation models used are based on input data which essentially can be verified using market observations such as market rates. If necessary, an adjustment is made for other variables which a market participant would be expected to take into consideration when setting a price.

Stadshypotek's derivative contracts, including interest rate swaps and various types of linear currency derivatives, are valued using valuation models based on listed market rates and other market prices. The valuation of non-linear derivative contracts that are not actively traded is also based on a reasonable assumption of market-based input data such as volatility.

**VALUATION HIERARCHY**

In the tables, financial instruments measured at fair value have been categorised in terms of how the valuations have been carried out and the extent of market data used in the valuation. The categorisation is shown as levels 1–3 in the table. The categorisation is based on the valuation method used on the balance sheet date. Financial instruments which are valued at the current market price are categorised as level 1.

Financial instruments which are valued using valuation models which are substantially based on market data are categorised as level 2.

Level 2 mainly contains interest and currency-related derivatives.

Financial instruments valued using models which to a material extent are based on input data that is not possible to verify using external market information are categorised as level 3.

Level 3 comprises Value change of interest-hedged item in portfolio hedge.

**PRINCIPLES FOR INFORMATION ABOUT THE FAIR VALUES OF FINANCIAL INSTRUMENTS WHICH ARE CARRIED AT COST OR AMORTISED COST**

Information about the fair values of financial instruments which are carried at cost or amortised cost is shown in the above table. These instruments essentially comprise lending and funding.

**Lending**

The valuation of fixed-rate lending is based on the current market rate with an adjustment for an assumed credit and liquidity risk premium on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement.

**Funding and deposits**

Issued securities have been valued at the current market price where this has been available. Funding where market price information has not been found has been valued using a valuation model based on market data in the form of prices or interest rates for similar instruments.

**Other interest-bearing financial assets and liabilities**

For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Short-term receivables and liabilities also include those with a maturity date or date for the next interest rate fixing falling within 30 days. Financial receivables and liabilities with a life of more than three months are discounted at the time the fair value is established.

In the table above, the valuation used for the information about the fair value of financial instruments reported at cost or amortised cost is categorised in the valuation hierarchy described above.

## NOTE 12 Pledged assets and contingent liabilities

SEK m	2018	2017
Assets pledged for own debt <sup>1</sup>	656,155	665,805
<i>of which for covered bonds</i>	651,155	660,805
<i>of which pledged deposits for covered bonds</i>	5,000	5,000
<b>Pledged assets</b>	<b>656,155</b>	<b>665,805</b>

<sup>1</sup> The cover pool comprises loans against mortgages in single-family housing, multi-family dwellings and housing co-operative apartments with a loan-to-value ratio of up to 75% of the market value as well as public credits plus additional collateral in the form of cash funds on a blocked account. A separate specification is kept of the assets and the covered bonds, and also derivatives relating to these. In the event of the company's insolvency, pursuant to the Swedish Right of Priority Act, the holders of Stadshypotek's covered bonds have prior rights to the assets registered as collateral. If, at the time of a bankruptcy decision, the assets in the cover pool fulfil the terms of the Act, these must instead be kept separate from the bankruptcy estate's other assets and liabilities. In this event, the holders of the bonds must receive contractual payments under the terms of the bond for the period until maturity.

Contingent liabilities SEK m	2018	2017
Credit commitments, irrevocable	4	82
<b>Other commitments</b>		
Credit commitments, revocable	2,629	1,533
Repurchase agreements	530	3,578
Future commitments	63	52
<b>Total</b>	<b>3,226</b>	<b>5,245</b>

## NOTE 13 Segment information

Income statement SEK m	Full year 2018			Full year 2017		
	Private	Corporate	Total	Private	Corporate	Total
Net interest income	10,257	3,431	13,688	10,036	3,321	13,357
Net fee and commission income	-20	-6	-26	-19	-7	-26
Net gains/losses on financial transactions	-9	-3	-12	32	10	42
<b>Total income</b>	<b>10,228</b>	<b>3,422</b>	<b>13,650</b>	<b>10,049</b>	<b>3,324</b>	<b>13,373</b>
<b>Expenses</b>	<b>-927</b>	<b>-310</b>	<b>-1,237</b>	<b>-852</b>	<b>-282</b>	<b>-1,134</b>
<b>Profit before credit losses</b>	<b>9,301</b>	<b>3,112</b>	<b>12,413</b>	<b>9,197</b>	<b>3,042</b>	<b>12,239</b>
Net credit losses	-14	2	-12	9	1	10
<b>Operating profit</b>	<b>9,287</b>	<b>3,114</b>	<b>12,401</b>	<b>9,206</b>	<b>3,043</b>	<b>12,249</b>
Loans to the public	932,706	367,060	1,299,766	840,119	382,337	1,222,456

