

# 2010

## Interim report January–March



# Stadshypotek's interim report

January–March 2010

## **SUMMARY**

- Operating profit was SEK 1,373 million (1,421) in the first quarter of 2010, compared with SEK 1,341 million in the fourth quarter of 2009.
- Recoveries exceeded loan losses for the period.
- Lending increased by SEK 13 billion (13) during the first quarter to SEK 698 billion.

# Stadshypotek's interim report January–March 2010

## FINANCIAL PERFORMANCE

### Q1 2010 compared with Q1 2009

Stadshypotek's operating profit was SEK 1,373 million (1,421), a decrease of SEK 48 million compared with the corresponding period of the previous year. Net interest income was SEK 1,432 million (1,493), of which SEK 119 million (112) was attributable to the branch in Norway. The decrease in operating profit was thus partly due to the net interest income being SEK 61 million lower than the corresponding period in the previous year. Net gains/losses on financial operations were SEK -13 million (-18).

Expenses were SEK 54 million (53). Recoveries exceeded new loan losses and the net amount recovered was SEK 12 million (5), which corresponds to a loan loss ratio of -0.01 percent (0.00). After deduction of the provision for probable loan losses, the volume of impaired loans was SEK 111 million (194). SEK 44 million (64) of the impaired loans were non-performing loans, while SEK 67 million (130) were loans on which the borrowers pay interest and amortisation, but which are nevertheless considered impaired. In addition, there were non-performing loans of SEK 512 million (773) that are not assessed as being impaired loans. After deductions for specific provisions totalling SEK -48 million (-69) and provisions by group of SEK -7 million (-14) for probable loan losses, impaired loans totalled SEK 56 million (111).

### Q1 2010 compared with Q4 2009

Stadshypotek's operating profit for the first quarter of 2010 went up by SEK 32 million to SEK 1,373 million (1,341). Net interest income was SEK 1,432 million (1,414), of which SEK 119 million (130) was attributable to the branch in Norway. The average margin on the private market in Sweden was unchanged compared with the fourth quarter of 2009 at 0.65 percent. Net gains/losses on financial operations were SEK -13 million (-12).

## GROWTH IN LENDING

Loans to the public increased during the first quarter by SEK 13 billion to SEK 698 billion (685). Compared with 31 March 2009, the increase in lending volume was SEK 70 billion. Stadshypotek's share of the private market in Sweden was approximately 25 percent and its share of the corporate market in Sweden was approximately 30 percent.

## CAPITAL RATIO

The capital ratio according to Basel II was 42.3 percent (37.7) while the Tier 1 ratio calculated according to Basel II was 30.8 percent (26.2). Further information concerning capital adequacy is provided in the 'Capital base and Capital requirement' section.

## RATING

Stadshypotek's rating remained unchanged, 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+

## ACCOUNTING POLICIES

The accounts comply with the IASB accounting standards adopted by the EU. The regulations of the Annual Accounts Act for Credit Institutions and Securities Companies and the directives issued by the Swedish Financial Supervisory Authority are also applied. The accounting policies are unchanged compared to the latest annual report.



Stockholm, 28 April 2010  
Lars Kahnlund  
Chief executive

# Stadshypotek Group

Income statement SEK m		Q1 2010	Q4 2009	Change %	Jan-Mar 2010	Jan-Mar 2009	Change %	Full year 2009
Interest income		4,684	4,800	-2	4,684	6,582	-29	21,944
Interest expense		-3,252	-3,386	-4	-3,252	-5,089	-36	-15,877
<b>Net interest income</b>	<b>Note 1</b>	<b>1,432</b>	<b>1,414</b>	<b>1</b>	<b>1,432</b>	<b>1,493</b>	<b>-4</b>	<b>6,067</b>
<b>Net gains/losses on financial operations</b>	<b>Note 2</b>	<b>-13</b>	<b>-12</b>	<b>8</b>	<b>-13</b>	<b>-18</b>	<b>-28</b>	<b>-101</b>
Fee and commission income		3	2	50	3	3	0	10
Fee and commission expense		-7	-8	-13	-7	-9	-22	-34
<b>Net fee and commission income</b>		<b>-4</b>	<b>-6</b>	<b>-33</b>	<b>-4</b>	<b>-6</b>	<b>-33</b>	<b>-24</b>
<b>Total income</b>		<b>1,415</b>	<b>1,396</b>	<b>1</b>	<b>1,415</b>	<b>1,469</b>	<b>-4</b>	<b>5,942</b>
Staff costs		-11	-11	0	-11	-10	10	-41
Other administrative expenses	Note 3	-42	-45	-7	-42	-42	0	-166
Depreciation and amortisation		-1	-2	-50	-1	-1	0	-5
<b>Total expense</b>		<b>-54</b>	<b>-58</b>	<b>-7</b>	<b>-54</b>	<b>-53</b>	<b>2</b>	<b>-212</b>
<b>Profit before loan losses</b>		<b>1,361</b>	<b>1,338</b>	<b>2</b>	<b>1,361</b>	<b>1,416</b>	<b>-4</b>	<b>5,730</b>
Net loan losses	Note 4	12	3	-	12	5	-	31
<b>Operating profit</b>		<b>1,373</b>	<b>1,341</b>	<b>2</b>	<b>1,373</b>	<b>1,421</b>	<b>-3</b>	<b>5,761</b>
Tax		-360	-355	1	-360	-377	-5	-1,521
<b>Profit for the period</b>		<b>1,013</b>	<b>986</b>	<b>3</b>	<b>1,013</b>	<b>1,044</b>	<b>-3</b>	<b>4,240</b>
Net earnings per share, SEK		6,255	6,089		6,255	6,447		26,176

