

Interim report

January-June

2013

Stadshypotek's interim report

JANUARY - JUNE 2013

INCOME totalled SEK 4,733 million (4,008).

OPERATING PROFIT increased by SEK 209 million to SEK 4,085 million (3,876).

NET LOAN LOSSES totalled SEK 4 million (0).

PROFIT AFTER TAX amounted to SEK 3,186 million (2,852).

LOANS TO THE PUBLIC increased by around 8 per cent, or SEK 68 billion, compared to the end of the corresponding period in the previous year, and stood at SEK 925 billion (857).

Stadshypotek's interim report January–June 2013

JANUARY – JUNE 2013 COMPARED WITH JANUARY – JUNE 2012

Stadshypotek's operating profit increased by SEK 209 million to SEK 4,085 million (3,876). Net interest income grew by SEK 702 million to SEK 4,639 million (3,937). The increase in lending volume and improved margins, resulting from the company's good position in the funding market, both contributed to the growth in net interest income. SEK 460 million (280) of the net interest income was attributable to the branch in Norway, SEK 157 million (107) to the branch in Finland and SEK 75 million (51) to the branch in Denmark. The increase in net interest income at the Norwegian branch was mainly due to higher margins. Excluding the branches, net interest income increased by SEK 448 million. Net gains/losses on financial transactions were SEK 97 million (75).

Expenses rose by SEK 512 million to SEK 644 million (132). The increase was almost entirely due to sales compensation to the parent company. Stadshypotek's branches outside Sweden already make payments to Handelsbanken's branches in the respective countries for services rendered by them on behalf of Stadshypotek. As of 1 January 2013, the parent company is also compensated for the services performed by the branch office operations on behalf of Stadshypotek in relation to the sale and administration of mortgage loans in Sweden.

Net loan losses amounted to SEK -4 million (0). Before deduction of the provision for probable loan losses, the volume of impaired loans was SEK 233 million (98). Of this amount, non-performing loans accounted for SEK 141 million (62), while SEK 92 million (36) related to loans on which the borrowers pay interest and amortisation, but which are nevertheless considered impaired. There were also non-performing loans of SEK 1,013 million (995) that are not classed as being impaired loans. After deductions for specific provisions totalling SEK -43 million (-40) and collective provisions of SEK -4 million (-6) for probable loan losses, impaired loans totalled SEK 186 million (52).

GROWTH IN LENDING

Loans to the public increased by around 8 per cent, or SEK 68 billion, compared to the end of the corresponding period in the previous year, and stood at SEK 925 billion (857). On 1 September 2012, Stadshypotek's branch in Finland acquired a mortgage loan portfolio of around EUR 0.5 billion from the parent company's branch in Finland, which corresponds to approximately SEK 4 billion of the increase in lending compared to at the end of the corresponding period in the previous year. In Sweden, loans to the public increased by around 7 per cent, or SEK 51 billion, compared to the end of the corresponding period in the previous year, and stood at SEK 810 billion (759). Lending to the private market in Sweden increased by around 5 per cent, or SEK 24 billion, to SEK 532 billion (508).

FUNDING

Issues of covered bonds from Stadshypotek's benchmark series totalled SEK 95.0 billion (90.0). Issues of covered bonds under the EMTCN programme totalled the equivalent of approximately EUR 3.6 billion (3.9), and under the American programme, an issue of USD 1.25 billion was carried out. Stadshypotek has continued to be an active player in the Norwegian market, with issues during the period totalling NOK 4 billion.

CAPITAL ADEQUACY

The capital ratio according to Basel II was 59.5 per cent (60.4) while the tier 1 ratio calculated according to Basel II was 44.5 per cent (44.0). Further information on capital adequacy is provided in the 'Capital base and capital requirement' section on page 20.

RATING

Stadshypotek's rating was unchanged during the period.

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		Jan–Jun 2013	Jan–Jun 2012	Change %	Full year 2012
Interest income		14,597	16,521	-12	32,163
Interest expense		-9,958	-12,584	-21	-24,111
Net interest income	Note 3	4,639	3,937	18	8,052
Fee and commission income		7	7	0	14
Fee and commission expense		-10	-11	-9	-21
Net fee and commission income		-3	-4	-25	-7
Net gains/losses on financial transactions	Note 4	97	75	29	150
Total income		4,733	4,008	18	8,195
Staff costs		-38	-24	58	-49
Other administrative expenses	Note 5	-600	-102	-	-227
Depreciation and amortisation		-6	-6	0	-12
Total expense		-644	-132	-	-288
Profit before loan losses		4,089	3,876	5	7,907
Net loan losses	Note 6	-4	0	-	-21
Operating profit		4,085	3,876	5	7,886
Tax		-899	-1,024	-12	-2,085
Profit for the period		3,186	2,852	12	5,801
Net earnings per share, before and after dilution, SEK		19,668	17,608		35,811
Statement of comprehensive income – Group					
SEK m		Jan–Jun 2013	Jan–Jun 2012	Change %	Full year 2012
Profit for the period		3,186	2,852	12	5,801
Items that can be reclassified into profit or loss					
Cash flow hedges		-918			
Translation differences for the period		-49	1	-	-10
Taxes on items that can be reclassified into profit or loss:					
– cash flow hedges		202			
Total comprehensive income for the period		2,421	2,853	-15	5,791

