

Interim Report

January - June

2016

Stadshypotek's Interim Report

January - June 2016

Income totalled SEK 6,063m (5,925).

Operating profit increased by SEK 166m and totalled SEK 5,550m (5,384).

Net loan losses totalled SEK 5m (3) as recovered loan losses exceeded new loan losses.

Profit after tax amounted to SEK 4,329m (4,181).

Loans to the public increased by 7%, or SEK 71bn, to SEK 1,118bn (1,047).

Administrative expenses decreased by SEK 26m and amounted to SEK -518m (-544).

Stadshypotek's Interim Report January – June 2016

JANUARY - JUNE 2016 COMPARED WITH JANUARY - JUNE 2015

Stadshypotek's operating profit increased by 3%, or SEK 166m, to SEK 5,550m (5,384). Net interest income rose by SEK 166m to SEK 6,034m (5,868). Of the net interest income, SEK 299m (470) was attributable to the branch in Norway, SEK 191m (211) to the branch in Finland and SEK 160m (130) to the branch in Denmark. Excluding the branches, net interest income increased by SEK 327m, mainly due to higher lending volumes to the private market. The decrease in net interest income at the Norwegian branch was attributable to lower margins for both the private and corporate markets, although this was offset slightly by an increase in lending volumes. The decrease in net interest income at the Finnish branch can be explained by lower margins, while net interest income rose at the Danish branch, due to an increase in lending volumes to the private market. Net gains/losses on financial transactions decreased to SEK 43m (59).

Expenses decreased by SEK 26m to SEK -518m (-544), mainly due to a lower level of sales compensation paid to the parent company for the services performed by the branch operations on behalf of Stadshypotek in relation to the sale and administration of mortgage loans.

Net loan losses totalled SEK 5m (3) as recovered loan losses exceeded new loan losses.

LENDING

Compared to the end of the corresponding period for the previous year, loans to the public increased by 7%, or SEK 71bn, to SEK 1,118bn (1,047). In Sweden, loans to the public increased by 6%, or SEK 58bn, to SEK 960bn (902). Loans to the private market in Sweden increased by 9%, or SEK 54bn, to SEK 651bn (597).

The credit quality of lending operations remains very good. Impaired loans, before deduction of the provision for probable loan losses, decreased by SEK 50m and totalled SEK 96m (146). Of this amount, non-performing loans accounted for SEK 50m (102), while SEK 46m (44) 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 305m (509) that are not classed as being impaired loans. After deductions for specific provisions totalling SEK -24m (-35) and collective provisions of SEK -3m (-4) for probable loan losses, impaired loans totalled SEK 69m (107).

FUNDING

Issues made under Stadshypotek's Swedish covered bond programme totalled SEK 61.5bn (50.8) for the first six months of the year. A nominal volume totalling SEK 30.8bn matured or was repurchased. In Norway, bonds to the value of NOK 10bn (1.5) were issued during the period. In addition, bonds to the value of EUR 2.25bn (1.25) were issued, while bonds to the value of EUR 1.5bn and GBP 350m matured.

CAPITAL ADEQUACY

The total capital ratio according to CRD IV was 69.4% (66.7) while the common equity tier 1 ratio calculated according to CRD IV was 38.3% (39.0). Further information on capital adequacy is provided in the 'Own funds and capital requirement' section on page 21.

RATINGS

During the period, Fitch upgraded Stadshypotek's long-term rating from AA- to AA. All other ratings remained 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+

Income statement

SEK m		Jan-Jun 2016	Jan-Jun 2015	Change %	Full year 2015
Interest income		10,142	11,469	-12	21,884
Interest expense		-4,108	-5,601	-27	-10,128
Net interest income	Note 3	6,034	5,868	3	11,756
Fee and commission income		7	8	-13	14
Fee and commission expense		-21	-10	110	-20
Net fee and commission income		-14	-2	600	-6
Net gains/losses on financial transactions	Note 4	43	59	-27	29
Total income		6,063	5,925	2	11,779
Staff costs		-48	-42	14	-89
Other administrative expenses	Note 5	-467	-495	-6	-963
Depreciation and amortisation		-3	-7	-57	-13
Total expense		-518	-544	-5	-1,065
Profit before loan losses		5,545	5,381	3	10,714
Net loan losses	Note 6	5	3	67	2
Operating profit		5,550	5,384	3	10,716
Taxes		-1,221	-1,203	1	-2,394
Profit for the period		4,329	4,181	4	8,322
Net earnings per share, before and after dilution, SEK		26,720	25,806	4	51,370

Statement of comprehensive income

SEK m		Jan-Jun 2016	Jan-Jun 2015	Change %	Full year 2015
Profit for the period		4,329	4,181	4	8,322
Other comprehensive income					
Items that may subsequently be reclassified to the income statement					
Cash flow hedges		2,053	-572	-	-695
Translation differences for the period		237	-90	-	-329
Tax on items that may subsequently be reclassified to the income statement					
– cash flow hedges		-452	126	-	153
Total comprehensive income for the period		6,167	3,645	69	7,451

