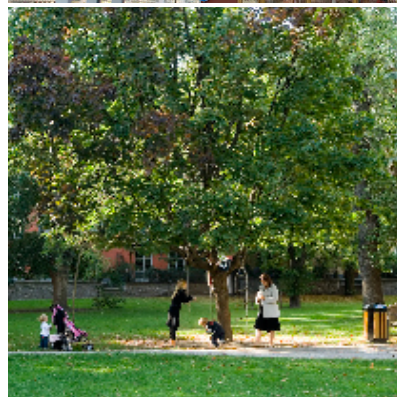


Interim report

JANUARY - JUNE 2007



- Lending increased by SEK 21bn (16) to SEK 501bn.
- Operating profit was SEK 2,229m (2,452).
- Recoveries exceeded new loan losses during the period.



Stadshypotek
– a Handelsbanken company

Stadshypotek's interim report

January - June 2007

Performance

Stadshypotek's operating profit for the period was SEK 2,229m. The profit for the corresponding period in 2006 was SEK 2,452m. The change in the profit figure is mainly due to lower net interest income. During the first half of 2007, there was major price pressure in the market and thus the pressure on margins continued. Stadshypotek's lending volume in the private market has continued its very positive trend during the period. However, compared to the same period last year, it has not been possible to fully compensate for the falling lending margins. Moreover, net interest income was negatively impacted during the first half of the year by effects relating to decisions concerning repurchase of bonds resulting from the transition to IFRS. These effects will gradually decline until 2008. Compared to the first quarter of 2007, net interest income was SEK 48m lower in the second quarter, which was mainly due to decreasing margins.

Low loan losses

Recoveries exceeded new loan losses. The net amount recovered was SEK 49m (65), corresponding to a loan loss ratio of -0.02 % (-0.03) of lending. As at 30 June 2007, Stadshypotek's bad debts before deduction of the provision for probable loan losses amounted to SEK 284m (508). SEK 32m (44) of the bad debts were non-performing loans and SEK 252m (464) were loans on which the borrowers pay interest and amortisation, but which are considered doubtful in view of the uncertainty as to the borrowers' repayment capacity and the value of the collateral. In addition, there were non-performing loans of SEK 283m (306) that are not assessed as being bad debts. After deduction of the provision for probable loan losses, the volume of bad debts was SEK 204m (384).

Growth in lending

Lending to the public was SEK 501bn – an increase of SEK 21bn during the period. The first six months have continued to see a very favourable increase in Stadshypotek's share of net growth in the private market. Stadshypotek's overall share of Swedish mortgage institutions' lending on the private market was 26.5%. Stadshypotek has retained its position as a leading player on the Swedish corporate market, with a market share of 34.3%.

Capital adequacy

On 1 February 2007, new capital adequacy regulations were implemented – the Basel II rules. The new rules entail major changes in how the capital requirement is to be calculated and how a satisfactory capital base is to be ensured. They will be

gradually implemented since the transitional rules allow for an adaptation over three years. The capital ratio was 10.0 (8.4) as at 30 June 2007. As at 30 June 2007, the Tier 1 capital ratio was 7.1 (7.1). Further information about capital adequacy is provided in the section entitled capital base and capital requirement.

Rating

Stadshypotek's rating was unchanged.

Stadshypotek		
	Long-term	Short-term
Moody's	Aa1	P-1
Standard & Poor's	AA-	A-1+
Fitch	AA-	F1+

Covered bonds	
Moody's	Aaa

Events after the balance sheet date

Stadshypotek has decided to submit an application to the Swedish Financial Supervisory Authority for setting up branches in Finland and Denmark.

Accounting policies

The accounts comply with the IASB accounting standards adopted by the EU. The regulations of the Annual Accounts Act for Credit Institutions and Securities Companies and the directives issued by the Swedish Financial Supervisory Authority are also applied. The interim report is also adapted to these. The same accounting policies and calculation methods have been applied in the interim report as in the latest annual report.