Half-year performance – Group

SEK m	Jan-Jun 2013	Jul-Dec 2012	Jan-Jun 2012	Jul-Dec 2011	Jan-Jun 2011
Interest income	14,597	15,642	16,521	16,074	13,795
Interest expense	-9,958	-11,527	-12,584	-12,751	-10,874
Net interest income	4,639	4,115	3,937	3,323	2,921
Net fee and commission income	-3	-3	-4	-6	-6
Net gains/losses on financial transactions	97	75	75	18	1
Total income	4,733	4,187	4,008	3,335	2,916
Staff costs	-38	-25	-24	-25	-24
Other administrative expenses	-600	-125	-102	-114	-94
Depreciation and amortisation	-6	-6	-6	-6	-6
Total expense	-644	-156	-132	-145	-124
Profit before loan losses	4,089	4,031	3,876	3,190	2,792
Net loan losses	-4	-21	0	-9	21
Operating profit	4,085	4,010	3,876	3,181	2,813

Summary balance sheet

– Group

SEK m		30 Jun 2013	31 Dec 2012	30 Jun 2012
Assets				
Loans to credit institutions		7,354	5,758	6,756
Loans to the public	Note 7	924,891	891,200	856,735
Value change of interest-hedged item in portfolio hedge		2,396	5,271	5,042
Derivative instruments	Note 8	14,878	20,708	18,291
Other assets		12,992	3,024	4,118
Total assets		962,511	925,961	890,942
Liabilities and equity				
Due to credit institutions		309,078	286,294	267,369
Issued securities		587,557	565,865	556,993
Derivative instruments	Note 8	10,682	11,988	9,048
Other liabilities and provisions		10,133	19,174	12,612
Subordinated liabilities		16,700	16,700	16,700
Total liabilities		934,150	900,021	862,722
Equity		28,361	25,940	28,220
Total liabilities and equity		962,511	925,961	890,942

Statement of changes in equity

– Group

Jan–Jun 2013 SEK m	Share capital*	Hedge reserve	Translation reserve	Retained earnings	Total
Equity at 31 December 2012	4,050		-54	21,944	25,940
Profit for the period				3,186	3,186
Other comprehensive income		-716	-49		-765
Total comprehensive income for the period		-716	-49	3,186	2,421
Equity at 30 June 2013	4,050	-716	-103	25,130	28,361

Jan–Dec 2012 SEK m	Share capital*	Hedge reserve	Translation reserve	Retained earnings	Total
Equity at 31 December 2011	4,050		-44	21,361	25,367
Profit for the year				5,801	5,801
Other comprehensive income			-10		-10
Total comprehensive income for the year			-10	5,801	5,791
Group contributions provided				-7,080	-7,080
Tax effect on group contributions				1,862	1,862
Equity at 31 December 2012	4,050		-54	21,944	25,940

Jan–Jun 2012 SEK m	Share capital*	Hedge reserve	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 at 30 June 2012	4,050		-43	24,213	28,220

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

Summary cash flow statement – Group

SEK m	Jan–Jun 2013	Jan–Jun 2012	Full year 2012
Cash flow from operating activities	8,771	2,139	4,991
Cash flow from investing activities	-6	-6	-3,923
Cash flow from financing activities	-7,080	-4,700	-4,700
Cash flow for the period	1,685	-2,567	-3,632
Liquid funds at beginning of year	686	4,319	4,319
Cash flow for the period	1,685	-2,567	-3,632
Exchange rate difference on liquid funds	-17	4	-1
Liquid funds at end of period	2,354	1,756	686
<i>Liquid funds consist of funds available with banks and equivalent institutions, excluding funds in blocked account</i>			
Liquid funds with banks and equivalent institutions	2,354	1,756	686
Funds in blocked account with banks relating to issuance of covered bonds	5,000	5,000	5,072
Loans to credit institutions	7,354	6,756	5,758

