



## Årsregnskap for regnskapsåret 2022

Organisasjonsnr: 991 303 995  
Navn/foretaksnavn: HANDELSBANKEN EIENDOMSKREDITT  
FILIAL AV STADSHYPOTEK AB  
Forretningsadresse: Tjuvholmen allé 11  
0252 OSLO

Brønnøysundregistrene  
25.07.2024

---

### Brønnøysundregistrene

Postadresse: 8910 Brønnøysund

Telefoner: Opplysningstelefonen 75 00 75 00 Telefaks 75 00 75 05

E-post: [firmapost@brreg.no](mailto:firmapost@brreg.no) Internett: [www.brreg.no](http://www.brreg.no)

Organisasjonsnummer: 974 760 673



Brønnøysundregistrene - Regnskapsregisteret

2023 . 200143



VEDLEGG TIL ÅRSREGNSKAP 2022



HANDELSBANKEN EIENDOMSKREDITT FILIAL AV STADSHYPOTEK AB Postboks 1342 Vika 0113 OSLO	Organisasjonsnr.	NUF
	991 303 995	



Registrerte opplysninger per 27.06.2023		Eventuelle endringer dette regnskapsåret	
Startdato	Avslutningsdato	Startdato	Avslutningsdato
01.01.2022	31.12.2022		
Konsernforhold Foreninger som følger regler for frivillig virksomhet, kan ikke være morselskap	Morselskap NEI	Endret konsernforhold <input type="checkbox"/> Morselskap <input type="checkbox"/> Ikke morselskap	

Kun for aksjeselskap som har meldt fravalg av revisjon

Selskapet har besluttet at årsregnskapet ikke skal revideres  Ja

Årsregnskapet er utarbeidet av ekstern autorisert regnskapsfører  Ja

Ekstern autorisert regnskapsfører har i løpet av regnskapsåret bistått ved den løpende regnskapsføringen eller utført andre tjenester for selskapet enn å utarbeide årsregnskapet  Ja

Årsregnskapet er satt opp etter reglene for frivillig virksomhet  Avkrysning er kun aktuelt for foreninger (FLI) som er registrert i Frivillighetsregisteret

Hvis enheten ikke følger norsk regnskapslov eller frivillighetsregisterloven, kryss av  IFRS selskap  IFRS konsern

Hvis enheten velger å avvike fra regnskapsloven § 6-1, kryss av  Funksjon selskap  Funksjon konsern

Følges regnskapsreglene for små foretak?  Ja  Nei

Jeg bekrefter at vedlagte årsregnskap er fastsatt av kompetent organ den \_\_\_\_\_ Dato

Sted/data, Underskrift av representant for enheten

UTLA  
e-not

Bare til bruk for Regnskapsregisteret *Am*

G  NYVE  Admr  Kregn Ja  Nei  Aktiv. regn

M  Rets  Ant.s

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ov.b	årsb	res	bal	e.bal	gj.bal	rev	i-rev	k-res	k-bal	k-n	k-rev	i-k-rev	n	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
k-regn	kto	d.k	ik-fv	konsf	ifrs	fr-rev					funk	u.off	brev	



BR-1001-11





Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 509322

**Enheten**

Organisasjonsnummer: 991 303 995  
Organisasjonsform: Norskreg. utenlandsk foretak  
Foretaksnavn: HANDELSBANKEN EIENDOMSKREDITT  
FILIAL AV STADSHYPOTEK AB  
Forretningsadresse: Tjuvholmen allé 11  
0252 OSLO

**Regnskapsår**

Årsregnskapets periode: 01.01.2022 - 31.12.2022

**Konsern**

Morselskap i konsern: Nei

**Regnskapsregler**

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av  
Årsregnskapet til selskapet: IFRS  
Har utarbeidet 'land-for-land' rapport: Ja

**Årsregnskapet fastsatt av kompetent organ**

Bekreftet av representant for selskapet: Nils Mikael Otterbørk  
Dato for fastsettelse av årsregnskapet: 26.05.2023

**Grunnlag for avgivelse**

År 2022: Årsregnskap er elektronisk innlevert.  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022.

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 27.06.2023



Organisasjonsnr: 991 303 995  
HANDELSBANKEN EIENDOMSKREDITT  
FILIAL AV STADSHYPOTEK AB

## RESULTATREGNSKAP

Beløp i: SEK	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Renteinntekter og lignende inntekter</b>			
Renteinntekter beregnet etter effektivrentemetoden av utlån til og fordringer på kunder	3	27 213 000 000	20 971 000 000
<b>Sum renteinntekter og lignende inntekter</b>		<b>27 213 000 000</b>	<b>20 971 000 000</b>
<b>Rentekostnader og lignende kostnader</b>			
Rentekostnader beregnet etter effektivrentemetoden på innskudd fra og gjeld til kunder	3	12 234 000 000	5 316 000 000
<b>Sum rentekostnader og lignende kostnader</b>		<b>12 234 000 000</b>	<b>5 316 000 000</b>
<b>Netto renteinntekter</b>		<b>14 979 000 000</b>	<b>15 655 000 000</b>
Provisjonsinntekter og inntekter fra banktjenester	4	13 000 000	13 000 000
Provisjonskostnader og kostnader ved banktjenester	4	52 000 000	41 000 000
<b>Utbytte og andre inntekter av egenkapitalinstrumenter</b>		<b>0</b>	<b>0</b>
<b>Sum utbytte og andre inntekter av egenkapitalinstrumenter</b>		<b>0</b>	<b>0</b>
<b>Netto verdiendring og gevinst/tap på valuta og finansielle instrumenter</b>			
Netto verdiendring og gevinst/tap på rentebærende verdipapirer	5	-12 000 000	88 000 000
<b>Sum netto verdiendring og gevinst/tap på valuta og finansielle instrumenter</b>		<b>-12 000 000</b>	<b>88 000 000</b>
Andre driftsinntekter	29	1 190 000 000	2 000 000
Lønn og andre personalkostnader	6	76 000 000	100 000 000



<b>Andre driftskostnader</b>	<b>7</b>	<b>1 932 000 000</b>	<b>1 810 000 000</b>
<b>Av-/nedskrivninger, verdiendringer og gevinst/tap på ikke-finansielle eiendeler</b>			
Avskrivninger	15-16	27 000 000	27 000 000
<b>Sum av-/nedskrivninger, verdiendringer og gevinst/tap på ikke-finansielle eiendeler</b>		<b>-27 000 000</b>	<b>-27 000 000</b>
<b>Kredittap på utlån, garantier mv. og rentebærende verdipapirer</b>			
Kredittap på utlån målt til amortisert kost eller virkelig verdi med verdiendring over andre inntekt	8	63 000 000	-4 000 000
<b>Sum kredittap på utlån, garantier og rentebærende verdipapirer</b>		<b>63 000 000</b>	<b>-4 000 000</b>
<b>Resultat før skatt fra videreført virksomhet</b>		<b>14 020 000 000</b>	<b>13 784 000 000</b>
<b>Resultat etter skatt fra videreført virksomhet</b>		<b>14 020 000 000</b>	<b>13 784 000 000</b>
<b>Resultat før andre inntekter og kostnader</b>		<b>14 020 000 000</b>	<b>13 784 000 000</b>
<b>Andre inntekter og kostnader</b>			
Øvrige andre inntekter og kostnader		-1 133 000 000	-707 000 000
Skatt på andre inntekter og kostnader som ikke blir omklassifisert til resultatet	9	2 850 000 000	2 722 000 000
<b>Sum andre inntekter og kostnader</b>		<b>-3 983 000 000</b>	<b>-3 429 000 000</b>
<b>Totalresultat for regnskapsåret</b>		<b>10 037 000 000</b>	<b>10 355 000 000</b>



Organisasjonsnr: 991 303 995  
HANDELSBANKEN EIENDOMSKREDITT  
FILIAL AV STADSHYPOTEK AB

## BALANSE

Beløp i: SEK

	Note	2022	2021
--	------	------	------

### BALANSE - EIENDELER

Utlån til og fordringer på kredittinstitusjoner og finansieringsforetak			
Utlån og fordringer på kredittinstitusjoner og finansieringsforetak til virkelig verdi	10	9 066 000 000	13 301 000 000
Sum utlån og fordringer på kredittinstitusjoner og finansieringsforetak		9 066 000 000	13 301 000 000

Utlån til og fordringer på kunder			
Utlån og fordringer på kunder til amortisert kost	11	1 565 815 000 000	1 525 915 000 000
Sum utlån og fordringer på kunder		1 565 815 000 000	1 525 915 000 000

Rentebærende verdipapirer			
Rentebærende verdipapirer til virkelig verdi		-6 000 000	4 000 000
Sum rentebærende verdipapirer		-6 000 000	4 000 000

Finansielle derivater			
Finansielle derivater	13/14	7 941 000 000	7 223 000 000

Varige driftsmidler			
Sum varige driftsmidler		0	0
Andre eiendeler			
Andre eiendeler		1 807 000 000	900 000 000
Sum andre eiendeler		1 807 000 000	900 000 000

SUM EIENDELER		1 584 623 000 000	1 547 343 000 000
---------------	--	-------------------	-------------------

### BALANSE - GJELD OG EGENKAPITAL

#### GJELD

Innlån fra kredittinstitusjoner og finansieringsforetak			
Innlån fra kredittinstitusjoner og finansieringsforetak til amortisert kost	19	832 578 000 000	823 116 000 000



Sum innlån fra kredittinstitusjoner og finansieringsforetak		832 578 000 000	823 116 000 000
Innskudd og andre innlån fra kunder			
Sum innskudd og andre innlån fra kunder		0	0
Gjeld stiftet ved utstedelse av verdipapirer			
Gjeld stiftet ved utstedelse av verdipapirer til amortisert kost	20	670 999 000 000	652 607 000 000
Sum gjeld stiftet ved utstedelse av verdipapirer		670 999 000 000	652 607 000 000
Finansielle derivater			
Finansielle derivater	13/14	16 094 000 000	2 428 000 000
Annen gjeld			
Annen gjeld	21	10 092 000 000	11 069 000 000
Avsetninger			
Forpliktelser ved utsatt skatt	9	115 000 000	251 000 000
Andre avsetninger	22	30 000 000	22 000 000
Sum avsetninger		145 000 000	273 000 000
Ansvarlig lånekapital			
Sum ansvarlig lånekapital		0	0
Fondsobligasjonskapital			
Sum fondsobligasjonskapital		0	0
Sum gjeld		1 529 908 000 000	1 489 493 000 000
<b>EGENKAPITAL</b>			
Innskutt egenkapital			
Preferanseaksjekapital		4 050 000 000	4 050 000 000
Annen innskutt egenkapital		22 275 000 000	26 930 000 000
Sum innskutt egenkapital		26 325 000 000	30 980 000 000
Opptjent egenkapital			
Annen egenkapital		28 390 000 000	26 870 000 000
Sum opptjent egenkapital		28 390 000 000	26 870 000 000
Sum egenkapital		54 715 000 000	57 850 000 000
<b>SUM GJELD OG EGENKAPITAL</b>		<b>1 584 623 000 000</b>	<b>1 547 343 000 000</b>



# Annual Report 2022



## January-December 2022 compared with January-December 2021

The operations in Stadshypotek's Danish branch were divested during Q4 2022.

Income increased by SEK 401m to SEK 16,118m (15,717).

Operating profit fell by SEK 190m to SEK 12,887m (13,077).

Expenses before credit losses increased by SEK 98m to SEK -2,035m (-1,937).

Profit after tax decreased by SEK 318m to SEK 10,037m (10,355).

Net credit losses totalled SEK -63m (4).

Loans to the public increased by 3%, or SEK 40bn, to SEK 1,566bn (1,526).

## FINANCIAL CALENDAR 2023

19 July Interim report January--June 2023

This report is also available in Swedish. In the event of discrepancies, the Swedish original will supersede the English version.



# Contents

<b>A REVIEW OF THE YEAR</b>	2
<b>ADMINISTRATION REPORT</b>	
Five-year overview	4
Organisation, sustainability and employees	5
Corporate governance report	7
Lending	10
Funding	12
Performance and financial position	14
<b>FINANCIAL REPORTS</b>	
Income statement and statement of comprehensive income	16
Balance sheet	17
Statement of changes in equity	18
Cash flow statement	19
Notes	20
<b>SIGNATURES OF THE BOARD AND THE CHIEF EXECUTIVE</b>	81
<b>AUDITOR'S REPORT</b>	82
<b>STADSHYPOTEK'S BONDS</b>	85
<b>CALCULATION OF KEY FIGURES</b>	86
<b>DEFINITIONS</b>	87
<b>FACTS ABOUT THE COMPANY</b>	89

The pages in the Annual Report which are part of the Administration Report are marked separately.

Stadshypotek AB (publ)  
Corporate identity number: 556459-0715  
Registered office: Stockholm  
stadshypotek.se

This report is also available in Swedish.



A WORD FROM THE CHIEF EXECUTIVE

## A review of the year

2022 was a tumultuous year from a geopolitical and security policy perspective. For the global and Swedish interest rate markets the year turned out to be exceptional, with decades of low figures suddenly blown away by a steep upturn in the rates. Stadshypotek's operations in Sweden and Norway were characterised by a decline in growth for private lending - in line with the general development of the market - but continued solid growth in the corporate market.

We have retaken the position as the best major mortgage provider in Sweden according to the SKI mortgage survey for 2022, a pleasing accolade that shows we can meet our customers' expectations even in uncertain times, and provide them with a relevant offering - that is both digital and personal. We were also the largest player in corporate lending for multi-family dwellings during 2022, and have seen strong customer growth in the segment. We are continuing to develop our offering, making everyday life easier for our private and corporate customers.

Stadshypotek is well equipped to continue its successful and profitable growth in a challenging business environment.

The Swedish mortgage market slowed to a crawl in the summer, and growth was minimal during the second half of the year. If we compare with 2021, the growth rate has shrunk by almost 3% to 4.2%. Buyers and sellers are struggling to find each other, meaning that far fewer objects are being put on sale, and individual objects are taking a longer time to sell. Fewer deals are closing, quite simply. There are no signs that this trend is likely to turn in the near future. Interest rates are rising, the cost of living has gone up, with higher energy and food prices, so many households have seen their purchasing power change dramatically and margins are much slimmer. The combination of a wary market and rising household costs has affected the price trend for housing co-operative apartments and single-family houses - nationwide, prices for the former fell by 9% and for the latter 10% in 2022. There is much evidence that prices will continue to decline: there are no economic indicators suggesting either a rapid downturn in interest rates or a sharp decrease in inflation, either of which could put the brakes on this development. A large majority of our customers have low loan-to-value ratios and healthy buffers. With that in mind, we see no increased risk in our mortgage portfolio at the moment. However, we have adapted our models for mortgage applications, applying a higher interest rate in our calculations

and using the Swedish Consumer Agency's new guidelines for calculating the cost of living.

In the wake of the Riksbank's policy rate hikes in 2022, the average interest rates among all mortgage institutions have more than doubled in 2022. This is true even of the 3-month rate, where the mortgage institutions reported rates of between 1.14% and 1.66% in December 2021, compared to 3.13% and 3.68% in the December just gone. The fast rate of interest rate rises has meant that more and more customers are choosing a shorter interest-fixing period at present, and almost three quarters of customers had a 3-month rate by late 2022. Customers believe that a longer interest-fixing period is too expensive. We think it probable that the trend of shorter interest-fixing periods will remain until the Riksbank announces that it will no longer be hiking its policy rate. As a consequence, the sensitivity of the Swedish economy to interest rates - which is already high - will continue to increase, and the interest rates for around two thirds of households' and just over one third of real estate companies' loans are due for renewal within the next three to four quarters.

Whereas the private market has slowed down, the opposite is true for the corporate market, where we see good growth figures. It has also become more expensive for companies to raise finances via bank loans, but it is

still a better option than the bond market for many companies at present. Solid real estate companies will remain good customers. We aim to ensure that any of our customer interactions are tailored to that individual customer's needs - no matter when, how or where the customer chooses to meet us. We are a player with a local connection, with a sound knowledge of the local market, and we will continue to operate this way. We have learned a lot during the "pandemic years", not least how a digital meeting can be just as personal as an in-person meeting.

One area where there has been no let up is sustainability - we continue to show innovation in this field, which is of utmost importance to both us and our customers. In 2022, all our private customers with energy class A or B have received a green offering, giving them a further discount on their mortgage. Our green mortgage portfolio now amounts to SEK 31.8 billion - more than tripling over the past year. We will continue to actively contribute to a green transition for property owners, and we are also collaborating with external players to facilitate offering more effective sustainability solutions to our customers. Stadshypotek's goal is that at least 20% of our lending will be classified as green or sustainability linked by the year 2025.

Stadshypotek's operating profit decreased slightly during the year, to SEK 12.9 billion.



## A WORD FROM THE CHIEF EXECUTIVE

Net interest income went down despite growth in lending volumes, mainly due to narrower margins on private loans in both Sweden and Norway. The lending volume was SEK 1,566 billion, compared to SEK 1,526 billion in 2021, which also included the Danish volumes. The Danish operations were sold to Jyske Bank on 30 November 2022. The lending volume for 2021 if Denmark is excluded was SEK 1,476 billion. Profit from the sale of the Danish branch was SEK 1,189 million. Stadshypotek's Finnish branch is continuing to operate as usual during the divestment process.

Like last year, I would again like to finish by highlighting our credit portfolio, and our continued low credit risk. In the face of increased pressure, not least on Swedish households in the form of rises in energy prices and the cost of living, our lending portfolio stayed strong, with a low average LTV ratio.

I would also like to thank all employees at Stadshypotek and Handelsbanken who, especially during the second half of the year, continued to provide customers with excellent support during uncertain times.

David Haqvinnson  
Stockholm, February 2023





## ADMINISTRATION REPORT

# Five-year overview

Income statements SEK m	2022	2021	2020	2019	2018
Interest income according to the effective interest method	27,213	20,971	22,097	21,829	20,438
Interest expenses	-12,234	-5,316	-8,803	-7,832	-6,750
Net interest income	14,979	15,655	15,294	13,997	13,688
Fee and commission income	13	13	14	13	13
Fee and commission expenses	-52	-41	-42	-44	-39
Net fee and commission income	-39	-28	-28	-31	-26
Net gains/losses on financial transactions	-12	88	68	67	-12
Other income	1,190	2	1	1	0
<b>Total income</b>	<b>16,118</b>	<b>15,717</b>	<b>15,335</b>	<b>14,034</b>	<b>13,650</b>
General administrative expenses					
Staff costs	-76	-100	-88	-71	-95
Other administrative expenses	-1,932	-1,810	-1,723	-1,544	-1,138
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-27	-27	-20	-9	-4
<b>Total expenses before credit losses</b>	<b>-2,035</b>	<b>-1,937</b>	<b>-1,831</b>	<b>-1,624</b>	<b>-1,237</b>
<b>Profit before credit losses, risk tax and resolution fee</b>	<b>14,083</b>	<b>13,780</b>	<b>13,504</b>	<b>12,410</b>	<b>12,413</b>
Net credit losses	-63	4	-9	9	-12
Risk tax and resolution fee	-1,133	-707	-654	-	-
<b>Operating profit</b>	<b>12,887</b>	<b>13,077</b>	<b>12,841</b>	<b>12,419</b>	<b>12,401</b>
<b>Profit before taxes</b>	<b>12,887</b>	<b>13,077</b>	<b>12,841</b>	<b>12,419</b>	<b>12,401</b>
Taxes	-2,850	-2,722	-2,761	-2,648	-2,729
<b>Profit for the year</b>	<b>10,037</b>	<b>10,355</b>	<b>10,080</b>	<b>9,771</b>	<b>9,672</b>
Earnings per share, SEK	61,955	63,922	62,221	60,313	59,706

Balance sheets SEK m	2022	2021	2020	2019	2018
<b>Assets</b>					
Loans to credit institutions	9,066	13,301	15,007	11,544	11,735
Loans to the public	1,565,815	1,525,915	1,439,328	1,372,940	1,299,745
Value change of interest-hedged item in portfolio hedge	-6	4	12	25	33
Derivative instruments	7,941	7,223	11,955	18,027	18,866
Other assets	1,807	900	1,301	327	441
<b>Total assets</b>	<b>1,584,623</b>	<b>1,547,343</b>	<b>1,467,603</b>	<b>1,402,863</b>	<b>1,330,820</b>
<b>Liabilities and equity</b>					
Due to credit institutions	832,578	823,116	788,567	695,716	635,846
Issued securities	670,999	652,607	622,063	635,565	627,475
Derivative instruments	16,094	2,428	2,417	295	1,068
Other liabilities	10,237	11,342	12,201	10,763	8,561
Subordinated liabilities	-	-	-	-	-
Equity	54,715	57,850	62,335	61,524	57,870
<b>Total liabilities and equity</b>	<b>1,584,623</b>	<b>1,547,343</b>	<b>1,467,603</b>	<b>1,402,863</b>	<b>1,330,820</b>

Key figures	2022	2021	2020	2019	2018
Profit before credit losses, risk tax and resolution fee, SEK m	14,083	13,780	13,504	12,410	12,413
Credit losses/recoveries, SEK m	-63	4	-9	9	-12
Operating profit, SEK m	12,887	13,077	12,841	12,419	12,401
Total assets, SEK m	1,584,623	1,547,343	1,467,603	1,402,863	1,330,820
Equity, SEK m	54,715	57,850	62,335	61,524	57,870
Return on equity, %	15.4	15.6	15.1	15.2	15.9
Return on total assets, %	0.63	0.69	0.70	0.71	0.74
Net interest margin, %	0.94	1.04	1.07	1.02	1.05
C/I ratio before credit losses, %	12.6	12.3	11.9	11.6	9.0
C/I ratio after credit losses, %	13.0	12.3	12.0	11.5	9.0
Credit loss ratio, %	0.00	0.00	0.00	0.00	0.00
Common equity tier 1 ratio, CRR, %	12.8	12.6	13.1	13.4	12.6
Tier 1 ratio, CRR, %	17.1	16.9	16.0	15.3	12.6
Total capital ratio, CRR, %	18.5	18.3	20.7	21.3	20.8
Average number of employees	44	57	64	73	81

For calculation of key figures and definitions, see pages 86, 87 and 88.