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	Full year 2018		Full year 2017	
	Income	Total assets	Income	Total assets
Sweden	11,892	1,142,079	11,678	1,079,229
Norway	866	87,224	896	79,832
Denmark	475	50,196	422	44,781
Finland	417	51,321	377	52,609
<b>Total</b>	<b>13,650</b>	<b>1,330,820</b>	<b>13,373</b>	<b>1,256,451</b>

## NOTE 14 Related-party transactions

31 December SEK m	2018	2017
<b>BALANCE SHEET</b>		
<b>Group claims</b>		
Loans to credit institutions	11,735	12,565
Derivative instruments	18,866	16,895
Other assets	29	3
Prepaid expenses and accrued income	55	52
<b>Total</b>	<b>30,685</b>	<b>29,515</b>
<b>Group liabilities</b>		
Due to credit institutions	635,846	557,742
Derivative instruments	1,068	3,697
Other liabilities	7,449	10,858
<b>Total</b>	<b>644,363</b>	<b>572,297</b>
<b>INCOME STATEMENT</b>		
Interest income	223	188
Interest expense <sup>1</sup>	-126	397
Fee and commission expense	-4	-6
Other administrative expenses	-1,065	-958
<b>Total</b>	<b>-972</b>	<b>-379</b>

<sup>1</sup> Interest expense includes interest from derivative instruments which may have both a positive and a negative impact on interest expenses.

As of 2018, Stadshypotek presents contractual accrued interest on financial assets and financial liabilities as part of the carrying amount for the asset or liability on the balance sheet. The size of the total balance sheet has not been affected. The presentation of historical comparison figures has not been changed. The contractual accrued interest on financial instruments for previous periods will continue to be presented under the line items Prepaid expenses and accrued income and Accrued expenses and deferred income on the balance sheet. For derivatives, accrued interest was previously reported together with the derivative claim or liability.

The business operations of Stadshypotek are highly decentralised. The basic principle is that the organisation and working practices are centred around the Handelsbanken Group's branch offices, 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 each of the respective countries. Moreover, Stadshypotek's funding needs are managed by Handelsbanken's Treasury department. The services which Handelsbanken performs on behalf of Stadshypotek are regulated in outsourcing agreements 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 sales compensation, IT services and the treasury function. Other inter-company transactions include funding from the parent company, derivative transactions and lending to the parent company.

## NOTE 15 Capital adequacy

The disclosures reported in this section refer to the minimum capital requirements under Pillar 1. On 1 January 2014, the European Capital Requirements Regulation (CRR) came into effect, and on 2 August 2014, the CRD IV Directive was implemented in Sweden. Own funds and capital requirement are calculated in accordance with the new EU regulations. All references to CRD IV in this report refer to the new regulations in their entirety regardless of legislative form (regulation, directive, executive decree or national implementation).

<b>Own funds</b> <b>31 December</b> SEK m	<b>2018</b>	<b>2017</b>
Equity	57,870	54,068
Deduction for profit for the year	-1,628	-1,509
Deduction for puttable financial instruments classified as equity	-21,700	-21,700
Deduction for intangible assets	-42	-6
Price adjustments (fair value)	-1	-1
Adjustment for cash flow hedges	-699	-741
Special deduction for IRB institutions	-413	-418
<b>Common equity tier 1 capital</b>	<b>33,387</b>	<b>29,693</b>
Additional tier 1 capital	-	-
<b>Tier 1 capital</b>	<b>33,387</b>	<b>29,693</b>
Puttable financial instruments classified as equity	21,700	21,700
<b>Tier 2 capital</b>	<b>21,700</b>	<b>21,700</b>
<b>Own funds</b>	<b>55,087</b>	<b>51,393</b>

  

<b>Capital requirement</b> <b>31 December</b> SEK m	<b>2018</b>	<b>2017</b>
Credit risk according to standardised approach	8	14
Credit risk according to IRB Approach	19,516	6,239
Operational risk	1,613	1,484
<b>Total capital requirement</b>	<b>21,137</b>	<b>7,737</b>
Adjustment according to Basel I floor	-	40,730
<b>Capital requirement, Basel I floor <sup>1)</sup></b>	<b>-</b>	<b>48,467</b>
<b>Total own funds, Basel I floor</b>	<b>-</b>	<b>51,812</b>
<b>Total own funds</b>	<b>55,087</b>	<b>51,393</b>
<b>Tier 1 capital</b>	<b>33,387</b>	<b>29,693</b>

<sup>1)</sup>As of 1 January 2018, capital requirements and reporting according to the Basel I floor ceased, as a result of Article 500(1) of the Capital Requirements Regulation (575/2013/EU).