Key figures

	Jan–Jun 2013	Jan–Jun 2012	Full year 2012
Net interest margin, %	0.98	0.89	0.89
C/I ratio before loan losses, %	13.6	3.3	3.5
C/I ratio after loan losses, %	13.7	3.3	3.8
Return on equity, %	20.7	19.7	19.6
Capital ratio according to Basel II, %	59.5	60.4	56.9
Tier 1 ratio according to Basel II, %	44.5	44.0	40.6

Turnover of own debt instruments

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

Turnover during the period was as follows:

Issued (sold)	SEK 119 billion (142)
Repurchased	SEK 53 billion (30)
Matured	SEK 32 billion (78)

Segment information

SEK m	Jan-Jun 2013			Jan-Jun 2012			Full year 2012		
	Private	Corporate	Group	Private	Corporate	Group	Private	Corporate	Group
Net interest income	3,325	1,314	4,639	2,885	1,052	3,937	5,883	2,169	8,052
Net fee and commission income	-2	-1	-3	-3	-1	-4	-5	-2	-7
Net gains/losses on financial transactions	68	29	97	55	20	75	108	42	150
Total income	3,391	1,342	4,733	2,937	1,071	4,008	5,986	2,209	8,195
Expenses	-453	-191	-644	-97	-35	-132	-210	-78	-288
Profit before loan losses	2,938	1,151	4,089	2,840	1,036	3,876	5,776	2,131	7,907
Loan losses	-8	4	-4	-6	6	0	-29	8	-21
Operating profit	2,930	1,155	4,085	2,834	1,042	3,876	5,747	2,139	7,886
Loans to the public	623,062	301,833	924,895	589,023	267,718	856,741	607,018	284,186	891,204

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 2013		Jan-Jun 2012		Full year 2012	
	Income	Total assets	Income	Total assets	Income	Total assets
Sweden	4,037	845,498	3,569	791,218	7,167	817,203
Norway	461	63,095	280	58,168	650	60,124
Denmark	75	16,021	51	11,707	115	13,812
Finland	160	37,897	108	29,849	263	34,822
Group	4,733	962,511	4,008	890,942	8,195	925,961

Income statement – Parent company

SEK m		Jan–Jun 2013	Jan–Jun 2012	Change %	Full year 2012
Interest income		14,597	16,521	-12	32,163
Interest expense		-9,958	-12,584	-21	-24,111
Net interest income	Note 3	4,639	3,937	18	8,052
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Statement of comprehensive income – Parent company

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Summary balance sheet

– Parent company

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Other liabilities and provisions		10,133	19,174	12,612
Subordinated liabilities		16,700	16,700	16,700
Total liabilities		934,150	900,021	862,722
Equity		28,361	25,940	28,220
Total liabilities and equity		962,511	925,961	890,942
Memorandum items				
Assets pledged for own debt*		630,616	612,301	596,739
Other pledged assets		None	None	None
Contingent liabilities		None	None	None
Undertakings		2,395	2,648	3,222

* 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, and 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. For both the Group and the parent company, the contents of the interim report also comply with the applicable provisions of the Swedish Act on Annual Reports in Credit Institutions and Securities Companies, the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25 on annual reports in credit institutions and securities companies and recommendations from the Swedish Financial Reporting Board.

IFRS 13 Fair Value Measurement came into effect for application in the EU on 1 January 2013. The standard deals with common principles for fair value measurement of most of the assets and liabilities at fair value in the accounts, or for which information about fair value must be provided. IFRS 13 clarifies some of the principles for fair value measurement which were previously applied in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The application of IFRS 13 has not

affected the values reported for financial instruments to any significant degree. However, the new standard contains more extensive requirements for disclosures of fair value measurement, in particular for fair values in level 3 of the valuation hierarchy. Stadshypotek does not, however, have any financial assets or liabilities recognised at fair value in the report in the level 3 category.

The revised IAS 1 Presentation of financial statements, which came into effect for application in the EU on 1 January 2013, has affected Stadshypotek's presentation of Other comprehensive income. Items that may be restated in the profit for the period are separated from items that are not restated in the profit for the period.

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

Stadshypotek already uses use fair value hedges to protect the Group against undesira-

ble impact on profit/loss resulting from exposure to changes in the market prices of reported assets or liabilities. As of 2013, cash flow hedges are used to hedge against the currency risk in future cash flows relating to fixed-rate funding in foreign currencies and against variations in cash flows relating to changes in variable rates on lending. The hedging instruments consist of interest rate swaps and cross-currency swaps. If the swap's value change is effective – in other words, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the swap's value change are recognised in the income statement under Net gains/losses on financial transactions.

In all other respects, the interim report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2012.