# Organisation, sustainability and employees

Stadshypotek AB (publ), corporate identity number 556459-6715, is a public credit market company which has its registered office in Stockholm and is licensed to conduct operations under the Swedish Banking and Financing Business Act. Its core business comprises the financing of properties, primarily residential properties, as well as office and commercial buildings. Since 1997, the company has been a wholly owned subsidiary of Svenska Handelsbanken AB (publ), corporate identity number 502007-7862.

## ORGANISATIONAL STRUCTURE

Stadshypotek AB is responsible for the Handelsbanken Group's mortgage business in Sweden, Finland and Norway. In Sweden, the business mainly comprises the financing of residential properties, as well as office and commercial buildings. The business operations of Stadshypotek's branches in Finland and Norway focus primarily on the financing of residential properties. Up until 30 November 2022, Stadshypotek was also responsible for the Handelsbanken Group's mortgage business in Denmark. Handelsbanken completed the sale of the Danish operations on 30 November, which included Stadshypotek's business in the Danish branch.

## INTEGRATION WITH HANDELSBANKEN

Stadshypotek's operations are based on the principle that its organisation and working practices are centred around Handelsbanken's branch offices, which are responsible for all the business of individual customers. One consequence of this approach is that Stadshypotek's lending operations in Sweden are run via Handelsbanken's Swedish branch operations, while the lending operations at Stadshypotek's branches in Finland and Norway are run via Handelsbanken's branch operations in each of the respective countries. This integration with Handelsbanken has been successfully applied since Handelsbanken's acquisition of Stadshypotek in 1997.

## DISCONTINUED OPERATIONS

Stadshypotek's parent company, Handelsbanken, has made the decision to cease its operations in Denmark and Finland, and the Danish operations were divested on 30 November 2022. The divestment process for the Finnish operations is continuing according to plan. Since 31 December 2021, Stadshypotek's operations in Finland constitute a disposal group and discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. See note 29.

## SUSTAINABILITY

In accordance with the Handelsbanken Group's work on sustainability, Stadshypotek strives to achieve sustainable development. We have a long-term perspective for our business, and sustainability is deeply embedded in both the corporate culture and the working methods. Stadshypotek aims to contribute to sustainable development, chiefly through its business operations, products and services. We do this by constantly reviewing our offering and by developing sustainable products.

We offer green financing on favourable terms to both private and corporate customers. Green mortgages refer to loans for homes such as detached and semi-detached houses, terraced housing and apartments that meet certain environmental criteria. Green loans to companies and housing co-operative associations refer to the financing of buildings that are environmentally certified or energy efficient. Green energy loans are available to both companies and housing co-operative associations, and are intended to finance investments in energy efficiency improvements for properties. All customer segments can benefit from a product range that promotes a sustainable transition.

Stadshypotek is part of the Handelsbanken Group and is subject to the requirement regarding sustainability reporting stipulated in the Swedish Annual Accounts Act. Svenska Handelsbanken AB (publ), corporate identity number 502007-7862, with its registered office in Stockholm, has in its Annual and Sustainability Report for 2022 prepared statutory sustainability reporting that meets the requirements of the Swedish Annual Accounts Act. The disclosures made in the report refer to the entire Group.

For more information about how the Handelsbanken Group addresses sustainability, see [handelsbanken.com/sustainability](https://handelsbanken.com/sustainability).

## EMPLOYEES

In 2022, the average number of employees at Stadshypotek was 44 (57). Of these employees, 37 per cent (40) were women and 63 per cent

(60) were men. Stadshypotek's branches in Finland and Norway purchase services from Handelsbanken's branch in each of the respective countries in order to run their business. In 2022, Stadshypotek's Chief Executive took on the role of international branch manager for Norway, while the head of the regional bank for Handelsbanken's international branch in Finland also represented Stadshypotek's branch.

## Staff development

The company's strength is grounded in the combined expertise of its employees. The most important source of professional enhancement is our day-to-day learning where all employees are responsible for constant development – their own and that of the operations. All employees participate in their unit's business planning every year. After the plan is set, individual planning dialogues and performance reviews are carried out, linking the business goals with the goals of individual employees. Each employee then puts together an individual action plan, setting out the goals to be attained and the conditions necessary for this. Based on the action plan and follow-ups, all employees then have a salary dialogue review with their line manager at the end of the year.

Stadshypotek is part of the Handelsbanken Group's internal labour market. The strong corporate culture and the Bank's values are crucial to the success of operations, so internal recruitment is important. Internal mobility helps spread the working methods, exchange of experience and corporate culture throughout the Group. Employees with many years' experience and extensive knowledge acquired from different parts of the Bank play a key part in ensuring that Handelsbanken has satisfied customers. Stadshypotek's need for employees in various positions is primarily met through internal recruitment within the Group. Managers must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally.



## ADMINISTRATION REPORT

### Gender equality and diversity

Work to promote gender equality, diversity and an inclusive corporate culture is a fundamental part of the company's core values. At Stads-hypotek, women and men must have equal opportunities for development. We aim to have an inclusive work environment, where we respect and appreciate our different back-grounds, competencies and experiences. No type of discrimination is tolerated at Stads-hypotek. Stadshypotek works continuously for gender equality and diversity, which is crucial for attracting and retaining talented employees. A prioritised element of our equality efforts is increasing awareness of how social and cultural norms affect us in our daily lives.

### Work environment and health

The overall, long-term goals of work environ-ment efforts are for the employees to enjoy good health, to develop on a personal level and to function in an optimal way. Many different health factors influence these goals. Together with their team members and trade union representative or employee representative, each manager is responsible for performing regular work environment surveys, based on our health factors.

The results form the basis of a work environ-ment plan which is integrated with the unit's business plan and in this way becomes a natu-ral part of how the operation develops. Stads-hypotek also follows up sickness absence rate figures, as well as reported incidents.

### OKTOGONEN – HANDELSBANKEN'S PROFIT-SHARING SCHEME

The Oktogonen profit-sharing system covers all employees in the Handelsbanken Group, with certain exceptions. The provision is classified as variable remuneration and is subject to profita-bility metrics linked to the attainment of Handels-banken's corporate goal. An allocation is made following the Board's overall assessment of the Bank's performance. Disbursements are made directly to the individual employee either in cash, to a pension savings programme, to a savings plan or a combination of these.



# Corporate Governance Report

The shareholder ultimately decides on the corporate governance of Stadshypotek. At the annual general meeting, shareholders appoint the Board and the auditors. The Board answers to its shareholders and is responsible for Stadshypotek's organisation and management of the company's affairs, and it appoints a Chief Executive to run the company's operating activities. The auditors examine the financial reporting, among other matters, and submit an auditor's report. The corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

## SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Stadshypotek AB is a wholly owned subsidiary of Svenska Handelsbanken AB (publ).

Shareholders exercise their right to decide on matters concerning Stadshypotek at the annual general meeting (AGM), Stadshypotek's highest decision-making body. Every year, an annual general meeting is held and this meeting appoints the company's Board of Directors and auditors. At the annual general meeting, decisions are also taken regarding matters such as the fees paid to Board members and auditors, the adoption of the income statement and balance sheet, the appropriation of profits, and whether the Board and Chief Executive are to be discharged from liability for the past financial year. The Articles of Association contain no limitations with regard to the number of votes each shareholder may represent at a shareholders' meeting. Amendments to Stadshypotek's Articles of Association must be decided at a shareholders' meeting.

## EXTERNAL AUDITORS

The auditors are appointed by the AGM for the period until the end of the following year's AGM. The auditors are accountable to shareholders. They carry out an audit and submit an auditor's report covering matters such as the Annual Report and the administration of the Board and the Chief Executive. The auditors report orally and in writing to the Board concerning how their audit was conducted and their assessment of Stadshypotek's administrative order and internal control. The auditors also submit a summary report of their audit to the Board as a whole.

## THE BOARD

The Board is responsible for Stadshypotek's organisation and manages Stadshypotek's affairs on behalf of the company's shareholders.

The Board continuously assesses the company's financial situation and ensures that Stadshypotek is organised in such a way that the accounting records, management of funds and other aspects of the company's financial circumstances are satisfactorily monitored.

The Board establishes policies and instructions on how this is to be carried out. The Chairman is responsible for evaluating the Board's work.

The Board also establishes rules of procedure for the Board and instructions for the Chief Executive, which include a specification of how responsibilities and mandates are allocated between the Board, its Chairman and the Chief Executive. The Board's duties also include the completion of tasks incumbent upon an audit committee.

The Board appoints the Chief Executive and reviews the work of the Chief Executive on a yearly basis. The Board also determines the terms of employment for executive officers at Stadshypotek, and for the head of Stadshypotek's function for risk control.

Further information about the Board is given on pages 8–9.

## CHIEF EXECUTIVE

The Chief Executive is appointed by the Board to lead Stadshypotek's day-to-day operations.

Details of some of the terms of employment for executive officers, and of loans to Board members and executive officers, are provided in note 6 on page 40.

## CORPORATE GOVERNANCE AT STADSHYPOTEK

Corporate governance concerns how rights and obligations are allocated among the various bodies of the company, in accordance with prevailing laws and regulations. Corporate governance also encompasses the systems for decision-making, and the structure through which shareholders control Stadshypotek, directly and indirectly. Stadshypotek's shareholders exercise corporate governance principally by electing the Board, which in turn appoints and gives instructions to the Chief Executive.

The following are fundamental to corporate governance at Stadshypotek: on the one hand the owner directives, and on the other hand the documents adopted by the Board, for example the Board's rules of procedure, instructions to the Chief Executive, credit instructions and other policy documents, as well as the

instructions and guidelines issued by the Chief Executive.

A central part of governance at Stadshypotek concerns the management of risks that arise in operations. Risk management is dealt with separately in note 2.

## COMPANY MANAGEMENT

- David Haqvinnson, Chief Executive. Employed since 2020.
- Niklas Eklund, Business Development and Market, Sweden. Employed since 2020.
- Mikael Otterbjörk, Credits. Employed since 2014.
- Helena Westin, Finance. Employed since 2018.
- Anna Österman, Property Valuation. Employed since 2019.
- Peter Fahlistedt, Administration and Risk Management. Employed since 2021.
- Ammy Nilsson, HR. Employed by Handelsbanken.
- Mattias Lidgren, Funding. Employed by Handelsbanken.

## FRAMEWORK FOR INTERNAL CONTROL

### Internal control for operations

The responsibility for internal control is an integral part of managerial responsibility at Stadshypotek. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly.

### Internal audit

Internal audit operations at Stadshypotek are managed by Group Audit at Handelsbanken in accordance with outsourcing agreements between Stadshypotek and Handelsbanken.

These internal audit operations must independently and impartially audit Stadshypotek's operations and financial reporting. This includes assessing and verifying Stadshypotek's processes for risk management, internal control and corporate governance.

Internal auditing assignments are based on an internal auditing policy established by the Board and apply a risk-based methodology. Planned auditing tasks are documented every



## ADMINISTRATION REPORT

year in an audit plan established by the Board. The conclusions of internal audits, the actions to be taken and their status are reported to the Board on a regular basis.

### Compliance

In accordance with the outsourcing agreement between Stadshypotek and Handelsbanken, Stadshypotek's compliance function is managed by Handelsbanken's Group Compliance.

The Compliance function monitors and verifies compliance in Stadshypotek. The function provides support and advice to the business and assists with the implementation of new or amended regulations, or changes to Stadshypotek's products, services, processes and organisation. The Compliance function reports to the Chief Executive and the Board.

### Risk control

Risk Control is responsible for identifying, measuring, analysing and reporting risks in the business. This includes monitoring and checking the company's risk management and evaluating whether Stadshypotek's risk management framework is fit-for-purpose and effective. Risk Control also checks that the risks and risk management comply with the company's risk strategy, and fall within the risk tolerance thresholds established by the Board. It is also responsible for checking that financial instruments are properly measured.

The Head of Risk Control reports to the Board, the Chief Executive and to Group Risk Control at Handelsbanken.

### Follow-up

The functions for Internal Audit, Compliance and Risk Control monitor compliance with internal policies, instructions and other policy documents.

### REMUNERATION PRINCIPLES

The principles for Stadshypotek's system of remuneration are established in a remuneration policy decided by Stadshypotek's Board. The policy stipulates that remuneration must be on market terms, so that Stadshypotek is able to attract, retain and develop skilled staff, and ensure good management succession.

Salaries are set locally and are based on salary-setting factors known in advance: the nature and level of difficulty of the work, competencies, performance and results achieved, leadership, the market, and the employee as a cultural ambassador for the Handelsbanken Group. The independent control functions monitor and analyse the remuneration system, and report material risks and deficiencies to the Board. There is no performance-based variable remuneration, but termination benefits may be agreed.

## THE BOARD<sup>1</sup>

Name	Göran Stille Chairman	Michael Bertorp Board member	Michael Stern Board member
Year elected	2021	2013	2021
Year of birth	1966	1949	1967
Position and other significant board assignments	<ul style="list-style-type: none"> <li>Head of Financing Business and Product Area at Handelsbanken.</li> <li>Chairman of the Board of AB Handel &amp; Industri.</li> <li>Chairman of the Board of Handelsbanken the Netherlands</li> <li>Board member of Handelsbanken Finans AB.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of the Board of Bergs Timber AB.</li> <li>Consultancy services, legal and business administration.</li> </ul>	<ul style="list-style-type: none"> <li>Östergötland County Manager at Handelsbanken.</li> <li>Board member of Tappra Barn fund-raising foundation.</li> </ul>
Background	<ul style="list-style-type: none"> <li>Various positions at Handelsbanken.</li> <li>Employed since 1987.</li> </ul>	<ul style="list-style-type: none"> <li>1984–2005 SCA.</li> <li>1982–1984 Swedish Ministry of Justice.</li> <li>1972–1982 The Swedish courts.</li> </ul>	<ul style="list-style-type: none"> <li>Various positions at Handelsbanken.</li> <li>Employed since 1996.</li> </ul>
Academic background and qualifications	<ul style="list-style-type: none"> <li>Law and Political Science, Stockholm University.</li> </ul>	<ul style="list-style-type: none"> <li>Law degree, Lund University.</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Business Administration, Jönköping University.</li> </ul>
Board meeting attendance <sup>2</sup>	28/28	28/28	28/28

<sup>1</sup> The table shows the composition of the Board in 2022. Linda Helström and Mikael Björnberg have been part of Stadshypotek's Board since 1 January 2022.

<sup>2</sup> Including per capita meetings.



## ADMINISTRATION REPORT

Handelsbanken's profit-sharing scheme, Oktogonen, also covers employees of Stadshypotek AB. The provision is classified as variable remuneration and is subject to profitability metrics linked to the attainment of Handelsbanken's corporate goal. An allocation is made following the Board's overall assessment of the Bank's performance. Disbursements are made directly to the individual employee either in cash, to a pension savings programme, to a savings plan or a combination of these.

### INTERNAL CONTROL OF FINANCIAL REPORTING

The control environment described above in this corporate governance report is fundamental to Stadshypotek's internal control of financial reporting.

Risk assessment is another part of the internal control process and comprises identification and management of the risks that may affect

financial reporting, as well as the control activities aimed at preventing, detecting and correcting errors and deviations.

#### Risk assessment

An important part of Stadshypotek's risk assessment is the annual self-assessment. Risks related to financial reporting are part of this overall analysis. A self-assessment defines events that constitute potential risks to the operations and estimates the probability and consequences of each risk. An action plan is then drawn up, based on the self-assessment.

#### Control activities

Various control activities are incorporated into the financial reporting process. Reported amounts and analyses of income statements and balance sheets are reconciled and checked regularly by Stadshypotek's finance and accounting function.

Heads of finance and accounting at branches are responsible for ensuring that the control activities in the financial reporting for their respective units are fit for purpose. This means that they are designed to prevent, detect and correct errors and deviations, and are in compliance with internal guidelines and instructions. At each quarterly closing of accounts, the branches certify that the prescribed periodic checks and reconciliation of accounts have been carried out.

#### Follow-up

The functions for Internal Audit, Compliance, Risk Control and Stadshypotek's finance and accounting department monitor compliance with internal policies, instructions and other policy documents. The policy established by the Board for internal audit states that it must examine internal governance and control, and must evaluate the reliability of the financial reporting.

Name	Linda Hellström Board member	Martin Björnberg Board member	Helena Håkansson Board member (employee representative)
Year elected	2022	2022	2018
Year of birth	1972	1968	1969
Position and other significant board assignments	<ul style="list-style-type: none"> <li>General Counsel and Head of Products/Communication at Handelsbanken Liv.</li> <li>Board member of Svenska Rika International Insurance Services AB.</li> </ul>	<ul style="list-style-type: none"> <li>Board member of Handelsbanken plc.</li> <li>CFO of Handelsbanken plc.</li> </ul>	<ul style="list-style-type: none"> <li>Employee in Handelsbanken's Swedish branch operations.</li> <li>Board member of Financial Sector Union of Sweden's Swedish branch operations union club.</li> <li>Co-opted Board member of Financial Sector Union of Sweden's Handelsbanken union club.</li> <li>Board member of the Financial Sector Union of Sweden, Southern Region.</li> </ul>
Background	<ul style="list-style-type: none"> <li>2006-2012 Lawyer at Länsförsäkringar Liv AB.</li> <li>2002-2005 Notary at Stockholm County Court.</li> <li>2000-2002 Lawyer and head of European Union law, Swedish Immigration Board.</li> <li>2000 Legal Intern, UNHCR.</li> </ul>	<ul style="list-style-type: none"> <li>Various positions at Handelsbanken.</li> <li>Employed since 1989.</li> </ul>	<ul style="list-style-type: none"> <li>Various positions at Handelsbanken.</li> <li>Employed since 2007.</li> <li>2002-2007 Secondary school teacher, Kalmar.</li> <li>1991-1998 Bank employee at Ölands Bank.</li> <li>1989-1991 Bank employee at Sparbanken Kronan.</li> </ul>
Academic background and qualifications	<ul style="list-style-type: none"> <li>Law and Political Science, Lund University.</li> </ul>	<ul style="list-style-type: none"> <li>Master of Social Science, Gothenburg University.</li> </ul>	<ul style="list-style-type: none"> <li>Marketing course, IIM.</li> <li>Bachelor's degree in English.</li> <li>Master's degree in French.</li> <li>Qualified teacher for Years 4-9.</li> </ul>
Board meeting attendance <sup>2</sup>	28/28	26/28	27/28



## ADMINISTRATION REPORT

# Lending

### STADSHYPOTEK'S ROLE IN HANDELSBANKEN

In the Swedish operations of the Handelsbanken Group, mortgage finance is conducted principally via Stadshypotek. At Stadshypotek's branches in Finland and Norway, business operations focus primarily on financing residential property. The divestment of Handelsbanken's Danish operations was finalised in the fourth quarter, which included Stadshypotek's Danish branch. At the time of divestment, Stadshypotek's lending volume in the Danish branch amounted to SEK 53 billion. Lending in Sweden, Norway and Finland takes place through Handelsbanken in the country concerned.

### MORTGAGE MARKET IN SWEDEN

The mortgage market in Sweden grew by 4.2 per cent in 2022, which is 2.9 per cent less than in 2021. The housing market has been heavily affected by rising mortgage rates, higher energy costs and other increases to the cost of living. Table 1 on page 11 shows lending secured by mortgages to households with single-family housing or housing co-operative apartments, as reported by Statistics Sweden. The change during the year was 4 per cent, compared with 7 per cent the previous year.