Half-yearly performance

SEK m	Jan-Jun 2016	Jul-Dec 2015	Jan-Jun 2015	Jul-Dec 2014	Jan-Jun 2014
Interest income	10,142	10,415	11,469	13,060	13,886
Interest expense	-4,108	-4,527	-5,601	-7,647	-9,059
Net interest income	6,034	5,888	5,868	5,413	4,827
Net fee and commission income	-14	-4	-2	-4	-3
Net gains/losses on financial transactions	43	-30	59	-75	82
Total income	6,063	5,854	5,925	5,334	4,906
Staff costs	-48	-47	-42	-44	-42
Other administrative expenses	-467	-468	-495	-713	-709
Depreciation and amortisation	-3	-6	-7	-7	-6
Total expenses	-518	-521	-544	-764	-757
Profit before loan losses	5,545	5,333	5,381	4,570	4,149
Net loan losses	5	-1	3	26	-4
Operating profit	5,550	5,332	5,384	4,596	4,145

Condensed balance sheet

SEK m		30 Jun 2016	31 Dec 2015	30 Jun 2015
Assets				
Loans to credit institutions		10,598	10,516	9,640
Loans to the public	Note 7	1,117,530	1,082,659	1,046,733
Value change of interest-hedged item in portfolio hedge		45	28	42
Derivative instruments	Note 8	22,255	20,514	22,058
Other assets		7,082	2,714	7,734
Total assets		1,157,510	1,116,431	1,086,207
Liabilities and equity				
Due to credit institutions		463,693	472,238	440,673
Issued securities	Note 9	613,012	568,416	574,321
Derivative instruments	Note 8	3,873	4,145	3,898
Other liabilities		13,449	18,316	10,602
Subordinated liabilities		24,700	20,700	20,700
Total liabilities		1,118,727	1,083,815	1,050,194
Equity		38,783	32,616	36,013
Total liabilities and equity		1,157,510	1,116,431	1,086,207

Statement of changes in equity

Jan–Jun 2016 SEK m	Restricted equity			Non-restricted equity			Total
	Share capital *	Statutory reserve	Fund for internally developed software	Hedge reserve	Translation reserve	Retained earnings	
Equity at 31 December 2015	4,050	8,106		3,591	-350	17,219	32,616
Profit for the period						4,329	4,329
Other comprehensive income **				1,601	237		1,838
Total comprehensive income for the period				1,601	237	4,329	6,167
Fund for internally developed software			12			-12	
Equity at 30 June 2016	4,050	8,106	12	5,192	-113	21,536	38,783

Jan–Dec 2015 SEK m	Restricted equity			Non-restricted equity			Total
	Share capital *	Statutory reserve		Hedge reserve	Translation reserve	Retained earnings	
Equity at 31 December 2014	4,050	8,106		4,133	-21	16,100	32,368
Profit for the year						8,322	8,322
Other comprehensive income **				-542	-329		-871
Total comprehensive income for the year				-542	-329	8,322	7,451
Group contributions provided						-9,235	-9,235
Tax effect on group contributions						2,032	2,032
Equity at 31 December 2015	4,050	8,106		3,591	-350	17,219	32,616

Jan–Jun 2015 SEK m	Restricted equity			Non-restricted equity			Total
	Share capital *	Statutory reserve		Hedge reserve	Translation reserve	Retained earnings	
Equity at 31 December 2014	4,050	8,106		4,133	-20	16,099	32,368
Profit for the period						4,181	4,181
Other comprehensive income **				-446	-90		-536
Total comprehensive income for the period				-446	-90	4,181	3,645
Equity at 30 June 2015	4,050	8,106		3,687	-110	20,280	36,013

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

** Other comprehensive income consists primarily of the effective portion of the change in the fair value of interest rate swaps and cross-currency interest rate swaps used as hedging instruments in cash flow hedging. Cash flow hedging is used to manage exposures to variations in cash flows relating to changes in the variable interest rates on lending and funding. Cash flow hedging is also used to hedge currency risk in future cash flows relating to funding in foreign currencies. Lending and funding are recognised at amortised cost, whereas the derivatives used to hedge these items are recognised at market value. Over time, the market values of the derivatives reaches zero as each individual hedge reaches maturity, but this entails volatility in other comprehensive income during the term of the hedge. During the period, these value changes on hedge derivatives in cash flow hedges totalled SEK 1,601m (-446) after tax. The changes in value derive primarily from changes in the discount rates of the respective currencies.

Condensed statement of cash flows

SEK m	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Operating profit	5,550	5,384	10,716
Adjustment for non-cash items in profit/loss	147	295	506
Paid income tax	-428	-513	-314
Change in the assets and liabilities of operating activities	-79	1,563	-3,200
Cash flow from operating activities	5,190	6,729	7,708
Cash flow from investing activities	-	0	0
Subordinated loan	4,000	-	-
Group contribution paid out	-9,235	-7,180	-7,180
Cash flow from financing activities	-5,235	-7,180	-7,180
Cash flow for the period	-45	-451	528
Liquid funds at beginning of period	5,516	5,129	5,129
Cash flow for the period	-45	-451	528
Exchange rate differences on liquid funds	127	-38	-141
Liquid funds at end of period	5,598	4,640	5,516
<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	5,598	4,640	5,516
Funds in blocked account with banks relating to issuance of covered bonds	5,000	5,000	5,000
Loans to credit institutions	10,598	9,640	10,516

Key figures and definitions

	Jan-Jun 2016	Jan-Jun 2015	Full year 2015
Net interest margin, %	1.06	1.09	1.08
C/I ratio before loan losses, %	8.5	9.2	9.0
C/I ratio after loan losses, %	8.5	9.1	9.0
Return on equity, %	24.2	24.7	24.2
Total capital ratio according to CRD IV, %	69.4	66.7	67.8
Tier 1 ratio according to CRD IV, %	40.7	42.0	43.1
Common equity tier 1 ratio, CRD IV, %	38.3	39.0	40.2

ESMA has published guidelines on disclosures regarding alternative performance measures which should be complied with in financial reports published after 3 July 2016. Alternative Performance Measures (APM) are financial measures of historical and future performance, financial position or cash flow that are not defined in IFRS or the capital requirement regulations. APMs are used to describe the performance of the underlying operations and to increase comparability between periods.