NOTE 2 Other information

RISKS AND UNCERTAINTY FACTORS

Economic developments continue to be characterised by the debt crisis in the eurozone and a weak global business cycle. As long as the imbalances prevail in the global economy with many indebted countries, the unstable situation risks causing turbulence on the financial markets. A future neutralisation of the highly expansive monetary policy in the US may also create further volatility on the financial markets.

Turbulence on the financial markets affects the financial sector's opportunities to access mainly long-term funding.

Stadshypotek does not have any sovereign or other exposures to the "PIIGS" countries, but may be affected indirectly if the European debt crisis were to worsen significantly. As part of the Handelsbanken Group, Stadshypotek has a strong liquidity situation and has continually had full access to the capital markets.

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. At 30 June 2013, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -158 million

(-197), which was well within the limit set by the board.

Credit risk is the risk that an individual borrower cannot fulfil his or her commitments. Market risk is the risk of price changes in the financial markets. The market risks affecting Stadshypotek are interest rate risk and exchange rate risk. Liquidity risk is the risk that Stadshypotek will not be able to meet its payment obligations when they fall due. Operational risk is the risk of processing errors in procedures and systems, and business risk is the risk of unexpected changes in financial performance. Credit risk is the most significant risk for Stadshypotek. The Stadshypotek board establishes policies which describe 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 the board.

Stadshypotek's lending operations and treasury function are integrated with those of Handelsbanken, which means that Stadshypotek's

lending is carried out via the Bank's branch network. An outsourcing agreement regulates the overall relationship between the parties and specifies 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 centred around the principle of delegating responsibility to the employees who make business decisions. The person who is most familiar with the customer and the market conditions is also the best person to assess the risk. In Handelsbanken's decentralised organisation, the positive and negative outcomes of each branch are evaluated, which provides a natural risk limitation and caution in 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 limits are set for large loans and these loans are assessed by a special credit organisation. Decisions on limits are made at the branch, regional or central level, depending on the size of the credit limit. Procedures also exist to limit market risk and liquidity risk at Stadshypotek. Here, the company's

NOTE 2 Other information, cont.

board establishes limits. However, the limits set by the board of Stadshypotek may not exceed the limits for market risks and liquidity risks assigned by Handelsbanken to Stadshypotek. 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 carries out daily measurements 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 Central Risk Control. In addition, limit utilisation is reported regularly to the chief executive and board of Stadshypotek as well as to the Group Chief Executive, CFO and Board of Handelsbanken.

Stadshypotek is also covered by Central Risk Control at Handelsbanken, which is designed to identify the Handelsbanken Group's risks, gauge them, and ensure that management of these risks complies with the Group's low risk tolerance. Central Risk Control is responsible for the independent reporting of risks for the banking group of which Stadshypotek is a part. Central 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 loan losses, non-performing loans and impaired loans can be found in notes 6 and 7 of this interim report.

PREPAREDNESS FOR LIQUIDITY CRISIS

Stadshypotek has a contingency plan for managing a liquidity shortage, and this plan also describes the company's liquidity-creating measures. An agreement has been drawn up between Stadshypotek and Handelsbanken stating that the parent company is responsible for ensuring that Stadshypotek's liquidity requirements can be met at all times.

Stadshypotek's liquidity situation is regularly stress-tested. The stress tests focus on the short-term effects in the case of certain assumptions which are relevant to the operations, for example disruptions in the market for covered bonds. The central risk control function at Handelsbanken 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 uniform manner when the need for capital is assessed.

CAPITAL-RELATED MATTERS

In connection with 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. The transaction affected the Tier 1 capital ratio according to the transitional rules by 0.11 percentage points at 30 June 2012. The guarantee facility was completed in Q3 2012.

MATERIAL EVENTS AFTER BALANCE SHEET DATE

There have been no material events after the balance sheet date.

NOTE 3 Net interest income

SEK m	Jan–Jun 2013	Jan–Jun 2012	Change %	Full year 2012
Interest income				
Loans to the public	14,445	16,351	-12	31,822
Loans to credit institutions	152	170	-11	341
Total	14,597	16,521	-12	32,163
Interest expense				
Due to credit institutions	-2,297	-3,609	-36	-6,524
Issued securities	-7,946	-8,594	-8	-17,168
Subordinated liabilities	-282	-384	-	-720
Derivative instruments*	666	114	-	529
Fee to the Swedish Stabilisation Fund	-99	-103	-4	-216
Other	0	-8	-	-12
Total	-9,958	-12,584	-21	-24,111
Net interest income	4,639	3,937	18	8,052

