

2009

Interim report January–June



Stadshypotek's interim report

January–June 2009

SUMMARY

- Operating profits were SEK 1,599m in the second quarter compared with SEK 1,421m in the first quarter. Operating profits for January-June were SEK 3,020m (1,865).
- Recoveries exceeded loan losses for the period.
- Lending increased during the January – June period by SEK 34bn (22) to SEK 650bn.

Stadshypotek's interim report

January–June 2009

FINANCIAL PERFORMANCE

January – June 2009 compared with January – June 2008

Stadshypotek's operating profits went up by SEK 1,155m to SEK 3,020m (1,865). As of August 2008, Stadshypotek's branch in Norway is included in the figures and this made a contribution of SEK 211m in the first half of the year. Excluding the branch in Norway, operating profits rose by SEK 944m. Net interest income increased by SEK 1,349m of which SEK 229m was attributable to the branch in Norway. The increase in net interest income was due to higher volumes and to improved margins, partly because the company's good position in the funding market resulted in low funding costs. Net gains/losses on financial operations decreased by SEK 175m to SEK 31m (206). This was mainly because unrealised changes in market value of financial assets and liabilities subject to hedge accounting and derivatives in the same period of the previous year were positively affected by rising market interest rates.

Expenses were SEK 106m (90). Net loan losses were SEK 22m (28), which corresponds to a loan loss ratio of -0.01% (-0.01) of lending. Before deduction of the provision for probable loan losses, the volume of bad debts was SEK 143m (247). SEK 50m (62) of the bad debts were non-performing loans, while SEK 93m (185) were loans on which the borrowers pay interest and amortisation, but which are considered doubtful. In addition, there were non-performing loans of SEK 807m (490) that are not assessed as being bad debts. After deductions for specific provisions totalling SEK -51m (-76) and provisions by group of SEK -11m (-) for probable loan losses, bad debts totalled SEK 81m (171).

Q2 2009 compared with Q1 2009

Stadshypotek's operating profits for the second quarter of 2009 increased by SEK 178m to SEK 1,599m (1,421). Excluding the branch in Norway, operating profits rose by SEK 173m.

Net interest income was SEK 1,592m (1,493), of which SEK 117m (112) was attributable to the branch in Norway. The underlying increase of SEK 94m is partly due to higher volumes on the private and corporate markets and to increased margins in the corporate market, but also to the company's healthy position in the funding market. The average margin in the private market during the quarter was 0.64% (0.66). Net gains/losses on financial operations increased by SEK 67m to SEK 49m (-18).

GROWTH IN LENDING

Stadshypotek's lending volume continued to increase during the period. Loans to the public increased during the first six months by SEK 34bn to SEK 650bn (615). Compared with the same period in the previous year, lending volumes increased by SEK 104bn, of which SEK 47bn was attributable to the branch in Norway. Stadshypotek's share of the private market in Sweden was approximately 25% and for the corporate market, it was some 30%.

CAPITAL RATIO

The capital ratio according to Basel II was 36.5% (39.8) while the Tier 1 capital ratio according to Basel II was 25.4% (28.2). Further information concerning capital adequacy is provided in the 'Capital base and Capital requirement' section.

RATING

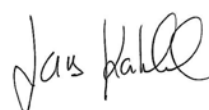
Stadshypotek's rating remained unchanged, with a "stable outlook".

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

ACCOUNTING POLICIES

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

The accounting policies are unchanged compared to the latest annual report.