Stockholm, 18 July 2007



Lars Kahn Lund
Chief executive

This interim report has not been examined by the company's auditors.

Income statement – Group

SEK m	Jan-Jun 2007	Jan-Jun 2006	Change %	Q2 2007	Q2 2006	Change %	Full Year 2006	
Interest income	10 259	8 458	21%	5 240	4 274	23%	17 645	
Interest expenses	-8 291	-6 236	33%	-4 280	-3 222	33%	-13 465	
Net interest income	1 968	2 222	-11%	960	1 052	-9%	4 180	
Net result on financial operations	313	252	24%	205	168	22%	312	
Commission income	6	6	0%	3	3	0%	11	
Commission expenses	-26	-28	-7%	-12	-13	-8%	-58	
Total income	2 261	2 452	-8%	1 156	1 210	-5%	4 445	
General administrative expenses								
Staff costs	-15	-9	67%	-9	-5	80%	-20	
Other	-66	-56	18%	-35	-28	25%	-122	
Depreciation according to plan	0	0	-	0	0	-	0	
Total expenses	-81	-65	25%	-44	-33	33%	-142	
Profit before loan losses	2 180	2 387	-9%	1 112	1 177	-6%	4 303	
Loan losses, net	Note 1	49	65	-25%	20	11	82%	278
Operating profit	2 229	2 452	-9%	1 132	1 188	-5%	4 581	
Tax	-624	-687	-9%	-317	-333	-5%	-1 259	
Profit for the period	1 605	1 765	-9%	815	855	-5%	3 322	
Net earnings per share, SEK	9.90	10.90						

Balance sheet – Group

SEK m		Jun 30 2007	Jun 30 2006	Dec 31 2006
Assets				
Loans to credit institutions		4 953	1 031	5 495
Loans to the public	Note 2	500 629	461 057	480 219
Derivatives	Note 3	1 847	2 097	1 091
Plant and equipment		0	0	0
Other assets		4 474	4 622	3 917
Total assets		511 903	468 807	490 722
Liabilities and equity				
Due to credit institutions		110 616	143 445	141 196
Issued securities, etc.		359 465	289 835	311 687
Derivatives	Note 3	4 075	4 250	4 368
Other liabilities and provisions		7 970	6 963	10 099
Subordinated loans		8 300	3 500	3 500
Total liabilities		490 426	447 993	470 850
Equity	Note 4	21 477	20 814	19 872
Total liabilities and equity		511 903	468 807	490 722

Income statement – Parent company

SEK m	Jan-Jun 2007	Jan-Jun 2006	Change %	Q2 2007	Q2 2006	Change %	Full Year 2006	
Interest income	10 259	8 458	21%	5 240	4 274	23%	17 645	
Interest expenses	-8 291	-6 236	33%	-4 280	-3 222	33%	-13 465	
Net interest income	1 968	2 222	-11%	960	1 052	-9%	4 180	
Net result on financial operations	313	252	24%	205	168	22%	312	
Commission income	6	6	0%	3	3	0%	11	
Commission expenses	-26	-28	-7%	-12	-13	8%	-58	
Total income	2 261	2 452	-8%	1 156	1 210	-5%	4 445	
General administrative expenses								
Staff costs	-15	-9	67%	-9	-5	80%	-20	
Other	-66	-56	18%	-35	-28	25%	-122	
Depreciation according to plan	0	0	-	0	0	-	0	
Total expenses	-81	-65	25%	-44	-33	33%	-142	
Profit before loan losses	2 180	2 387	-9%	1 112	1 177	-6%	4 303	
Loan losses, net	Note 1	49	65	-25%	20	11	82%	278
Operating profit	2 229	2 452	-9%	1 132	1 188	-5%	4 581	
Tax	-624	-687	-9%	-317	-333	-5%	-1 259	
Profit for the period	1 605	1 765	-9%	815	855	-5%	3 322	