Consolidated statement of comprehensive income SEK m		Q1 2010	Q4 2009	Change %	Jan-Mar 2010	Jan-Mar 2009	Change %	Full year 2009
Profit for the period		1,013	986	3	1,013	1,044	-3	4,240
Translation differences for the period		-11	10	-	-11	8	-	14
<b>Total comprehensive income for the period</b>		<b>1,002</b>	<b>996</b>	<b>1</b>	<b>1,002</b>	<b>1,052</b>	<b>-5</b>	<b>4,254</b>

Quarterly earnings performance SEK m		Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Interest income		4,684	4,800	5,076	5,486	6,582
Interest expense		-3,252	-3,386	-3,508	-3,894	-5,089
<b>Net interest income</b>		<b>1,432</b>	<b>1,414</b>	<b>1,568</b>	<b>1,592</b>	<b>1,493</b>
<b>Net gains/losses on financial operations</b>		<b>-13</b>	<b>-12</b>	<b>-120</b>	<b>49</b>	<b>-18</b>
Net fee and commission income		-4	-6	-6	-6	-6
<b>Total income</b>		<b>1,415</b>	<b>1,396</b>	<b>1,442</b>	<b>1,635</b>	<b>1,469</b>
Staff costs		-11	-11	-10	-10	-10
Other administrative expenses		-42	-45	-37	-42	-42
Depreciation and amortisation		-1	-2	-1	-1	-1
<b>Total expense</b>		<b>-54</b>	<b>-58</b>	<b>-48</b>	<b>-53</b>	<b>-53</b>
<b>Profit before loan losses</b>		<b>1,361</b>	<b>1,338</b>	<b>1,394</b>	<b>1,582</b>	<b>1,416</b>
Loan losses		12	3	6	17	5
<b>Operating profit</b>		<b>1,373</b>	<b>1,341</b>	<b>1,400</b>	<b>1,599</b>	<b>1,421</b>

Balance sheet – Group SEK m	31 Mar 2010	31 Mar 2009	31 Dec 2009
<b>Assets</b>			
Loans to credit institutions	10,383	11,275	10,578
Loans to the public	Note 5 698,363	628,698	684,920
Value change of interest hedged item in portfolio hedge	4,044	442	2,979
Derivative instruments	Note 6 20,279	14,211	17,416
Other assets	6,967	3,671	6,897
<b>Total assets</b>	<b>740,036</b>	<b>658,297</b>	<b>722,790</b>
<b>Liabilities and equity</b>			
Due to credit institutions	217,004	194,290	212,983
Issued securities	473,570	419,688	458,535
Derivative instruments	Note 6 6,002	4,978	3,433
Other liabilities and provisions	11,966	9,471	17,347
Subordinated loans	8,800	8,800	8,800
<b>Total liabilities</b>	<b>717,342</b>	<b>637,227</b>	<b>701,098</b>
Shareholder's equity	22,694	21,070	21,692
<b>Total liabilities and equity</b>	<b>740,036</b>	<b>658,297</b>	<b>722,790</b>

Statement of changes in equity SEK m	Share capital	Translation reserve	Retained profits	Total
<b>Opening equity 2010</b>	<b>4,050</b>	<b>10</b>	<b>17,632</b>	<b>21,692</b>
Total comprehensive income for the period		-11	1,013	1,002
<b>Equity March 2010</b>	<b>4,050</b>	<b>-1</b>	<b>18,645</b>	<b>22,694</b>
<b>Opening equity 2009</b>	<b>4,050</b>	<b>-4</b>	<b>15,972</b>	<b>20,018</b>
Total comprehensive income for the period		8	1,044	1,052
<b>Equity March 2009</b>	<b>4,050</b>	<b>4</b>	<b>17,016</b>	<b>21,070</b>