DEFINITIONS

C/I ratio

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

Common equity tier 1 ratio

Common equity tier 1 capital in relation to the risk-weighted exposure amount. See page 21.

Impaired loan

A loan where payments will probably not be met according to the conditions of the contract. A loan is not an impaired loan if there is collateral which covers the principal amount, interest and penalties for late payments by a satisfactory margin. See notes 6 and 7.

Impaired loans reserve ratio

Provision for probable loan losses as a percentage of gross impaired loans. See note 6.

Loan loss ratio

Loan losses and changes in value of repossessed property in relation to the opening balance for loans to the public, loans to credit institutions (excluding banks), repossessed property and credit guarantees. See note 6.

Net interest margin

Net interest income in relation to average total assets.

Non-performing loan

A loan where interest, repayments or overdrafts have been due for payment for more than 60 days. See notes 6 and 7.

Proportion of impaired loans

Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). See note 6.

Return on equity

Earnings for the period after appropriations and tax in relation to average equity adjusted for rights issues, dividends and changes in the value of derivatives in cash flow hedges.

Tier 1 ratio

Tier 1 capital in relation to the risk-weighted exposure amount. See page 21.

Total capital ratio

Own funds in relation to the risk-weighted exposure amount. See page 21.

Segment information

SEK m	Jan-Jun 2016			Jan-Jun 2015			Full year 2015		
	Private	Corporate	Total	Private	Corporate	Total	Private	Corporate	Total
Net interest income	4,475	1,559	6,034	4,262	1,606	5,868	8,566	3,190	11,756
Net fee and commission income	-10	-4	-14	-1	-1	-2	-4	-2	-6
Net gains/losses on financial transactions	31	12	43	43	16	59	21	8	29
Total income	4,496	1,567	6,063	4,304	1,621	5,925	8,583	3,196	11,779
Expenses	-378	-140	-518	-395	-149	-544	-777	-288	-1,065
Profit before loan losses	4,118	1,427	5,545	3,909	1,472	5,381	7,806	2,908	10,714
Net loan losses	2	3	5	1	2	3	4	-2	2
Operating profit	4,120	1,430	5,550	3,910	1,474	5,384	7,810	2,906	10,716
Loans to the public	762,799	354,731	1,117,530	698,931	347,802	1,046,733	727,787	354,872	1,082,659

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 2016		Jan-Jun 2015		Full year 2015	
	Income	Total assets	Income	Total assets	Income	Total assets
Sweden	5,394	996,090	5,108	938,390	10,202	967,279
Norway	313	74,703	470	70,053	875	67,777
Denmark	160	35,964	131	28,420	276	31,642
Finland	196	50,753	216	49,344	426	49,733
Total	6,063	1,157,510	5,925	1,086,207	11,779	1,116,431

Notes

NOTE 1 Accounting policies

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

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

On 1 January 2016, regulations (FFFS 2015:20) regarding an amendment to the

Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on annual reports in credit institutions and securities companies came into effect. The main difference is that the amount corresponding to internally developed software for the period is transferred from unrestricted equity to restricted equity in the 'Fund for internally developed software' item.

In all other respects, Stadshypotek's interim report has been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2015.

REGULATORY CHANGES

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, was adopted by the IASB in July 2014. Assuming that IFRS 9 is adopted by the EU, and the timing of its implementation proposed by the IASB remains unchanged, this standard will be applied as of

the 2018 financial year. The standard covers three areas: classification and measurement, impairment and general hedge accounting. Stadshypotek is currently analysing the financial effects of the new standard in more detail.

Further, IFRS 15 Revenue from contracts with customers has been adopted by the IASB. Assuming that IFRS 15 is adopted by the EU, and the timing of its implementation proposed by the IASB remains unchanged, this standard will be applied as of the 2018 financial year. The current assessment is that the new standard will not have any material impact on Stadshypotek's financial reports, capital adequacy or large exposures.

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

NOTE 2 Other disclosures

RISKS AND UNCERTAINTY FACTORS

Regulatory developments are continuing at a fast pace. During the second quarter, the UK held a referendum regarding its membership of the EU where the proposal for a secession from the EU gained a majority of the votes. At present, it is very unclear what formalities need to be observed to leave the EU and when this might be implemented.

Stadshypotek's low tolerance of risk, sound capitalisation and, as part of the Handelsbanken Group, strong liquidity make Stadshypotek well equipped to operate in line with new, stricter regulations and to cope with substantially more difficult market conditions than those experienced in recent years. This would also be the case were the economic climate to deteriorate as a result of a future secession from the EU.

INDEPENDENT RISK CONTROL

Stadshypotek's operations are conducted with a controlled low level of risk. Stadshypotek's risks are credit risk, market risk, liquidity risk, operational risk and business risk.