Balance sheet – Parent company

SEK m		Jun 30 2007	Jun 30 2006	Dec 31 2006
Assets				
Loans to credit institutions		4 953	1 031	5 495
Loans to the public	Note 2	500 629	461 057	480 219
Derivatives	Note 3	1 847	2 097	1 091
Plant and equipment		0	0	0
Other assets		4 474	4 622	3 917
Total assets		511 903	468 807	490 722
Liabilities and equity				
Due to credit institutions		128 302	154 590	164 484
Issued securities, etc.		341 779	278 690	288 399
Derivatives	Note 3	4 075	4 250	4 368
Other liabilities and provisions		7 970	6 963	10 099
Subordinated loans		8 300	3 500	3 500
Total liabilities		490 426	447 993	470 850
Equity	Note 4	21 477	20 814	19 872
Total liabilities and equity		511 903	468 807	490 722

Notes

Note 1 Loan losses

SEK m	Jan-Jun 2007	Jan-Jun 2006	Full Year 2006
Specific provision for individually assessed loan receivables			
The period's write-down for actual loan losses	-5	-8	-18
Writeback of previous provisions for probable loan losses reported as actual loan losses in the period's accounts	3	4	8
The period's provision relating to probable loan losses	-3	-3	-13
Recovered from actual loan losses in previous years	26	51	259
Write-back of provisions for probable loan losses which are no longer necessary	28	21	42
Net recoveries for the period for individually assessed loan receivables	49	65	278

Note 2 Loans to the public

LOANS TO THE PUBLIC BY SECTOR

Jun 30	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
SEK m			
Households	358 711	-11	358 700
Municipalities	6 329		6 329
Housing co-operative associations	82 204	-43	82 161
Other legal entities	53 465	-26	53 439
Total loans to the public	500 709	-80	500 629

NON-PERFORMING LOANS BY BORROWER

Jun 30	2007		2006	
SEK m	Non-performing loans which are not bad debts	Non-performing loans which are included in bad debts	Non-performing loans which are not bad debts	Non-performing loans which are included in bad debts
Households	244	7	263	16
Public sector, municipal companies	-	-	-	-
Housing co-operative associations	-	-	11	9
Other legal entities	39	25	32	19
Total	283	32	306	44

BAD DEBTS BY BORROWER

Jun 30	2007			2006		
SEK m	Bad debts	Provision for probable losses	Bad debts net	Bad debts	Provision for probable losses	Bad debts net
Households	28	-11	17	70	-26	44
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	141	-43	98	258	-64	194
Other legal entities	115	-26	89	180	-34	146
Total	284	-80	204	508	-124	384

The provision for probable losses refers to specific provisions for individually valued claims.

BAD DEBTS BY TYPE OF PROPERTY

Jun 30	2007			2006		
SEK m	Bad debts	Provision for probable losses	Bad debts net	Bad debts	Provision for probable losses	Bad debts net
Single-family housing	17	-6	11	34	-12	22
Housing co-operatives	1	-1	0	5	-3	2
Private market	18	-7	11	39	-15	24
Multi-family housing	202	-70	132	403	-106	297
Offices and commercial buildings	64	-3	61	66	-3	63
Corporate market	266	-73	193	469	-109	360
Total	284	-80	204	508	-124	384

Note 3 Derivatives

Jun 30 SEK m	Interest-rate related instruments		Currency-related instruments	
	Fair value	Book value	Fair value	Book value
Positive values	1 244	1 244	603	603
Negative values	3 958	3 958	117	117

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

Note 4 Change in equity

SEK m	Jun 30 2007	Jun 30 2006	Dec 31 2006
Opening equity	19 872	19 049	19 049
Group contribution			-3 471
Tax on group contribution			972
Profit for the period	1 605	1 765	3 322
Closing equity	21 477	20 814	19 872

CASH FLOW STATEMENT

SEK m	Jan-Jun 2007	Jan-Jun 2006	Full Year 2006
Cash flow from operating activities	-1 871	4 423	9 236
Cash flow from investing activities	0	0	0
Cash flow from financing activities	362	-4 354	-8 736
Cash flow for the period	-1 509	69	500
Liquid funds at beginning of period	1 462	962	962
Cash flow for the period	-1 509	69	500
Liquid funds at end of period	-47	1 031	1 462