In 2022, property prices fell by 9 per cent for housing co-operative apartments and by 10 per cent for single-family homes. The number of sales in 2022 was markedly lower than the record-breaking years 2020 and 2021. A total of 110,000 housing co-operative apartments were sold during the year, which was 22,000 fewer than the preceding year. Sales of single-family houses amounted to 53,000, around 6,000 fewer than in 2021. Table 2 on page 11 shows price trends in the Greater Stockholm, Greater Gothenburg and Greater Malmö areas.

### CORPORATE MARKET IN SWEDEN

The market for lending secured by mortgages to non-financial companies grew by more than 9 per cent during the year, compared with almost 14 per cent in 2021. Table 3 on page 11 shows lending secured by mortgages to

Swedish non-financial companies as reported by Statistics Sweden.

As regards commercial properties, 2022 was characterised by uncertainty arising from developments in the operating environment such as war, rising energy prices and spiking inflation. All these factors affected financing costs, and thus also transaction appetite and prices. All types of property are now experiencing higher direct yields and downward price pressure. Rental residences, the most in-demand segment during the previous year, have been most affected by the increased financing costs, with a clear decrease in turnover during the second half of the year. The low yield requirement for this type of property is assessed as being the main reason for this change. The most in-demand types of properties among buyers are modern office premises in optimal locations and retail premises, primarily for groceries. The transaction volume totalled approximately SEK 200 billion, a decrease of 42 per cent compared with the record-breaking figures seen in 2021. A large percentage of the transaction volume was attributable to the first quarter. Turnover fell sharply over the final three quarters of the year.

### MORTGAGE MARKET IN FINLAND AND NORWAY

Stadshypotek has branches in Finland and Norway. Both household and corporate lending grew in Norway, by 5 per cent and 12 per cent, respectively, when expressed in local currency. Corporate lending in Finland grew by 2 per cent in local currency, while household lending decreased by just under 8 per cent. The Danish branch, which offered household lending, was divested during Q4 2022.

### UNCERTAIN TIMES AFFECTING CUSTOMER SATISFACTION

Total customer satisfaction in the mortgage industry fell in 2022, according to the Swedish Quality Index (SKI). Energy concerns, inflation and higher interest rates have had a clear impact on customers' needs and behaviour during the year. Competitive interest rates and borrowing terms are naturally of major signifi-

cance, but the year's SKI survey shows that, in times of uncertainty, relevant information, a proactive approach and availability are all important.

Customer satisfaction at Handelsbanken has also slipped, but by less than the sector average. We are a safe, reliable bank, and our customers are satisfied with the service they receive in their contacts with Handelsbanken. It also serves as an indication that we need to maintain a focus on developing our products and services in order to meet changing customer behaviour.

### STADSHYPOTEK'S LENDING

Stadshypotek's lending volume in Sweden rose by SEK 74 billion (62) during the year. Household lending increased by SEK 28 billion (47), while loans to the corporate market grew by SEK 46 billion (15). At year-end, Stadshypotek's loans to the public in Sweden were SEK 1,376 billion (1,302), with loans to households accounting for 69 per cent (71), or SEK 949 billion (921).

The market share for loans to Swedish households secured by mortgages in single-family housing or housing co-operative apartments was 21.1 per cent (21.4) at the end of December. According to Statistics Sweden's statistics, the market comprises total lending to Swedish households with single-family housing or housing co-operative apartments as collateral. The market share therefore also includes Handelsbanken's lending to Swedish households with collateral in single-family housing or housing co-operative apartments.

At year-end, loans to the public by Stadshypotek's branch in Norway totalled NOK 120 billion (113), with the private market accounting for NOK 88 billion (84) and the corporate market accounting for NOK 32 billion (28). At year-end, loans to the public by Stadshypotek's branch in Finland totalled EUR 6 billion (6), with the private market accounting for EUR 2 billion (2) and the corporate market accounting for EUR 4 billion (4). Stadshypotek's Danish branch was divested during Q4 2022.

Table 1 – Mortgage market in Sweden<sup>1</sup>

Mortgage lending to households SEK bn	2022	2021	Change, SEK bn	Change, %
Type of collateral				
Single-family housing <sup>1</sup>	2,697	2,591	106	4
Housing co-operative apartment <sup>1</sup>	1,399	1,339	60	4
Total	4,096	3,930	166	4

Table 2 – Mortgage market in Sweden, price trends

Price trend, %	2022	2021
Single-family housing		
Greater Stockholm	-12	12
Greater Gothenburg	-13	13
Greater Malmö	-13	12
Housing co-operative apartments		
Greater Stockholm	-8	6
Greater Gothenburg	-11	6
Greater Malmö	-7	10

Table 3 – Corporate market in Sweden

Lending to non-financial companies SEK bn	2022	2021	Change, SEK bn	Change, %
Type of collateral				
Property as collateral <sup>1</sup>	1,572	1,443	129	9
of which multi-family dwellings	996	924	72	8
of which housing co-operative associations	567	539	28	5

Table 4 – Mortgage markets in Finland and Norway, price trends

Price trend, %	2022	2021
Finland <sup>2</sup>	0.6	3.6
Norway <sup>1</sup>	1.5	5.2

<sup>1</sup> The figures for 2022 and 2021 refer to December.<sup>2</sup> The figures for 2022 and 2021 refer to November. (The figure for 2022 is preliminary.)



## ADMINISTRATION REPORT

# Funding

Stadshypotek's treasury function is integrated with Handelsbanken's Treasury Department. This organisational structure offers the best conditions for matching the funding source and instrument offering the lowest funding cost when securing funding. An integrated treasury department has also made it possible to make efficient use of the Handelsbanken Group's liquidity.

### FUNDING INSTRUMENTS

Stadshypotek raises funds on the Swedish money market and capital market and through the parent company. Foreign markets are also used for the purposes of diversification. The primary source of funding is bonds in Sweden, along with Handelsbanken's liquidity.

Covered bonds are issued in the company's own name and primarily within the framework of a benchmark loan system aimed at the Swedish institutional market. Concentrating large volumes into a small number of loans results in good market liquidity. At year-end, Stadshypotek had 13 outstanding benchmark loans which mature between 2023 and 2028. Stadshypotek's bonds are arranged by five market makers. The Swedish benchmark loan programme is also used for issues in Norwegian kroner.

International issues of covered bonds are done mainly within a Euro Medium Term Covered Note (EMTCN) programme. The total facility amount of this programme is EUR 20 billion. Issues under this programme are arranged according to agreements signed with 21 banks.

In addition, Stadshypotek has a US Medium Term Covered Bond programme for issues in the US. The total facility amount of this programme is USD 15 billion. Stadshypotek has reached sales agreements with 13 banks as part of the programme. Stadshypotek also has a programme for issues in Australia (AMTCN) aimed at Australian and Asian investors.

In addition to the above, Stadshypotek has commercial paper programmes in Sweden and Europe. The ceiling for the Swedish commercial paper programme is SEK 90 billion. The ceiling for the European programme is EUR 4 billion.

### Covered bonds

Covered bonds are issued on an ongoing basis, by permission of the Swedish Financial Supervisory Authority, under the Covered Bonds (Issuance) Act (2003:1223). Covered bonds are bonds with priority rights to Stadshypotek's assets. These assets consist

of credits and their associated collateral as prescribed by Swedish legislation.

Stadshypotek has covered bond pools in Sweden and Norway. All cover pools have been given the highest possible rating by Moody's: Aaa. The cover pools consist of collateral as per the legislation mentioned above and include a safety buffer (over collateral, or OC) that exceeds the statutory requirements by a good margin.

The unutilised facilities under the cover pools, including the Danish branch, corresponded to 101 per cent (115) of the nominal debt at 31 December 2022. Information about the assets in the cover pools for covered bonds is provided in the tables on page 13.

### INTEREST RATE TRENDS

Last year was an exceptional year for the interest rate market, both in Sweden and internationally. After a decade of low interest rates, we saw them shoot up at the most rapid pace in modern times. The driver of this was the unexpectedly large rise in inflation, forcing central banks across the world to implement extremely steep rate hikes.

The Riksbank's policy rate hikes during the year totalled 2.5 percentage points, the most in a single year since 1992.

Long-term interest rates fell during the final quarter, while central banks continued to raise their policy rates. This meant that the difference between long-term and short-term rates, the yield curve, fell to historically low levels, which could be seen as a manifestation of the interest rate market's prediction of tougher times ahead.

While inflation and interest rates rose, the economy as a whole remained relatively unscathed in 2022, with GDP growth above the trend for the US, Europe and Sweden and robust labour markets. Consumption continued to grow during the year, helped by high levels of savings that could be utilised when inflation cancelled out salary rises.

### FUNDING

The integration of Stadshypotek's treasury function with Handelsbanken's Treasury Department ensures efficient management of the Handelsbanken Group's liquidity and market funding. Among other things, Handelsbanken's liquidity surplus is used to finance lending at Stadshypotek. Liquidity is transferred on a daily basis in the form of overnight loans and lending transactions from Handelsbanken to Stadshypotek that involve longer maturities. In addition, long-

term funding in Handelsbanken's name on the international capital market can be passed on to Stadshypotek.

With the aim of reducing liquidity risk, short-term funding is augmented by long-term funding, which is adjusted using swap agreements so that the interest-fixing period matches the maturity of lending. Thus, Stadshypotek has good diversification of its funding with respect to both maturity and geographical markets.

Lending with long-term rate fixing has mainly been financed in Stadshypotek's own name in Sweden through the issue of covered bonds. Stadshypotek also has international long-term funding in its own name through international funding programmes.

Stadshypotek uses swap agreements to reduce interest rate and foreign exchange risks in connection with funding. The use of derivatives increases the degree of flexibility in conjunction with funding.

Thus, funding can be carried out when market conditions are favourable, without exposing the company to interest rate and foreign exchange risks.

At the year-end, interest rate swap agreements in which fixed interest is received totalled SEK 260.6 billion (216.8), while interest rate swap agreements paying fixed interest amounted to SEK 17.8 billion (20.8).

Issues made under Stadshypotek's benchmark programme in Swedish kronor totalled a nominal SEK 120.7 billion (121.9) during the year. During the same period, a nominal volume totalling SEK 89.2 billion (95.5) matured or was repurchased. The carrying amount of the outstanding Swedish kronor bonds was SEK 544.3 billion (511.1) at year-end, including accrued interest.

Issues of foreign currency bonds under the EMTCN programme totalled EUR 1.0 billion (1.0). The nominal outstanding volume at year-end was EUR 8.9 billion (8.9) and GBP 0.7 billion (0.7). There were no outstanding volumes in the European commercial paper programme at year-end.

No issues were made in USD or AUD during the year. There is no outstanding volume in USD or AUD at year-end.

No issues were made in NOK during 2022 (8.0). The outstanding volume at the year-end was NOK 24.0 billion (29.0).



## RATINGS

The ratings remained unchanged during the year.

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

Lending volume available in cover pools 31 December SEK m	Assets pooled		Assets utilised	
	2022	2021	2022	2021
Swedish pool, SEK	1,264,438	1,205,881	651,915	617,418
Norwegian pool, NOK	121,566	110,020	76,748	56,745
Finnish pool, EUR	-	55,517	-	18,049
<b>Total</b>	<b>1,386,004</b>	<b>1,371,418</b>	<b>728,663</b>	<b>692,212</b>

Average loan-to-value (LTV) of cover pools 31 December %	2022	2021
Swedish pool, SEK	51.0	49.4
Norwegian pool, NOK	55.9	50.0
Finnish pool, EUR	-	49.8

At 31 December 2022, the cover pool assets for covered bonds, categorised by type of collateral, were as follows:

Type of collateral SEK m	Sweden	Norway	Total
Public	2,229	0	2,229
Single-family housing	501,178	58,802	559,980
Second home	33,345	4,725	38,070
Rental property	353,784	30,118	383,902
Housing co-operative apartment, share	277,409	7,389	284,798
Housing co-operative apartment, premises	276	0	276
Owner-occupied apartment	0	18,927	18,927
Housing company share - apartment	0	752	752
Housing company share - house	0	0	0
Commercial/Offices	48,529	22	48,551
Agricultural	46,683	825	47,508
Residential farm	0	36	36
Other	1,005	0	1,005
<b>Total</b>	<b>1,264,438</b>	<b>121,596</b>	<b>1,386,034</b>

Stadshypotek's funding 31 December SEK m	2022		2021		Change
	Carrying amount	Proportion, %	Carrying amount	Proportion, %	
Funding from the parent company	832,578	55	823,118	55	9,462
Covered bonds, SEK	515,294	34	497,128	34	18,166
Covered bonds, foreign currency	126,705	9	141,479	10	-14,774
Senior Non-preferred Notes	29,000	2	14,000	1	15,000
<b>Total</b>	<b>1,503,577</b>	<b>100</b>	<b>1,475,723</b>	<b>100</b>	<b>27,854</b>



## ADMINISTRATION REPORT

# Performance and financial position

### FINANCIAL PERFORMANCE

Stadshypotek's operating profit for the year was SEK 12,887 million (13,077), a decrease of SEK 190 million (+236), or -1 per cent (+2), compared to the previous year. Stadshypotek's Danish operations were divested during the fourth quarter, along with the rest of Handelsbanken's business in Denmark.

### OPERATING INCOME

Income totalled SEK 16,118 million (15,717), up by SEK 401 million (382) or 3 per cent (2) compared to the previous year. Of this income, SEK 831 million (1,136) was attributable to the branch in Norway, SEK 566 million (593) to the branch in Finland and SEK 1,662 million (526) to the branch in Denmark.

Net interest income decreased by SEK 676 million (361), or 4 per cent (+2), to SEK 14,979 million (15,655). Of the net interest income, SEK 852 million (1130) was attributable to the branch in Norway, SEK 557 million (581) to the branch in Finland and SEK 512 million (526) to the branch in Denmark. Net interest income for the Swedish operations decreased by SEK 360 million (+134), primarily due to narrower margins in the private market.

Net gains/losses on financial transactions totalled SEK -12 million (88).

### EXPENSES AND CREDIT LOSSES

Expenses increased by SEK 98 million (106), or 5 per cent (6), to SEK -2,035 million (-1,937), of which SEK -101 million (-91) was attributable to the branch in Norway, SEK -38 million (-36) to the branch in Finland and SEK -27 million (-37) to the branch in Denmark. Staff costs went down by SEK 24 million (+12) or 24 per cent (+14) compared to 2021. Other administrative expenses increased by SEK 122 million (87), or 7 per cent (5). This increase was mainly attributable to the increase in sales compensation paid to the parent company for the services performed by the branch office opera-

tions on behalf of Stadshypotek in relation to the sale and administration of mortgage loans.

Net credit losses totalled SEK -63 million (+4). This amount includes changed macroeconomic assumptions and expert-based calculations that resulted in an additional provision requirement of SEK 50 million and SEK 36 million, respectively. The credit loss ratio stood at 0.00 per cent of lending (0.00).

### TAXES AND PROFIT FOR THE YEAR

After taxes of SEK -2,850 million (-2,722), profit for the year was SEK 10,037 million (10,355).

### PROFITABILITY

The profit corresponded to a return on equity of 15.4 per cent (15.6). For a five-year overview of income statements and balance sheets, and for key financial figures and ratios, see page 4.

### OTHER COMPREHENSIVE INCOME

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 hedges are applied to manage exposures to variations in cash flows relating to changes in the floating interest rates on lending and funding. Cash flow hedging is also used to hedge foreign exchange 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 reach 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 changes in the value of hedge derivatives in cash flow hedges totalled SEK -4,804 million (-1,759) after tax.

### TOTAL ASSETS AND EQUITY

At 31 December 2022, Stadshypotek's total assets stood at SEK 1,584,623 million (1,547,343), with equity accounting for SEK 54,715 million (57,850).

### GROUP CONTRIBUTION

A Group contribution of SEK 10,000 million (11,000) has been provided to the parent company, Handelsbanken.

### FINANCIAL RISKS

For information about financial risks, see note 2.

### RECOMMENDED APPROPRIATION OF PROFIT

In accordance with the balance sheet for Stadshypotek AB, the following profits, after deduction for a net paid Group contribution of SEK 7,940 million and other dividends of SEK 614 million, are at the disposal of the annual general meeting:

Retained earnings, SEK m	18,353
Fair value fund, SEK m	-3,631
Profit for the year, SEK m	10,037
<b>Total</b>	<b>24,759</b>

The Board proposes that the remaining profits be carried forward to the next year.

When assessing the amount of the Group contribution from the company, account has been taken of the nature of operations, their scope, the consolidation requirement, the capital adequacy requirement and risk-taking. The Board's assessment is that the above appropriation of profits is prudent and well adapted to the operations as a going concern. The total capitalisation of Stadshypotek at year-end exceeded the statutory minimum requirement pursuant to regulation (EU) 575/2013 and Directive 2013/36/EU and other relevant requirements established by the authorities for the company.



## ADMINISTRATION REPORT

### HALF-YEARLY PERFORMANCE

SEK m	2022		2021	
	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Interest income according to the effective interest method	16,156	11,057	10,492	10,479
Interest expenses	-8,764	-3,470	-2,655	-2,561
Net interest income	7,392	7,587	7,837	7,918
Fee and commission income	7	6	6	7
Fee and commission expenses	-22	-30	-21	-20
Net fee and commission income	-15	-24	-15	-13
Net gains/losses on financial transactions	19	-31	57	31
Other income	1,190	0	2	0
<b>Total income</b>	<b>8,586</b>	<b>7,532</b>	<b>7,881</b>	<b>7,838</b>
General administrative expenses				
Staff costs	-37	-39	-55	-45
Other administrative expenses	-982	-950	-697	-913
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-14	-13	-13	-14
<b>Total expenses before credit losses</b>	<b>-1,033</b>	<b>-1,002</b>	<b>-965</b>	<b>-972</b>
<b>Profit before credit losses, risk tax and resolution fee</b>	<b>7,553</b>	<b>6,530</b>	<b>6,916</b>	<b>6,864</b>
Net credit losses	-20	-43	-2	6
Risk tax and resolution fee	-567	-566	-353	-354
<b>Operating profit</b>	<b>-567</b>	<b>-566</b>	<b>6,561</b>	<b>6,516</b>
Profit before taxes	6,966	5,921	6,561	6,516
Taxes	-1,551	-1,299	-1,371	-1,351
<b>Net profit/loss for the period</b>	<b>5,415</b>	<b>4,622</b>	<b>5,190</b>	<b>5,165</b>



FINANCIAL REPORTS

## Income statement

SEK m		2022	2021
Interest income according to the effective interest method		27,213	20,971
Interest expenses		-12,234	-5,318
Net interest income	Note 3	14,979	15,655
Fee and commission income		13	13
Fee and commission expenses		-52	-41
Net fee and commission income	Note 4	-39	-28
Net gains/losses on financial transactions	Note 5	-12	88
Other income	Note 29	1,190	2
Total income		16,118	15,717
General administrative expenses			
Staff costs	Note 6	-78	-100
Other administrative expenses	Note 7	-1,932	-1,810
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	Note 15, 16	-27	-27
Total expenses		-2,035	-1,937
Profit before credit losses, risk tax and resolution fee		14,083	13,780
Net credit losses	Note 8	-63	4
Risk tax and resolution fee		-1,133	-707
Operating profit		12,887	13,077
Profit before taxes		12,887	13,077
Taxes	Note 9	-2,850	-2,722
Profit for the year		10,037	10,355
Earnings per share, SEK		61,955	63,922

For calculations of key figures and definitions, see pages 86, 87 and 88.