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

hypotek are interest rate risk and exchange rate risk. At 30 June 2016, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -427m (-364). Liquidity risk refers to the risk that Stadshypotek will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses. Operational risks are defined as the risk of loss due to inadequate or failed internal processes, human error, malfunctioning systems, or external events. The definition includes legal risk. Credit risk is the most significant risk for Stadshypotek. The Stadshypotek Board establishes policies describing how various risks should be managed and reported. In addition, Stadshypotek's Chief Executive sets guidelines and instructions for managing and controlling all types of risk. These documents have been based on the policies that the Board of Handelsbanken has adopted for managing and reporting risks within the Handelsbanken Group as a whole. Stadshypotek's risk management aims to ensure compliance with the strict approach to risk established by its Board.

Stadshypotek's lending operations are integrated with those of Handelsbanken, which, among other things, means that Stadshypotek's lending is carried out via the Bank's branch network. Moreover Stadshypotek's funding needs

are managed by Handelsbanken's Treasury department. A collaboration agreement regulates the overall relationship between the parties and individual outsourcing agreements specify the services which Handelsbanken is to perform on behalf of Stadshypotek. Thus, the business operations at Stadshypotek are conducted according to the same fundamental principles which apply at Handelsbanken. The Bank's corporate culture is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and for risk management. Those with the greatest knowledge of the customer and market conditions are best equipped to assess the risk and can also act at an early stage in the event of problems. Each branch and each profit centre bears the responsibility for dealing with any problems that arise. Consequently, this encourages high risk awareness and a cautious approach in the business operations. In addition to the accountability of decision-makers, control procedures are in place to ensure that excessive risks are not taken in individual transactions or local operations. In lending, this means that large loans are subject to limits and assessed by a dedicated credit organisation. Decisions on limits are made at the branch, regional or central level, depending on the size of the credit limit. As regards the

NOTE 2 Other disclosures, cont.

procedures for limiting market risk and liquidity risk at Stadshypotek, the company's Board establishes limits for this purpose.

Stadshypotek has risk control independently of business operations which is responsible for the regular follow-up and monitoring of all risks applying to operations, primarily credit risk, market risk, liquidity risk and operational risk.

The risk control function performs daily calculations and checks to ensure that risk exposure remains within the set limits. Limit utilisation is reported internally within the company, and to the parent company's 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 has the task of identifying the Handelsbanken Group's risks, gauging them, and ensuring that management of these risks complies with the Group's low risk tolerance. 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 perform certain calculations that provide a basis for some of Stadshypotek's external reporting.

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.

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

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

CAPITAL PLANNING

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

CAPITAL REQUIREMENTS

On 24 May, the Swedish Financial Supervisory Authority published two memoranda relating to higher capital requirements for corporate exposures. The first memorandum deals with the need for higher risk weights for corporate exposures under Pillar 1, while the other deals with a maturity floor of at least 2½ years under Pillar 2. Stadshypotek's assessment, even when taking these capital requirements into account, is that the company is well-capitalised.

MATERIAL EVENTS AFTER BALANCE SHEET DATE

No material events have occurred after the balance sheet date.

NOTE 3 Net interest income

SEK m	Jan-Jun 2016	Jan-Jun 2015	Change %	Full year 2015
Interest income				
Loans to the public	10,051	11,370	-12	21,691
Loans to credit institutions	91	99	-8	193
Total	10,142	11,469	-12	21,884
Interest expense				
Due to credit institutions	-1,045	-1,250	-16	-2,184
Issued securities	-4,498	-5,430	-17	-10,434
Subordinated liabilities	-213	-253	-16	-479
Derivative instruments *	1,783	1,435	24	3,177
Fee to Resolution Fund (Stability Fund 2015)	-134	-103	30	-207
Other	-1	0	0	-1
Total	-4,108	-5,601	-27	-10,128
Net interest income	6,034	5,868	3	11,756

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

NOTE 4 Net gains/losses on financial transactions

SEK m	Jan-Jun 2016	Jan-Jun 2015	Change %	Full year 2015
Hedge accounting	-4	-75	-95	-111
<i>of which fair value hedges</i>	-5	-77	-94	-112
<i>of which ineffective portion of cash flow hedges</i>	1	2	-50	1
Loans, valued at cost	136	160	-15	304
Financial liabilities, valued at cost	-112	-155	-28	-361
Derivatives not recognised as hedges	-1	128	-101	181
Other	24	1	-	16
Total	43	59	-27	29

The profit/loss item 'Fair value hedges' includes the net result of unrealised and realised changes in the fair value of financial assets and liabilities which are subject to this hedge accounting. Interest income and interest expenses relating to hedging instruments are recognised under net interest income. Changes in the value of hedging instruments in cash flow hedges which exceed the changes in the value of hedged future cash flows are recognised under the item 'Ineffective portion of cash flow hedges'. 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 2016	Jan-Jun 2015	Change %	Full year 2015
Cost of premises	-3	-3	0	-7
IT costs	-58	-59	-2	-116
Communication	0	0	0	-1
Travel and marketing	-2	-2	0	-3
Purchased services	-395	-421	-6	-816
Supplies	0	0	0	0
Other expenses	-9	-10	-10	-20
Total	-467	-495	-6	-963

NOTE 6 Loan losses

SEK m	Jan-Jun 2016	Jan-Jun 2015	Change %	Full year 2015
Specific provision for individually assessed loans				
Provisions for the period	-1	-7	-86	-11
Reversal of previous provisions	2	3	-33	4
Total	1	-4	-125	-7
Collective provision				
Collective provision for individually assessed loans	2	1	100	-1
Write-offs				
Actual loan losses for the period	-12	-24	-50	-36
Utilised share of previous provisions	7	12	-42	18
Reversal of actual loan losses in previous years	7	18	-61	28
Total	2	6	-67	10
Net loan losses	5	3	67	2