Cash flow statement SEK m	Jan–Mar 2010	Jan–Mar 2009	Full year 2009
Cash flow from operating activities	3,397	-12,173	2,491
Cash flow from investing activities	0	0	0
Cash flow from financing activities	-3,500	11,968	-3,480
<b>Cash flow for the period</b>	<b>-103</b>	<b>-205</b>	<b>-989</b>
Liquid funds at beginning of period	490	1,439	1,439
Cash flow for the period	-103	-205	-989
Exchange rate difference on liquid funds	-4	41	40
<b>Liquid funds at end of period</b>	<b>383</b>	<b>1,275</b>	<b>490</b>

Key figures	Jan-Mar 2010	Jan-Mar 2009	Full year 2009
Net interest margin, %	0.78	0.91	0.88
C/l ratio before loan losses, %	3.8	3.6	3.6
C/l ratio after loan losses, %	3.0	3.3	3.0
Return on equity, %	16.4	18.1	18.3
Capital ratio according to Basel II, %	42.3	37.7	39.9
Tier 1 ratio according to Basel II, %	30.8	26.2	28.4

#### 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 91bn
Repurchased	SEK 20bn
Matured	SEK 42bn

Segment information Jan-Mar SEK m	2010			2009		
	Private	Corporate	Total	Private	Corporate	Total
Net interest income	993	439	1 432	1 049	444	1 493
Net gains/losses on financial operations	-9	-4	-13	-13	-5	-18
Net fee and commission income	-3	-1	-4	-4	-2	-6
<b>Total income</b>	<b>981</b>	<b>434</b>	<b>1 415</b>	<b>1 032</b>	<b>437</b>	<b>1 469</b>
Administrative expenses	-38	-16	-54	-38	-15	-53
<b>Profit before loan losses</b>	<b>943</b>	<b>418</b>	<b>1 361</b>	<b>994</b>	<b>422</b>	<b>1 416</b>
Loan losses	11	1	12	1	4	5
<b>Operating profit</b>	<b>954</b>	<b>419</b>	<b>1 373</b>	<b>995</b>	<b>426</b>	<b>1 421</b>
Loans to the public	483 323	215 040	698 363	441 171	187 541	628 712

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

# Parent company

Income statement SEK m		Q1 2010	Q4 2009	Change %	Jan-Mar 2010	Jan-Mar 2009	Change %	Full year 2009
Interest income		4,684	4,800	-2	4,684	6,582	-29	21,944
Interest expense		-3,252	-3,386	-4	-3,252	-5,089	-36	-15,877
<b>Net interest income</b>	<b>Note 1</b>	<b>1,432</b>	<b>1,414</b>	<b>1</b>	<b>1,432</b>	<b>1,493</b>	<b>-4</b>	<b>6,067</b>
<b>Net gains/losses on financial operations</b>	<b>Note 2</b>	<b>-13</b>	<b>-12</b>	<b>8</b>	<b>-13</b>	<b>-18</b>	<b>-28</b>	<b>-101</b>
Fee and commission income		3	2	50	3	3	0	10
Fee and commission expense		-7	-8	-13	-7	-9	-22	-34
<b>Net fee and commission income</b>		<b>-4</b>	<b>-6</b>	<b>-33</b>	<b>-4</b>	<b>-6</b>	<b>-33</b>	<b>-24</b>
<b>Total income</b>		<b>1,415</b>	<b>1,396</b>	<b>1</b>	<b>1,415</b>	<b>1,469</b>	<b>-4</b>	<b>5,942</b>
Staff costs		-11	-11	0	-11	-10	10	-41
Other administrative expenses	Note 3	-42	-45	-7	-42	-42	0	-166
Depreciation and amortisation		-1	-2	-50	-1	-1	0	-5
<b>Total expense</b>		<b>-54</b>	<b>-58</b>	<b>-7</b>	<b>-54</b>	<b>-53</b>	<b>2</b>	<b>-212</b>
<b>Profit before loan losses</b>		<b>1,361</b>	<b>1,338</b>	<b>2</b>	<b>1,361</b>	<b>1,416</b>	<b>-4</b>	<b>5,730</b>
Net loan losses	Note 4	12	3	-	12	5	-	31
<b>Operating profit</b>		<b>1,373</b>	<b>1,341</b>	<b>2</b>	<b>1,373</b>	<b>1,421</b>	<b>-3</b>	<b>5,761</b>
Appropriations		-	48	-	-	-	-	48
<b>Profit before tax</b>		<b>1,373</b>	<b>1,389</b>	<b>2</b>	<b>1,373</b>	<b>1,421</b>	<b>-3</b>	<b>5,809</b>
Tax		-360	-367	-2	-360	-377	-5	-1,533
<b>Profit for the period</b>		<b>1,013</b>	<b>1,022</b>	<b>-1</b>	<b>1,013</b>	<b>1,044</b>	<b>-3</b>	<b>4,276</b>

