

Interim report
January–June



Stadshypotek's interim report

January–June 2012

SUMMARY JANUARY – JUNE 2012 COMPARED WITH JANUARY – JUNE 2011

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

SUMMARY OF Q2 2012 COMPARED WITH Q1 2012

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

Stadshypotek's interim report January–June 2012

FINANCIAL PERFORMANCE

January – June 2012 compared with January – June 2011

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

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

Q2 2012 compared with Q1 2012

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

GROWTH IN LENDING

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

CAPITAL ADEQUACY

The capital ratio according to Basel II was 60.4 per cent (60.7) while the Tier 1 ratio calculated according to Basel II was 44.0 per cent (41.4). Further information on capital adequacy is provided in the 'Capital base and capital requirement' section on page 15.

RATING

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

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

Stadshypotek Group

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

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

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

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

| Statement of changes in equity – Group Jan–Jun 2012 SEK m | Share capital* | Translation reserve | Retained earnings | Total |
|---|-------------------|------------------------|----------------------|--------------|
| Equity at 31 December 2011 | 4,050 | -44 | 21,361 | 25,367 |
| Profit for the period | | | 2,852 | 2,852 |
| Other comprehensive income | | 1 | | 1 |
| Total comprehensive income for the period | | 1 | 2,852 | 2,853 |
| Equity 30 June 2012 | 4,050 | -43 | 24,213 | 28,220 |

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

| Statement of changes in equity – Group Jan–Jun 2011 SEK m | Share capital* | Translation reserve | Retained earnings | Total |
|---|-------------------|------------------------|----------------------|--------------|
| Equity 31 December 2010 | 4,050 | -37 | 20,418 | 24,431 |
| Profit for the period | | | 2,065 | 2,065 |
| Other comprehensive income | | 20 | | 20 |
| Total comprehensive income for the period | | 20 | 2,065 | 2,085 |
| Equity 30 June 2011 | 4,050 | -17 | 22,483 | 26,516 |

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

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

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

* The comparative figure for the full year 2011 has been adjusted with effect from Q1 2012 following the rectification of a calculation error.

TURNOVER OF OWN DEBT INSTRUMENTS

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

Turnover during the period was as follows:

| | |
|---------------|-----------------------|
| Issued (sold) | SEK 142 billion (104) |
| Repurchased | SEK 30 billion (21) |
| Matured | SEK 78 billion (46) |

| Segment information SEK m | Jan–Jun 2012 | | | Jan–Jun 2011 | | | Full year 2011 | | |
|---|-----------------|--------------|--------------|-----------------|------------|--------------|-------------------|--------------|--------------|
| | Private | Corporate | Group | Private | Corporate | Group | Private | Corporate | Group |
| Net interest income | 2,885 | 1,052 | 3,937 | 2,097 | 824 | 2,921 | 4,607 | 1,637 | 6,244 |
| Net gains/losses on financial items at fair value | 55 | 20 | 75 | 1 | 0 | 1 | 14 | 5 | 19 |
| Net fee and commission income | -3 | -1 | -4 | -5 | -1 | -6 | -9 | -3 | -12 |
| Total income | 2,937 | 1,071 | 4,008 | 2,093 | 823 | 2,916 | 4,612 | 1,639 | 6,251 |
| Expenses | -97 | -35 | -132 | -88 | -36 | -124 | -202 | -67 | -269 |
| Profit before loan losses | 2,840 | 1,036 | 3,876 | 2,005 | 787 | 2,792 | 4,410 | 1,572 | 5,982 |
| Loan losses | -6 | 6 | 0 | 17 | 4 | 21 | 9 | 3 | 12 |
| Operating profit | 2,834 | 1,042 | 3,876 | 2,022 | 791 | 2,813 | 4,419 | 1,575 | 5,994 |
| Loans to the public | 589,023 | 267,718 | 856,741 | 546,741 | 248,616 | 795,357 | 581,665 | 262,270 | 843,935 |

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

| Geographical breakdown of business segments SEK m | Jan–Jun 2012 | | Jan–Jun 2011 | | Full year 2011 | |
|--|-----------------|----------------|-----------------|----------------|-------------------|----------------|
| | Income | Total assets | Income | Total assets | Income | Total assets |
| Sweden | 3,569 | 791,218 | 2,710 | 762,553 | 5,685 | 786,604 |
| Norway | 280 | 58,168 | 174 | 51,988 | 397 | 54,466 |
| Denmark | 51 | 11,707 | 32 | 8,356 | 89 | 10,005 |
| Finland | 108 | 29,849 | 0 | 614 | 80 | 28,952 |
| Group | 4,008 | 890,942 | 2,916 | 823,511 | 6,251 | 880,027 |

Parent company

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

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

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

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

Notes

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

NOTE 1 Accounting policies

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

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

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

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

NOTE 2 Risk and capital management

RISK

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

At 30 June 2012, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -197 million (-242), which was well within the limit set by the board.

CAPITAL-RELATED MATTERS

At the start of the transition to Basel II, Stadshypotek entered into a guarantee facility relating to mortgages for housing co-operative properties to speed up the transition. In June 2008, Stadshypotek utilised the guarantee, which had a 0.11 percentage point effect on the Tier 1 ratio as at 30 June 2012. This transaction affects only capital adequacy in accordance with the transitional rules.