Impaired loans SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Impaired loans	96	109	146
Specific provision for individually assessed loans	-24	-32	-35
Collective provision for individually assessed loans	-3	-5	-4
Net impaired loans	69	72	107
Proportion of impaired loans, %	0.01	0.01	0.01
Reserve ratio for impaired loans, %	25.3	29.6	24.0
Loan loss ratio, %	-0.00	-0.00	-0.00
Non-performing loans which are not impaired loans	305	338	509

NOTE 7 Loans to the public

Loans to the public, by borrower category	30 Jun 2016			31 Dec 2015			30 Jun 2015		
	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									
Retail exposures	801,573	-13	801,560	765,109	-18	765,091	735,501	-24	735,477
Public sector, municipal companies	25,294	-	25,294	30,111	-	30,111	33,055	-	33,055
Housing co-operative associations	157,640	-7	157,633	152,046	-7	152,039	145,045	-7	145,038
Other legal entities	133,050	-4	133,046	135,430	-7	135,423	133,171	-4	133,167
Total loans to the public, before collective provision	1,117,557	-24	1,117,533	1,082,696	-32	1,082,664	1,046,772	-35	1,046,737
Collective provision		-3	-3		-5	-5		-4	-4
Total loans to the public	1,117,557	-27	1,117,530	1,082,696	-37	1,082,659	1,046,772	-39	1,046,733
of which in operations outside Sweden									
Retail exposures	111,866	-	111,866	103,253	-	103,253	102,808	-	102,808
Public sector, municipal companies	10,324	-	10,324	11,193	-	11,193	11,472	-	11,472
Housing co-operative associations	28,040	-	28,040	24,945	-	24,945	24,129	-	24,129
Other legal entities	7,144	-	7,144	6,550	-	6,550	6,196	-	6,196
Total loans to the public in operations outside Sweden, before collective provisions	157,374	-	157,374	145,941	-	145,941	144,605	-	144,605
Collective provision		-1	-1		-	-		-	-
Total loans to the public in operations outside Sweden	157,374	-1	157,373	145,941	-	145,941	144,605	-	144,605

Loans to the public, by type of collateral	30 Jun 2016			31 Dec 2015			30 Jun 2015		
	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	548,607	-12	548,595	527,725	-17	527,708	511,881	-23	511,858
Housing co-operative apartments	198,073	-1	198,072	184,313	-1	184,312	170,909	-	170,909
Owner-occupied apartments	16,133	-	16,133	15,767	-	15,767	16,164	-	16,164
Private market	762,813	-13	762,800	727,805	-18	727,787	698,954	-23	698,931
Multi-family dwellings	286,303	-11	286,292	283,784	-14	283,770	275,810	-12	275,798
Offices and commercial buildings	68,441	-	68,441	71,107	-	71,107	72,008	-	72,008
Corporate market	354,744	-11	354,733	354,891	-14	354,877	347,818	-12	347,806
Total loans to the public, before collective provision	1,117,557	-24	1,117,533	1,082,696	-32	1,082,664	1,046,772	-35	1,046,737
Collective provision		-3	-3		-5	-5		-4	-4
Total loans to the public	1,117,557	-27	1,117,530	1,082,696	-37	1,082,659	1,046,772	-39	1,046,733
of which in operations outside Sweden									
Single-family housing	90,920	-	90,920	83,256	-	83,256	81,223	-	81,223
Housing co-operative apartments	4,890	-	4,890	4,333	-	4,333	4,448	-	4,448
Owner-occupied apartments	16,133	-	16,133	15,767	-	15,767	16,164	-	16,164
Private market	111,943	-	111,943	103,356	-	103,356	101,835	-	101,835
Multi-family dwellings	45,130	-	45,130	42,286	-	42,286	42,480	-	42,480
Offices and commercial buildings	301	-	301	299	-	299	290	-	290
Corporate market	45,431	-	45,431	42,585	-	42,585	42,770	-	42,770
Total loans to the public in operations outside Sweden, before collective provisions	157,374	-	157,374	145,941	-	145,941	144,605	-	144,605
Collective provision		-1	-1		-	-		-	-
Total loans to the public in operations outside Sweden	157,374	-1	157,373	145,941	-	145,941	144,605	-	144,605

Note 7 Loans to the public, cont.

Non-performing loans, by borrower category	30 Jun 2016		31 Dec 2015		30 Jun 2015	
	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						
Retail exposures	295	40	316	50	452	85
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	1	-
Other legal entities	10	10	22	16	56	17
Total	305	50	338	66	509	102
of which in operations outside Sweden						
Retail exposures	56	0	70	2	89	3
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-
Other legal entities	4	0	8	1	15	2
Total non-performing loans in operations outside Sweden	60	0	78	3	104	5

Non-performing loans, by type of collateral	30 Jun 2016		31 Dec 2015		30 Jun 2015	
	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	215	37	254	46	351	79
Housing co-operative apartments	49	8	31	9	51	11
Owner-occupied apartments	17	0	21	2	36	1
Private market	281	45	306	57	438	91
Multi-family dwellings	9	5	14	9	30	11
Offices and commercial buildings	15	0	18	0	41	0
Corporate market	24	5	32	9	71	11
Total	305	50	338	66	509	102
of which in operations outside Sweden						
Single-family housing	40	0	56	1	67	4
Housing co-operative apartments	2	-	1	-	1	-
Owner-occupied apartments	17	0	21	2	36	1
Private market	59	0	78	3	104	5
Multi-family dwellings	1	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-
Corporate market	1	-	-	-	-	-
Total non-performing loans in operations outside Sweden	60	0	78	3	104	5

Note 7 Loans to the public, cont.