## Statement of comprehensive income

SEK m		2022	2021
Profit for the year		10,037	10,355
Other comprehensive income			
Items that may subsequently be reclassified to the income statement			
Cash flow hedges		-6,051	-2,216
Translation difference for the year		200	157
Tax on items that may subsequently be reclassified to the income statement		1,193	457
of which cash flow hedges		1,247	457
of which translation difference		-54	-
Total items that may subsequently be reclassified to the income statement		-4,658	-1,602
Total other comprehensive income		-4,658	-1,602
Total comprehensive income for the year		5,379	8,753



## Balance sheet

SEK m		31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
Loans to credit institutions	Note 10	9,066	13,301
Loans to the public	Note 11	1,565,815	1,525,915
Value change of interest-hedged item in portfolio hedge		-8	4
Shares and participating interests	Note 12	0	0
Derivative instruments	Note 13, 14	7,941	7,223
Intangible assets	Note 15	100	97
Property and equipment	Note 16	0	0
Current tax assets		216	527
Deferred tax assets	Note 9	996	73
Other assets	Note 17	429	148
Prepaid expenses and accrued income	Note 18	66	55
<b>Total assets</b>		<b>1,584,623</b>	<b>1,547,343</b>
<i>of which Group claims</i>	Note 24	17,091	20,604
<b>LIABILITIES</b>			
Due to credit institutions	Note 19	832,578	823,116
Issued securities	Note 20	670,999	652,607
Derivative instruments	Note 13, 14	16,094	2,428
Current tax liabilities		-	-
Deferred tax liabilities	Note 9	115	251
Other liabilities	Note 21	10,092	11,069
Accrued expenses and deferred income	Note 22	30	22
<b>Total liabilities</b>		<b>1,529,908</b>	<b>1,489,493</b>
<i>of which Group liabilities</i>	Note 24	887,825	850,587
<b>EQUITY</b>			
Share capital		4,050	4,050
Other funds		22,275	26,930
Retained earnings		18,363	18,515
Profit for the year		10,037	10,355
<b>Total equity</b>		<b>54,715</b>	<b>57,850</b>
<b>Total liabilities and equity</b>		<b>1,584,623</b>	<b>1,547,343</b>



FINANCIAL REPORTS

# Statement of changes in equity

31 December 2022 SEK m	Restricted equity			Non-restricted equity				Retained earnings including profit for the year	Total
	Share capital <sup>1</sup>	Statutory reserve	Fund for internally developed software	Tier 1 instruments	Tier 2 instruments	Hedge reserve <sup>2</sup>	Translation reserve <sup>2</sup>		
Closing equity 2021	4,050	8,106	97	13,200	4,500	966	61	26,870	57,850
Profit for the year								10,037	10,037
Other comprehensive income of which reclassified in equity						-4,804	146		-4,658
Total comprehensive income for the year						-4,804	146	10,037	5,379
Reclassified to retained earnings								40	40
Dividend on equity instruments								-614	-614
Group contributions provided								-10,000	-10,000
Tax effect on Group contributions								2,060	2,060
Fund for internally developed software			3					-3	-
Closing equity 31 December 2022	4,050	8,106	100	13,200	4,500	-3,838	207	28,390	54,715

31 December 2021 SEK m	Restricted equity			Non-restricted equity				Retained earnings including profit for the year	Total
	Share capital <sup>1</sup>	Statutory reserve	Fund for internally developed software	Tier 1 instruments	Tier 2 instruments	Hedge reserve <sup>2</sup>	Translation reserve <sup>2</sup>		
Closing equity 2020	4,050	8,106	121	8,300	13,400	2,725	-86	25,729	62,335
Profit for the year								10,355	10,355
Other comprehensive income of which reclassified in equity						-1,759	157		-1,602
Total comprehensive income for the year						-1,759	157	10,355	8,753
Reclassified to retained earnings								11	11
Tier 2 instruments					-8,900				-8,900
Tier 1 instruments				4,900					4,900
Dividend on equity instruments								-515	-515
Group contributions provided								-11,000	-11,000
Tax effect on Group contributions								2,266	2,266
Fund for internally developed software			-24					24	-
Closing equity 31 December 2021	4,050	8,106	97	13,200	4,500	966	61	26,870	57,850

<sup>1</sup> Average number of shares, 162,000 (162,000).  
<sup>2</sup> Included in fair value fund.

## Specification of changes in equity

Change in hedge reserve SEK m	2022	2021
Hedge reserve at beginning of year	966	2,725
Cash flow hedge		
Effective portion of change in fair value		
Interest rate risk	-5,935	-2,100
Foreign exchange risk	424	138
Net amount reclassified in the income statement	-116	-116
Interest rate risk	-116	-116
Foreign exchange risk	-	-
Tax	1,247	457
Hedge reserve at end of year	-3,838	966
Change in translation reserve SEK m	2022	2021
Translation reserve at beginning of year	61	-86
Change in translation difference	289	171
Tax on change for the year	-60	-3
Tax referring to previous years	-13	-
Reclassified to the income statement, net	-30	-
Reclassified to retained earnings, net	-40	-11
Translation reserve at end of year	207	61



## Cash flow statement

SEK m	2022	2021
<b>OPERATING ACTIVITIES</b>		
Operating profit	12,887	13,077
of which paid-in interest	25,830	21,047
of which paid-out interest	-9,942	-5,802
Adjustment for non-cash items in profit/loss:		
Credit losses	95	7
Depreciation and amortisation	27	27
Other non-cash items, as specified <sup>1</sup>	-4,756	-5,365
Paid income tax	-681	-264
Change in the assets and liabilities of operating activities		
Loans to the public	-91,261	-86,670
Due to credit institutions	59,822	54,426
Issued securities	19,626	29,796
Derivative instruments	7,171	2,469
Change in other balance sheet items	3,024	6,337
Cash flow from operating activities	5,954	13,840
<b>INVESTING ACTIVITIES</b>		
Divestment of foreign branch operations	1,184	-
Acquisition of intangible assets	-30	-3
Cash flow from investing activities	1,154	-3
<b>FINANCING ACTIVITIES</b>		
Group contribution paid	-11,000	-11,400
Repayment of equity instruments	-	-4000
Dividend	-588	-515
Cash flow from financing activities	-11,588	-15,915
<b>CASH FLOW FOR THE YEAR</b>	<b>-4,480</b>	<b>-2,078</b>
Liquid funds at beginning of year	13,301	15,007
Cash flow from operating activities	7,138	13,840
Cash flow from investing activities	-30	-3
Cash flow from financing activities	-11,588	-15,915
Exchange rate difference on liquid funds	245	372
Liquid funds at end of year	9,066	13,301
Liquid funds		
Liquid funds held by banks	8,966	8,301
Bank deposit relating to issuance of covered bonds	100	5,000
Loans to credit institutions	9,066	13,301
<b>Specification of other non-cash items in the income statement</b>	<b>2022</b>	<b>2021</b>
Non-cash changes in "Net gains/losses on financial transactions"	-273	59
Change in accrued interest	911	297
Change in amortised cost	657	-3,505
Revaluation effects in OCI	-6,051	-2,216
Total changes in value	-4,756	-5,365

The cash flow statement has been prepared using the indirect method.

SEK m	2022
Divestment of international branch operations	
Purchase price	52,128
Loans to the public	-52,846
Early redemption charges, financing	1,702
Net gains/losses	1,184



NOTES

## Notes

### NOTE 1 Accounting policies and other matters relating to the preparation of the financial reports

#### CONTENTS

1. Statement of compliance
2. Amendments to accounting policies
3. Changes in IFRS which are yet to be applied
4. Assets held for sale and accounting of discontinued operations
5. Shares and participating interests in Group companies
6. Segment reporting
7. Assets and liabilities in foreign currencies
8. Recognition and derecognition of financial instruments on the balance sheet
9. Financial instruments
10. Principles for fair value measurement of financial assets and liabilities
11. Credit losses
12. Hedge accounting
13. Intangible assets
14. Property and equipment
15. Equity
16. Group contributions
17. Income
18. Employee benefits
19. Taxes
20. Estimates and key assumptions
21. Exchange rates
22. Company information

#### 1. STATEMENT OF COMPLIANCE

##### Basis for accounts

Stadshypotek's (the company) annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFS 2008:25, Annual reports in credit institutions and securities companies, the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, and statements from the Swedish Financial Reporting Board. In accordance with the Financial Supervisory Authority's general guidelines, the company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the link between accounting and taxation.

The parent company, Svenska Handelsbanken AB, prepares consolidated accounts which include the company.

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, the company has not prepared consolidated accounts as the subsidiary is of marginal significance.

The Annual Report is presented in Swedish kronor.

The accounting policies described below have been applied consistently for all periods presented in the financial reports unless otherwise stated.

#### Issuing and adoption of annual report

The annual report was approved for issue by the Board and Chief Executive on 6 February 2023 and will be presented for adoption by the annual general meeting on 27 March 2023.

#### 2. AMENDMENTS TO ACCOUNTING POLICIES

The amendments made to accounting policies applied by the company as of 1 January 2022 are described below. Other changes to IFRS applied as of 1 January 2022 have had no material impact on the company's accounting.

As of 2022, the company pays risk tax to the Swedish government pursuant to the Act on Risk Tax for Credit Institutions (2021:1256). The tax expense for risk tax is presented together with the resolution fee as a separate item in the income statement, named Risk tax and resolution fee. In conjunction with this, the resolution fee – which was previously recognised in the income statement item Interest expenses under Net interest income – has thus been transferred to the income statement item Risk tax and resolution fee. The purpose of this is to present government fees of a similar nature as a separate item in the income statement. The comparative figures have been adjusted.

In other respects, the accounting policies and calculation methods applied by the company during the financial year are consistent with the policies applied in the 2021 Annual Report.

#### 3. CHANGES IN IFRS WHICH ARE YET TO BE APPLIED

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

#### 4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets or a group of assets and attributable liabilities (disposal group) are classified as held for sale when the carrying amount will be mainly recovered through a sale and when a sale is highly probable. If an asset or disposal group is classified as held for sale, special valuation principles are applied. These principles essentially mean that, with the exception of items such as financial assets and liabilities, assets held for sale and disposal groups are measured at the

lower of the carrying amount and fair value less costs to sell. Any impairment losses and subsequent revaluations are recognised directly in the income statement. However, a gain is not reported to the extent that it exceeds previously recognised accumulated impairment. For legal entities, non-current assets with a definite useful life are depreciated/amortised over their useful life in accordance with the Swedish Annual Accounts Act, for such time as they are classified as held for sale. Assets and liabilities held for sale are not recognised on separate rows on the balance sheet of legal entities, but are disclosed in a separate note. See note 29.

Independent operations of a material nature which can be clearly differentiated from the company's other operations and which are classified as held for sale using the policies described above are considered to be discontinued operations. Profit or loss from discontinued operations comprises the profit or loss after tax of discontinued operations, the profit or loss after tax that arises when valuing the assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised gains/losses from the disposal of discontinued operations. Profit from discontinued operations is not recognised separately on an individual row in the income statement of legal entities. Profit from discontinued operations is instead disclosed in a separate note. See note 29.

#### 5. SHARES AND PARTICIPATING INTERESTS IN GROUP COMPANIES

Shares and participating interests in subsidiaries are measured at cost.

#### 6. SEGMENT REPORTING (IFRS 8)

The segment reporting presents income/expenses and assets/liabilities broken down by business segments. A business segment is a part of the company that runs operations which generate external or internal income and expenses and whose profit/loss is regularly assessed and followed up by the company's management as part of corporate governance. The segment reporting shows income and expenses and also assets broken down into the geographical areas where the company has operations. The principles for segment reporting are described further in note 25.

#### 7. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (IAS 21)

The company's presentation currency is Swedish kronor. The functional currency for the company's operations outside Sweden usually differs from the company's presentation currency. The currency used in the economic environment where



## NOTE 1 Cont.

the operations are primarily conducted is regarded as the functional currency.

**Translation of transactions in a currency other than the functional currency**

Transactions in a currency other than the functional currency – foreign currency – are initially translated into the functional currency at the rate prevailing on the transaction date. Monetary items in foreign currencies and non-monetary items in foreign currencies that are measured at fair value are converted at the balance sheet date using the prevailing closing rate. Gains and losses arising from the currency translation of monetary items and non-monetary items measured at fair value are recognised in the income statement as exchange rate effects in Net gains/losses on financial transactions. Translation differences that have arisen from non-monetary items classified as measured at fair value through other comprehensive income are recognised as a component of Other comprehensive income and are accumulated in equity. Exchange differences arising when translating monetary items comprising part of a net investment in a foreign operation are recognised in the same way.

**Translation of foreign operations to the company's presentation currency**

When translating the foreign branches' balance sheets and income statements from the functional currency to the company's presentation currency, the current method has been used. This means that assets and liabilities are translated at the closing day rate. Equity is translated at the rate applicable at the time of investment or earning. The income statement has been translated at the average annual rate. Exchange differences are recognised as a component of Other comprehensive income and are included in the translation reserve in equity.

**8. RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET**

Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date, which is the date on which an agreement is entered into. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date.

Financial assets are removed from the balance sheet when the contractual rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party.

A financial liability is removed from the balance sheet when the obligation is fulfilled, ceases or is cancelled. The policies for recognising financial instruments on the balance sheet are of particular importance when reporting repurchase transactions (see separate section).

**9. FINANCIAL INSTRUMENTS (IAS 32, IFRS 9)**

The company's operations mainly comprise the following financial instruments: Loan receivables regarding credit institutions and the public (private individuals and companies with property mortgages), derivatives, other financial claims, issued securities, and deposits and borrowing credit institutions.

**Measurement categories**

All financial assets, in compliance with IFRS 9, are allocated to one of the following measurement categories:

1. amortised cost
2. fair value through other comprehensive income
3. fair value through profit or loss
  - a. mandatory
  - b. fair value option.

The starting point for the classification of financial assets into the respective measurement categories is the company's business model for managing the financial instruments, as well as whether the instrument's contractual cash flows constitute solely payments of principal and interest.

Financial liabilities are classified as follows:

1. amortised cost
2. fair value through profit or loss
  - a. mandatory
  - b. fair value option.

As a general rule, financial liabilities are recognised at amortised cost. The exceptions are financial liabilities which are required to be measured at fair value through profit or loss, such as derivatives, and liabilities which, upon initial recognition, are irrevocably identified as being measured at fair value (fair value option).

Financial assets and liabilities recognised on the same line on the balance sheet may be classified in different measurement categories.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit or loss, the transaction costs are recognised in the income statement under Net gains/losses on financial transactions. For other financial instruments, the transaction costs are included in the acquisition cost.

**Assessment of the business model**

The business model for managing financial assets defines classification into measurement categories. The business model is determined at portfolio level, as this best reflects how the operations are governed and how information is reported to and evaluated by the company's management. Information of significance when making a weighted assessment of the business model for a portfolio includes the established guidelines and objectives of a portfolio and how these are implemented in the operations, the risks which affect the performance of the portfolio and how the risks are managed, as well as the frequency, volume, reasons for and times of sales.

**Assessment of whether contractual cash flows constitute solely payments of principal and interest**

The assessment of whether contractual cash flows constitute solely payments of principal and interest is significant for the classification into measurement categories. For the purposes of this assessment, "principal" is defined as the financial asset's fair value upon initial recognition. Interest is defined as consideration for the time value of money, credit risk, other fundamental lending risks (such as liquidity risk) and costs (such as administrative expenses), as well as a profit margin.

To assess whether the financial asset's contractual cash flows constitute solely payments of principal and interest, the contractual terms of the financial asset are reviewed. If there are contractual terms that could change the timing or amounts of the contractual cash flows, modify the consideration for the time value of money, cause leverage or entail extra costs for prepayment and extension, then the cash flows are deemed not to constitute solely payments of principal and interest.

**Amortised cost**

A financial asset is to be measured at amortised cost if both of the following conditions are met:

- The objective of the business model is to collect contractual cash flows.
- The contractual cash flows constitute solely payments of principal and interest.

Financial assets recognised in the measurement category amortised cost consist of loans that fulfil the above conditions. These assets are subject to impairment testing, see section 11. Financial liabilities recognised in the measurement category amortised cost consist primarily of liabilities due to credit institutions and issued securities.

Amortised cost consists of the discounted present value of all future payments relating to the instrument where the discount rate is the instrument's effective interest rate at the time of acquisition.

Interest and credit losses relating to financial instruments measured at amortised cost are recognised on the income statement in net interest income and the row for credit losses, respectively. Early repayment charges for loans redeemed ahead of time, as well as capital gains/losses generated from repurchases of the Bank's own issued securities, are recognised on the income statement under Net gains/losses on financial transactions. Foreign exchange effects are also recognised in net gains/losses on financial transactions.

**Fair value through profit or loss, mandatory**

If a financial asset does not meet the conditions for measurement at amortised cost or for measurement at fair value through other comprehensive income, measurement at fair value through profit or loss is mandatory.



## NOTES

### NOTE 1 Cont.

Financial assets and liabilities held for trading are always classified as measured at fair value through profit or loss, as are financial assets managed and evaluated on a fair value basis.

The measurement category called fair value through profit or loss, mandatory, includes derivatives, value change of interest-hedged items in portfolio hedges, and assets where the customer bears the value change risk.

Foreign exchange effects, unrealised and realised changes in value related to these instruments are recognised in the income statement under Net gains/losses on financial transactions.

For the recognition of derivatives through hedge accounting, see section 12.

#### Fair value through profit or loss, fair value option

There is an option, at initial recognition, to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the asset.

Unrealised and realised changes in the fair value of financial instruments that are measured at fair value through profit or loss via the fair value option are recognised under Net gains/losses on financial transactions. Interest attributable to these instruments is recognised under net interest income.

At 31 December 2022 and 31 December 2021, the only instance for the company where the above criteria in the measurement category were met was liabilities where the customer bears the value change risk.

#### Reclassifications of financial instruments

As a general rule, financial assets are not reclassified after initial recognition. Reclassification is permitted in the rare cases where the company changes the business model it applies for the management of a portfolio of financial assets. The reclassification of financial liabilities is not permitted after initial recognition.

#### Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument (loan), for example, a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as a liability under Accrued expenses and deferred income on the balance sheet. The guarantee is subsequently measured at the higher of the amortised premium or the provision for the expected loss. Premiums relating to issued financial guarantees are amortised in net fee and commission income over the validity period of the guarantee. In addition, the total guaranteed amount relating to guarantees issued

is reported off the balance sheet as a contingent liability, see note 23.

Premiums for purchased financial guarantees are accrued and recognised as decreased interest income in net interest income if the debt instrument to which the guarantee refers is recognised there.

Loan commitments are reported off the balance sheet until the settlement date of the loan, see note 23. Fees received for loan commitments are accrued in net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled, in which case the fee received is included in the effective interest of the loan.

Financial guarantees and irrevocable loan commitments are subject to impairment testing, see section 11.

#### Compound financial instruments

A compound (hybrid) financial instrument consists of an embedded derivative and a non-derivative host contract. Some of the compound instrument's cash flows vary in a way similar to the cash flows of a stand-alone derivative.

If the host contract in a compound financial instrument is a financial liability, an embedded derivative must be separated from the host contract and recognised as a derivative if the following conditions are fulfilled:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
  - a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
  - the compound financial instrument is not measured at fair value through profit or loss (that is, a derivative that is embedded in a financial liability measured at fair value through profit or loss is not separated).
- Separate recognition is not applied to compound financial instruments when the host contract is a financial asset. Financial assets with embedded derivatives are regarded as a whole when assessing whether their contractual cash flows constitute solely payments of principal and interest.

#### Repurchase agreements and reverse

##### repurchase agreements

Repurchase agreements, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a pre-determined price. Securities sold in a repo transaction remain on the balance sheet during the life of the transaction, as the company is exposed to the value change risk applying to the security during this period. The sold instrument is also reported off-balance as a pledged asset. Depending on the counterparty, payment received is recognised under due to credit institutions or as deposits and borrowing from the public. Securities bought in a repo transaction (reverse repurchase agreement) are accounted for in the corresponding way, i.e.

they are not recognised on the balance sheet during the life of the transaction. Depending on the counterparty, the payment made is recognised under lending to other credit institutions or loans to the public. Collateral received which is sold on under repurchase agreements is recognised off-balance as a commitment.

#### Derivative instruments

All derivatives are recognised on the balance sheet at fair value. Derivatives with positive fair values are recognised on the assets side under Derivative instruments. Derivatives with negative fair values are recognised on the liabilities side under Derivative instruments. Realised and unrealised gains and losses on derivatives are recognised in the income statement under Net gains/losses on financial transactions. For the recognition of derivatives through hedge accounting, see section 12.

## 10. PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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, and where the price information received can easily be verified by means of regularly occurring transactions. The current market price corresponds to the price between the bid price and the offer price which is most representative of fair value under the circumstances. For groups of financial instruments which are managed on the basis of the company's net exposure to market risk, the current market price is presumed to be the same as the price which would be received or paid if the net position were divested.

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 interest rates and share prices. If necessary, an adjustment is made for other variables which a market participant would be expected to take into consideration when setting a price. The assumptions used in the valuation are based on internally generated experience and are continuously examined by the risk control function. The result is compared with the actual outcome so as to identify any need for adaptations of assumptions and forecasting models.

#### Derivatives

Derivatives which are traded on an active market are valued at market price. Most of the company's derivative contracts, including interest rate swaps and various types of linear currency derivatives, are valued using valuation models based



## NOTE 1 Cont.

on 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.

All derivatives are included in hedge accounting. All derivative instruments are used to match funding and lending (hedged items). The derivative's nominal interest flows may differ from current market rates at the time of the transaction, meaning that there may be initial amounts to receive or pay. These correspond to the derivative's initial market value and are referred to as a transaction price or "up-front fee". The transaction price corresponds to the premium/discount of funding at the time of issue and ensures efficiency in hedge accounting over the entire maturity period.