* 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 transactions

SEK m	Jan-Jun 2013	Jan-Jun 2012	Change %	Full year 2012
Hedge accounting	25	22	14	67
<i>of which fair value hedges</i>	24	22	9	67
<i>of which cash flow hedge ineffectiveness</i>	1			
Loans, valued at cost	131	118	11	267
Financial liabilities, valued at cost	-132	-84	57	-188
Derivatives not recognised as hedges	72	19	-	-43
Other	1	-	-	47
Total	97	75	29	150

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	Jan-Jun 2013	Jan-Jun 2012	Change %	Full year 2012
Cost of premises	-3	-2	50	-4
IT costs	-51	-51	0	-104
Communication	0	0	0	-1
Travel and marketing	-2	-1	-	-2
Purchased services	-539	-42	-	-100
Supplies	0	0	0	0
Other expenses	-5	-6	-17	-16
Total	-600	-102	-	-227

NOTE 6 Loan losses

SEK m	Jan-Jun 2013	Jan-Jun 2012	Change %	Full year 2012
Specific provision for individually assessed loans				
Provision for the period	-11	-11	0	-28
Reversal of previous provisions	4	3	33	3
Total	-7	-8	-13	-25
Collective provision				
Collective provision for individually assessed loans	0	0	0	2
Write-offs				
Actual loan losses for the period	-32	-26	23	-56
Utilised share of previous provisions	14	12	17	18
Reversal of actual loan losses in previous years	21	22	-5	40
Total	3	8	-63	2
Net loan losses	-4	0	-	-21

Impaired loans SEK m	30 Jun 2013	31 Dec 2012	30 Jun 2012
Impaired loans	233	141	98
Specific provision for individually assessed loans	-43	-50	-40
Collective provision for individually assessed loans	-4	-4	-6
Net impaired loans	186	87	52
Proportion of impaired loans, %	0.02	0.01	0.01
Reserve ratio for impaired loans, %	18.3	35.4	40.7
Loan loss ratio, %	0.00	0.00	0.00
Non-performing loans which are not impaired loans	1,013	1,008	995

NOTE 7 Loans to the public

Loans to the public, by borrower category	30 Jun 2013			31 Dec 2012			30 Jun 2012		
	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	650,159	-32	650,127	632,258	-33	632,225	613,315	-24	613,291
Public sector, municipal companies	29,477	-	29,477	26,237	-	26,237	24,033	-	24,033
Housing co-operative associations	124,471	-9	124,462	117,827	-12	117,815	111,952	-12	111,940
Other legal entities	120,831	-2	120,829	114,932	-5	114,927	107,481	-4	107,477
Total loans to the public, before collective provisions	924,938	-43	924,895	891,254	-50	891,204	856,781	-40	856,741
Collective provision		-4	-4		-4	-4		-6	-6
Total loans to the public	924,938	-47	924,891	891,254	-54	891,200	856,781	-46	856,735
of which in operations outside Sweden									
Households	89,040	0	89,040	85,685	0	85,685	80,017	-	80,017
Public sector, municipal companies	7,033	-	7,033	5,626	-	5,626	3,012	-	3,012
Housing co-operative associations	13,792	-	13,792	12,484	-	12,484	10,951	-	10,951
Other legal entities	4,614	-	4,614	4,580	0	4,580	3,843	-	3,843
Total loans to the public in operations outside Sweden	114,479	0	114,479	108,375	0	108,375	97,823	-	97,823

Loans to the public, by type of collateral	30 Jun 2013			31 Dec 2012			30 Jun 2012		
	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	470,831	-25	470,806	460,369	-24	460,345	446,655	-18	446,637
Housing co-operative apartments	139,828	-1	139,827	134,874	-4	134,870	131,323	-1	131,322
Owner-occupied apartments*	12,429	-	12,429	11,803	-	11,803	11,065	-	11,065
Private market	623,088	-26	623,062	607,046	-28	607,018	589,043	-19	589,024
Multi-family housing	236,135	-17	236,118	220,799	-22	220,777	206,417	-20	206,397
Offices and commercial buildings	65,715	0	65,715	63,409	0	63,409	61,321	-1	61,320
Corporate market	301,850	-17	301,833	284,208	-22	284,186	267,738	-21	267,717
Total loans to the public, before collective provision	924,938	-43	924,895	891,254	-50	891,204	856,781	-40	856,741
Collective provision		-4	-4		-4	-4		-6	-6
Total loans to the public	924,938	-47	924,891	891,254	-54	891,200	856,781	-46	856,735
of which in operations outside Sweden									
Single-family housing	73,869	0	73,869	71,064	0	71,064	65,793	-	65,793
Housing co-operative apartments	4,452	-	4,452	4,563	-	4,563	4,426	-	4,426
Owner-occupied apartments*	12,429	-	12,429	11,803	0	11,803	11,065	-	11,065
Private market	90,750	0	90,750	87,430	0	87,430	81,284	-	81,284
Multi-family housing	23,273	-	23,273	20,568	-	20,568	16,137	-	16,137
Offices and commercial buildings	456	-	456	377	-	377	402	-	402
Corporate market	23,729	-	23,729	20,945	-	20,945	16,539	-	16,539
Total loans to the public in operations outside Sweden	114,479	0	114,479	108,375	0	108,375	97,823	-	97,823

* Owner-occupied apartments entail individual ownership of a specific apartment in a multi-family dwelling, consisting either of 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).