Impaired loans, by borrower category	30 Jun 2016			31 Dec 2015			30 Jun 2015		
	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									
Retail exposures	64	-13	51	72	-18	54	108	-24	84
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	21	-7	14	21	-7	14	21	-7	14
Other legal entities	11	-4	7	16	-7	9	17	-4	13
Total	96	-24	72	109	-32	77	146	-35	111
of which in operations outside Sweden									
Retail exposures	1	0	1	2	0	2	3	0	3
Public sector, municipal companies	-	-	-	-	-	-	-	-	-
Housing co-operative associations	-	-	-	-	-	-	-	-	-
Other legal entities	0	0	0	1	0	1	2	0	2
Total impaired loans in operations outside Sweden	1	0	1	3	0	3	5	0	5

Impaired loans, by type of collateral	30 Jun 2016			31 Dec 2015			30 Jun 2015		
	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	61	-12	49	68	-17	51	101	-23	78
Housing co-operative apartments	9	-1	8	10	-1	9	12	0	12
Owner-occupied apartments	0	0	0	1	0	1	1	0	1
Private market	70	-13	57	79	-18	61	114	-23	91
Multi-family dwellings	26	-11	15	30	-14	16	32	-12	20
Offices and commercial buildings	-	-	-	0	0	0	0	0	0
Corporate market	26	-11	15	30	-14	16	32	-12	20
Total	96	-24	72	109	-32	77	146	-35	111
of which in operations outside Sweden									
Single-family housing	1	0	1	2	0	2	4	0	4
Housing co-operative apartments	-	-	-	-	-	-	-	-	-
Owner-occupied apartments	0	0	0	1	0	1	1	0	1
Private market	1	0	1	3	0	3	5	0	5
Multi-family dwellings	-	-	-	-	-	-	-	-	-
Offices and commercial buildings	-	-	-	-	-	-	-	-	-
Corporate market	-	-	-	-	-	-	-	-	-
Total impaired loans in operations outside Sweden	1	0	1	3	0	3	5	0	5

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

NOTE 8 Derivative instruments

SEK m	Market value 30 Jun 2016	Market value 31 Dec 2015	Market value 30 Jun 2015
Positive values			
Interest rate instruments	11,155	10,599	11,762
Currency instruments	11,100	9,915	10,296
Total	22,255	20,514	22,058
Negative values			
Interest rate instruments	893	1,255	1,792
Currency instruments	2,980	2,890	2,106
Total	3,873	4,145	3,898
Net	18,382	16,369	18,160

NOTE 9 Issued securities

SEK m	30 Jun 2016	30 Jun 2015
Issued securities at beginning of period	568,416	579,485
Issued	96,244	82,449
Repurchased	-14,626	-25,169
Matured	-35,908	-56,487
Price differences, exchange rate effects, etc.	-1,114	-5,957
Issued securities at end of period	613,012	574,321

NOTE 10 Classification of financial assets and liabilities

30 Jun 2016 SEK m	Loans and other receivables	Derivatives that do not constitute formal hedges	Derivatives designated as hedging instruments	Financial liabilities recognised at amortised cost	Non-financial assets/liabilities	Total	Fair value
Assets							
Loans to credit institutions	10,598					10,598	10,598
Loans to the public	1,117,530					1,117,530	1,130,763
Value change of interest- hedged item in portfolio hedge	45					45	
Derivative instruments		0	22,255			22,255	22,255
Other assets	7,070				12	7,082	7,082
Total assets	1,135,243	0	22,255		12	1,157,510	1,170,698
Liabilities							
Due to credit institutions				463,693		463,693	466,569
Issued securities				613,012		613,012	627,049
Derivative instruments		20	3,853			3,873	3,873
Other liabilities				11,121	2,328	13,449	13,449
Subordinated liabilities				24,700		24,700	26,881
Total liabilities		20	3,853	1,112,526	2,328	1,118,727	1,137,821

31 Dec 2015 SEK m	Loans and other receivables	Derivatives that do not constitute formal hedges	Derivatives designated as hedging instruments	Financial liabilities recognised at amortised cost	Non-financial assets/liabilities	Total	Fair value
Assets							
Loans to credit institutions	10,516					10,516	10,516
Loans to the public	1,082,659					1,082,659	1,093,346
Value change of interest- hedged item in portfolio hedge	28					28	
Derivative instruments		2	20,512			20,514	20,514
Other assets	2,629				85	2,714	2,714
Total assets	1,095,832	2	20,512		85	1,116,431	1,127,090
Liabilities							
Due to credit institutions				472,238		472,238	474,250
Issued securities				568,416		568,416	578,295
Derivative instruments		70	4,075			4,145	4,145
Other liabilities				17,304	1,012	18,316	18,316
Subordinated liabilities				20,700		20,700	22,079
Total liabilities		70	4,075	1,078,658	1,012	1,083,815	1,097,085

NOTE 11 Fair value measurement of financial instruments

30 June 2016 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Derivative instruments	-	22,255	-	22,255
Total financial assets measured at fair value	-	22,255	-	22,255
Liabilities				
Derivative instruments	-	3,873	-	3,873
Total financial liabilities measured at fair value	-	3,873	-	3,873