**Assets and liabilities where the customer bears the value change risk**

Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk. Assets and liabilities where the customer bears the value change risk have essentially been classified at fair value through profit or loss.

**11. CREDIT LOSSES****Expected credit losses**

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as financial guarantees and irrevocable loan commitments, and are based on a model for the recognition of expected credit losses (ECL). This model stipulates that the provision must reflect a probability-weighted amount determined through the evaluation of a number of potential outcomes, with consideration given to all reasonable and verifiable information available as per the reporting date without unreasonable expense or exertion. The assessment takes into account historical, current and future-oriented factors. The assets to be tested for impairment are divided into the following three stages, depending on the degree of credit impairment:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition.
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the claim is credit-impaired at the time of reporting.
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is credit-impaired. For a definition of credit-impaired assets, refer to the heading Default or Credit-impaired asset below.

In Stage 1, provisions are to be recognised which correspond to the loss expected to occur within 12 months as a result of default. In Stage 2 and Stage 3, provisions are to be recognised corresponding to the loss expected to occur at some time during the whole of the remaining maturity of the asset as a result of default.

For agreements in Stage 1 and Stage 2, there is a Group-wide, central process using model-based calculations. The process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). For a more detailed description of significant increase in credit risk, see the Credit risks section of note 2. The provisions in the different impairment stages are calculated on an individual basis.

In conjunction with each reporting date, an assessment is made at agreement level as to whether an agreement will be subject to a model-based calculation or a manual calculation.

**Model-based calculation**

The calculations of expected credit losses are primarily affected by the risk parameters 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). Expected credit losses are determined by calculating PD, EAD and LGD up to the expected final maturity date of the agreement. The three risk parameters are multiplied and adjusted by the survival probability or, alternatively, the probability that a credit exposure has not defaulted or been repaid in advance. The estimated expected credit losses are then discounted back to the reporting date using the original effective interest rate and are totalled. The total of credit losses for Stage 1 is calculated with the probability of default for the next 12 months, while for Stage 2 and Stage 3, the calculation applies the probability of default during the asset's time to maturity.

The calculation of the expected credit losses takes into consideration at least three macroeconomic scenarios (one neutral, one positive and one negative scenario) with relevant macroeconomic risk factors, such as unemployment, key rates and central bank rates, GDP, inflation and property prices, by country. The various scenarios are used to adjust the risk parameters. Every macroeconomic scenario is assigned a probability, and the expected credit losses are obtained as a probability-weighted average of the expected credit losses for each scenario.

For more detailed information on the models used to calculate expected credit losses for agreements in Stage 1 and Stage 2 (and for a small portfolio of homogeneous claims in Stage 3), and for an explanation of concepts such as PD, EAD and LGD, expected maturity, significant increase in credit risk and macroeconomic information, see the Credit risks section in note 2. For a sensitivity analysis for expected credit losses, see note 8.

**Manual calculation**

Assets in Stage 3 are tested for impairment on an individual basis using a manual calculation (with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3). This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the regional credit committee or central credit department.

Impairment testing is carried out when there are objective circumstances which indicate that the counterparty will not be able to fulfil its contractual obligations, according to the definition of default. Such objective circumstances could be, for example, late payment or non-payment, a change in the internal rating, or if the borrower enters bankruptcy.

Impairment testing involves an estimation of future cash flows and the value of the collateral (including guarantees). Consideration is normally given to at least two forward-looking scenarios for expected cash flows, based on both the customer's repayment capacity and the value of the collateral. The outcome of these scenarios is probability-weighted and discounted with the loan's original effective interest rate. The scenarios used may take into account both macroeconomic and agreement-specific factors, depending on what is deemed to affect the individual counterparty's repayment capacity and the value of the collateral. The assessment takes into account the specific characteristics of the individual counterparty. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount.

**Expert-based calculation**

Expert-based calculation is also carried out for credit losses in order to incorporate the estimated impact of factors not deemed to have been captured by the model (Stage 1, Stage 2 and for a small portion of homogeneous claims in Stage 3), or which have not been considered in the manual assessment (Stage 3). The model-based calculations are constructed with the ambition of making as accurate estimations as possible of the individual contributions to the overall provision requirement. However, it is very difficult to incorporate all of the particular characteristics that define an individual agreement into a general model. For this reason, a manual analysis is carried out of the agreements which give the largest contributions to the overall provision requirement. The manual analysis aims to apply expert knowledge about the individual credits to assess whether the model-based or manual calculation needs to be replaced with an expert-based calculation. An expert-based calculation may result in either a higher or a lower provision requirement than the original calculation.

Expert-based calculation can also be carried out at a more aggregate level to adjust the model-based calculations for a sub-portfolio or similar. These adjustments are distributed proportionally over the agreements involved. An expert-based

## NOTES

### NOTE 1 Cont.

calculation may result in either a higher or a lower provision requirement than the original calculation.

#### Recognition and presentation of credit losses

- Financial assets measured at amortised cost are recognised on the balance sheet at their net amount, after the deduction of expected credit losses.
- Off-balance sheet items (financial guarantees and irrevocable loan commitments) are recognised at their nominal amounts. Provisions for expected credit losses on these instruments are recognised as a provision on the balance sheet.
- Financial assets measured at amortised cost and off-balance sheet items are recognised in the period's credit losses (expected and actual) in the income statement under the item Credit losses. Credit losses comprise the period's provisions for expected credit losses, less reversals of previous provisions, as well as write-offs and recoveries during the period.
- Write-offs consist of actual credit losses, less reversals of previous provisions for expected credit losses in Stage 3 and may refer to either the entirety or parts of a financial asset. Write-offs are recorded when there is deemed to be no realistic possibility of repayment. Following a write-off, the claim on the borrower and any guarantor normally remains and is thereafter, as a rule, monitored. Monitoring is not pursued in certain situations, such as when a trustee in bankruptcy has submitted their final accounts of the distribution of assets in conjunction with the bankruptcy, when a scheme of arrangement has been accepted or when a claim has been waived in its entirety. Claims for which a concession is granted in conjunction with a restructuring of financial assets are always recognised as actual credit losses.
- Payments to the company in relation to written-off financial assets are recognised in income as recoveries. Further information on credit losses is provided in note 8.

#### Default or credit-impaired asset

The company's definition of default is identical to that applied in the Capital Requirements Regulation, entailing either that the counterparty is over 90 days overdue with a payment or that an assessment has been made that the counterparty will be unable to fulfil their contractual payment obligations.

Such an assessment implies that it is deemed to be more likely that the borrower will be unable to pay than that they will be able to pay. This assessment is based on all available information about the borrower's repayment capacity. Consideration is given to indicators of insolvency such as insufficient liquidity, late/cancelled payments, records of non-payment or other signs of impaired repayment capacity. Other signals may include the borrower being declared bankrupt or the granting of a substantial concession or forbearance measure, entailing a decrease in the value of the company's claim on the borrower.

The probability of default is calculated before each reporting date and is incorporated in the assessment of whether there has been a significant increase in the credit risk since the initial recognition, as well as in the calculation of expected credit losses for financial assets in Stage 1 and Stage 2.

A credit-impaired financial asset, which is an exposure in Stage 3, is defined as an exposure in default. This means that the assessment for accounting purposes is consistent with the assessment used in the company's credit risk management.

#### Interest

In Stage 1 and Stage 2, recognition of interest income attributable to items on the balance sheet is based on gross accounting, which means that the full amount of interest income is recognised in net interest income. In Stage 3, interest income is recognised net, that is, taking into account impairment. Interest rate effects arising due to discounting effects, attributable to the decrease of the period until the expected payment, result in a reversal of previously provisioned amounts and are recognised as interest income in accordance with the effective interest method.

#### Valuation of repossessed property and equipment to protect claims

Upon initial recognition, repossessed property and equipment is recognised at fair value on the balance sheet. Repossessed property and equipment which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell.

Repossessed property which is not expected to be divested in the near future is reported as investment properties at fair value through profit or loss.

#### Modified financial assets

A loan is seen as modified when the terms and provisions which determine the cash flows are amended relative to those in the original agreement as the result of implemented measures in the form of concessions (forbearance) or commercial renegotiations. Forbearance refers to changes to terms and conditions in conjunction with restructuring or other financial relief measures implemented with the objective of securing repayment in full, or of maximising repayment of the outstanding loan amount from borrowers experiencing or facing financial difficulties. Commercial renegotiations refer to changes to terms and conditions which are not related to a borrower's financial difficulties, such as changes in the cash flow for a loan arising due to changes in market conditions with regard to repayment or interest.

If the cash flows from a financial asset which is classified as measured at amortised cost have been modified, but the cash flows have not significantly changed, the modification does not normally cause the financial asset to be removed from the balance sheet. In such cases, the gross carrying amount is recalculated on the basis of

the changed cash flows of the financial asset, and the adjustment amount is recognised as a modification gain or loss in the income statement. As there may be various reasons for implementing a modification, there is no unconditional connection between modifications and assessed credit risk.

When a financial asset is subject to forbearance measures and the asset remains on the balance sheet, it is classified in Stage 2 or Stage 3, based on the outcome of the assessment made when granting the concession. The assessment involves a check of whether a provision is required for credit loss, or other circumstance which results in classification in Stage 3. If a financial asset is modified in a way that results in significantly changed cash flows, the modified financial asset is derecognised from the balance sheet and replaced with a new agreement. In such cases, the modification date constitutes the initial recognition date for the new agreement and is used thereafter for the calculation of expected credit losses and for assessing whether there has been a significant increase in the credit risk since the initial recognition.

## 12. HEDGE ACCOUNTING (IAS 39)

The company applies different methods for hedge accounting, depending on the purpose of the hedge. Derivatives – mainly interest rate swaps and cross-currency interest rate swaps – are used as hedging instruments. In addition, when hedging foreign exchange risks related to net investments in foreign operations, liabilities in the functional currency of the respective foreign operation are used as a hedging instrument. As part of the company's hedging strategies, the value changes of hedging instruments are sometimes divided into separate components and included in more than one hedge relationship. Therefore a single hedging instrument can hedge different risks. Hedging instruments are only split in this way if the hedged risks can be clearly identified, the efficiency can be reliably measured, and the total value change of the hedging instrument is included in a hedge relationship.

#### Cash flow hedge

Cash flow hedges are applied to manage exposures to variations in cash flows relating to changes in the variable interest rates on lending and funding. The expected maturity for this type of lending and borrowing is normally much longer than the fixing period, which is very short. Cash flow hedging is also used to hedge foreign exchange risk in future cash flows deriving from lending and borrowing. Derivatives which are hedging instruments in cash flow hedges are measured at fair value. If the derivative's value change is effective – that is, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the derivative's value change are recognised in the income statement under Net gains/losses on financial transactions. When a cash flow hedge is terminated early, the cumulative gain or loss on the

**NOTE 1 Cont.**

hedging instrument previously recognised in other comprehensive income is amortised under Net gains/losses on financial transactions during the period in which the hedged cash flows are expected to occur. If cash flow hedges are terminated early and the hedged cash flows are no longer expected to occur, the accumulated value change is reclassified in the hedge reserve to Net gains/losses on financial transactions. See note 13.

**Hedge accounting at fair value**

Fair value hedges are used to protect the company against undesirable impact on profit/loss due to exposure to changes in market prices. Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. Hedged risks in hedging packages at fair value comprise the interest rate and foreign exchange risk on lending and borrowing at fixed interest rates, and also lending with interest rate caps. The hedging instruments in these hedging relationships comprise interest rate swaps and interest rate options. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial transactions. When portfolio hedging is applied, the value of the hedged item is reported as a separate line item on the balance sheet in conjunction with Loans to the public. When fair value hedges are prematurely terminated, the accrued value change on the hedged item is amortised in Net gains/losses on financial transactions during the remaining time to maturity. When a fair value hedge is terminated early, and the hedged item no longer exists, the value change generated is reversed directly under Net gains/losses on financial transactions. Accumulated changes in the value of portfolio hedges which have been terminated early are reported on the balance sheet under Other assets.

**13. INTANGIBLE ASSETS (IAS 38)****Recognition in the balance sheet**

An intangible asset is an identifiable, non-monetary asset without physical form. An intangible asset is only recognised on the balance sheet if the probable future economic benefits attributable to the asset will flow to the company and the acquisition cost can be reliably measured. This means that internally generated values in the form of goodwill, trademarks, customer databases and similar are not recognised as assets on the balance sheet.

Investments in software developed in-house are recognised as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or software.

Agreements with suppliers that provide the Bank with a cloud service that involves access to the supplier's application, platform or infrastructure for the duration of the agreement comprise service contracts. Fees for a cloud service are charged to expenses on an ongoing basis for the

duration of the contract. Any charges paid in advance are recognised as an asset, i.e. prepaid expenses. Fees for configuration and adaptations of a cloud service are charged to expenses when a supplier renders the services in question. When configuration and adaptations are an integral part of the cloud service and are undertaken by the supplier of the cloud service, or a sub-contractor to the supplier, the fee is charged to expenses on an ongoing basis for the duration of the agreement. Any charges paid in advance are recognised as prepaid expenses.

In the case of in-house development of new software, or development of existing software for new business operations, the expenditure incurred that can be reliably measured is capitalised from the time when it is probable that economic benefit will arise. Expenditure arising from borrowing costs is capitalised from the date on which the decision was made to capitalise expenditure for development of intangible assets.

**Intangible assets with a finite useful life**

Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. Currently this means that internally developed software is normally amortised over five years. In certain infrastructure projects, the useful life is assessed to be more than five years. For these types of investment, the amortisation period is up to 15 years. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are reviewed for impairment when there is an indication that the asset may have decreased in value. Impairment testing is performed by calculating the recoverable amount of the assets, i.e. the higher of the value in use and the fair value less costs to sell. As long as the recoverable amount exceeds the carrying amount, no impairment loss needs to be recognised. Impairment losses are recognised directly in the income statement.

**14. PROPERTY AND EQUIPMENT (IAS 16)**

The company's tangible non-current assets consist of equipment. These assets are recorded at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are reviewed annually. Personal computers and other IT equipment are usually depreciated over three years and investments in premises over ten years. Other equipment is normally depreciated over five years. Impairment testing of property and equipment is carried out when there is an indication that the value of the asset may have decreased. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in the income statement. An impairment charge is reversed if there is an indication that there is no

longer any impairment loss and there has been a change in the assumptions underlying the estimated recoverable amount.

**15. EQUITY**

Equity comprises the components described here.

**Hedge reserve**

Unrealised changes in the value of derivative instruments which comprise hedge instruments in cash flow hedges are reported in the hedge reserve.

**Translation reserve**

The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the company's presentation currency.

**Retained earnings including profit for the year**

Retained earnings comprise the profits generated from the current and previous financial years. Dividends are reported as deductions from retained earnings. Realised gains/losses which are attributable to equity instruments classified as measured at fair value through other comprehensive income are reclassified from the fair value reserve to retained earnings.

**16. GROUP CONTRIBUTIONS**

Group contributions are recognised in accordance with the economic substance of the contribution. Group contributions provided by the company to the parent company are treated as dividends and recognised as a reduction of retained earnings.

**17. INCOME****Net interest income**

Interest income and interest expenses are calculated and recognised by applying the effective interest method or, where considered appropriate, by applying a method that results in an amount constituting a reasonable estimate of the results of a calculation based on the effective interest method. Effective interest includes fees which are considered an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate corresponds to the rate used to discount future contractual cash flows to the carrying amount of the financial asset or liability. Net interest income also includes interest from derivative instruments recognised through hedge accounting and interest from derivatives in economic hedges, as these hedge items for which the interest flows are recognised under Net interest income.

All interest income and interest expense are recognised as net interest income in the income statement.

**Revenue from contracts with customers**

The standard Revenue from contracts with customers, IFRS 15, is applied for different types of services which are mainly recognised under Fee



## NOTES

### NOTE 1 Cont.

and commission income in the income statement. IFRS 15 is also applicable to the item Other income. However, Other income does not, in all material respects, refer to income from contracts with customers.

The income is recognised at the point in time at which the performance obligation is fulfilled, which corresponds to the transfer of control over the service to the customer. The total reimbursement is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time.

The following principles apply to the time at which income is recognised:

The income recognised must reflect the anticipated income. When the income includes variable reimbursement, such as a discount, bonus or performance-based element, the income is recognised only when it is highly probable that no repayment of the amount will take place.

Payments are made on a regular basis as the services are performed and advance payments refer to a maximum of 12 months into the future. Accrued income is recognised for services rendered which are yet to be paid for and deferred income is recognised for short-term advance payments for services which are yet to be rendered. Income from contracts with customers constitutes an insignificant proportion of the items Other accrued income and Deferred income. There is no additional expenditure to obtain a contract with a customer recognised as an asset (prepaid expense), instead additional expenditure to obtain a contract with a customer is recognised as an expense during the accounting period in which it arises.

#### Net fee and commission income

Income and expense for various kinds of services are recognised in the income statement under the items Fee and commission income and Fee and commission expense, respectively. This means that items such as premiums for financial guarantees given are recognised as commissions. Guarantee commissions that are comparable to interest and fees that constitute integrated components of financial instruments and therefore are included when calculating the effective interest are recognised under Net interest income and not commissions. Fee and commission expense is transaction-based and directly related to transactions for which the income is recognised as fee and commission income.

#### Net gains/losses on financial transactions

Net gains/losses on financial transactions shows the impact on profit or loss that arises when measuring financial assets and liabilities at fair value through profit or loss and when financial assets and liabilities are realised. Gains/losses on financial instruments at amortised cost consist of realised gains and losses on financial assets and liabilities classified as measured at amortised cost, such as early repayment charges for loans redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own

issued securities and premature closing of derivatives contracts.

Gains/losses on financial instruments measured at fair value through profit or loss, fair value option, consist of unrealised and realised changes in the value of financial assets and liabilities that upon initial recognition were identified as measured at fair value through profit or loss.

Gains/losses on financial instruments measured at fair value through profit or loss, mandatory, consist of unrealised and realised changes in value, dividend income and interest (with the exception of interest deriving from derivatives used to hedge items for which the interest flow is recognised in net interest income) on financial assets and liabilities held for trading, or which are managed and evaluated on the basis of fair value.

Fair value hedges consist of unrealised and realised changes in the value of hedging instruments, and the hedged risk component in financial assets and liabilities which constitute hedged items in fair value hedges. Ineffective portion of cash flow hedges consists of changes in the value of hedging instruments which do not correspond to future cash flows attributable to the hedged item.

#### 18. EMPLOYEE BENEFITS

##### Staff costs

Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

##### Accounting for pensions (IAS 19)

###### Defined benefit plans

The company has pension obligations which are guaranteed through insurance with Pensionskassen SHB, Försäkringsförening (pension fund). These obligations are reported according to the IAS 19 rules for defined benefit plans, whereby the company under common control shares the risks related to the pension obligations, since the pension fund's assets are not allocated among the employers who have insurance with the pension fund. According to these rules, the company reports the insurance charges which are debited for the period as an expense.

###### Defined contribution pension plans<sup>1</sup>

In the Bank's BTPK plan, a defined contribution pension plan the company's obligations are limited to the contributions the company has undertaken to pay. In such cases, the size of the employee's pension is determined by the contributions the company pays towards the plan or to an insurance company and the return on the capital invested that these contributions generate. Consequently, it is the employee who bears the actuarial risk (that benefits will be less than

<sup>1</sup> This text refers to the BTPK plan, which is a defined contribution pension plan.

expected) and the investment risk (that assets invested will be insufficient to meet expected benefits). The company's obligations regarding contributions to defined contribution plans are reported as an expense in the profit for the year to the degree such benefits are accumulated as a result of the employees working for the company over a period of time.

#### 19. TAXES (IAS 12)

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's, or previous periods', taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are recognised at nominal value. Tax is recognised in the income statement, in Other comprehensive income or directly in equity depending on where the underlying transaction is reported.

#### 20. ESTIMATES AND KEY ASSUMPTIONS

In certain cases, the application of the company's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected, in a number of cases, by estimates and assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessments and assumptions applied always reflect the management's best and fairest assessments and are continually subject to examination and validation. Below follows a report of the assessments and assumptions that have had a material impact on the financial reports.

##### Credit losses

The calculation of expected credit losses involves a number of decisions arrived at using assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty. Areas involving a high degree of assessment are described below under the respective headings.