<b>Capital adequacy analysis</b> <b>31 December</b>	<b>2018</b>	<b>2017</b>
Common equity tier 1 ratio, CRD IV	12.6%	30.7%
Tier 1 ratio, CRD IV	12.6%	30.7%
Total capital ratio, CRD IV	20.8%	53.1%
Risk exposure amount CRD IV, SEK m <sup>1</sup>	264,211	96,697
Own funds in relation to capital requirement according to Basel I floor	-	107%
Institution-specific buffer requirements	4.4%	4.2%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.9%	1.7%
Common equity tier 1 capital available for use as a buffer	8.1%	26.2%

<sup>1)</sup>On 31 December 2018, the Swedish Financial Supervisory Authority implemented a risk weight floor of 25 per cent for Swedish mortgage loan exposures.

## Note 15 Capital adequacy, cont.

Credit risks IRB 31 December SEK m	Exposure amount		Average risk weight, %		Capital requirement	
	2018	2017	2018	2017	2018	2017
<b>Sovereign, municipalities and central banks<sup>2</sup></b>	<b>23,196</b>	<b>26,920</b>	<b>7.2</b>	<b>7.8</b>	<b>134</b>	<b>169</b>
<b>Corporate</b>	<b>370,888</b>	<b>337,246</b>	<b>9.3</b>	<b>9.9</b>	<b>2,752</b>	<b>2,683</b>
<i>of which other lending, foundation approach</i>	-	-	-	-	-	-
<i>of which other lending, advanced approach</i>	370,888	337,246	9.3	9.9	2,752	2,683
– Large corporates	627	250	21.8	36.3	11	7
– Medium-sized companies	14,448	12,689	23.2	24.1	269	244
– Property companies	164,648	153,464	15.1	16.3	1,990	2,000
– Housing co-operative associations	191,165	170,843	3.2	3.2	482	432
<b>Retail exposures</b>	<b>902,378</b>	<b>856,150</b>	<b>23</b>	<b>4.9</b>	<b>16,630</b>	<b>3,387</b>
<i>of which risk weight floor for mortgage loans<sup>1</sup></i>	766,766	-	25	-	15,335	-
<i>of which private individuals</i>	895,931	850,021	3.7	4.9	2,678	3,304
<i>of which small companies</i>	6,447	6,129	9.7	17.0	50	83
<b>Total IRB</b>	<b>1,296,462</b>	<b>1,220,316</b>	<b>18.8</b>	<b>6.4</b>	<b>19,516</b>	<b>6,239</b>

<sup>1</sup>The Swedish Financial Supervisory Authority has changed the methodology for the Swedish risk weight floor of 25%. This was previously a requirement under Pillar 2 but as of 31 December 2018, it constitutes a Pillar 1 requirement pursuant to Article 458 of the CRR.

Capital requirement credit risks standardised approach <sup>1</sup> 31 December SEK m	2018			2017		
	Exposure value	Average risk weight, %	Capital requirement	Exposure value	Average risk weight, %	Capital requirement
<b>Sovereign and central banks</b>	-	-	-	-	-	-
Municipalities	-	-	-	-	-	-
Institutions	43,057	0.0	0	41,885	0.0	0
Corporate	2	100.0	0	57	100.0	5
Retail	93	100.0	8	108	100.0	9
Other items	3	100.0	0	2	100.0	0
<b>Total</b>	<b>43,155</b>	<b>0.2</b>	<b>8</b>	<b>42,052</b>	<b>0.3</b>	<b>14</b>

<sup>1</sup>Details of capital requirement for exposure classes where there are exposures.

## Leverage ratio

As of 2015, a disclosure requirement applies under CRD IV regarding a non-risk-based leverage ratio.

No legally binding requirement has yet been decided, but on 23 November 2016, the EU Commission published its proposal that 3% be applied.