NOTE 7 Loans to the public, cont.

Non-performing loans by borrower category	30 Jun 2013		31 Dec 2012		30 Jun 2012	
	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans
SEK m						
Households	873	128	950	83	935	56
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	1	5	3	-	3	-
Other legal entities	139	8	55	11	57	6
Total	1,013	141	1,008	94	995	62
of which in operations outside Sweden						
Households	93	5	93	3	102	-
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-
Other legal entities	3	-	12	1	-	-
Total non-performing loans in operations outside Sweden	96	5	105	4	102	-

Non-performing loans by type of collateral	30 Jun 2013		31 Dec 2012		30 Jun 2012	
	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans	Non-performing loans which are not impaired loans	Non-performing loans which are included in impaired loans
SEK m						
Single-family housing	726	91	750	67	737	48
Housing co-operative apartments	84	29	133	14	143	3
Owner-occupied apartments*	26	-	30	1	31	-
Private market	836	120	913	82	911	51
Multi-family housing	123	14	55	11	60	10
Offices and commercial buildings	54	7	40	1	24	1
Corporate market	177	21	95	12	84	11
Total	1,013	141	1,008	94	995	62
of which in operations outside Sweden						
Single-family housing	64	5	75	3	68	-
Housing co-operative apartments	6	-	-	-	3	-
Owner-occupied apartments*	26	-	30	1	31	-
Private market	96	5	105	4	102	-
Multi-family housing	-	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-
Corporate market	-	-	-	-	-	-
Total non-performing loans in operations outside Sweden	96	5	105	4	102	-

* For a definition, see page 14.

NOTE 7 Loans to the public, cont.

Impaired loans by borrower category	30 Jun 2013			31 Dec 2012			30 Jun 2012		
	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	148	-32	116	100	-33	67	63	-24	39
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	27	-9	18	29	-12	17	29	-12	17
Other legal entities	58	-2	56	12	-5	7	6	-4	2
Total	233	-43	190	141	-50	91	98	-40	58
of which in operations outside Sweden									
Households	5	0	5	3	0	3	-	-	-
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-	-	-	-
Other legal entities	-	-	-	1	0	1	-	-	-
Total impaired loans in operations outside Sweden	5	0	5	4	0	4	-	-	-

Impaired loans by type of collateral	30 Jun 2013			31 Dec 2012			30 Jun 2012		
	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									
Single-family housing	111	-25	86	83	-24	59	52	-18	34
Housing co-operative apartments	31	-1	30	15	-4	11	5	-1	4
Owner-occupied apartments*	-	-	-	1	0	1	-	-	-
Private market	142	-26	116	99	-28	71	57	-19	38
Multi-family housing	69	-17	52	42	-22	20	40	-20	20
Offices and commercial buildings	22	0	22	0	0	0	1	-1	0
Corporate market	91	-17	74	42	-22	20	41	-21	20
Total	233	-43	190	141	-50	91	98	-40	58
of which in operations outside Sweden									
Single-family housing	5	0	5	3	0	3	-	-	-
Housing co-operative apartments	-	-	-	-	-	-	-	-	-
Owner-occupied apartments*	-	-	-	1	0	1	-	-	-
Private market	5	0	5	4	0	4	-	-	-
Multi-family housing	-	-	-	-	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-	-	-	-
Corporate market	-	-	-	-	-	-	-	-	-
Total impaired loans in operations outside Sweden	5	0	5	4	0	4	-	-	-

* For a definition, see page 14.