NOTE 3 Net interest income

| SEK m | Q2 2012 | Q2 2011 | Change % | Q1 2012 | Change % | Jan-Jun 2012 | Jan-Jun 2011 | Change % | Full year 2011 |
|---------------------------------------|---------------|---------------|-------------|---------------|-------------|-----------------|-----------------|-------------|-------------------|
| Interest income | | | | | | | | | |
| Loans to the public | 8,029 | 7,157 | 12 | 8,322 | -4 | 16,351 | 13,620 | 20 | 29,516 |
| Loans to credit institutions | 84 | 90 | -7 | 86 | -2 | 170 | 175 | -3 | 353 |
| Total | 8,113 | 7,247 | 12 | 8,408 | -4 | 16,521 | 13,795 | 20 | 29,869 |
| Interest expense | | | | | | | | | |
| Due to credit institutions | -1,721 | -1,825 | -6 | -1,888 | -9 | -3,609 | -3,384 | 7 | -7,381 |
| Issued securities | -4,270 | -3,981 | 7 | -4,324 | -1 | -8,594 | -7,774 | 11 | -16,260 |
| Subordinated liabilities | -185 | -54 | - | -199 | -7 | -384 | -97 | - | -333 |
| Derivative instruments* | 99 | 150 | -34 | 15 | - | 114 | 483 | -76 | 572 |
| Fee to the Swedish Stabilisation Fund | -53 | -49 | 8 | -50 | 6 | -103 | -91 | 13 | -202 |
| Other | -4 | -5 | -20 | -4 | 0 | -8 | -11 | -27 | -21 |
| Total | -6,134 | -5,764 | 6 | -6,450 | -5 | -12,584 | -10,874 | 16 | -23,625 |
| Net interest income | 1,979 | 1,483 | 33 | 1,958 | 1 | 3,937 | 2,921 | 35 | 6,244 |

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

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

| SEK m | Q2 2012 | Q2 2011 | Change % | Q1 2012 | Change % | Jan-Jun 2012 | Jan-Jun 2011 | Change % | Full year 2011 |
|---------------------------------------|------------|------------|-------------|------------|-------------|-----------------|-----------------|-------------|-------------------|
| Hedge accounting, fair value hedges | 12 | -79 | - | 10 | 20 | 22 | -84 | - | -69 |
| <i>of which hedged items</i> | -821 | -1,536 | -46 | 1,186 | - | 365 | 1,000 | -64 | -3,604 |
| <i>of which hedging instruments</i> | 833 | 1,457 | -42 | -1,176 | - | -343 | -1,084 | -68 | 3,535 |
| Loans, valued at cost | 66 | 38 | 74 | 52 | 27 | 118 | 71 | 66 | 174 |
| Financial liabilities, valued at cost | -54 | 8 | - | -30 | 80 | -84 | -18 | - | -41 |
| Derivatives not recognised as hedges | -5 | 3 | - | 24 | - | 19 | 32 | -41 | -45 |
| Total | 19 | -30 | - | 56 | -66 | 75 | 1 | - | 19 |

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

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

NOTE 5 Other administrative expenses

| SEK m | Q2 2012 | Q2 2011 | Change % | Q1 2012 | Change % | Jan-Jun 2012 | Jan-Jun 2011 | Change % | Full year 2011 |
|-------------------------------|------------|------------|-------------|------------|-------------|-----------------|-----------------|-------------|-------------------|
| IT costs | -27 | -23 | 17 | -24 | 13 | -51 | -45 | 13 | -94 |
| Cost of premises | -1 | -1 | 0 | -1 | 0 | -2 | -2 | 0 | -4 |
| Purchased services | -19 | -21 | -10 | -23 | -17 | -42 | -41 | 2 | -86 |
| Other administrative expenses | -4 | -3 | 33 | -3 | 33 | -7 | -6 | 17 | -24 |
| Total | -51 | -48 | 6 | -51 | 0 | -102 | -94 | 9 | -208 |

NOTE 6 Loan losses

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

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

NOTE 7 Loans to the public

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

NOTE 7 Loans to the public, cont.

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

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

At the Norwegian branch, a lending volume has been reclassified from owner-occupied apartments to housing co-operative apartments. The comparative figures have been changed and the impact on these is SEK 4 243 million as at 30 June 2011.

NOTE 7 Loans to the public, cont.

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

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

* For a definition, see page 10.

NOTE 7 Loans to the public, cont.

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

* For a definition, see page 10.

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

NOTE 8 Derivative instruments

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

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

Related-party transactions

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

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

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

Capital base and capital requirement

| Capital base SEK m | 30 Jun 2012 | 31 Dec 2011 | 30 Jun 2011 |
|-----------------------|----------------|----------------|----------------|
| Tier 1 capital | 31,160 | 28,319 | 26,473 |
| Tier 2 capital | 11,576 | 12,289 | 12,300 |
| Capital base | 42,736 | 40,608 | 38,773 |

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

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

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

Stadshypotek has applied the advanced IRB approach for retail exposures (households and small companies) since 2007. Since 31 December 2010, the advanced IRB approach has been applied for medium-sized companies, housing co-operative associations and property companies. For the remaining credit risk exposures, the capital requirement is measured using the Basel II standardised regulations.

Capital base and capital requirement, cont.

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

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

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

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

Stockholm, 16 July 2012

Håkan Sandberg
Chairman

Yonnie Bergqvist

Olle Lindstrand

Tommy Mossinger

Camilla Persson
Employee Representative

Per Beckman
Chief Executive

Auditor's review

TO THE BOARD OF STADSHYPOTEK AB

CORPORATE IDENTITY NUMBER: 556459-6715

Introduction

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

Focus and scope of the review

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

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

Conclusion

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

Stockholm, 17 July 2012

KPMG AB

Stefan Holmström, *Authorised Public Accountant*

Facts about the company

Registered name: Stadshypotek AB (publ).

Corporate identity number: 556459-6715.

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

The Bank publishes consolidated accounts in which Stadshypotek is included.

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

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