##### Forward-looking data in macroeconomic scenarios

The company continuously monitors macroeconomic developments, with a particular focus on the home markets. Through this monitoring, macroeconomic scenarios are produced which form the basis for the forward-looking data used in the model-based calculation of expected credit losses. The capacity of the company's customers to fulfil their contractual payments varies in line with macroeconomic developments. Consequently, future macro-economic developments have an impact on the company's view of the provision needed to cover expected losses. The calculation of the provision require-



NOTE1 Cont.

ment for expected credit losses is based on the neutral scenario proposed by the company's macro-research unit. As the losses may be more highly affected by a future deterioration of economic trends than by the equivalent improvement, the company uses at least two alternative scenarios to take into account the non-linear aspects of expected credit losses. These alternative scenarios represent conceivable developments, one significantly worse and one significantly better than the neutral scenario. The most significant macroeconomic risk factors have been selected on the basis of the company's loss history over the past decade, supplemented with experience-based assessments. These macroeconomic risk factors are then used as macroeconomic risk factors in the company's quantitative statistical models for forecasting migrations, defaults, loss rates and exposures. Macroeconomic risk factors include unemployment, key rates and central bank rates, GDP, inflation and property prices. The company's business model, to offer credit to customers with a high repayment capacity, means that the connection between the macroeconomic developments and the provision requirement is not always particularly pronounced. For a more detailed description of macroeconomic information, see the Credit risks section of note 2 and for a sensitivity analysis, see note 8.

*Significant increase in credit risk*

The company makes an assessment at agreement level at the end of each reporting period as to whether there has been a significant increase in credit risk since initial recognition. For a more detailed description of significant increase in credit risk, see the Credit risks section of note 2.

*Model-based calculation*

The quantitative models which form the basis for the calculation of expected credit losses for agreements in Stage 1 and Stage 2 make use of several assumptions and assessments. One key assumption is that the quantifiable relationships between macroeconomic risk factors and risk parameters in historical data are representative of future events. The quantitative models applied are based on a history of approximately 10 years, although this history varies by product and region depending on the availability of historical outcomes. The quantitative models have been designed with the help of econometric models, applying the assumption that the observations are independently conditioned by the risk factors. This means that the risk parameters can be predicted without distortion. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the individual macroeconomic risk factors' demonstrative ability on individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are based on achieving a balance between simplicity, demonstrative ability and stability.

*Manual and expert-based calculations*

As a general rule, manual calculations are used for agreements in Stage 3, with the exception of a small portfolio of homogeneous claims in Stage 3. Expert-based calculation is carried out for model outcomes on agreements in Stage 1 and Stage 2, in order to incorporate the estimated impact of factors not deemed to have been captured by the model and also for manually assessed agreements in Stage 3. For a more detailed description of manual and expert-based calculations, see Manual calculation and Expert-based calculation in section 11.

**21. EXCHANGE RATES**

Exchange rates	31 Dec 2022	31 Dec 2021
<b>EUR 1 = SEK</b>		
Income statement (average)	10.6308	10.1457
Balance sheet (at end of period)	11.1354	10.2546
<b>GBP 1 = SEK</b>		
Income statement (average)	12.4662	11.8045
Balance sheet (at end of period)	12.5708	12.2153
<b>USD 1 = SEK</b>		
Income statement (average)	10.1283	8.5822
Balance sheet (at end of period)	10.4382	9.0645
<b>NOK 1 = SEK</b>		
Income statement (average)	1.0523	0.9983
Balance sheet (at end of period)	1.0595	1.0271
<b>DKK 1 = SEK</b>		
Income statement (average)	1.4290	1.3642
Balance sheet (at end of period)	1.4975	1.3790
<b>CHF 1 = SEK</b>		
Income statement (average)	10.5989	9.3958
Balance sheet (at end of period)	11.3211	9.8838

**22. COMPANY INFORMATION**

Stadshypotek AB (publ) has its registered office at Torsgatan 14, 103 70 Stockholm, Sweden. Its core business comprises the financing of properties, primarily residential properties, as well as office and commercial buildings. The company is a wholly owned subsidiary of Svenska Handelsbanken AB (publ). Further information on the operations is provided in the Administration Report.



## NOTES

### NOTE 2 Risks and risk control

#### RISKS AND UNCERTAINTY FACTORS

Stadshypotek's low risk tolerance means that, as part of the Handelsbanken Group, Stadshypotek avoids granting credits to high-risk customers. This, combined with good capitalisation and a strong liquidity situation, makes the company well prepared to operate in a stricter regulatory environment and more difficult market conditions.

#### 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 stems from price changes in the financial markets. The market risks affecting Stadshypotek are interest rate risk and foreign exchange risk. 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 risk is 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 must be managed and reported. In addition, Stadshypotek's Chief Executive sets guidelines and instructions for managing and controlling all types of risk. These documents are based on the policies that the Board of Handelsbanken has adopted for managing and reporting risks within the Handelsbanken Group as a whole. Stadshypotek's risk management aims to ensure compliance with the strict approach to risk established by the Board.

Stadshypotek's lending operations are integrated with those of Handelsbanken, which means that Stadshypotek's lending is carried out via the Bank's branch network. Stadshypotek's funding needs are managed by Handelsbanken's Treasury Department. 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. The person who is most familiar with the customer and the market conditions is the person best equipped to assess the risk and can also take action at an early stage in the event of problems. Each branch and each profit centre is responsible for dealing with any problems that arise. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations. In addition to the accountability of deci-

sion-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 are assessed at various decision levels, depending on the size of the credit limit. Procedures also exist to limit market risk and liquidity risk at Stadshypotek, where the company's Board establishes limits.

Stadshypotek also has risk control independent of business operations which is responsible for the regular follow-up and monitoring of all risks applying to operations, primarily credit risk, market risk, liquidity risk, counterparty risk and operational risk. The Risk Control function carries out daily measurements and checks to ensure that risk exposure for market, liquidity and counterparty risks is within the set limits. Limit utilisation is reported internally within the company, and to the parent company's Group Risk Control function. In addition, limit utilisation is reported regularly to Stadshypotek's Chief Executive and Board of Directors.

Stadshypotek is also covered by Group Risk Control at Handelsbanken, which is designed to identify the Handelsbanken Group's risks, gauge them, and ensure that management of these risks complies with the Group's low risk tolerance. Group Risk Control is responsible for the independent reporting of risks for the banking group of which Stadshypotek is a part. Group Risk Control also develops and provides models for measuring risk that are applied in Stadshypotek's operations and performs certain calculations that provide a basis for some of Stadshypotek's external reporting.

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.

#### CREDIT RISKS

Credit risk is defined as the risk of Stadshypotek facing economic loss because its counterparties cannot fulfil their contractual obligations.

#### Rules for lending at Stadshypotek

Lending must be carried out in accordance with the terms stated in Stadshypotek's credit instructions, established annually by the company's Board. The credit instructions include the maximum permitted loan-to-value ratio (LTV) for various property types and a requirement that loans above a certain amount be subject to an advance examination conducted by Stadshypotek's credit department before the loan can be disbursed. Stadshypotek primarily offers loans for residential properties. The limit for satisfactory mortgage collateral corresponds to a maximum of 85 per cent

of the market value of the property in the case of residential properties such as detached houses, housing co-operative apartments and second homes. This applies to lending in Sweden and also to Stadshypotek's branches in Norway and Finland. At the former branch in Denmark, which was sold to Jyske Bank A/S on 30 November 2022, it was possible to borrow up to 80 per cent of the property's market value in the case of residential properties. The above limits are set to reflect the customary loan-to-value ratios for mortgage borrowing in each of the respective countries. For office and commercial properties, which are only mortgaged in the Swedish market, a maximum of 60 per cent of the market value applies. Industrial and warehouse properties are not financed by Stadshypotek.

#### Principles for managing credit risk

Stadshypotek's lending takes place through Handelsbanken. Lending operations are based on the principles applying at the Bank, but also take into account other special instructions and regulations regarding the granting of credit, as specified by Stadshypotek. In the Bank's decentralised organisation, the branch responsible for the customer has total credit responsibility. The branches are responsible for credit decisions, but large credits are subject to limits and are assessed by a special credit organisation. Decisions on limits are made at the branch, regional or central level, depending on the size of the credit limit. The Bank is selective when choosing customers, and borrowers must be of high quality. The quality requirement is never neglected in favour of higher credit volumes or to achieve higher returns. Of the total volume for corporate exposures at Stadshypotek, 99 per cent (99) was to customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point risk rating scale.

The Bank strives to be a relationship bank whose branches maintain regular contact with the customer. This gives the branch an in-depth understanding of each individual customer and a continually updated picture of the private customer or company. This contact also enables the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly, before a problem escalates, than would have been possible with a more centralised management of problem loans. Therefore, the branch addresses problems that arise when a customer has repayment difficulties. If necessary, the branch obtains support from the regional head office and Stadshypotek's credit department. In accordance with the Bank's practices, all employees whose work involves transactions linked to credit risk adopt a tried and tested approach to such risks, and this constitutes an important part of the Handelsbanken Group's culture.

NOTE 2 Cont.

According to the Handelsbanken Group's and Stadshypotek's credit policy, weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce Stadshypotek's loss if the borrower cannot fulfil their commitments. Credits in Stadshypotek must therefore always be satisfactorily secured by mortgages in property or a co-operative apartment. Unsecured credit may be granted when the borrower or guarantor is a government, regional authority or municipality, or when lending to joint ownership associations. In addition to the advance examination conducted in accordance with the Credit Instructions for Stadshypotek, Stadshypotek's credit department carries out a further examination after loans have been disbursed. The examination looks at credits selected according to predetermined criteria, checking, for example, that the loan-to-value ratio of mortgaged properties complies with regulations. In addition, Stadshypotek's credit department conducts regular checks of Stadshypotek's loan portfolio to ensure that property values and LTVs are at a satisfactory level and comply with the Credit Instructions for Stadshypotek. Stadshypotek's valuation unit carries out regular checks to ensure that the property valuations are correctly performed and that they reflect the market value of the property.

**Risk rating**

The Handelsbanken Group's risk rating system comprises a number of different systems, methods, processes and procedures to support the Handelsbanken Group's classification and quantification of credit risk.

The Handelsbanken Group's internal risk classification system, which is also used for credits in Stadshypotek, is applied to measure the credit risk of all operations in a reliable and consistent manner. The risk rating is based on the Bank's internal rating, which is determined by an assessment of each counterparty's repayment capacity. The rating is determined by the risk of financial strain and by the assessed resistance to this strain. The method and classification are based on the rating model applied by the Handelsbanken Group.

The internal rating is the most important component of the Handelsbanken Group's model for calculating capital requirements according to the IRB approach. The rating is dynamic; it is reassessed if there are signs that the counterparty's repayment capacity has changed. The rating is also reviewed periodically as stipulated in the regulations. The rating is made by the person responsible for granting the credit and it is subsequently checked by independent bodies.

**Risk rating methods**

To quantify the Handelsbanken Group's credit risks, and thus also Stadshypotek's credit risks, a calculation is made of the customer's probability of default (PD), the Handelsbanken Group's expected exposure at default (EAD), and the pro-

portion of the exposure that the Handelsbanken Group is expected to lose in the event of default (Loss Given Default, LGD). Default is defined as when the counterparty is either 90 days late in making payment, or when an assessment has been made that the counterparty will not be able to pay as contractually agreed, for example, if declared bankrupt.

The PD value is expressed as a percentage where, for example, a PD value of 0.5 per cent means that one borrower in 200 with the same PD value is expected to default within one year. A credit in default does not necessarily mean that Stadshypotek will incur a loss, since there is collateral for the exposure. Nor does a default mean that it is out of the question that the counterparty will pay at some time in the future, since the payment problems may be temporary. At Stadshypotek, unsecured loans may only be granted when the borrower or guarantor is a government, region or municipality, or when lending to joint ownership associations.

For corporate exposures, the internal rating set for each counterparty is directly converted into a risk class graded on a scale from 1 to 10 (where risk class 10 refers to counterparties that have defaulted). The corporate exposures are divided into four counterparty types based on the business evaluation template used for the counterparty. PD is calculated individually for each risk class and counterparty type.

For retail exposures, the risk class is also based on the internal rating assigned to all credit customers. The rating is not translated directly into a risk class as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counterparty's debt-servicing record and whether there are one or more borrowers. An average default rate is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk classes. Different models are used for exposures to private individuals and SMEs (that are also classified as retail exposures), but the principle is the same.

For retail exposures and exposures to medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Handelsbanken Group's own loss history. For exposures to large corporates that are subject to a capital requirement using the IRB Approach with own estimates of LGD and credit conversion factor (CCF), the LGD is determined on the basis of internal losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations, different LGD values are applied depending on the LTV ratio of the collateral.

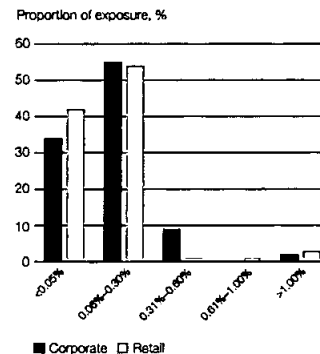
For each exposure class, the PD is calculated for each of the risk classes that refer to non-defaulted counterparties or agreements. PD is based on calculations of the historical percentage of defaults for different types of exposures.

The average default rate is then adjusted by a margin of conservatism and a business cycle adjustment factor. The margin is intended to ensure that the long-term probability of default is not underestimated.

When establishing LGD, the risk measure must reflect the loss rates during economically unfavourable circumstances, known as downturn LGD. For collateral in property, the downturn LGD is based on observed loss rates from the property crisis in the early 1990s.

In addition to the capital adequacy calculation, measures of risk (PD, EAD, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC). This means that margins in the form of business cycle adjustments and conservatism adjustments in the risk measurements are also included in the cost of capital in individual transactions and in calculations of economic capital, which means that the loss levels that the risk measurements imply are conservative. The method used means that the Handelsbanken Group's historical losses have a direct impact on risk calculations and capital requirements.

**PD intervals and proportion of exposure by exposure type, corporate and retail, excluding defaulted credits**



The diagram above shows a breakdown of Stadshypotek's exposures (EAD), excluding credits in default, between the different PD intervals for each exposure class. The PD values used are those applied when calculating the capital requirement.



NOTES

NOTE 2 Cont.

Credit risk exposures by risk class

Credit risk exposures by risk class 2022	Balance sheet items			Off-balance sheet items		Total
	Loans to the public	Loans to credit institutions	Derivative instruments	Contingent liabilities		
SEK m						
Risk class						
1	517,830	-	-	-	-	517,830
2	495,572	-	-	-	-	495,572
3	380,235	-	-	3	-	380,238
4	116,977	-	-	-	-	116,977
5	25,161	-	-	-	-	25,161
6	3,454	-	-	-	-	3,454
7	20,173	-	-	-	-	20,173
8	243	-	-	-	-	243
9	4,956	-	-	-	-	4,956
Defaults	1,214	-	-	-	-	1,214
Standardised approach	0	9,066	7,941	-	-	17,007
<b>Total</b>	<b>1,565,815</b>	<b>9,066</b>	<b>7,941</b>	<b>3</b>	<b>-</b>	<b>1,582,825</b>

Credit risk exposures by risk class 2021	Balance sheet items			Off-balance sheet items		Total
	Loans to the public	Loans to credit institutions	Derivative instruments	Contingent liabilities		
SEK m						
Risk class						
1	502,118	-	-	0	-	502,118
2	502,171	-	-	2	-	502,173
3	355,342	-	-	1	-	355,343
4	115,439	-	-	1	-	115,440
5	24,206	-	-	-	-	24,206
6	3,640	-	-	-	-	3,640
7	17,269	-	-	-	-	17,269
8	291	-	-	-	-	291
9	4,409	-	-	-	-	4,409
Defaults	1,024	-	-	-	-	1,024
Standardised approach	6	13,301	7,223	-	-	20,530
<b>Total</b>	<b>1,525,915</b>	<b>13,301</b>	<b>7,223</b>	<b>4</b>	<b>-</b>	<b>1,546,443</b>

Balance sheet items subject to impairment testing under IFRS 9, broken down by risk class

Balance sheet items that are subject to impairment testing under IFRS 9, broken down by risk class 2022	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
SEK m						
Risk class						
1	509,176	8,662	-	-5	-3	-
2	491,435	8,900	-	-12	-5	-
3	376,495	8,051	-	-16	-8	-
4	111,021	5,983	-	-19	-8	-
5	21,806	3,421	-	-7	-26	-
6	2,856	612	-	-1	-13	-
7	16,133	4,060	-	-4	-16	-
8	35	216	-	0	-8	-
9	1,733	3,238	-	-2	-13	-
Defaults	-	-	1,269	-	-	-55
Standardised approach	-	-	-	0	-	-
<b>Total</b>	<b>1,530,690</b>	<b>43,143</b>	<b>1,269</b>	<b>-86</b>	<b>-100</b>	<b>-55</b>



NOTES

NOTE 2 Cont.

Balance sheet items that are subject to impairment testing, broken down by risk class 2021						
SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
<b>Risk class</b>						
1	500,444	1,678	-	-2	-2	-
2	505,582	3,102	-	-9	-4	-
3	358,159	3,038	-	-9	-5	-
4	115,576	2,844	-	-16	-5	-
5	20,657	3,565	-	-7	-9	-
6	2,990	657	-	-2	-5	-
7	14,519	2,762	-	-2	-10	-
8	73	224	-	0	-6	-
9	2,017	2,405	-	-4	-9	-
Defaults	-	-	1,103	-	-	-79
Standardised approach	6	-	-	0	-	-
<b>Total</b>	<b>1,518,023</b>	<b>20,275</b>	<b>1,103</b>	<b>-51</b>	<b>-55</b>	<b>-79</b>

Loans to the public subject to impairment testing under IFRS 9, broken down by risk class

Loans to the public that are subject to impairment testing, broken down by risk class 2022						
SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
<b>Risk class</b>						
1	509,176	8,662	-	-5	-3	-
2	486,689	8,900	-	-12	-5	-
3	372,208	8,051	-	-16	-8	-
4	111,021	5,983	-	-19	-8	-
5	21,773	3,421	-	-7	-26	-
6	2,856	612	-	-1	-13	-
7	16,133	4,060	-	-4	-16	-
8	35	216	-	0	-8	-
9	1,733	3,238	-	-2	-13	-
Defaults	-	-	1,269	-	-	-55
Standardised approach	-	-	-	0	-	-
<b>Total</b>	<b>1,521,824</b>	<b>43,143</b>	<b>1,269</b>	<b>-66</b>	<b>-100</b>	<b>-55</b>

Loans to the public that are subject to impairment testing, broken down by risk class 2021						
SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
<b>Risk class</b>						
1	500,444	1,678	-	-2	-2	-
2	499,082	3,102	-	-9	-4	-
3	352,318	3,038	-	-9	-5	-
4	112,616	2,844	-	-16	-5	-
5	20,657	3,565	-	-7	-9	-
6	2,990	657	-	-2	-5	-
7	14,519	2,762	-	-2	-10	-
8	73	224	-	0	-8	-
9	2,017	2,405	-	-4	-9	-
Defaults	-	-	1,103	-	-	-79
Standardised approach	6	-	-	0	-	-
<b>Total</b>	<b>1,504,722</b>	<b>20,275</b>	<b>1,103</b>	<b>-51</b>	<b>-55</b>	<b>-79</b>



## NOTES

### NOTE 2 Cont.

#### CALCULATION OF EXPECTED CREDIT LOSSES

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as committed loan offers, financial guarantees and other commitments. This section provides descriptions of the processes and methods applied in the Handelsbanken Group's model-based calculations of provisions for expected credit losses (ECL).

The calculation of expected credit losses is undertaken at agreement level, whereby the characteristics of the agreement and the counterparty govern the classification and quantification of the provision requirement. The estimation is made using either a model-based or manual calculation, with the choice of method mainly dependent on whether the agreement is deemed to be credit impaired.

For information pertaining to the recognition and measurement of expected credit losses and for definitions, refer to note 1, section 11, Credit losses.

#### Model-based calculations for agreements in Stage 1 and Stage 2

Handelsbanken's Group-wide, central process for model-based calculations of expected credit losses incorporates a number of different processes and methods which support the quantification of the provision requirement in Stage 1 and Stage 2.

The model-based calculations factor in historical, current and forward-looking data. Historical data forms the basis for the structure of the model and parameters applied, current data comprises the prevailing balances on the reporting date (as included in the calculation requirements) and forward-looking data refers to the macroeconomic scenarios used to calculate future risk parameters and exposures.

The models use the same historical risk data as the IRB models, meaning that the accounting of provisions and calculations of capital requirements are based on the same basic loss history. Similar to how the risk rating system affects capital adequacy calculations, the internal rating (from which the risk rating derives) is a significant part of the models for calculating expected credit losses. The calculations are primarily affected by the risk parameters known as 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). The expected credit loss in a future period is obtained by multiplying the present value of the EAD by the PD and by the LGD. In contrast to the calculation of credit losses in the Capital Requirements Regulation, which also uses the risk parameters PD, EAD and LGD, the estimation of expected credit losses pursuant to IFRS 9 is based on current forward-looking assessments.