Stockholm, 21 July 2009

Lars Kahnlund
Chief executive

Stadshypotek Group

Income statement SEK m	Q2 2009	Q1 2009	Change %	Jan–Jun 2009	Jan–Jun 2008	Change %	Full year 2008	
Interest income	5,486	6,582	-17	12,068	12,936	-7	29,006	
Interest expense	-3,894	-5,089	-23	-8,983	-11,200	-20	-25,106	
Net interest income	1,592	1,493	7	3,085	1,736	78	3,900	
Net gains/losses on financial operations	49	-18	-	31	206	-85	-71	
Fee and commission income	3	3	0	6	6	0	12	
Fee and commission expense	-9	-9	0	-18	-21	-14	-43	
Net fee and commission income	-6	-6	0	-12	-15	-20	-31	
Total income	1,635	1,469	11	3,104	1,927	61	3,798	
General administrative expenses								
Staff costs	-10	-10	0	-20	-22	-9	-40	
Other	-42	-42	0	-84	-67	25	-149	
Depreciation and amortisation	-1	-1	0	-2	-1	-	-2	
Total expenses	-53	-53	0	-106	-90	18	-191	
Profit before loan losses	1,582	1,416	12	2,998	1,837	63	3,607	
Net loan losses	Note 1	17	5	-	22	28	-21	75
Operating profit	1,599	1,421	13	3,020	1,865	62	3,682	
Tax	-421	-377	12	-798	-522	53	-1,027	
Profit for the period	1,178	1,044	13	2,222	1,343	65	2,655	
Net earnings per share, SEK	7,271	6,447		13,718	8,290		16,388	

Consolidated statement of comprehensive income SEK m	Q2 2009	Q1 2009	Change %	Jan–Jun 2009	Jan–Jun 2008	Change %	Full year 2008
Profit for the period	1,178	1,044	13	2,222	1,343	65	2,655
Translation differences for the period	-5	8	-	3	-	-	-4
Total comprehensive income for the period	1,173	1,052	12	2,225	1,343	66	2,651

Quarterly earnings performance SEK m	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Interest income	5,486	6,582	8,392	7,678	6,618
Interest expense	-3,894	-5,089	-7,228	-6,678	-5,753
Net interest income	1,592	1,493	1,164	1,000	865
Net gains/losses on financial operations	49	-18	-93	-184	268
Net fee and commission income	-6	-6	-8	-8	-7
Total income	1,635	1,469	1,063	808	1,126
General administrative expenses					
Staff costs	-10	-10	-8	-10	-11
Other	-42	-42	-44	-38	-33
Depreciation	-1	-1	-1	0	-1
Total expenses	-53	-53	-53	-48	-45
Profit before loan losses	1,582	1,416	1,010	760	1,081
Loan losses	17	5	-13	60	17
Operating profit	1,599	1,421	997	820	1,098

Balance sheet - Group SEK m		30 Jun 2009	30 Jun 2008	31 Dec 2008
Assets				
Loans to credit institutions		10,542	11,898	26,887
Loans to the public	Note 2	649,615	545,947	615,263
Value change of interest hedged item in portfolio hedge		2,134	-	144
Derivative instruments	Note 3	18,183	3,185	13,374
Other assets		9,033	6,030	3,830
Total assets		689,507	567,060	659,498
Liabilities and equity				
Due to credit institutions		193,987	127,179	182,602
Issued securities		450,441	396,751	430,404
Derivative instruments	Note 3	2,885	3,814	3,231
Other liabilities and provisions		11,151	9,800	14,443
Subordinated loans		8,800	8,300	8,800
Total liabilities		667,264	545,844	639,480
Shareholder's equity		22,243	21,216	20,018
Total liabilities and equity		689,507	567,060	659,498

Change in shareholders' equity SEK m	Share capital	Translation reserve	Retained profits	Total
Opening shareholders' equity 2009	4,050	-4	15,972	20,018
Total comprehensive income for the period		3	2,222	2,225
Equity June 2009	4,050	-1	18,194	22,243
Opening shareholders' equity 2008	4,050	-	15,823	19,873
Total comprehensive income for the period		-	1,343	1,343
Equity June 2008	4,050	-	17,166	21,216

Cash flow statement SEK m	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Cash flow from operating activities	2,542	4,240	52,404
Cash flow from investing activities	0	-17	-47,981
Cash flow from financing activities	-3,480	-3,760	-3,425
Cash flow for the period	-938	463	998
Liquid funds at beginning of period	1,439	434	434
Cash flow for the period	-938	463	998
Exchange rate difference on liquid funds	41	-	7
Liquid funds at end of period	542	897	1,439