31 December SEK m	2018	2017
Balance sheet according to the reporting regulations	1,330,820	1,256,451
Adjustment for differences between the carrying amount and leverage exposure – derivatives	7,106	7,310
Assets recognised off the balance sheet, gross (before adjustment of credit conversion factors)	0	93
Deduction from assets off the balance sheet after applying credit conversion factors	0	-47
Assets reported off the balance sheet, net	4	47
Further adjustments according to CRR, Article 429.4	-1,155	-1,167
Deductions for exposures to Group companies as referred to in CRR Article 429.7	-37,812	-36,843
<b>Assets on which the leverage ratio is calculated</b>	<b>1,298,963</b>	<b>1,225,798</b>
<b>Capital on which the leverage ratio can be calculated</b>		
Tier 1 capital	33,387	29,693
<b>Leverage ratio</b>		
Leverage ratio calculated using tier 1 capital	2.57%	2.42%

## NOTE 16 Material events after balance sheet date

No material events have occurred after the balance sheet date.



# Calculation of key figures

For definitions, see page 25.

Return on equity SEK m	Jul-Dec 2018	Jul-Dec 2017	Full year 2018	Full year 2017
Equity <sup>1</sup>	57,870	54,068	57,870	54,068
Adjustment hedge reserve	-699	-741	-699	-741
Paid Group contribution reversed	5,772	8,034	5,772	8,034
<b>Total adjusted equity</b>	<b>62,943</b>	<b>61,361</b>	<b>62,943</b>	<b>61,361</b>
<b>Adjusted equity average<sup>2</sup></b>	<b>61,377</b>	<b>44,465</b>	<b>60,810</b>	<b>42,384</b>
<b>Profit for the period</b>	<b>4,819</b>	<b>5,036</b>	<b>9,672</b>	<b>9,543</b>
<b>Return on equity</b>	<b>15.7%</b>	<b>22.7%</b>	<b>15.9%</b>	<b>22.5%</b>

<sup>1</sup> As of December 2017, subordinated loans are included in equity. Figures for 2017 have been changed.

<sup>2</sup> An average of the closing balance for the past three and five quarters respectively.

# Submission of report

I hereby submit this report.

Stockholm, 6 February 2019

**Maria Lidström Andersson**  
Chief Executive

The Annual Report for 2018 will be published during the week starting 18 February and will then be available at [www.stadshypotek.se](http://www.stadshypotek.se).

**Next report:** to be published on 17 July 2019

# Definitions

## **ALTERNATIVE PERFORMANCE MEASURES**

Alternative performance measures (APMs) are financial measures of historical and future performance, financial position or cash flow that are defined neither in IFRS nor the Capital Requirements Regulation. Stads-hypotek uses APMs to describe the performance of the operations and to increase comparability between periods. These need not be comparable with similar key figures (performance measures) presented by other companies.

## **Benchmark programmes**

Issues of covered bonds are made in the company's own name and under a joint funding programme. The bonds have fixed or floating coupon yield.

## **C/I ratio**

Total expenses in relation to total income. The C/I ratio is calculated before and after credit losses, including changes in value of repossessed property.

## **Credit loss ratio expressed as a percentage of loans to the public (IFRS 9)**

Credit losses on loans to the public in relation to loans to the public at the beginning of the year.

## **Credit loss ratio (IAS 39)**

Credit losses and changes in value of repossessed property in relation to loans to the public and credit institutions (excluding banks), and also repossessed property and credit guarantees at the beginning of the year.

## **Earnings per share**

Profit for the year attributable to ordinary shareholders divided by the average number of outstanding shares. The dilution effect is taken into account where applicable.

## **Impaired loan (IAS 39)**

Loans are classified as impaired loans if contracted cash flows are not likely to be fulfilled. The full amount of all claims which give rise to a specific provision are included in impaired loans even if parts are covered by collateral.

## **Impaired loans reserve ratio (IAS 39)**

Total provisions in relation to gross impaired loans.

## **Net interest margin**

Net interest income in relation to average total assets.

## **Proportion of impaired loans (IAS 39)**

Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without any deductions being made for the collateral used to secure the loans.

## **Proportion of loans to the public in Stage 3 (IFRS 9)**

Net loans to the public in Stage 3 in relation to gross loans to the public.

## **Reserve ratio Stage 1 loans to the public (IFRS 9)**

Provisions Stage 1 loans to the public in relation to gross loans to the public Stage 1.

## **Reserve ratio Stage 2 loans to the public (IFRS 9)**

Provisions Stage 2 loans to the public in relation to gross loans to the public Stage 2.

