

20 August 2002

## Press release

### Stadshypotek's interim report January – June 2002

#### Summary

- *Operating profit increased to SEK 2 275m*
- *Expenses continue to drop*
- *Recoveries continue to exceed new loan losses*
- *Continued positive growth in private market volumes*
- *'Fixing interest rates on the Internet' was launched in June*
- *Preference shares in Handelsbanken Hypotek were redeemed on 1 July 2002*

#### Results

The Stadshypotek Group's operating profit increased by SEK 86m to SEK 2 275m (2 189).  
Net interest income rose by SEK 86m to SEK 2 375m (2 289).

#### Operating income

The SEK 86m increase in the Group's net interest income is primarily due to increased lending volumes. Continued strong growth in private market lending has contributed to an improved lending margin. Net interest income has been negatively impacted both by reduced shareholders' equity and by lower interest rates.

#### Expenses

Group expenses continue to fall and were SEK 140m (173), a decrease of SEK 33m or 19%. Expenses include agent's commission paid by Handelsbanken Hypotek to Handelsbanken, which has gone down by SEK 27m due to the subsidiary's lower lending volume.

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**Loan losses**

Recoveries exceeded new loan losses and were SEK 44m (67), which corresponds to -0.03% (-0.04) of lending.

As at 30 June 2002, Stadshypotek's volume of bad debts before deduction of the reserve for possible loan losses amounted to SEK 2 493m (3 334). Of the bad debts, SEK 546m (765) were non-performing loans and SEK 1 947m (2 569) were loans on which the borrowers pay interest and amortisation but which are considered doubtful in view of the borrowers' repayment capacity and due to uncertainty as to the value of the collateral. After deduction of the reserve for possible loan losses the volume of bad debts was SEK 1 727m (2 338).

**Lending**

Lending to the general public continues to increase and was SEK 357bn (339) as at 30 June 2002. Private market lending increased by SEK 19bn while lending on the corporate market decreased by SEK 1bn.

**Fixing interest rates on the Internet**

'Fixing interest rates on the Internet' was launched in June. Using this service, private customers with variable interest rate loans who are connected to Handelsbanken on the Internet can change to fixed interest rates directly from their own PC. This improves both the service level and accessibility for Stadshypotek's private customers. In the autumn, the next step will be taken when it will be possible to change terms via the Internet.

**Redemption of preference shares in Handelsbanken Hypotek**

The preference shares in the subsidiary Handelsbanken Hypotek were redeemed on 1 July 2002, the redeemed value of the shares being SEK 252.6m. This means that Handelsbanken Hypotek is now a wholly-owned subsidiary of Stadshypotek AB.

**Capital ratio**

As at 30 June 2002, the capital ratio was 10.5% (11.8). The lower capital ratio is mainly due to increased lending volumes.

Stockholm, 20 August 2002



Claes Norlén  
*Chief Executive*

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

**Profit and loss account**

SEK m	2002 Jan – Jun	2001 Jan – Jun	Change %	2001 Full year
Interest income	10 094	10 029	1	19 969
Interest expense	-7 719	-7 740	0	-15 361
<b>Net interest income</b>	<b>2 375</b>	<b>2 289</b>	<b>4</b>	<b>4 608</b>
Other operating income	-4	6	-	65
<b>Total income</b>	<b>2 371</b>	<b>2 295</b>	<b>3</b>	<b>4 673</b>
General administrative expenses				
- Staff costs	-10	-12	-17	-23
- Other	-130	-161	-19	-300
<b>Total expenses</b>	<b>-140</b>	<b>-173</b>	<b>-19</b>	<b>-323</b>
<b>Profit before loan losses</b>	<b>2 231</b>	<b>2 122</b>	<b>5</b>	<b>4 350</b>
Loan losses, net 1)	44	67	-34	193
<b>Operating profit</b>	<b>2 275</b>	<b>2 189</b>	<b>4</b>	<b>4 543</b>
Minority interests	- 11	- 11	0	- 22
<b>Profit before taxes</b>	<b>2 264</b>	<b>2 178</b>	<b>4</b>	<b>4 521</b>
Taxes	- 634	-608	4	-1 289
<b>Net profit for the period</b>	<b>1 630</b>	<b>1 570</b>	<b>4</b>	<b>3 232</b>

1) **Loan losses****Individually valued claims:**

The period's write-down for actual loan losses	-69	-75
Write-back of previous provisions for possible loan losses which are reported as actual loan losses in the period's accounts	62	62
The period's provision relating to possible loan losses	-30	-30
Recovered from actual loan losses in previous years	48	66
Write-back of provisions for possible loan losses which are no longer necessary	33	44

**Net expense for the period for individually valued claims**      **44**                      **67**

**Balance sheet**

SEK m	2002 30 June	2001 30 June	2001 31 Dec
<b>Assets</b>			
Lending to credit institutions	1 574	1 799	2 297
Lending to the general public	357 358	339 030	349 884
Tangible assets	1	1	1
Other assets	10 769	5 768	6 641
<b>Total assets</b>	<b>369 702</b>	<b>346 598</b>	<b>358 823</b>
<b>Liabilities and shareholders' equity</b>			
Liabilities to credit institutions	157 459	147 816	150 848
Issued securities etc.	182 989	167 570	174 899
Other liabilities and provisions	6 628	8 023	12 088
Minority interest	269	269	261
<b>Total liabilities</b>	<b>347 345</b>	<b>323 678</b>	<b>338 096</b>
<b>Shareholders' equity</b>	<b>22 357</b>	<b>22 920</b>	<b>20 727</b>
<b>Total liabilities and shareholders' equity</b>	<b>369 702</b>	<b>346 598</b>	<b>358 823</b>