Key figures	Jan-Jun 2009	Jan-Jun 2008	Full year 2008
Net interest margin, %	0.92	0.63	0.66
C/l ratio before loan losses, %	3.40	4.70	5.1
C/l ratio after loan losses, %	2.70	3.20	3.1
Return on shareholders' equity, %	19.5	12.0	12.2
Capital ratio according to Basel II, %	36.5	39.8	37.1
Tier 1 ratio according to Basel II, %	25.4	28.2	25.9

TURNOVER OF OWN DEBT INSTRUMENTS

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

Turnover during the period was as follows:

Issued (sold)	SEK 228bn
Repurchased	SEK 73bn
Matured	SEK 149bn

Segment information Jan-Jun SEK m	2009			2008		
	Private	Corporate	Total	Private	Corporate	Total
Net interest income	2,163	922	3,085	1,296	440	1,736
Net gains/losses on financial operations	22	9	31	154	52	206
Net fee and commission income	-8	-4	-12	-11	-4	-15
Total income	2,177	927	3,104	1,439	488	1,927
Administrative expenses	-75	-31	-106	-67	-23	-90
Profit before loan losses	2,102	896	2,998	1,372	465	1,837
Loan losses	9	13	22	26	2	28
Operating profit	2,111	909	3,020	1,398	467	1,865
Loans to the public	450,283	199,343	649,626	382,590	163,357	545,947

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

Parent company

Income statement SEK m	Q2 2009	Q1 2009	Change %	Jan-Jun 2009	Jan-Jun 2008	Change %	Full year 2008	
Interest income	5,486	6,582	-17	12,068	12,936	-7	29,006	
Interest expense	-3,894	-5,089	-23	-8,983	-11,200	-20	-25,106	
Net interest income	1,592	1,493	7	3,085	1,736	78	3,900	
Net gains/losses on financial operations	49	-18	-	31	206	-85	-71	
Fee and commission income	3	3	0	6	6	0	12	
Fee and commission expense	-9	-9	0	-18	-21	-14	-43	
Net fee and commission income	-6	-6	0	-12	-15	-20	-31	
Total income	1,635	1,469	11	3,104	1,927	61	3,798	
General administrative expenses								
Staff costs	-10	-10	0	-20	-22	-9	-40	
Other	-42	-42	0	-84	-67	25	-149	
Depreciation and amortisation	-1	-1	0	-2	-1	-	-2	
Total expenses	-53	-53	0	-106	-90	18	-191	
Profit before loan losses	1,582	1,416	12	2,998	1,837	63	3,607	
Net loan losses	Note 1	17	5	-	22	28	-21	75
Operating profit	1,599	1,421	13	3,020	1,865	62	3,682	
Appropriations	-	-	-	-	-	-	-48	
Profit before tax	1,599	1,421	13	3,020	1,865	62	3,634	
Tax	-421	-377	12	-798	-522	53	-1,014	
Profit for the period	1,178	1,044	13	2,222	1,343	65	2,620	

Balance sheet SEK m	30 Jun 2009	30 Jun 2008	31 Dec 2008
Assets			
Loans to credit institutions	10,542	11,898	26,887
Loans to the public	Note 2	649,615	545,947
Value change of interest hedged item in portfolio hedge	2,134	-	144
Derivative instruments	Note 3	18,183	3,185
Other assets	9,033	6,030	3,830
Total assets	689,507	567,060	659,498
Liabilities and equity			
Due to credit institutions	210,616	138,603	208,523
Issued securities	433,811	385,327	404,483
Derivative instruments	Note 3	2,885	3,814
Other liabilities and provisions	11,139	9,800	14,430
Subordinated loans	8,800	8,300	8,800
Total liabilities	667,251	545,844	639,467
Untaxed reserves	48	-	48
Shareholder's equity	22,208	21,216	19,983
Total liabilities and equity	689,507	567,060	659,498

Notes

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

NOTE 1 Loan losses

SEK m	Q2 2009	Q1 2009	Change %	Jan–Jun 2009	Jan–Jun 2008	Change %	Full year 2008
Specific provision for individually assessed loan receivables							
Provision for the period	-1	-3	-67	-4	-8	-50	-19
Writeback of previous provisions	8	5	60	13	7	86	14
Total	7	2	-	9	-1	-	-5
Collective provision							
Provision by group for individually assessed loan receivables	2	-1	-	1	-	-	-12
Write-offs							
Actual loan losses for the period	-13	-7	86	-20	-2	-	-15
Utilised share of previous provisions	9	3	-	12	1	-	9
Writeback of actual loan losses in previous years	12	8	50	20	30	-33	98
Total	8	4	100	12	29	-59	92
Net loan losses	17	5	-	22	28	-21	75