Balance sheet SEK m		31 Mar 2010	31 Mar 2009	31 Dec 2009
<b>Assets</b>				
Loans to credit institutions		10,383	11,275	10,578
Loans to the public	Note 5	698,363	628,698	684,920
Value change of interest hedged item in portfolio hedge		4,044	442	2,979
Derivative instruments	Note 6	20,279	14,211	17,416
Other assets		6,967	3,671	6,897
<b>Total assets</b>		<b>740,036</b>	<b>658,297</b>	<b>722,790</b>
<b>Liabilities and equity</b>				
Due to credit institutions		217,004	220,723	212,983
Issued securities		473,570	393,254	458,535
Derivative instruments	Note 6	6,002	4,978	3,433
Other liabilities and provisions		11,966	9,459	17,347
Subordinated loans		8,800	8,800	8,800
<b>Total liabilities</b>		<b>717,342</b>	<b>637,214</b>	<b>701,098</b>
<b>Untaxed reserves</b>		<b>-</b>	<b>48</b>	<b>-</b>
Shareholder's equity		22,694	21,035	21,692
<b>Total liabilities and equity</b>		<b>740,036</b>	<b>658,297</b>	<b>722,790</b>

# Notes

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

## NOTE 1 Net interest income

SEK m	Q1 2010	Q4 2009	Change %	Jan–Mar 2010	Jan–Mar 2009	Change %	Full year 2009
<b>Interest income</b>							
Loans to the public	4,643	4,754	-2	4,643	6,464	-28	21,677
Loans to credit institutions	41	46	-11	41	118	-65	267
<b>Total interest income</b>	<b>4,684</b>	<b>4,800</b>	<b>-2</b>	<b>4,684</b>	<b>6,582</b>	<b>-29</b>	<b>21,944</b>
<b>Interest expense</b>							
Due to credit institutions	-624	-604	3	-624	-956	-35	-3,460
Issued securities	-3,637	-3,873	-6	-3,637	-4,040	-10	-15,388
Subordinated loans	-11	-12	-8	-11	-54	-80	-112
Other	1,020	1,103	-8	1,020	-39	-	3,083
<b>Total</b>	<b>-3,252</b>	<b>-3,386</b>	<b>-4</b>	<b>-3,252</b>	<b>-5,089</b>	<b>-36</b>	<b>-15,877</b>
<b>Net interest income</b>	<b>1,432</b>	<b>1,414</b>	<b>1</b>	<b>1,432</b>	<b>1,493</b>	<b>-4</b>	<b>6,067</b>

In the parent company, interest expenses for liabilities to credit institutions were SEK -606 million in Q4 2009, SEK -1,490 million in Q1 2009 and SEK -3,657 million for the whole of 2009. In Q1 2010, interest expenses for liabilities to credit institutions were the same in the parent company as in the Group.

## NOTE 2 Net gains/losses on financial operations

SEK m	Q1 2010	Q4 2009	Change %	Jan–Mar 2010	Jan–Mar 2009	Change %	Full year 2009
Hedge accounting, fair value hedges	-13	-13	0	-13	-2	-	-130
<i>of which hedged item</i>	<i>-1,069</i>	<i>-26</i>	<i>-</i>	<i>-1,069</i>	<i>-1,376</i>	<i>-22</i>	<i>-640</i>
<i>of which hedging</i>	<i>1,056</i>	<i>13</i>	<i>-</i>	<i>1,056</i>	<i>1,374</i>	<i>-23</i>	<i>510</i>
Loan receivables, valued at cost	83	126	-34	83	109	-24	513
Financial liabilities, valued at cost	-75	-73	3	-75	-162	-54	-394
Derivative instrument not recognised as hedges	-8	-52	-85	-8	37	-	-90
<b>Total</b>	<b>-13</b>	<b>-12</b>	<b>8</b>	<b>-13</b>	<b>-18</b>	<b>-28</b>	<b>-101</b>