TURNOVER – OWN DEBT INSTRUMENTS

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

Turnover during the period was as follows:

Issued (sold)	SEK 174bn
Repurchased	SEK 11bn
Maturity	SEK 113bn

Quarterly performance

SEK m	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Interest income	5 240	5 019	4 719	4 468	4 274
Interest expense	-4 280	-4 011	-3 747	-3 482	-3 222
Net interest income	960	1 008	972	986	1 052
Net gain/losses on financial items	205	108	62	-2	168
Net fee and commission income	-9	-11	-12	-13	-10
Total income	1 156	1 105	1 022	971	1 210
General administrative expenses					
Staff costs	-9	-6	-6	-5	-5
Other	-35	-31	-39	-27	-28
Depreciation according to plan	0	0	0	0	0
Total expenses	-44	-37	-45	-32	-33
Profit before loan losses	1 112	1 068	977	939	1 177
Loan losses	20	29	196	17	11
Operating profit	1 132	1 097	1 173	956	1 188

Segment information

Jan-Jun	2007			2006		
SEK m	Private	Corporate	Total	Private	Corporate	Total
Net interest income	1 452	516	1 968	1 628	594	2 222
Net gain/losses on financial items	231	82	313	185	67	252
Net fee and commission income	-15	-5	-20	-16	-6	-22
Total operating income	1 668	593	2 261	1 797	655	2 452
General administrative expenses						
Staff costs	-11	-4	-15	-7	-2	-9
Other	-49	-17	-66	-41	-15	-56
Total expenses	-60	-21	-81	-48	-17	-65
Profit before loan losses	1 608	572	2 180	1 749	638	2 387
Loan losses	18	31	49	17	48	65
Operating profit	1 626	603	2 229	1 766	686	2 452

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

Related party transactions

Jun 30	Group		Parent company	
GROUP CLAIMS/GROUP LIABILITIES	2007	2006	2007	2006
BALANCE SHEET				
Group claims				
Loans to credit institutions	4 934	998	4 934	998
Derivatives	1 705	2 097	1 705	2 097
Other assets	108	35	108	35
Total	6 747	3 130	6 747	3 130
Group liabilities				
Due to credit institutions	99 893	143 445	117 579	154 590
Derivatives	4 008	3 973	4 008	3 973
Other liabilities	169	191	169	191
Subordinated loans	8 300	3 500	8 300	3 500
Total	112 370	151 109	130 056	162 254
INCOME STATEMENT				
Interest income	131	57	131	57
Interest expenses	-2 083	-1 587	-2 559	-1 954
Commission expenses	-17	-20	-17	-20
Other administrative expenses	-54	-50	-54	-50
Total	-2 023	-1 600	-2 499	-1 967

The above mentioned inter-company transactions are either between the companies in the Stadshypotek Group or between these and other companies in the Handelsbanken Group.

Key figures

	Jan-Jun 2007	Jan-Jun 2006	Full year 2006
Overall interest margin, %	0.79	1.01	0.89
C/I ratio before loan losses, %	3.6	2.7	3.2
C/I ratio after loan losses, %	1.4	0.0	-3.0
Loan loss ratio, %	-0.02	-0.03	-0.06
Proportion of bad debts, %	0.04	0.10	0.06
Bad debt provision ratio, %	28.2	24.4	27.7
Return on shareholders' equity, %	14.4	16.3	15.1
Capital ratio, %	10.0	8.4	8.3
Tier 1 capital ratio, %	7.1	7.1	7.1

Other disclosures

RISKS AND UNCERTAINTY FACTORS

A description of material risks and uncertainty factors and how they are handled by the Group is presented in the company's 2006 annual report. No material changes have occurred since the annual report was published that are not reported in this interim report.