31 December 2015 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Derivative instruments	-	20,514	-	20,514
Total financial assets measured at fair value	-	20,514	-	20,514
Liabilities				
Derivative instruments	-	4,145	-	4,145
Total financial liabilities measured at fair value	-	4,145	-	4,145

Valuation process

Stadshypotek's independent risk control is responsible for the existence of appropriate instructions and processes for fair value measurement of financial instruments. In general, the valuations are based on externally generated data as far as is possible, considering the circumstances in each case. In the case of model valuation, valuation models that are established in the market are always used. The models and input data which form the basis of the valuations are regularly validated by the independent risk control function to ensure that they are consistent with market practices and established financial theory. New or revised valuation models are always validated before they come into use. Stadshypotek is also included in the Handelsbanken Group's guidelines and instructions for measurement of financial instruments. Valuation issues regarded as important matters of principle are discussed by the Handelsbanken Group's valuation committee which includes representatives of both central and local risk control as well as financial functions. The valuation committee ensures that general instructions for measurement of financial instruments are consistently followed throughout the Handelsbanken Group and serve as support for decision-making in valuation and accounting matters.

Principles for fair value measurement of financial instruments

Fair value is defined as the price at which an asset could be sold or a liability could be transferred in a normal transaction between independent market participants. For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent source, and where the price information received can be easily verified by means of regularly occurring transactions. The current market price is generally the same as the current bid price for financial assets or the current asking price for financial liabilities.

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

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

Valuation hierarchy

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

Financial instruments which are valued at the current market price are categorised as level 1. Financial instruments which are valued using valuation models which are essentially based on market data are categorised as level 2. Level 2 includes interest and currency-related derivatives. Financial instruments valued using models which to a substantial extent are based on input data that is not possible to verify using external market information are categorised as level 3.

NOTE 12 Pledged assets and contingent liabilities

SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Assets pledged for own debt *	672,663	622,726	616,357
Other pledged assets	-	-	0
Pledged assets	672,663	622,726	616,357
Contingent liabilities	-	-	-
Commitments	1,593	2,178	3,282
Contingent liabilities	1,593	2,178	3,282

* The collateral comprises loans against mortgages in single-family housing, second homes, multi-family dwellings and housing co-operative apartments with a loan-to-value ratio of up to 75% of the market value. It also comprises office and commercial buildings with a loan-to-value ratio of up to 60% of the market value plus additional collateral in the form of cash funds on a blocked account. A separate specification is kept of the assets and the covered bonds, and also derivatives relating to these. In the event of the company's insolvency, pursuant to the Swedish Right of Priority Act, the holders of Stadshypotek's covered bonds have prior rights to the assets registered as collateral. If, at the time of a bankruptcy decision, the assets in the total collateral fulfill the terms of the Act, these must instead be kept separate from the bankruptcy estate's other assets and liabilities. In this event, the holders of the bonds must receive contractual payments under the terms of the bond for the period until maturity.

Related-party transactions

Group claims/Group liabilities SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
BALANCE SHEET			
Group claims			
Loans to credit institutions	10,598	10,516	9,640
Derivative instruments	22,255	20,512	22,056
Other assets	77	65	76
Total	32,930	31,093	31,772
Group liabilities			
Due to credit institutions	461,263	472,220	440,673
Derivative instruments	3,873	4,145	3,898
Other liabilities	432	9,675	511
Subordinated liabilities	24,700	20,700	20,700
Total	490,268	506,740	465,782
INCOME STATEMENT			
Interest income	91	195	101
Interest expense	-1,260	-2,668	-1,506
Fee and commission expense	-3	0	0
Other administrative expenses	-450	-925	-477
Total	-1,622	-3,398	-1,882

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 each of the respective countries. Lending is to be carried out to the extent and on the terms stated in

Stadshypotek's Credit Policy and Credit Instructions which are established annually by the Board of Stadshypotek. These credit instructions include the maximum permitted loan-to-value ratio for various property types, as well as the decision limits which apply to Stadshypotek's lending via the Bank's branches. In addition, the credit instructions also stipulate that for loan amounts in excess of a certain limit, an advance examination of the case and an approval of the property is to be conducted by Stadshypotek's credit committee before the loan can be disbursed. Moreover Stadshypotek's funding needs are managed by

Handelsbanken's Treasury department. The services which Handelsbanken performs on behalf of Stadshypotek are regulated in outsourcing agreements between the parties.

Most of the inter-company transactions are thus with the parent company, Handelsbanken. The services that Stadshypotek purchases from the parent company, which are included under Other administrative expenses, consist primarily of sales compensation, IT services and the treasury function. In addition, inter-company transactions consist of funding from the parent company, derivative transactions and lending to the parent company.