## NOTE 3 Other administrative expenses

SEK m	Q1 2010	Q4 2009	Change %	Jan–Mar 2010	Jan–Mar 2009	Change %	Full year 2009
IT costs	-21	-25	-16	-21	-22	-5	-87
Cost of premises	-1	-1	0	-1	-1	0	-4
Purchased services	-17	-17	0	-17	-15	13	-62
Other administrative expenses	-3	-2	50	-3	-4	-25	-13
<b>Total</b>	<b>-42</b>	<b>-45</b>	<b>-7</b>	<b>-42</b>	<b>-42</b>	<b>0</b>	<b>-166</b>



**NOTE 4** Loan losses

SEK m	Q1 2010	Q4 2009	Change %	Jan–Mar 2010	Jan–Mar 2009	Change %	Full year 2009
<b>Specific provision for individually assessed loan receivables</b>							
Provision for the period	0	-11	-	0	-3	-	-14
Writeback of previous provisions	0	1	-	0	5	-	17
<b>Total</b>	<b>0</b>	<b>-10</b>	<b>-</b>	<b>0</b>	<b>2</b>	<b>-</b>	<b>3</b>
<b>Collective provision</b>							
Provision by group for individually assessed loan receivables	4	0	-	4	-1	-	1
<b>Write-offs</b>							
Actual loan losses for the period	-7	-10	-30	-7	-7	0	-36
Utilised share of previous provisions	5	4	25	5	3	67	17
Writeback of actual loan losses in previous years	10	19	-47	10	8	25	46
<b>Total</b>	<b>8</b>	<b>13</b>	<b>-38</b>	<b>8</b>	<b>4</b>	<b>-</b>	<b>27</b>
<b>Net loan losses</b>	<b>12</b>	<b>3</b>	<b>-</b>	<b>12</b>	<b>5</b>	<b>-</b>	<b>31</b>

**Impaired loans**

SEK m	31 Mar 2010	31 Mar 2009	31 Dec 2009
Impaired loans	111	194	116
Specific provision for individually assessed loan receivables	-48	-69	-55
Provision by group for individually assessed loan receivables	-7	-14	-11
<b>Net impaired loans</b>	<b>56</b>	<b>111</b>	<b>50</b>
Level of impaired loans, %	0,01	0,02	0,01
Reserve ratio for impaired loans, %	43,4	35,6	47,3
Loan loss ratio, %	-0,01	0,00	0,00
Non-performing loans which are not impaired loans	512	773	591

**NOTE 5** Loans to the public

Loans to the public, by sector 31 Mar						
SEK m	2010			2009		
	Loans before provisions	Provisions for probable loan losses	Loans after provisions	Loans before provisions	Provisions for probable loan losses	Loans after provisions
Households	505,604	-13	505,591	460,017	-17	460,000
Public sector, municipal companies	16,974	-	16,974	9,534	-	9,534
Housing co-operative associations	93,634	-15	93,619	92,114	-22	92,092
Other legal entities	82,206	-20	82,186	67,116	-30	67,086
<b>Total loans to the public, before collective provisions</b>	<b>698,418</b>	<b>-48</b>	<b>698,370</b>	<b>628,781</b>	<b>-69</b>	<b>628,712</b>
Collective provision		-7	-7		-14	-14
<b>Total loans to the public</b>	<b>698,418</b>	<b>-55</b>	<b>698,363</b>	<b>628,781</b>	<b>-83</b>	<b>628,698</b>
<b>of which in the Norwegian operations</b>						
Households	38,895	-	38,895	37,660	-	37,660
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	6,079	-	6,079	6,037	-	6,037
Other legal entities	3,398	-	3,398	3,510	-	3,510
<b>Total loans to the public in the Norwegian operations</b>	<b>48,372</b>	<b>-</b>	<b>48,372</b>	<b>47,207</b>	<b>-</b>	<b>47,207</b>

  