Capital base and capital requirement

CAPITAL BASE

SEK m	Jun 30 2007	Jun 30 ³⁾ 2006	Dec 31 ³⁾ 2006
Tier 1 capital ¹⁾	19 872	19 049	
Tier 1 capital ²⁾	21 477	20 814	19 872
Tier 2 capital	8 300	3 500	3 500
Capital base¹⁾	28 172	22 549	
Capital base²⁾	29 777	24 314	23 372

CAPITAL REQUIREMENT

SEK m	Jun 30 2007	Jun 30 2006	Dec 31 2006
Credit risk according to standardised approach	6		
Credit risk according to IRB approach	4 722		
Operational risk, reduced in accordance with transitional rules 2007	630		
Total capital requirement according to Basel II	5 358		
Adjustment according to transitional rules	17 188		
Capital requirement according to Basel II, transitional rules	22 546		
Risk-weighted assets according to Basel I	296 665	268 000	281 431
Capital requirement according to Basel I (8% of risk-weighted assets)	23 733		
Transitional rules result in lowest permitted capital requirement	22 546		
Operational risk, according to Basel II	666		

¹⁾ Excluding profits generated during the period since the interim report has not been examined by the auditors.

²⁾ Including profit generated during the period.

³⁾ Calculated according to the Swedish Financial Supervisory Authority's directives.

CAPITAL ADEQUACY ANALYSIS

	Jun 30 2007	Jun 30 2006	Dec 31 2006
Capital requirement in Basel II compared to Basel I	23%		
Capital requirement in Basel II compared to transitional rules 2007	24%		
Capital ratio according to Basel II ¹⁾	42.1%		
Capital ratio according to Basel I ¹⁾	9.5%	8.4%	
Capital ratio according to transitional rules 2007 ¹⁾	10.0%		
Capital ratio according to Basel II ²⁾	44.5%		
Capital ratio according to Basel I ²⁾	10.0%	9.1%	8.3%
Capital ratio according to transitional rules 2007 ²⁾	10.6%		
Tier 1 ratio according to Basel II ¹⁾	29.7%		
Tier 1 ratio according to Basel I ¹⁾	6.7%	7.1%	
Tier 1 ratio according to transitional rules 2007 ¹⁾	7.1%		
Tier 1 ratio according to Basel II ²⁾	32.1%		
Tier 1 ratio according to Basel I ²⁾	7.2%	7.8%	7.1%
Tier 1 ratio according to transitional rules 2007 ²⁾	7.6%		
Capital base in relation to capital requirement Basel II ²⁾	556%		
Capital base in relation to capital requirement Basel I ²⁾	125%		
Capital base in relation to capital requirement according to transitional rules 2007 ²⁾	132%		

Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the new capital adequacy rules, Basel II. In the table, "According to Basel II" means that the figures are based on the minimum capital requirements in 2010, i.e. after the end of the period of transitional rules for the minimum capital requirements. In 2010, Stadshypotek intends to use the advanced IRB method for corporate exposures which is expected to further reduce the minimum capital requirement.

CREDIT RISKS IRB

Jun 30 SEK m	Exposure after credit risk protection (EAD)	Average risk weight	Capital require- ment
Companies	145 657	30.6%	3 567
Households	344 094	4.2%	1 155
Total IRB	489 751	12.1%	4 722

The capital requirement according to Basel II is 77% lower than the requirement in accordance with Basel I. Households represent about 87% of the reduction and companies about 13%. Due to a large proportion of credits to households with property as collateral, the capital requirement is smaller. Capital requirements are also lower for corporate loans and the average risk weight was almost 31% of the exposure, EAD. The capital requirement is smaller because the company has a selective customer base and high-quality borrowers.

We hereby confirm that this interim report gives a true and fair overview of the parent company's and the Group's operations, financial position and results and describes material risks and uncertainties faced by the parent company and the Group companies.

Stockholm, 18 July 2007

Håkan Sandberg
Chairman

Yonnie Bergquist
Board Member

Catharina Hildebrand
Employee representative

Olle Lindstrand
Board Member

Lars Kahnlund
Chief executive



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