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 2013	Market value 31 Dec 2012	Market value 30 Jun 2012
Positive values			
Interest rate instruments	12,993	20,272	17,708
Currency instruments	1,885	436	583
Total	14,878	20,708	18,291
Negative values			
Interest rate instruments	4,034	3,469	2,594
Currency instruments	6,648	8,519	6,454
Total	10,682	11,988	9,048
Net	4,196	8,720	9,243

Stadshypotek already uses fair value hedges to protect the Group against undesirable impact on profit/loss resulting from changes in market values. Hedged risks in hedging packages at fair value comprise the interest rate risk on lending and funding at fixed interest rates. The hedging instruments in these hedging packages consist of 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). As of 2013, cash flow hedges are also used by Stadshypotek to hedge against the currency risk in future cash flows relating to fixed-rate funding in foreign currencies and against variations in cash flows relating to changes in variable rates on lending. The hedging instruments in these cash flow hedges consist of interest rate swaps and cross-currency swaps. Interest rate swaps and cross-currency swaps are also used as hedges for changes in market value without hedge accounting being applied.

NOTE 9 Classification of financial assets and liabilities

30 Jun 2013 SEK m	Loans and other receivables	Derivatives that do not constitute formal hedges	Derivatives desig- nated as hedging instruments	Financial liabilities valued at amortised cost	Non-financial assets/liabilities	Total	Fair value
Assets							
Loans to credit institutions	7,354					7,354	7,354
Loans to the public	924,891					924,891	930,334
Value change of interest- hedged item in portfolio hedge	2,396					2,396	
Derivative instruments		696	14,183			14,878	14,878
Other assets	12,590				402	12,992	12,992
Total assets	947,231	696	14,183		402	962,511	965,558
Liabilities							
Due to credit institutions				309,078		309,078	308,658
Issued securities				587,557		587,557	590,935
Derivative instruments		659	10,023			10,682	10,682
Other liabilities				9,294	839	10,133	10,133
Subordinated liabilities				16,700		16,700	17,850
Total liabilities		659	10,023	922,629	839	934,150	938,258

31 Dec 2012 SEK m	Loans and other receivables	Derivatives that do not constitute formal hedges	Derivatives desig- nated as hedging instruments	Financial liabilities valued at amortised cost	Non-financial assets/liabilities	Total	Fair value
Assets							
Loans to credit institutions	5,758					5,758	5,758
Loans to the public	891,200					891,200	897,360
Value change of interest- hedged item in portfolio hedge	5,271					5,271	
Derivative instruments		125	20,583			20,708	20,708
Other assets	2,983				41	3,024	3,024
Total assets	905,212	125	20,583		41	925,961	926,850
Liabilities							
Due to credit institutions				286,294		286,294	286,558
Issued securities				565,865		565,865	571,105
Derivative instruments		1,053	10,935			11,988	11,988
Other liabilities				19,125	49	19,174	19,174
Subordinated liabilities				16,700		16,700	18,023
Total liabilities		1,053	10,935	887,984	49	900,021	906,848

NOTE 10 Fair value measurement of financial assets and liabilities

30 Jun 2013				
SEK m				
Assets	Level 1	Level 2	Level 3	Total
Derivative instruments	-	14,878	-	14,878
Total financial assets at fair value	-	14,878	-	14,878
Liabilities				
Derivative instruments	-	10,682	-	10,682
Total financial liabilities at fair value	-	10,682	-	10,682

31 Dec 2012

SEK m

Assets	Level 1	Level 2	Level 3	Total
Derivative instruments	-	20,708	-	20,708
Total financial assets at fair value	-	20,708	-	20,708
Liabilities				
Derivative instruments	-	11,988	-	11,988
Total financial liabilities at fair value	-	11,988	-	11,988

The above tables provide a breakdown of the financial assets and liabilities that are recognised at fair value in the balance sheet. Level 1 comprises instruments for which there are listed prices on an active market.

Level 2 comprises instruments which directly or by means of a valuation model are valued using information obtained from the market, such as listed interest rates.

Level 3 comprises instruments valued using a model where some of the input data which has had a material effect on the valuation relies on an assumption.

All financial assets and liabilities at fair value are included in level 2. They consist of interest rate and cross-currency swaps, currency swaps and interest rate options (caps) and are valued using valuation models that are based on the present value calculation of expected cash flows or option valuation models, depending on the nature of the instrument. The valuations are based on input data in the form of market interest rates and adjustments for other variables which a market participant would be expected to take into consideration when setting a price. All valuation models that are applied are commonly used in the market and are regularly reviewed to ensure their reliability.