Loans to the public, by type of property 31 Mar						
SEK m	2010			2009		
	Loans before provisions	Provisions for probable loan losses	Loans after provisions	Loans before provisions	Provisions for probable loan losses	Loans after provisions
Single-family housing	373,430	-5	373,425	345,265	-12	345,253
Housing co-operative apartments	105,661	-1	105,660	91,658	-1	91,657
Owner-occupied apartments*	4,238	-	4,238	4,261	-	4,261
<b>Private market</b>	<b>483,329</b>	<b>-6</b>	<b>483,323</b>	<b>441,184</b>	<b>-13</b>	<b>441,171</b>
Multi-family housing	178,865	-32	178,833	164,944	-46	164,898
Offices and commercial buildings	36,225	-10	36,215	22,653	-10	22,643
<b>Corporate market</b>	<b>215,089</b>	<b>-42</b>	<b>215,047</b>	<b>187,597</b>	<b>-56</b>	<b>187,541</b>
<b>Total loans to the public, before collective provisions</b>	<b>698,418</b>	<b>-48</b>	<b>698,370</b>	<b>628,781</b>	<b>-69</b>	<b>628,712</b>
Collective provision		-7	-7		-14	-14
<b>Total loans to the public</b>	<b>698,418</b>	<b>-55</b>	<b>698,363</b>	<b>628,781</b>	<b>-83</b>	<b>628,698</b>
<b>of which in the Norwegian operations</b>						
Single-family housing	34,639	-	34,639	33,332	-	33,332
Housing co-operative apartments	17	-	17	67	-	67
Owner-occupied apartments*	4,238	-	4,238	4,261	-	4,261
<b>Private market</b>	<b>38,894</b>	<b>-</b>	<b>38,894</b>	<b>37,660</b>	<b>-</b>	<b>37,660</b>
Multi-family housing	8,775	-	8,775	8,799	-	8,799
Offices and commercial buildings	703	-	703	748	-	748
<b>Corporate market</b>	<b>9,478</b>	<b>-</b>	<b>9,478</b>	<b>9,547</b>	<b>-</b>	<b>9,547</b>
<b>Total loans to the public in the Norwegian operations</b>	<b>48,372</b>	<b>-</b>	<b>48,372</b>	<b>47,207</b>	<b>-</b>	<b>47,207</b>

\* Owner-occupied apartments entail individual ownership of a specific apartment in a multi-family dwelling and a share in an association for joint management of the property.

**NOTE 5** Loans to the public, cont.

<b>Non-performing loans by borrower category</b> 31 Mar				
SEK m	2010		2009	
	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans
Households	486	27	596	30
Public sector, municipal companies	-	-	-	-
Housing co-operative associations	1	2	52	2
Other legal entities	25	15	125	32
<b>Total</b>	<b>512</b>	<b>44</b>	<b>773</b>	<b>64</b>
<b>of which in the Norwegian operations</b>				
Households	57	-	27	-
Public sector, municipal companies	-	-	-	-
Housing co-operative associations	0	-	26	-
Other legal entities	-	-	50	-
<b>Total non-performing loans in the Norwegian operations</b>	<b>57</b>	<b>-</b>	<b>103</b>	<b>-</b>

<b>Non-performing loans by type of property</b> 31 Mar				
SEK m	2010		2009	
	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans
Single-family housing	417	10	499	31
Housing co-operative apartments	60	2	112	2
Owner-occupied apartments*	10	-	-	-
<b>Private market</b>	<b>487</b>	<b>12</b>	<b>611</b>	<b>33</b>
Multi-family housing	18	25	105	24
Offices and commercial buildings	7	7	57	7
<b>Corporate market</b>	<b>25</b>	<b>32</b>	<b>162</b>	<b>31</b>
<b>Total</b>	<b>512</b>	<b>44</b>	<b>773</b>	<b>64</b>
<b>of which in the Norwegian operations</b>				
Single-family housing	45	-	43	-
Housing co-operative apartments	2	-	-	-
Owner-occupied apartments*	10	-	-	-
<b>Private market</b>	<b>57</b>	<b>-</b>	<b>43</b>	<b>-</b>
Multi-family housing	0	-	26	-
Offices and commercial buildings	-	-	34	-
<b>Corporate market</b>	<b>0</b>	<b>-</b>	<b>60</b>	<b>-</b>
<b>Total non-performing loans in the Norwegian operations</b>	<b>57</b>	<b>-</b>	<b>103</b>	<b>-</b>

\*For a definition see page 8.