**Change in shareholders' equity**

SEK m	2002 30 June	2001 30 June	2001 31 Dec
<b>Opening shareholders' equity</b>	<b>20 727</b>	<b>21 350</b>	<b>21 350</b>
Group contribution	-	-	-5 355
Tax on paid group contribution	-	-	1 500
Net profit for the period	1 630	1 570	3 232
<b>Closing shareholders' equity</b>	<b>22 357</b>	<b>22 920</b>	<b>20 727</b>

## Other information

### The Group's bad debts

SEK m	2002 Jan – Jun	2001 Jan – Jun
Bad debts, gross	2 493	3 334
Reserve for possible losses	- 766	- 996
<b>Bad debts, net</b>	<b>1 727</b>	<b>2 338</b>
Non-performing loans for which interest is reported as income	865	1 092

### Cash flow statement

Group SEK m	2002 Jan – June	2001 Jan – June
Cash flow on operating activities	5 165	5 350
Cash flow on investing activities	0	0
Cash flow on financing activities	-5 355	-5 389
<b>Cash flow for the period</b>	<b>-190</b>	<b>-39</b>
Liquid funds at beginning of period	1 268	1 271
Cash flow for the period	-190	-39
<b>Liquid funds at end of period</b>	<b>1 078</b>	<b>1 232</b>

## Derivatives

30 June 2002

Interest-rate related instruments    Currency-related instruments

SEK m	Fair value	Book value	Fair value	Book value
Positive values	1 166	-207	83	1
Negative values	1 054	510	2 090	77

Stadshypotek uses derivatives in order to hedge against risks on its own balance sheet and therefore applies hedge accounting with acquisition valuation.

This means that the book values stated here only express the accrued interest amounts on the instruments. The differences between the fair values of the derivatives and the book values below correspond to equally large, but opposite, differences between the fair values and the book values of the items on the balance sheet which are hedged by the derivatives.

**Quarterly performance for the Stadshypotek Group**

SEK m	2002:2	2002:1	2001:4	2001:3	2001:2
Interest income	5 129	4 965	4 860	5 080	5 011
Interest expense	- 3 970	- 3 749	- 3 632	-3 989	- 3 913
<b>Net interest income</b>	<b>1 159</b>	<b>1 216</b>	<b>1 228</b>	<b>1 091</b>	<b>1 098</b>
Other operating income	-2	-2	11	48	-2
<b>Total income</b>	<b>1 157</b>	<b>1 214</b>	<b>1 239</b>	<b>1 139</b>	<b>1 096</b>
General administrative expenses					
Staff costs	- 5	- 5	- 5	- 6	- 6
Other	- 64	- 66	- 69	- 70	- 80
Depreciation according to plan	0	0	0	0	0
<b>Total expenses</b>	<b>-69</b>	<b>-71</b>	<b>-74</b>	<b>-76</b>	<b>-86</b>
<b>Profit before loan losses</b>	<b>1 088</b>	<b>1 143</b>	<b>1 165</b>	<b>1 063</b>	<b>1 010</b>
Loan losses	21	23	97	29	43
<b>Operating profit</b>	<b>1 109</b>	<b>1 166</b>	<b>1 262</b>	<b>1 092</b>	<b>1 053</b>

**Key Financial Figures and Ratios**

The Group	2002 Jan – Jun	2001 Jan – Jun	2001 Full Year
Overall interest margin, %	1.30	1.35	1.33
C/I ratio before loan losses, %	5.9	7.5	6.9
C/I ratio after loan losses, %	4.0	4.6	2.8
Loan loss level, %	-0.03	-0.04	-0.06
Proportion of bad debts, %	0.5	0.7	0.5
Bad debt reserve ratio, %	31	30	30
Return on shareholders' equity, %	13.6	12.8	13.3
Capital ratio, %	10.5	11.8	10.8
Tier 1 capital ratio, %	10.5	11.8	10.8

**Profit and loss account – Parent company**

SEK m	2002 Jan – Jun	2001 Jan – Jun	2001 Full year
Interest income	9 591	9 159	18 454
Interest expense	-7 499	-7 205	-14 490
<b>Net interest income</b>	<b>2 092</b>	<b>1 954</b>	<b>3 964</b>
Other operating income	-4	5	554
<b>Total income</b>	<b>2 088</b>	<b>1 959</b>	<b>4 518</b>
General administrative expenses			
Staff costs	-9	-11	-21
Other	-71	-74	-141
Depreciation and write-downs of fixed assets	0	0	0
<b>Total expenses</b>	<b>-80</b>	<b>-85</b>	<b>-162</b>
<b>Profit before loan losses</b>	<b>2 008</b>	<b>1 874</b>	<b>4 356</b>
Net loan losses	39	56	185
<b>Operating profit</b>	<b>2 047</b>	<b>1 930</b>	<b>4 541</b>
Appropriations	400	408	817
Taxes on the period's result	-685	-655	-1522
<b>Net profit for the period</b>	<b>1 762</b>	<b>1 683</b>	<b>3 836</b>

**Balance sheet – Parent company**

SEK m	2002 30 June	2001 30 June	2001 31 Dec
<b>Assets</b>			
Lending to the general public	330 709	299 472	317 318
Other assets	33 734	36 922	31 324
<b>Total assets</b>	<b>364 443</b>	<b>336 394</b>	<b>348 642</b>
<b>Liabilities and shareholders' equity</b>			
Liabilities	341 786	312 987	327 347
Untaxed reserves	1 650	2 459	2 050
Shareholders' equity	21 007	20 948	19 245
<b>Total liabilities and shareholders' equity</b>	<b>364 443</b>	<b>336 394</b>	<b>348 642</b>

The interim report for the first nine months of 2002 will be published on 22 October 2002.