As of the third quarter 2008, recoveries on previous actual interest losses are included in 'Writeback of actual loan losses in previous years', which for the whole of 2008 had a SEK 31m effect on writeback of actual loan losses in previous years. During the January to June 2008 period, the corresponding amount totalled SEK 24m and was included in net interest income.

Bad debts SEK m	30 Jun 2009	30 Jun 2008	31 Dec 2008
Bad debts	143	247	193
Specific provision for individually assessed loan receivables	-51	-76	-73
Provision by group for individually assessed loan receivables	-11	-	-12
Net bad debts	81	171	108
Proportion of bad debts, %	0.01	0.03	0.02
Bad debt reserve ratio, %	35.8	31.0	37.8
Loan loss ratio, %	-0.01	-0.01	-0.01
Non-performing loans which are not bad debts	807	490	605

NOTE 2 Loans to the public

Loans to the public, by sector 30 June	2009			2008		
	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	470,046	-15	470,031	401,130	-15	401,115
Public sector, municipal companies	11,323	-	11,323	5,328	-	5,328
Housing co-operative associations	92,902	-16	92,886	83,768	-32	83,736
Other legal entities	75,406	-20	75,386	55,797	-29	55,768
Total loans to the public, before collective provisions	649,677	-51	649,626	546,023	-76	545,947
Collective provision		-11	-11		-	-
Total loans to the public	649,677	-62	649,615	546,023	-76	545,947
of which in the Norwegian operations						
Households	37,283	-	37,283			
Public sector, municipal companies	-	-	-			
Housing co-operative associations	6,350	-	6,350			
Other legal entities	3,390	-	3,390			
Total loans to the public in the Norwegian operations	47,023	-	47,023			

Loans to the public, by type of property 30 June	2009			2008		
	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	352,101	-7	352,094	296,969	-7	296,962
Housing co-operative apartments	93,897	-1	93,896	85,629	-1	85,628
Owner-occupied apartments*	4,293	-	4,293	-	-	-
Private market	450,291	-8	450,283	382,598	-8	382,590
Multi-family housing	171,232	-33	171,199	144,746	-65	144,681
Offices and commercial buildings	28,154	-10	28,144	18,679	-3	18,676
Corporate market	199,386	-43	199,343	163,425	-68	163,357
Total loans to the public, before collective provisions	649,677	-51	649,626	546,023	-76	545,947
Collective provision		-11	-11		-	-
Total loans to the public	649,677	-62	649,615	546,023	-76	545,947
of which in the Norwegian operations						
Single-family housing	33,221	-	33,221			
Housing co-operative apartments	19	-	19			
Owner-occupied apartments*	4,293	-	4,293			
Private market	37,533	-	37,533			
Multi-family housing	8,770	-	8,770			
Offices and commercial buildings	720	-	720			
Corporate market	9,490	-	9,490			
Total loans to the public in the Norwegian operations	47,023	-	47,023			

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

Non-performing loans by borrower category 30 June	2009		2008	
	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
SEK m				
Households	619	20	414	22
Public sector, municipal companies	-	-	-	-
Housing co-operative associations	74	12	3	15
Other legal entities	114	18	73	25
Total	807	50	490	62
of which in the Norwegian operations				
Households	56	-	-	-
Public sector, municipal companies	-	-	-	-
Housing co-operative associations	18	-	-	-
Other legal entities	19	-	-	-
Total non-performing loans in the Norwegian operations	93	-		