**NOTE 5** Loans to the public, cont.

Impaired loans by borrower category 31 Mar	2010			2009		
	Impaired loans	Provision for probable losses	Net impaired loans	Impaired loans	Provision for probable losses	Net impaired loans
SEK m						
Households	36	-13	23	41	-17	24
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	41	-15	26	72	-22	50
Other legal entities	34	-20	14	81	-30	51
<b>Total</b>	<b>111</b>	<b>-48</b>	<b>63</b>	<b>194</b>	<b>-69</b>	<b>125</b>

Impaired loans by type of property 31 Mar	2010			2009		
	Impaired loans	Provision for probable losses	Net impaired loans	Impaired loans	Provision for probable losses	Net impaired loans
SEK m						
Single-family housing	14	-5	9	36	-12	24
Housing co-operative apartments	2	-1	1	2	-1	1
Owner-occupied apartments*	-	-	-	-	-	-
<b>Private market</b>	<b>16</b>	<b>-6</b>	<b>10</b>	<b>38</b>	<b>-13</b>	<b>25</b>
Multi-family housing	68	-32	36	132	-46	86
Offices and commercial buildings	27	-10	17	24	-10	14
<b>Corporate market</b>	<b>95</b>	<b>-42</b>	<b>53</b>	<b>156</b>	<b>-56</b>	<b>100</b>
<b>Total</b>	<b>111</b>	<b>-48</b>	<b>63</b>	<b>194</b>	<b>-69</b>	<b>125</b>

\*For a definition see page 8.

Impaired loans relate in their entirety to the Swedish operations. The reserved amount for probable losses in the tables showing non-performing loans and impaired loans consists of a specific provision for individually assessed receivables.

**NOTE 6** Derivative instruments

SEK m	Fair value 31 Mar 2010	Fair value 31 Mar 2009	Fair value 31 Dec 2009
<b>Positive values</b>			
Interest-rate related instruments	19,745	8,787	14,340
Currency-related instruments	534	5,424	3,076
<b>Total</b>	<b>20,279</b>	<b>14,211</b>	<b>17,416</b>
<b>Negative values</b>			
Interest-rate related instruments	2,079	2,749	2,089
Currency-related instruments	3,923	2,229	1,344
<b>Total</b>	<b>6,002</b>	<b>4,978</b>	<b>3,433</b>
<b>Net</b>	<b>14,277</b>	<b>9,233</b>	<b>13,983</b>

Stadshypotek mainly uses interest rate swaps and caps as hedge instruments for protection against changes in value due to changes in market interest rates. Hedge accounting is applied for these hedges in accordance with the company's accounting policies. Interest rate swaps and currency futures are also used as hedges for fair value changes without hedge accounting being applied.

# Related-party transactions

Group claims/Group liabilities SEK m	Group			Parent company		
	31 Mar 2010	31 Mar 2009	31 Dec 2009	31 Mar 2010	31 Mar 2009	31 Dec 2009
<b>BALANCE SHEET</b>						
<b>Group claims</b>						
Loans to credit institutions	10,381	11,257	10,551	10,381	11,257	10,551
Derivative instruments	20,259	14,128	17,277	20,259	14,128	17,277
Other assets	2,476	122	1,681	2,476	122	1,681
<b>Total</b>	<b>33,116</b>	<b>25,507</b>	<b>29,509</b>	<b>33,116</b>	<b>25,507</b>	<b>29,509</b>
<b>Group liabilities</b>						
Due to credit institutions	204,676	179,737	204,036	204,676	206,170	204,036
Derivative instruments	5,098	4,348	3,317	5,098	4,348	3,317
Other liabilities	1,640	928	3,680	1,640	928	3,680
Subordinated loans	8,800	8,800	8,800	8,800	8,800	8,800
<b>Total</b>	<b>220,214</b>	<b>193,813</b>	<b>219,833</b>	<b>220,214</b>	<b>220,246</b>	<b>219,833</b>
<b>INCOME STATEMENT</b>						
Interest income	42	117	267	42	117	267
Interest expense	-654	-1,356	-3,537	-654	-1,482	-3,734
Fee and commission expense	-4	-6	-19	-4	-6	-19
Other administrative expenses	-36	-35	-141	-36	-35	-141
<b>Total</b>	<b>-652</b>	<b>-1,280</b>	<b>-3,430</b>	<b>-652</b>	<b>-1,406</b>	<b>-3,627</b>

Inter-company transactions are reported under the above headings in the balance sheet and income statement, either between the companies in the Stadshypotek Group or between these and other companies in the Handelsbanken Group.

# Disclosures

## 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 2009 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 4 and 5 of this report. As at 31 March 2010, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -140 million (-212).

## 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 0.56 percentage point effect on the Tier 1 ratio as at 31 March 2010.

This transaction affects only capital adequacy in accordance with the transitional rules.

# Capital base and capital requirement

Capital base SEK m	31 Mar 2010	31 Mar 2009	31 Dec 2009
Tier 1 capital <sup>1</sup>	21,631	19,923	
Tier 1 capital <sup>2</sup>	22,644	20,967	21,633
Ter 2 capital	8,064	8,698	8,756
<b>Capital base<sup>1</sup></b>	<b>29,695</b>	<b>28,621</b>	
<b>Capital base<sup>2</sup></b>	<b>30,708</b>	<b>29,665</b>	<b>30,389</b>

<sup>1</sup> Excluding profits generated during the period since the interim report has not been examined by the auditors.