#### Macroeconomic Information

The calculations regarding model-based assessments of significant increases in credit risk and expected credit losses are made with the appli-

cation of models for the respective risk parameters (PD, EAD and LGD). In order to ensure that the calculations take into account non-linear aspects, three forward-looking macroeconomic scenarios are used in the models (one neutral, one negative and one positive). Each scenario includes significant macroeconomic risk factors, such as unemployment, GDP, property prices, key rates and central bank rates and inflation, by country. The significant macroeconomic risk factors have been identified from an assessment of the Bank's historical data and the relation to the risk parameters is estimated using the same historical material. The various scenarios are used to adjust the risk parameters in question. Each macroeconomic scenario represents a probability determined by the Bank. These probabilities are currently set at 60 per cent for the neutral scenario and 20 per cent for the positive and negative scenarios. Expected credit losses are recognised as a probability-weighted average of the expected credit losses for the respective scenarios.

All of the macroeconomic scenarios have been produced by the Bank's economic research unit, which is responsible for all economic research conducted by Handelsbanken, whether for internal or external use. These macroeconomic scenarios comprise region-specific, 30-year forecasts for Sweden, Norway, Finland, Denmark, the UK, the eurozone and the US, together with a global forecast. A change in the macroeconomic scenarios, or in the probability weights applied, affects both the assessment of significant increases in credit risk and the estimated expected credit losses. The scenarios are updated on a quarterly basis by the Bank's economic research unit and are presented for approval to the relevant decision-makers before being applied in the ECL calculations.

#### Significant increase in credit risk

A significant increase in credit risk reflects the risk of default and is a measurement by which the agreement's relative change in credit risk since initial recognition is measured. For calculating significant increases in credit risks, the same underlying models are used at Handelsbanken as those used for the calculation of expected credit losses, with consideration given to historical, current and forward-looking information. Collateral is not taken into account in the assessment. At each reporting date, the Group-wide, central, model-based process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). This assessment then determines whether the expected credit loss is assessed over a 12-month horizon after the reporting date (Stage 1) or during the agreement's remaining lifetime (Stage 2). An important aspect which affects the size of the provision for credit losses is therefore which factors and thresholds are defined as triggers for the transfer of assets from Stage 1 to Stage 2. The Bank's definition of a significant increase in credit risk, which is decisive in the transfer of agree-

ments to Stage 2, is based on both qualitative and quantitative factors. The quantitative indicator which is primarily used to assess the change in credit risk is the relative change, between the instrument's initial recognition and up to the most recent reporting date, in the probability of default (PD) during the agreement's remaining lifetime. In cases where it has required an unreasonable expense or effort to establish the PD in conjunction with the initial recognition of an instrument, changes in the counterparty's or the agreement's internal rating or risk rating since initial recognition have been used to assess significant change in the credit risk. For agreements recognised initially on or after 1 January 2018, the forecasts regarding the risk of default are based on three scenarios. For agreements recognised before 1 January 2018, the same criteria are applied, but using a scenario based on the Bank's most recently published economic research at the time of initial recognition.

The primary criterion when assessing whether an agreement is deemed to have incurred a significant increase in credit risk and is thus transferred to Stage 2 is, as defined by Handelsbanken, that the estimated remaining probability of default (PD) on the reporting date is greater than a multiple of 2.5 times the corresponding probability of default upon initial recognition. The threshold level of 2.5 is based on statistical analysis of the Bank's historical data and compares the increase in the remaining risk that the counterparty will default with the corresponding estimated risk upon the initial recognition of the agreement. In addition, there are other qualitative factors which the Bank has assessed as entailing a significant increase in credit risk, such as the counterparty having payments that are more than 30 days overdue, or the counterparty having been granted forbearance measures as the result of a deteriorated credit rating.

If a significant increase in credit risk has arisen since initial recognition, a provision is recognised which corresponds to the expected credit losses for the entirety of the remaining lifetime and the financial instrument is transferred to Stage 2. The model is symmetrical, meaning that if the financial instrument's credit risk decreases and there is therefore no longer a significant increase in credit risk since initial recognition, the financial asset is transferred back to Stage 1.

#### Models for risk parameters and expected lifetime

The risk parameters PD, LGD and EAD are calculated for every agreement and future point in time, based on statistical models. As far as possible, these models are founded on relationships between the significant risk factors and relevant risk outcomes identifiable in the Bank's own loss history. The majority of risk parameters which are quantified are based on approximately ten years of internal data. In cases where the Bank lacks sufficient information due to, for example, too few defaults, the data is complemented with external information. The historical outcomes are analysed with regard to the covariation in agreement-spe-



NOTE 2 Cont.

cific, counterparty-specific and region-specific risk factors, such as product type, internal rating, length of customer relationship, collateral type, loan-to-value ratio, unemployment and GDP growth. The risk factors identified as significant for a specific risk parameter are included in the model and the historical correlation is quantified.

**Probability of default (PD)**

PD refers to the probability that a customer or an agreement will go into default at a given point in time during the asset's remaining lifetime. 12-month PD refers to the probability of default during the coming 12-month period. Lifetime PD refers to the probability of default during the asset's remaining lifetime (up to a maximum of 30 years). The future PDs are forecast on the reporting date, using forward-looking macroeconomic scenarios and current agreement and counterparty information. The forecast risk of default takes into account the development of scenarios and the probability of migrations between different states over time. The models calculate annual migration and default probabilities, whereby the migration model presents a probability that the agreement will belong to a particular state with a given risk of default in the future. The agreement's expected PD for a given year is calculated as the probability-weighted PD over all conceivable states and scenarios. Expected PD for the remaining lifetime is based on the annual expected default forecasts and the probability that the agreement will be subject to early repayment. The degradation of an economic outlook based on fore-

cast macroeconomic risk factors for each scenario, or an increase in the probability that the negative scenario will be realised, results in a higher PD.

**Exposure at default (EAD)**

EAD refers to the expected credit exposure at default. On the reporting date, future exposure at default is forecast on the basis of current repayment plans, the probability of early repayment and the expected utilisation of, for example, credit facilities, financial guarantees and loan commitments. EAD is forecast on an annual basis and comprises the amount at which losses and recoveries take place in conjunction with future defaults.

**Expected lifetime**

An instrument's expected lifetime is relevant to both the assessment of significant increase in credit risk, which takes into account changes in PD during the expected remaining lifetime, and the measurement of expected credit losses for the asset's expected remaining lifetime. The expected lifetime is considered when calculating the remaining PD, by weighing the forecast annual PD values during the agreement's contractual duration against the probability that the agreement will not be subject to early repayment before defaulting.

The probability of the agreement being subject to early repayment is based on statistical analysis and on the Bank's internal history for approximately the past ten years, and is included as a component of the model for EAD. Potential risk

factors in the form of agreement, counterparty and macroeconomic risk factors have been assessed in the analysis. The risk factors identified as significant are included in the model. In several cases, no significant risk factors for early repayment are identified other than counterparty type and rating. These risk factors are, however, affected by forward-looking macroeconomic scenarios, which means that early repayment is indirectly dependent on forward-looking macroeconomic scenarios.

For mortgage loans with an interest-rate fixing period of three months or less, a 30-year maturity from the reporting date is applied, meaning that the expected lifetime is, in practice, defined by the behaviour-based statistical model.

**Loss given default (LGD)**

LGD reflects the financial loss which the Bank expects to incur in the event of default. The most important risk factors when calculating LGD are the value and type of collateral, and the characteristics of the counterparty. Forward-looking macroeconomic risk factors are reflected in the LGD calculations through their impact on the value of collateral and the loan-to-value ratio.

The quantification of the loss is divided between a probability that the counterparty recovers without causing the Bank any financial loss, and a recovery rate if the counterparty does not recover. The recovery rate is affected by the loan-to-value ratio, in that a higher loan-to-value ratio is associated with a lower recovery rate. The market value of the collateral is included in the majority of LGD models. The collateral value of properties, and

**Geographical breakdown of lending in Sweden**

Geographical breakdown of lending in Sweden

	Stockholm		Västra Götaland		Skåne		Other counties	
	2022	2021	2022	2021	2022	2021	2022	2021
Proportion of lending, %								
Single-family housing	28.6	29.2	14.6	14.4	13.5	13.4	43.3	43.0
Housing co-operative apartments	59.2	60.3	11.6	11.4	9.6	9.3	19.6	19.0
Private market	39.1	39.9	13.6	13.4	12.2	12.0	35.1	34.7
Multi-family dwelling	31.6	33.2	16.5	16.5	15.5	13.6	36.4	36.7
Offices and commercial buildings	28.4	27.8	19.7	14.8	11.5	11.9	40.4	45.5
Corporate market	30.9	32.0	17.3	16.1	14.5	13.2	37.3	38.7
Total	38.2	37.2	14.9	14.3	13.0	12.4	35.9	36.1

**Loans to the public that are subject to impairment testing, geographical breakdown**

Loans to the public Geographical breakdown 2022 SEK m	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Sweden	1,336,149	39,394	1,124	-57	-68	-44	1,376,478
Norway	124,903	2,292	80	-5	-5	-1	127,264
Finland	60,572	1,457	65	-4	-7	-10	62,073
Total	1,521,624	43,143	1,269	-66	-100	-55	1,565,815

Loans to the public Geographical breakdown 2021 SEK m	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Sweden	1,284,485	16,459	900	-32	-43	-57	1,301,712
Norway	113,383	2,460	93	-3	-4	-2	115,927
Denmark	50,077	320	58	-13	-4	-11	50,427
Finland	56,777	1,036	52	-3	-4	-9	57,849
Total	1,504,722	20,275	1,103	-51	-55	-79	1,525,915



NOTES

NOTE 2 Cont.

Loans to the public that are subject to impairment testing, broken down by sector and industry

Loans to the public Broken down by sector and industry 2022 SEK m	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	983,960	33,882	1,156	-33	-27	-41	1,018,897
Housing co-operative associations	262,000	855	11	-5	0	-6	262,955
Property management	248,981	5,593	52	-9	-9	-5	254,603
Manufacturing	236	37	-	-1	-1	-	271
Retail	687	62	30	0	-1	-1	777
Hotel and restaurant	627	94	2	0	-1	-1	721
Passenger and goods transport by sea	7	1	-	0	0	-	8
Other transport and communication	485	46	-	0	-1	-	530
Construction	774	260	6	-2	-9	-1	1,028
Electricity, gas and water	1,102	11	-	0	0	-	1,113
Agriculture, hunting and forestry	14,994	1,785	8	-15	-49	0	16,723
Other services	2,723	280	2	-1	-2	0	3,002
Holding companies, investment companies and insurance companies, mutual funds, etc.	1,025	36	1	0	0	0	1,062
Sovereigns and municipalities	3,405	36	-	0	0	-	3,441
Other corporate lending	618	65	1	0	0	0	684
<b>Total</b>	<b>1,521,624</b>	<b>43,143</b>	<b>1,269</b>	<b>-66</b>	<b>-100</b>	<b>-55</b>	<b>1,565,815</b>

Loans to the public Broken down by sector and industry 2021 SEK m	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	1,023,416	12,836	1,010	-28	-22	-61	1,037,151
Housing co-operative associations	245,091	512	11	-3	0	-7	245,604
Property management	208,618	5,099	50	-8	-13	-7	213,739
Manufacturing	228	29	-	0	0	-	257
Retail	806	75	7	-1	-2	-1	884
Hotel and restaurant	503	254	0	-1	-4	0	752
Passenger and goods transport by sea	9	3	-	0	0	-	12
Other transport and communication	510	35	-	0	-1	-	544
Construction	1,030	126	-	-1	-1	-	1,154
Electricity, gas and water	639	1	-	0	0	-	640
Agriculture, hunting and forestry	15,287	839	6	-6	-7	0	16,119
Other services	2,727	297	12	-2	-5	-1	3,028
Holding companies, investment companies and insurance companies, mutual funds, etc.	1,035	59	2	-1	0	-2	1,083
Sovereigns and municipalities	4,116	71	-	0	0	-	4,187
Other corporate lending	707	39	5	0	0	0	751
<b>Total</b>	<b>1,504,722</b>	<b>20,275</b>	<b>1,103</b>	<b>-51</b>	<b>-55</b>	<b>-79</b>	<b>1,525,915</b>

Loans to the public that are subject to impairment testing, geographical breakdown by sector and industry

Loans to the public Geographical breakdown by sector and industry 2022 SEK m	Sweden	Norway	Finland	Total
	Private individuals	906,825	93,360	18,722
Housing co-operative associations	204,732	27,852	30,371	262,955
Property management	239,499	5,574	9,530	254,603
Manufacturing	265	-	6	271
Retail	687	69	11	777
Hotel and restaurant	700	15	6	721
Passenger and goods transport by sea	8	-	-	8
Other transport and communication	399	14	117	530
Construction	964	53	11	1,028
Electricity, gas and water	778	-	335	1,113
Agriculture, hunting and forestry	16,635	88	-	16,723
Other services	2,561	178	263	3,002
Holding, investment, insurance companies, mutual funds etc.	843	70	149	1,062
Sovereigns and municipalities	914	-	2,527	3,441
Other corporate lending	658	1	25	684
<b>Total loans to the public, before collective provision</b>	<b>1,376,478</b>	<b>127,264</b>	<b>62,073</b>	<b>1,565,815</b>
<i>of which total provisions for expected credit losses (Stage 1-3)</i>	<i>-189</i>	<i>-11</i>	<i>-21</i>	<i>-221</i>



NOTES

NOTE 2 Cont.

Loans to the public					
Geographical breakdown by sector and industry 2021					
SEK m	Sweden	Norway	Denmark	Finland	Total
Private individuals	881,775	86,858	49,837	18,681	1,037,151
Housing co-operative associations	185,280	24,850	-	25,474	245,604
Property management	200,280	3,801	304	9,354	213,739
Manufacturing	249	-	-	8	257
Retail	-724	-65	81	14	884
Hotel and restaurant	739	4	6	3	752
Passenger and goods transport by sea	12	-	-	-	12
Other transport and communication	392	13	13	126	544
Construction	1,051	50	40	13	1,154
Electricity, gas and water	293	-	-	347	640
Agriculture, hunting and forestry	16,040	61	18	0	16,119
Other services	2,518	163	82	265	3,028
Holding companies, investment companies and insurance companies, mutual funds, etc.	860	61	26	144	1,093
Sovereigns and municipalities	789	-	-	3,398	4,187
Other corporate lending	710	1	18	22	751
<b>Total loans to the public</b>	<b>1,301,712</b>	<b>115,927</b>	<b>50,427</b>	<b>57,849</b>	<b>1,525,915</b>
of which total provisions for expected credit losses (Stage 1-3)	-132	-9	-28	-16	-185

thus the loan-to-value ratio and the recovery rate, is affected by the price trend for the property, whereby an expected decline in real estate values pushes up the loan-to-value ratio and the expected loss given default.

**Loan-to-value**

Loan-to-value (LTV) is lending as a proportion of the market value of the collateral. The latest valuation is mainly used as the market value when

compiling the LTVs. Handelsbanken continuously checks the market values for properties: residential properties at least every three years and commercial properties every year. Lending in Sweden, which accounts for 88 per cent (85) of Stads-hypotek's total lending, extends to all parts of Sweden, with a concentration in urban areas. Categories of borrowers vary from individual households to large property companies. At year-end, lending was divided as follows: single-family

housing, housing co-operative apartments and owner-occupied apartments 64.5 per cent (66.3); multi-family dwellings 26.9 per cent (25.9) and offices and commercial property 8.6 per cent (7.8). Lending to the largest customer category corresponded to 0.71 per cent (0.52) of the entire portfolio. There were 40 (31) customers or customer categories with loans of SEK 1 billion or more.

**Loan-to-value analysis, Stadshypotek Sweden**  
31 December

Loan-to-value ratio	2022			2021		
	Private market	Corporate market	Total	Private market	Corporate market	Total
0-60 %	90.9	98.6	93.6	93.0	98.3	94.8
61-75 %	6.1	1.4	4.4	5.0	1.6	3.8
>75%	3.0	0.0	2.0	2.0	0.1	1.4

**Validation of IFRS 9 models and model-based calculations**

The models and the risk parameters used in these are validated on an annual basis, and ensure that the model-based calculations demonstrate a good forecasting accuracy and identify unexpected deviations between forecasts and the most recent available outcomes. Validation takes place at several aggregation levels and encompasses all significant risk parameters, as well as the weighted estimated expected credit losses at the individual and aggregate levels. The validation is reported to the Chief Credit Officer, the CRO and the CFO. The principles for the evaluation and validation of the models are determined by the Bank's Group Risk Control, and the validation is carried out or reviewed by a party independent of the model development process.

**MANUAL CALCULATIONS FOR AGREEMENTS IN STAGE 3**

Assets in Stage 3 are tested for impairment at the individual level using a manual calculation (with

the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3). This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the regional credit committee or central credit department.

Impairment testing is carried out when there are objective circumstances which indicate that the counterparty will not be able to fulfil its contractual obligations, according to the definition of default. Such objective circumstances could be, for example, late payment or non-payment, a change in the internal rating, or if the borrower enters bankruptcy.

Impairment testing involves an estimation of the future cash flows and the value of the collateral (including guarantees). Consideration is normally given to at least two forward-looking scenarios for expected cash flows, based on the counterparty's repayment capacity and the value of the collateral. The outcome of these scenarios

is probability-weighted and discounted with the loan's original effective interest rate. The scenarios used can take into account both macroeconomic and agreement-specific factors, depending on what is deemed to affect the individual counterparty's repayment capacity and the value of the collateral. The assessment takes into account the specific characteristics of the individual counterparty. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount.

**GOVERNANCE AND INTERNAL CONTROLS**

For calculating the expected credit losses on agreements in Stage 1 and Stage 2, Handelsbanken has a Group-wide, central process using internally developed statistical models (model-based calculation). Manual calculation is used for agreements in Stage 3. The description below primarily refers to the model-calculated provisions for expected credit losses. This process is covered by a number of internal controls, which are described below. The various stages of the pro-

## NOTES

### NOTE 2 Cont.

cess also entail different approvals and adoptions, creating a governance structure, which is also described below.

#### Verification of input data in reports

On each reporting date, the information which constitutes the basis for the calculations of expected credit losses is checked for correctness and completeness. This is carried out in the form of automatic reconciliation of loaded data from delivery sources. Furthermore, a reasonability assessment is undertaken, whereby system balances are compared with the balances recorded on the previous reporting date. The balances which are ultimately used are then reconciled against the volumes recorded in the general ledger.

#### Models

Before a new quantitative model is included in the overall model system, it is subject to validation and must be approved for use by Handelsbanken's Chief Credit Officer. On the reporting date, only this model system can be used for calculations, meaning that only approved models are usable.

The quantitative models which form the basis for the calculations of expected credit losses involve several assumptions and assessments. Examples include the assumption that the quantifiable aspects of relationships between macroeconomic risk factors and risk parameters in historical data are representative for future events, and the assumption that an agreement's expected lifetime can be based on historical behavioural data. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' explanatory power in relation to the level of individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are based on achieving a balance between simplicity, demonstrative ability and stability. All assumptions and discretionary decisions are presented to the Bank's Chief Credit Officer for approval.

Any expert-assessed calculations in model-calculated agreements in Stage 1 and Stage 2 or in manually calculated agreements in Stage 3 require the approval of Handelsbanken's Chief Credit Officer before they are applied.

#### Macroeconomic scenarios

The macroeconomic scenarios are produced by the Bank's economic research unit, based on instructions issued by Handelsbanken's Chief Credit Officer. These instructions specify the desired macroeconomic risk factors, geographical areas to be included, and the number of scenarios and probability-weighting between them.

Before every reporting date, the current macroeconomic scenarios are presented to Handelsbanken's Chief Credit Officer and CFO, who approve the scenarios for use in the reporting process. The approved macroeconomic scenarios are then automatically loaded into the reporting flow.

#### Size of the provisions

The total calculated provisions in Stage 1 and Stage 2 require the approval of the Bank's Chief Credit Officer. Estimated provisions in Stage 3 are proposed by the Handelsbanken branch with business responsibility (unit with customer and credit responsibility) and are approved by either a regional credit committee or central unit, depending on the size of the provision. Credit provisions in Stage 3 which are approved at regional level are reviewed or quality controlled by a central unit. In addition, Handelsbanken's Group Risk Control submits an independent review on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally.

#### The role of the control functions

Handelsbanken's Group Risk Control determines the validation principles and ensures that models are validated. An independent review is conducted on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally. Handelsbanken's Group Audit function reviews the estimations of expected credit losses as part of its assignment to independently examine internal governance and control, and to evaluate the reliability of the Group's financial reporting.

#### Credit losses

Credit losses were SEK -63 million (4). The credit loss ratio was 0.00 per cent (0.00) of total lending. The largest credit loss attributable to a single customer or customer category was SEK 0.7 million (1.0). The ten largest credit losses totalled SEK 4.6 million (3.0). Credit losses are reported in note 8 on page 42.