Non-performing loans by type of property 30 June	2009		2008	
	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
SEK m				
Single-family housing	503	13	336	7
Housing co-operative apartments	115	1	60	1
Owner-occupied apartments*	6	-	-	-
Private market	624	14	396	8
Multi-family housing	166	31	64	52
Offices and commercial buildings	17	5	30	2
Corporate market	183	36	94	54
Total	807	50	490	62
of which in the Norwegian operations				
Single-family housing	50	-	-	-
Housing co-operative apartments	3	-	-	-
Owner-occupied apartments*	6	-	-	-
Private market	59	-		
Multi-family housing	34	-	-	-
Offices and commercial buildings	-	-	-	-
Corporate market	34	-		
Total non-performing loans in the Norwegian operations	93	-		

Bad debts by borrower category 30 June	2009			2008		
	Bad debts	Provision for probable losses	Net bad debts	Bad debts	Provision for probable losses	Net bad debts
Households	31	-15	16	36	-15	21
Public sector, municipal companies	-	-	-	-	-	-
Housing co-operative associations	57	-16	41	106	-32	74
Other legal entities	55	-20	35	105	-29	76
Total	143	-51	92	247	-76	171

Bad debts by type of property 30 June	2009			2008		
	Bad debts	Provision for probable losses	Net bad debts	Bad debts	Provision for probable losses	Net bad debts
Single-family housing	17	-7	10	17	-7	10
Housing co-operative apartments	1	-1	0	1	-1	0
Owner-occupied apartments*	-	-	-	-	-	-
Private market	18	-8	10	18	-8	10
Multi-family housing	105	-33	72	176	-65	111
Offices and commercial buildings	20	-10	10	53	-3	50
Corporate market	125	-43	82	229	-68	161
Total	143	-51	92	247	-76	171

*For a definition see page 7.

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

NOTE 3 Derivative instruments

SEK m	Fair value 30 Jun 2009	Fair value 30 Jun 2008	Fair value 31 Dec 2008
Positive values			
Interest-rate related instruments	12,714	2,055	6,140
Currency-related instruments	5,469	1,130	7,234
Total	18,183	3,185	13,374
Negative values			
Interest-rate related instruments	2,119	3,644	2,460
Currency-related instruments	766	170	771
Total	2,885	3,814	3,231
Net	15,298	-629	10,143

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

Related-party transactions

Group claims/Group liabilities SEK m	Group			Parent company		
	30 Jun 2009	30 Jun 2008	31 Dec 2008	30 Jun 2009	30 Jun 2008	31 Dec 2008
BALANCE SHEET						
Group claims						
Loans to credit institutions	10,508	11,861	26,851	10,508	11,861	26,851
Derivative instruments	17,613	3,064	12,814	17,613	3,064	12,814
Other assets	138	153	47	138	153	47
Total	28,259	15,078	39,712	28,259	15,078	39,712
Group liabilities						
Due to credit institutions	185,342	110,834	171,853	201,972	122,263	197,774
Derivative instruments	2,771	3,745	3,036	2,771	3,745	3,036
Other liabilities	825	231	6,319	825	231	6,319
Subordinated loans	8,800	8,300	8,800	8,800	8,300	8,800
Total	197,738	123,110	190,008	214,368	134,539	215,929
INCOME STATEMENT						
Interest income	175	259	700	175	259	700
Interest expense	-2,226	-2,205	-6,401	-2,407	-2,467	-6,869
Fee and commission expense	-11	-11	-21	-11	-11	-21
Other administrative expenses	-70	-66	-122	-70	-66	-122
Total	-2,132	-2,023	-5,844	-2,313	-2,285	-6,312

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

Disclosures

RISK

Stadshypotek's operations are conducted with a controlled low level of risk. Stadshypotek's risks are credit risk, market risk, liquidity risk, operational risk and business risk. A description of material risks and uncertainty factors and how they are handled by the Group is presented in the company's 2008 annual report. No material changes have occurred since the annual report was published that are not presented in this report. Information about credit risks regarding loan losses and non-performing loans and bad debts can be found in note 1 and note 2 of this report. As at 30 June 2009, Stadshypotek's interest rate risk in the case of a parallel increase in the yield curve of one percentage point was SEK -178m (-149).

CAPITAL-RELATED MATTERS

At the start of the transition to Basel II, Stadshypotek entered into a guarantee facility relating to mortgages for housing co-operative properties, to speed up the transition. In June 2008, Stadshypotek utilised the guarantee, which had a 0.66 percentage point effect on the Tier 1 ratio as at 30 June 2009. This transaction affects only capital adequacy, in accordance with the transitional rules.