## **Reserve ratio Stage 3 loans to the public (IFRS 9)**

Provisions Stage 3 loans to the public in relation to gross loans to the public Stage 3.

## **Return on equity**

Profit for the year in relation to average equity adjusted for rights issues, dividends and changes in the value of derivatives in cash flow hedges.

## **Return on total assets**

Net profit in relation to average total assets.

## **Total reserve ratio loans to the public (IFRS 9)**

Total provision loans to the public in relation to gross loans to the public.

# Definitions, cont.

## KEY FIGURES DEFINED IN THE CAPITAL REQUIREMENTS REGULATION

### Additional tier 1 capital

Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

### Capital requirement

The statutory capital requirement means that an institution which is subject to CRR must have a common equity tier 1 ratio of at least 4.5 per cent, a tier 1 ratio of at least 6 per cent and a total capital ratio of at least 8 per cent. This means that own funds for the respective ratio must be at least the stated percentage of the risk exposure amount. For definitions of the respective own funds amounts, see Common equity tier 1 capital, Tier 1 capital and Total capital. In addition to the general requirements, the supervisory authority may add institution-specific requirements in accordance with Pillar 2 of the regulation.

### Common equity tier 1 capital

Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill, and other intangible assets as well as the difference between an expected loss and provisions made for probable credit losses.

### Common equity tier 1 capital available for use as a buffer

The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal capital requirements.

### Common equity tier 1 ratio

Common equity tier 1 capital in relation to risk-weighted assets.

### Credit conversion factor

The factor that is used when calculating the exposure amount for committed loan offers, guarantees and other off-balance-sheet commitments.

### Exposure amount

Exposure amount (Exposure at default) is the amount which is subject to capital adequacy requirements. It is calculated inclusive of interest and fees. Amounts for off-balance-sheet items are recalculated with the credit conversion factor (CCF). For derivatives, the exposure amount is calculated as positive MTM (mark-to-market) plus value change risk, i.e. the nominal amount multiplied by the upward adjustment factor.

### Exposure value

Exposure value is the same as exposure amount. The concept of exposure value is used in the standardised approach for credit risk.

### Leverage ratio

Tier 1 capital in relation to total assets, including certain off-balance-sheet items recalculated with conversion factors defined in the standardised approach and regulatory adjustments from own funds.

### Own funds

Own funds are the sum of tier 1 and tier 2 capital.

### Risk exposure amount

Capital requirement as stipulated by CRR multiplied by 12.5. The risk exposure amount is used in connection with market risks and operational risks.

### Risk weight

A measure to describe the level of risk an exposure is expected to have according to the capital adequacy regulations.

### Risk-weighted assets

Total risk exposure amounts on which the statutory capital requirement is based.

### Tier 1 capital

Common equity tier 1 capital including additional tier 1 capital.

### Tier 1 ratio

Tier 1 capital in relation to risk-weighted assets.

### Tier 2 capital

Tier 2 capital is a sub-component of own funds and includes subordinated loans and puttable financial instruments classified as equity which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in tier 2 capital.

### Total capital ratio

Total own funds for capital adequacy purposes in relation to risk-weighted assets.

# Facts about the company

**Registered name:** Stadshypotek AB (publ)  
**Corporate identity number:** 556459-6715  
**Date of registration:** 23 December 1992  
**Registered office:** Stockholm

**Share capital:** SEK 4,050,000,000, registered on 22 December 1997.

The lowest and highest permissible share capital according to the Articles of Association is SEK 2,000,000,000 and SEK 8,000,000,000 respectively.

**Number of shares:** 162,000 shares with a quotient value of SEK 25,000 per share.

**Number of votes per share:** Each share carries one vote.

**Convertible debt, etc.:** The company has not issued any debt instruments which can be converted into or exchanged for shares or which entail the right to subscribe to new shares.

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

The Bank publishes consolidated annual accounts in which Stadshypotek AB is included.

## ADDRESSES

### 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

### Handelsbanken Kredit

**Office address:** Havneholmen 29

**Postal address:** DK-1561 Copenhagen V, Denmark

**Tel:** +45 (0)46 79 12 00

### Stadshypotek AB (publ), branch operations in Finland

**Office address:** Östersjögatan 11–13

**Postal address:** FI-00180 Helsinki, Finland

**Tel:** +358 (0)10 444 11

### Handelsbanken Eiendomskreditt

**Office address:** Tjuvholmen Allé 11

**Postal address:** Postboks 1342 Vika

NO-0113 Oslo, Norway

**Tel:** +47 (0)22 39 70 00