Related-party transactions

Group claims/Group liabilities SEK m	30 Jun 2013	31 Dec 2012	30 Jun 2012
BALANCE SHEET			
Group claims			
Loans to credit institutions	7,354	5,758	6,756
Derivative instruments	14,295	20,618	18,300
Other assets	88	60	100
Total	21,737	26,436	25,156
Group liabilities			
Due to credit institutions	308,837	286,294	267,349
Derivative instruments	10,609	11,769	8,889
Other liabilities	609	7,791	767
Subordinated loans	16,700	16,700	16,700
Total	336,755	322,554	293,705
INCOME STATEMENT			
Interest income	147	286	205
Interest expense	-2,568	-7,058	-3,853
Fee and commission expense	-1	-5	-3
Other administrative expenses	-586	-192	-92
Total	-3,008	-6,969	-3,743

The business operations of Stadshypotek are highly decentralised. The basic principle is that organisation and working practices are determined by the branch offices of the Handelsbanken Group, which are responsible for all the business of individual customers. One consequence of this approach is that Stadshypotek's lending operations are run via Handelsbanken's Swedish branch operations and the lending operations in Stadshypotek's branches in Norway, Denmark and Finland are run via Handelsbanken's branch operations in Norway, Denmark and Finland respectively. Lending is to be carried out to the extent and on the terms stated in Guidelines for granting credits, established annually by the board of Stadshypotek. These guidelines include the maximum permitted loan-to-value ratio for various property types, as well as the decision limits which apply to the branches' lending. In addition, for loan amounts in excess of a certain limit, 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 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 consist primarily of sales compensation, IT services and the treasury function. Stadshypotek's branches outside Sweden already make payments to Handelsbanken's branches in the respective countries for services rendered by them on behalf of Stadshypotek. As of 1 January 2013, the parent company is also compensated for the services performed by the branch office operations on behalf of Stadshypotek in relation to the sale and administration of mortgage loans in Sweden. 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 2013	31 Dec 2012	30 Jun 2012
Tier 1 capital	31,949	28,865	31,160
Tier 2 capital	10,813	11,566	11,576
Capital base	42,762	40,431	42,736
Capital requirement SEK m	30 Jun 2013	31 Dec 2012	30 Jun 2012
Credit risk according to standardised approach	40	31	16
Credit risk according to IRB approach	4,853	4,897	4,888
Operational risk	857	760	760
Total capital requirement according to Basel II	5,750	5,688	5,664
Adjustment according to transitional rules	30,039	28,960	27,667
Capital requirement according to Basel II, transitional rules	35,789	34,648	33,331
Risk-weighted assets in accordance with transitional rules	447,359	433,104	416,634
Risk-weighted assets according to Basel II (capital requirement/8%)	71,875	71,100	70,800
Capital adequacy analysis SEK m	30 Jun 2013	31 Dec 2012	30 Jun 2012
Capital requirement in Basel II compared with transitional rules	16%	16%	17%
Capital ratio according to Basel II	59.5%	56.9%	60.4%
Capital ratio according to transitional rules	9.6%	9.3%	10.3%
Tier 1 ratio according to Basel II	44.5%	40.6%	44.0%
Tier 1 ratio according to transitional rules	7.1%	6.7%	7.5%
Capital base in relation to capital requirement Basel II	744%	711%	755%
Capital base in relation to capital requirement according to transitional rules	119%	117%	128%

The figures reported in this section refer to the minimum capital requirements under Pillar 1 of the capital adequacy rules, 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.

Credit risk

Credit risk SEK m	Standardised approach		IRB approach	
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
30 June 2013				
Institutions	12	-	-	-
Companies	9	262,219	10.4%	2,172
<i>advanced approach</i>		261,756	10.4%	2,168
<i>foundation approach</i>		463	10.0%	4
Households	16	630,379	5.3%	2,681
Other	3	-	-	-
Total	40	892,598	6.8%	4,853

Credit risk SEK m	Standardised approach		IRB approach	
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
31 December 2012				
Institutions	7	-	-	-
Companies	9	247,998	11.2%	2,218
<i>advanced approach</i>		246,956	11.1%	2,194
<i>foundation approach</i>		1,042	28.3%	24
Households	11	612,132	5.5%	2,679
Other	4	-	-	-
Total	31	860,130	7.1%	4,897

Credit risk SEK m	Standardised approach		IRB approach	
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
30 June 2012				
Institutions	2	-	-	-
Companies	-	233,705	12.3%	2,294
<i>advanced approach</i>		233,054	12.2%	2,279
<i>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

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 2013

Håkan Sandberg
Chairman

Yonnie Bergqvist

Olle Lindstrand

Tommy Mossinger

Michael Bertorp

Camilla Persson
Employee Representative

Per Beckman
Chief Executive

Auditor's report concerning review of interim report

**TO THE BOARD OF STADSHYPOTEK AB
CORPORATE IDENTITY NUMBER:
556459-6715**

Introduction

We have reviewed the interim report for Stadshypotek AB as at 30 June 2013 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 interim 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 interim 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 accompanying interim report is not, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies for the Group and in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies for the parent company.

Stockholm, 17 July 2013

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 report: will be published on 5 February 2014.

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