Capital base and capital requirement

Capital base SEK m	30 Jun 2009	30 Jun 2008	31 Dec 2008
Tier 1 capital ¹	19,933	19,655	
Tier 1 capital ²	22,155	20,998	19,913
Tier 2 capital	8,712	8,082	8,695
Capital base¹	28,645	27,737	
Capital base²	30,867	29,080	28,608

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

² Including profits generated during the period.

Capital requirement SEK m	30 Jun 2009	30 Jun 2008	31 Dec 2008
Credit risk according to standardised approach	27	74	53
Credit risk according to IRB approach	5,726	4,888	5,493
Operational risk	533	615	615
Total capital requirement according to Basel II	6,286	5,577	6,161
Adjustment according to transitional rules	16,209	14,806	18,100
Capital requirement according to Basel II, transitional rules	22,495	20,383	24,261
Risk-weighted assets according to Basel I	354,238	289,151	339,871
Capital requirement according to Basel I (8% of risk-weighted assets)	28,339	23,132	27,190
Risk-weighted assets in accordance with transitional rules	281,190	254,788	303,259
Transitional rules result in lowest permitted capital requirement	22,495	20,383	24,261
Risk-weighted assets according to Basel II (capital requirement/8%)	78,575	69,713	77,013

Capital adequacy analysis	30 Jun 2009	30 Jun 2008	31 Dec 2008
Capital requirement in Basel II compared with Basel I	22%	24%	23%
Capital requirement in Basel II compared with transitional rules	28%	27%	25%
Capital ratio according to Basel II ¹	36.5%	39.8%	
Capital ratio according to Basel I ¹	8.1%	9.6%	
Capital ratio according to transitional rules ¹	10.2%	10.9%	
Capital ratio according to Basel II ²	39.3%	41.7%	37.1%
Capital ratio according to Basel I ²	8.8%	10.1%	8.5%
Capital ratio according to transitional rules ¹	11.0%	11.4%	9.4%
Tier 1 ratio according to Basel II ¹	25.4%	28.2%	
Tier 1 ratio according to Basel I ¹	5.7%	6.8%	
Tier 1 ratio according to transitional rules ¹	7.1%	7.7%	
Tier 1 ratio according to Basel II ²	28.2%	30.1%	25.9%
Tier 1 ratio according to Basel I ²	6.3%	7.3%	5.9%
Tier 1 ratio according to transitional rules ²	7.9%	8.2%	6.6%
Capital base in relation to capital requirement Basel II ²	491%	521%	464%
Capital base in relation to capital requirement Basel I ²	110%	126%	106%
Capital base in relation to capital requirement according to transitional rules ²	137%	143%	118%

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

Credit risks 30 June 2009 SEK m	Standardised approach	IRB approach		
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
Institutions	15	-	-	-
Companies	-	182,650	23.9%	3,496
Households	11	451,016	6.2%	2,230
Others	1	-	-	-
Total	27	633,666	11.3%	5,726

Credit risks 30 June 2008 SEK m	Standardised approach	IRB approach		
	Capital requirement	Exposure after credit risk protection (EAD)	Average risk weight	Capital requirement
Institutions	61	-	-	-
Companies	-	149,772	28.7%	3,434
Households	12	384,507	4.7%	1,454
Others	1	-	-	-
Total	74	534,279	11.4%	4,888

The capital requirement according to Basel II is 78% (76) lower than the requirement in accordance with Basel I. Households represent some 81% (85) of the reduction and companies approximately 19% (15). A large proportion of credits to households with property as collateral are the main reason for the lower capital requirement.

We hereby confirm that this interim 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 faced by the parent company and the Group companies.

Stockholm 21 July 2009

Håkan Sandberg
Chairman

Yonnie Bergqvist
Board member

Catharina Hildebrand
Employee representative

Olle Lindstrand
Board member

Lars Kahnlund
Chief executive

Facts about the company

Registered name: Stadshypotek AB (publ).

Corporate identity number: 556459-6715.

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

The next interim report: will be published on 28 October 2009.

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