Own funds and capital requirement

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

Own funds SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Equity	38,783	32,616	36,013
Deduction for the profit for the period	-4,329	-	-4,181
Deduction for intangible assets	-12	-14	-21
Price adjustments (fair value)	0	0	0
Adjustment for cash flow hedges	-5,193	-3,591	-3,687
Special deduction for IRB institutions	-233	-214	-221
Common equity tier 1 capital	29,016	28,797	27,903
Additional tier 1 capital	1,800	2,100	2,100
Tier 1 capital	30,816	30,897	30,003
Perpetual subordinated loans	5,300	5,300	5,300
Dated subordinated loans	16,400	12,400	12,400
Tier 2 capital	21,700	17,700	17,700
Own funds	52,516	48,597	47,703
Capital requirement SEK m	30 Jun 2016	31 Dec 2015	30 Jun 2015
Credit risk according to standardised approach	40	33	38
Credit risk according to IRB Approach	4,653	4,500	4,475
Operational risk	1,360	1,205	1,205
Total capital requirement	6,053	5,738	5,718
Adjustment according to Basel I floor	37,845	36,655	34,953
Capital requirement Basel I floor	43,898	42,393	40,671
Total own funds, Basel I floor	52,749	48,811	47,923
Capital adequacy analysis	30 Jun 2016	31 Dec 2015	30 Jun 2015
Common equity tier 1 ratio, CRD IV	38.3%	40.2%	39.0%
Tier 1 ratio, CRD IV	40.7%	43.1%	42.0%
Total capital ratio, CRD IV	69.4%	67.8%	66.7%
Risk exposure amount CRD IV, SEK m	75,667	71,718	71,475
Own funds in relation to capital requirement according to Basel I floor	120%	115%	118%
Institution-specific buffer requirement	3.75%	3.5%	2.5%
<i>of which capital conservation buffer requirement</i>	2.5%	2.5%	2.5%
<i>of which countercyclical capital buffer requirement</i>	1.25%	1.0%	
Common equity tier 1 capital available for use as a buffer	33.8%	35.7%	34.5%

Credit risks

Credit risks IRB SEK m	Exposure amount		Average risk weight %		Capital requirement	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Corporate exposures	306,303	303,628	6.6	6.8	1,623	1,646
<i>of which other lending, foundation approach</i>	-	463	-	8.0	-	3
<i>of which other lending, advanced approach</i>	306,303	303,165	6.6	6.8	1,623	1,643
- Large corporates	664	191	14.7	43.5	8	7
- Medium-sized companies	9,805	8,687	19.7	20.1	155	139
- Property companies	144,825	148,258	10.1	10.2	1,164	1,206
- Housing co-operative associations	151,009	146,029	2.4	2.5	296	291
Retail exposures	777,604	741,976	4.9	4.8	3,030	2,854
<i>of which Private individuals</i>	770,788	735,284	4.8	4.7	2,944	2,770
<i>of which Small companies</i>	6,816	6,692	15.8	15.7	86	84
Total IRB	1,083,907	1,045,604	5.4	5.4	4,653	4,500

Capital requirements, Standardised approach*	30 Jun 2016			31 Dec 2015		
	Exposure value	Average risk weight %	Capital requirement	Exposure value	Average risk weight %	Capital requirement
SEK m						
Sovereign and central banks	3,592	0.0	0	4,427	0.0	0
Municipalities	27,162	0.0	0	29,632	0.0	0
Institutions	49,336	0.0	0	43,686	0.0	0
Corporate	5	100.0	0	11	100.0	1
Other items	501	100.0	40	402	100.0	32
Total	80,596	0.6	40	78,158	0.5	33

* Details of the capital requirement for different exposure classes where there are exposures.

Leverage ratio

Effective as of 2015, the provisions of CRD IV include a reporting requirement regarding a non risk-based leverage ratio. The measurement is under-going evaluation and no decision to make it mandatory has yet been taken.

SEK m	30 Jun 2016	31 Dec 2015
Balance sheet according to the reporting regulations	1,157,510	1,116,431
Adjustment for differences between the carrying amount and the leverage exposure for derivatives	8,496	7,719
Assets reported off the balance sheet, gross (before adjustments of credit conversion factors)	882	805
Deductions from assets off the balance sheet after application of credit conversion factors	-441	-403
Assets reported off the balance sheet, net	441	402
Further adjustments according to CRR, Article 429.4	-5,438	-3,819
Assets used in the calculation of the leverage ratio	1,161,009	1,120,733
Capital that may be used in the calculation of the leverage ratio		
Tier 1 capital	30,816	30,897
Leverage ratio		
Leverage ratio calculated on the basis of tier 1 capital	2.65%	2.76%

We hereby confirm that this interim report provides a true and fair overview of the company's operations, financial position and results and describes material risks and uncertainty factors faced by the company.

Stockholm, 14 July 2016

Yonnie Bergqvist
Chairman

Michael Bertorp

Michael Green

Olof Lindstrand

Stefan Nilsson

Monica Morén
Employee representative

Ulrica Stolt Kirkegaard
Chief Executive

Auditor's report concerning review of interim report

TO THE BOARD OF STADSHYPOTEK AB (PUBL), CORPORATE IDENTITY NUMBER 556459-6715

Introduction

We have reviewed the interim report for Stadshypotek AB (publ) as at 30 June 2016 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 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 International Standard on Review Engagements ISRE 2410 *Review of interim financial information performed by the auditors elected by 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 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 expressed based on a review does not give the same level of assurance as a conclusion expressed 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 the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 15 July 2016

KPMG AB
Anders Bäckström
Authorised Public Accountant

Facts about the company

Registered name: Stadshypotek AB (publ).

Corporate identity no: 556459-6715.

Ownership: A subsidiary of Svenska Handelsbanken AB (publ), corporate identity number 502007-7862.
The Bank publishes consolidated annual accounts in which Stadshypotek AB is included.

ADDRESS

Stadshypotek AB

Office address: Torsgatan 12

Postal address: SE-103 70 Stockholm, Sweden

Tel: +46 (0)8 701 54 00. **Fax:** +46 (0)8 701 55 40

Website: www.stadshypotek.se