<sup>2</sup> Including profits generated during the period.

Capital requirement SEK m	31 Mar 2010	31 Mar 2009	31 Dec 2009
Credit risk according to standardised approach	16	17	21
Credit risk according to IRB approach	5,000	5,529	5,543
Operational risk	595	533	533
<b>Total capital requirement according to Basel II</b>	<b>5,611</b>	<b>6,079</b>	<b>6,097</b>
Adjustment according to transitional rules	19,167	16,398	17,594
<b>Capital requirement according to Basel II, transitional rules</b>	<b>24,778</b>	<b>22,477</b>	<b>23,691</b>
Risk-weighted assets according to Basel I	388,269	354,399	371,552
Capital requirement according to Basel I (8% of risk-weighted assets)	31,062	28,352	29,724
Risk-weighted assets in accordance with transitional rules	309,728	280,957	296,142
Transitional rules result in lowest permitted capital requirement	24,778	22,477	23,691
Risk-weighted assets according to Basel II (capital requirement/8%)	70,138	75,988	76,213

Capital adequacy analysis	31 Mar 2010	31 Mar 2009	31 Dec 2009
Capital requirement in Basel II compared with Basel I	18%	21%	21%
Capital requirement in Basel II compared with transitional rules	23%	27%	26%
Capital ratio according to Basel II <sup>1</sup>	42.3%	37.7%	
Capital ratio according to Basel I <sup>1</sup>	7.7%	8.1%	
Capital ratio according to transitional rules <sup>1</sup>	9.6%	10.2%	
Capital ratio according to Basel II <sup>2</sup>	43.8%	39.0%	39.9%
Capital ratio according to Basel I <sup>2</sup>	7.9%	8.4%	8.2%
Capital ratio according to transitional rules <sup>2</sup>	9.9%	10.6%	10.3%
Tier 1 ratio according to Basel II <sup>1</sup>	30.8%	26.2%	
Tier 1 ratio according to Basel I <sup>1</sup>	5.6%	5.7%	
Tier 1 ratio according to transitional rules <sup>1</sup>	7.0%	7.1%	
Tier 1 ratio according to Basel II <sup>2</sup>	32.3%	27.6%	28.4%
Tier 1 ratio according to Basel I <sup>2</sup>	5.8%	5.9%	5.8%
Tier 1 ratio according to transitional rules <sup>2</sup>	7.3%	7.5%	7.3%
Capital base in relation to capital requirement Basel II <sup>2</sup>	547%	488%	498%
Capital base in relation to capital requirement Basel I <sup>2</sup>	99%	105%	103%
Capital base in relation to capital requirement according to transitional rules <sup>2</sup>	124%	132%	128%

The figures reported in this section refer to the minimum capital requirements under Pillar 1 of the new capital adequacy rules in Basel II. In the table, "According to Basel II" means that the figures are based on the minimum capital requirements after the transitional rules have ceased to apply. In December 2009, the Swedish Financial Supervisory Authority decided that the transitional rules would apply for a further two years, that is until the end of 2011. Handelsbanken has decided to implement the advanced IRB method for corporate exposures and this also applies for Stadshypotek. Handelsbanken is planning to start using this method during 2010.

Credit risks 31 March 2010  SEK m	Standardised approach	IRB approach		Capital requirement
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	
Institutions	5	-	-	-
Companies	-	190,607	20.9%	3,183
Households	10	487,081	4.7%	1,817
Others	1	-	-	-
<b>Total</b>	<b>16</b>	<b>677,688</b>	<b>9.2%</b>	<b>5,000</b>

Credit risks 31 March 2009  SEK m	Standardised approach	IRB approach		Capital requirement
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	
Institutions	5	-	-	-
Companies	-	171,632	24.7%	3,394
Households	11	441,000	6.1%	2,135
Others	1	-	-	-
<b>Total</b>	<b>17</b>	<b>612,632</b>	<b>11.3%</b>	<b>5,529</b>

The capital requirement according to Basel II is 82% (79) lower than the requirement in accordance with Basel I. Households represent some 80% (83) of the reduction and companies approximately 20% (17). A large proportion of credits to households with property as collateral are the main reason for the lower capital requirement.

# 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 annual accounts in which Stadshypotek AB is included.

**Next interim report:** will be published on 20 July 2010.

## ADDRESS

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