#### Reposessed property:

At 31 December 2022, there was no reposessed property (-).

#### COUNTERPARTY RISK

Counterparty risk arises when Stadshypotek has entered into derivative agreements, such as forward rate contracts, swaps or options, with a counterparty and there is a risk that this counterparty will not be able to meet its obligations. Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. Since November 2013, all Stadshypotek's derivative agreements are entered into with Handelsbanken as the counterparty, which means that the parent company assumes this type of credit risk. Some of the credit limits available in the parent company are thus intended to cover any counterparty risks derived from Stadshypotek's transactions in derivatives. If Stadshypotek were again to enter into derivative agreements with an external counterparty, these would be restricted by means of credit limits established as part of the standard credit process at Handelsbanken and assigned to Stadshypotek.

#### MARKET RISK

Market risks originate from changes in price and volatility on the financial markets and are divided into interest rate risk, equity price risk, foreign exchange risk and commodity price risk. The market risks affecting Stadshypotek are interest rate risk and foreign exchange risk. Stadshypotek's Board decides on limits for interest rate risk and foreign exchange risk.

#### Interest rate risk

At Stadshypotek, interest rate risk is measured and limits set as the absolute total of the changes in fair value per currency in the case of instantaneous parallel shifts of one percentage point for all interest rates. This risk measure includes both items at market value and not at market value and it is therefore not appropriate to assess the effects on the balance sheet and income statement. The risk measure includes items measured at market value and items not measured at market value, and is therefore not appropriate when assessing the impact on the balance sheet and income statement. Nor does it take into account Stadshypotek's opportunities to adapt to changed interest rate levels.

Due to the concentration of the benchmark loans to a small number of final maturity dates, it is not possible to match maturities in a traditional manner. Instead, the general method for achieving risk-neutral matching is based on the use of two different bonds to finance one lending transaction. Since one of the bonds has a shorter maturity than the lending and the other a longer maturity, the resultant interest rate risks for the two borrowing items balance each other out, so that they are risk-neutral with respect to the lending. Stadshypotek uses interest rate swaps to hedge against risks on its own balance sheet. Long-term funding may be shortened using interest rate swaps, so that the interest rate adjustment period matches the short-term lending at fixed and variable rates. Stadshypotek's capped rate loan offers borrowers insurance against future interest rate increases. This is a five-year loan where the interest rate on the loan goes down when short-term interest rates fall. If the short-term rate of interest increases, the borrower never has to pay more than a pre-determined maximum rate of interest. This commitment is hedged with interest rate options on terms corresponding to this lending. Since September 2019, this product has been closed for new lending.

The equity capital is placed in lending with a fixing period averaging 1.5 years (1.5). The daily interest rate risk on equity capital must not deviate from the risk limit specified by the Board.

#### Foreign exchange risk

The foreign exchange risk arising on all short-term funding in foreign currencies is eliminated by matching currency swaps. Stadshypotek has outstanding bonds issued in EUR and GBP under the EMTCN programme, which were converted into Swedish kronor and Norwegian kroner using cross-currency interest rate swaps. The aim is that the business should not at any point be



## NOTES

### NOTE 2 Cont.

exposed to foreign exchange risk as the result of funding in markets outside Sweden. All other refinancing in the foreign markets is raised through Handelsbanken and is subsequently transferred to Stadshypotek in Swedish kronor.

#### LIQUIDITY RISK

Liquidity risk is 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. Stadshypotek's Board decides on the limits for liquidity risk. Liquidity risk is measured and limited by carrying out a gap analysis of cash flows for various maturities and all currencies, and a gap analysis of groups of currencies. The liquidity deficit consists of the amount by which estimated out-payments exceed estimated in-payments, and is restricted by limits. To an increasing extent, loans with a short interest fixing period and variable rate loans have long-term funding in order to minimise the liquidity risk. However, some of this lending is still funded by issues in short-term debt instruments.

The maturity structure of the funding is well-diversified and adapted so that Handelsbanken's liquidity at Group level is in balance.

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 agreement also stipulates that the parties, in accordance with Article 8 of CRR and Chapter 6, Section 1 of FFFS 2014:12, are required to 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. Group Risk Control conducts stress tests that focus on long-term disruptions for the entire

Group, taking Stadshypotek's liquidity requirements into consideration.

The maturity analysis shows cash flows for the contracted payment commitments that are due for payment at the latest within the stated time intervals, including interest flows. Assets, liabilities and interest flows are also shown that mature in the time intervals corresponding to the contractual maturity dates. Interest flows for lending are matched in time with the liabilities that funded the lending. The total outstanding amount of these commitments does not necessarily represent future funding requirements.

For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as cross-currency interest rate swaps. Loans to the public are reported as maturing in the time interval over five years remaining to maturity. Repayments according to plan during the current interest rate adjustment period and fixed interest flows are reported on their respective maturity dates.

The tables below show the interest rate fixing periods for Stadshypotek's assets and liabilities

Interest rate fixing periods for Stadshypotek's assets and liabilities						
31 December 2022 SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 years	>5 yrs	Total
<b>ASSETS</b>						
Loans to credit institutions	8,328	74	664	-	-	9,066
Loans to the public	846,524	94,443	130,032	471,962	22,854	1,565,815
<b>Total assets</b>	<b>854,852</b>	<b>94,517</b>	<b>130,696</b>	<b>471,962</b>	<b>22,854</b>	<b>1,574,881</b>
<b>LIABILITIES</b>						
Due to credit institutions	468,523	51,233	151,525	156,024	5,273	832,578
Issued securities	78,808	58,019	-	453,087	81,085	670,999
<b>Total liabilities</b>	<b>547,331</b>	<b>109,252</b>	<b>151,525</b>	<b>609,111</b>	<b>86,358</b>	<b>1,503,577</b>
Off-balance sheet items, nominal amount	-181,029	20,600	-	162,109	56,183	57,863
Difference between assets and liabilities, including off-balance sheet items	126,492	5,865	-20,829	24,960	-7,321	129,167

Interest rate fixing periods for Stadshypotek's assets and liabilities						
31 December 2021 SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 years	>5 yrs	Total
<b>ASSETS</b>						
Loans to credit institutions	13,301	-	-	-	-	13,301
Loans to the public	731,776	85,680	129,815	552,858	25,786	1,525,915
<b>Total</b>	<b>745,077</b>	<b>85,680</b>	<b>129,815</b>	<b>552,858</b>	<b>25,786</b>	<b>1,539,216</b>
<b>LIABILITIES</b>						
Due to credit institutions	428,129	63,840	82,132	243,066	5,949	823,116
Issued securities	70,345	22,123	66,251	401,566	92,322	652,607
<b>Total</b>	<b>498,474</b>	<b>85,963</b>	<b>148,383</b>	<b>644,632</b>	<b>98,271</b>	<b>1,475,723</b>
Off-balance sheet items, nominal amount	-186,884	15,432	12,850	107,737	53,837	2,972
Difference between assets and liabilities, including off-balance sheet items	59,719	15,149	-5,718	15,963	-18,648	66,465

## NOTES

### NOTE 2 Cont.

The tables below show the maturities for Stadshypotek's assets and liabilities

Maturities for assets and liabilities 31 December 2022 SEK m					
	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Loans to credit institutions	9,066	-	-	-	9,066
Loans to the public	12,562	38,047	121,205	1,394,001	1,565,815
<b>Total assets</b>	<b>21,628</b>	<b>38,047</b>	<b>121,205</b>	<b>1,394,001</b>	<b>1,574,881</b>
Due to credit institutions	150,572	191,152	472,021	18,833	832,578
Issued securities	24,808	79,349	492,909	73,933	670,999
<b>Total liabilities</b>	<b>175,380</b>	<b>270,501</b>	<b>964,930</b>	<b>92,766</b>	<b>1,503,577</b>

Derivatives 31 December 2022 SEK m					
	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Total derivatives inflow	23,358	4,817	67,762	39,867	135,804
Total derivatives outflow	-21,311	-8,283	-74,636	-41,461	-145,701
<b>Net</b>	<b>2,047</b>	<b>-3,476</b>	<b>-8,874</b>	<b>-1,594</b>	<b>-9,897</b>

Maturities for assets and liabilities 31 December 2021 SEK m					
	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Loans to credit institutions	13,301	-	-	-	13,301
Loans to the public	10,314	24,533	75,207	1,415,861	1,525,915
<b>Total</b>	<b>23,615</b>	<b>24,533</b>	<b>75,207</b>	<b>1,415,861</b>	<b>1,539,216</b>
Due to credit institutions	125,557	128,983	551,633	16,943	823,116
Issued securities	7,446	107,288	449,983	87,890	652,607
<b>Total</b>	<b>133,003</b>	<b>236,271</b>	<b>1,001,616</b>	<b>104,833</b>	<b>1,475,723</b>

Derivatives 31 December 2021 SEK m					
	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Total derivatives inflow	255	23,435	55,380	22,988	102,058
Total derivatives outflow	-110	-20,902	-55,184	-24,992	-101,188
<b>Net</b>	<b>145</b>	<b>2,533</b>	<b>196</b>	<b>-2,004</b>	<b>870</b>

### OPERATIONAL RISKS

Operational risk is 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.

Most of Stadshypotek's business is conducted within the framework of a number of individual outsourcing agreements that the company has with Handelsbanken. Responsibility for the identification, management and control of operational risk is an integrated part of managerial responsibility at all levels of the operations. In accordance with guidelines issued by the Chief Executive, an annual evaluation of operational risk is carried out for the purposes of identifying operational risks and quantifying the losses that may arise. Risk indicators – which were implemented in 2015 – are one method of identifying operational risks at an early stage. Risk Control at Stadshypotek reports operational risk to the Board and to Handelsbanken's Group Risk Control on a quarterly basis. In addition, Risk Control carries out an overall review of the company's operational risks annually. The results of these reviews are reported to the Board and the manager responsible for operational risk at the parent company.

### SENSITIVITY ANALYSIS

A calculation has been performed as to how a change in the lending margin, the lending volume, the investment yield on own funds, the credit loss ratio and changes in market interest rates would affect the operating profit, on the assumption that everything else is unchanged. This is based on the balance sheet at the end of 2022.

#### Lending margin

In the case of an increase/decrease of the nominal lending margin by 0.01 percentage points, net interest income is positively/negatively affected by SEK 157 million (148). However, changes in interest rates only have a gradual impact on a portfolio of fixed-interest loans. If the lending margin changes, it will be a long time before the full impact is seen on the average lending margin in the fixed-interest portfolio.

#### Lending volume

To calculate the impact of an increase or decrease in lending volume, an interval is specified, since loans which are added to or deducted from the loan portfolio may have a different margin than the portfolio on average. The calculations comprise interest rate margins ranging from 0.7

per cent to 1.2 per cent. Based on these assumptions, an increase or decrease of the lending volume by one percentage point affects net interest income positively/negatively by SEK 110-188 million (104-178).

#### Investment yield on own funds

Equity is invested in fixed-term lending with an average maturity of 1.5 years (1.5). In the case of an increase or decrease in the investment yield on own funds of 0.10 percentage points, net interest income is positively/negatively affected by SEK 58 million (58).

#### Market rate

The net interest income effect when market rates change is measured as the change in net interest income over a twelve-month period in the case of a general increase of market rates by one percentage point. This effect reflects the differences in interest rate adjustment periods and the breakdown of volumes into assets, liabilities and derivatives, based on the assumption that the size of the balance sheet remains constant. The net interest income effect at year-end was SEK 327 million (582).



## NOTE 2 Cont.

**Credit loss ratio**

In the case of an increase/decrease of the credit loss ratio by 0.01 percentage point, credit losses are negatively/positively affected by SEK 157 million (153).

**ECONOMIC CAPITAL**

Stadshypotek applies a model for economic capital (EC), which is a vital component in planning to ensure that Stadshypotek has sufficient capital at all times in relation to all risks in the company.

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of economic capital must be made with a 99.97 per cent confidence level, which captures an event which is extremely unfavourable for Stadshypotek. EC is the difference between the outcome in an average year with positive results and the outcome at a 99.97 per cent confidence level. Diversification effects between the different risk classes are taken into account when calculating EC. Since the risks are partly independent of each other, the capital requirement for all risks is lower than the sum of the economic capital for each individual risk.

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR comprises Stadshypotek's equity, adjusted for intangible assets, but including tier 1 loans with a supplement for perpetual subordinated loans, and also the profit/loss before tax for the next twelve months.

Credit risk is calculated using simulated outcomes of default for all Stadshypotek's counterparties and exposures. Market risks comprise interest rate risk in the business operations. The non-financial risks comprise business risk and operational risk. Business risk is related to unexpected variations in earnings which may arise. For example, this may arise if demand or competition changes unexpectedly, thus resulting in lower volumes and squeezed margins.

The Board stipulates that the AFR/EC ratio should be in excess of 120 per cent. All calculations show that Stadshypotek is well capitalised in relation to its total risks.

**CAPITAL PLANNING**

Stadshypotek's capital policy – most recently adopted by the Board in 2022 – states the guidelines for capital planning.

The capital requirement is a function of Stadshypotek's risks, expected development, the regulations and target ratios. Stadshypotek's model for economic capital and also of stress tests. The capital planning is divided into short-term and mid- to long-term forecasting. The part of capital planning that comprises short-term forecasts up to two years ahead principally focuses on assessing existing performance and the development of the capital requirement. This forecasting is necessary to enable continual adaptation of the size

and composition of own funds. Capital planning is performed through ongoing analysis of changes in volume, risk and performance, and by monitoring events that may affect the capital requirements and capital level. Short-term forecasting includes all sub-components that make up Stadshypotek's own funds and, in addition to the regulatory minimum requirements and buffers, the capital requirement includes Pillar 2 of the regulations's own funds and, in addition to the regulatory minimum requirements and buffers, the capital requirement includes a Pillar 2 requirement, the leverage ratio requirement and the minimum requirement for own funds and eligible liabilities (MREL). The analysis is based on a cautious basic scenario for how the existing earnings capacity can cope with various changes in volume, which may affect the development of the capital requirement and own funds, in order to adapt the composition and size of own funds when necessary.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital requirements and that Stadshypotek's AFR at all times covers by a good margin all risks calculated according to the economic capital model.

The objective is to forecast the expected performance and judge whether Stadshypotek's resistance is satisfactory in various scenarios. The planning period is at least five years. Various scenarios and stress tests are performed as part of the forecasting work. A basic scenario forms the foundation of the capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth and financial assumptions such as credit losses and performance on the fixed income market. The basic scenario is then compared to the outcomes in a number of business cycle and crisis scenarios. The stress scenarios have been established following analysis of the historical links between the impacts of various macroeconomic variables on the financial markets and have been selected by using the scenarios expected to have the greatest adverse impact on Stadshypotek. The result of the internal capital adequacy assessment is reported annually to the Board.

**STADSHYPOTEK'S TARGET RATIOS FOR REGULATORY CAPITAL**

The targets for Stadshypotek's capitalisation are set annually by the Board. A cornerstone of the internal capital requirement assessment regarding regulatory capital is the combination of stress and scenario analyses concerning Stadshypotek's situation, examined from both the long-term and short-term perspective. The scenarios used are based primarily on Stadshypotek's internal risk tolerance and on requirements expressly stipulated in regulations or issued by public authorities. In addition to the internal assessment of the capital requirement, the Swedish Financial Supervisory Authority has communicated that the target figures of Swedish banks must not be

lower than the total capital requirement calculated by the Supervisory Authority, regardless of the banks' internal calculations. Stadshypotek has taken this into consideration when setting the target ratios for its regulatory capital. The Board has decided that common equity tier 1 capital, tier 1 capital and the total capital ratio under normal circumstances should be at least one percentage point higher than the overall capital requirement announced by the Swedish Financial Supervisory Authority. Furthermore, the Board has established that the leverage ratio must, under normal circumstances, exceed the capital requirement communicated by the Swedish Financial Supervisory Authority by at least 0.1 percentage points.



NOTES

**NOTE 3 Net interest income**

SEK m	2022	2021
<b>Interest income according to the effective interest method</b>		
Loans to the public	26,897	20,756
Loans to credit institutions	316	215
<b>Total interest income</b>	<b>27,213</b>	<b>20,971</b>
<b>Interest expenses</b>		
Due to credit institutions	-6,511	-2,576
Issued securities	-5,217	-3,568
Derivative instruments <sup>1</sup>	-506	828
Other interest expenses	0	0
<b>Total interest expenses</b>	<b>-12,234</b>	<b>-5,316</b>
<i>of which interest expenses according to the effective interest method and interest on derivatives through hedge accounting</i>	<i>-12,234</i>	<i>-5,316</i>
<b>Net interest income</b>	<b>14,979</b>	<b>15,655</b>

<sup>1</sup> Net interest income from derivative instruments related to Stadshypotek's funding may have both a positive and a negative impact on interest expenses.

During the year, the average interest rate on loans to the public was 1.72 per cent (1.40). During the year, the average funding rate (due to credit institutions and issued securities) was 0.77 per cent (0.43). The interest income is entirely attributable to assets recognised at amortised cost. Total interest expenses on liabilities recognised at amortised cost for 2022 were SEK 11,728 million (6,144).

**NOTE 4 Net fee and commission income**

SEK m	2022	2021
<b>Fee and commission income</b>		
Loans and deposits	10	10
Other	3	3
<b>Total fee and commission income</b>	<b>13</b>	<b>13</b>
<b>Fee and commission expenses</b>		
Securities	-52	-41
Other	0	0
<b>Total fee and commission expenses</b>	<b>-52</b>	<b>-41</b>
<b>Net fee and commission income</b>	<b>-39</b>	<b>-28</b>

**NOTE 5 Net gains/losses on financial transactions**

SEK m	2022	2021
<b>Amortised cost</b>	<b>60</b>	<b>108</b>
<i>of which loans</i>	<i>30</i>	<i>204</i>
<i>of which issued securities</i>	<i>30</i>	<i>-96</i>
<b>Fair value through profit or loss, mandatory including foreign exchange effects</b>	<b>1</b>	<b>2</b>
<i>Trading, derivatives, foreign exchange effects, etc.</i>	<i>1</i>	<i>2</i>
<b>Hedge accounting</b>	<b>-73</b>	<b>-22</b>
<i>of which net/gains losses, fair value hedges</i>	<i>-71</i>	<i>-22</i>
<i>of which ineffective portion of cash flow hedges</i>	<i>-2</i>	<i>0</i>
<b>Total</b>	<b>-12</b>	<b>88</b>

Loans at amortised cost refers to early redemption charges for loans and receivables which have been repaid ahead of time. Issued securities refers to realised price differences when repurchasing bonds. The profit/loss item 'Net gains/losses, fair value hedges' includes the net result of unrealised and realised changes in the fair value of financial assets which are subject to hedge accounting. Interest income and interest expenses for 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 'ineffective portion of cash flow hedges'.

**NOTE 6 Staff costs**

SEK m	2022	2021
<b>Salaries and fees</b>	<b>-42</b>	<b>-49</b>
Social security costs	-13	-16
Pension costs	-21	-36
<i>of which special payroll tax</i>	<i>-4</i>	<i>-7</i>
Provision to profit-sharing scheme	-1	-2
Other staff costs	1	3
<b>Total staff costs</b>	<b>-76</b>	<b>-100</b>

The average number of employees in the company during the year was 44 (57). Of these employees, 37 per cent (40) were women and 63 per cent (60) were men.

Stadshypotek has pension obligations under the BTP2 agreement which are guaranteed through insurance with Pensionskassan SHB, försäkringsförening (pension fund).

These obligations are reported according to the IAS 19 rules for defined benefit plans, whereby the company under common control shares the risks related to the pension obligations, since the pension fund's assets are not allocated among the employers who have insurance with the pension fund. According to these rules, Stadshypotek reports the insurance charges which are debited for the period as an expense.

The pension fund does not debit charges calculated on the basis of the IAS 19 definition of defined benefit net expense for pensions. The charges are debited in accordance with the rules in the statutes for the pension fund with the purpose of debiting charges corresponding to an expense for pension benefits accrued during the period. The rules do not take into account actuarial gains and losses which have occurred. Nor do they take into account fluctuations in real return. Fees to the pension fund for 2023 are expected to amount to SEK 11 million.

The pension fund's obligations totalled SEK 6,136 million at 31 December 2022 (7,281), based on prudent assumptions, where the discount rate has been set in accordance with the principles in FFFS 2008:23 (Regulations governing insurance companies' choice of interest rate for calculation of technical provisions). The fair value of the pension fund's assets was SEK 15,221 million at 31 December 2022 (17,085). The breakdown of the pension fund's assets is shown in the table on the next page.



NOTE 6 Cont.

Pensionskassan's (pension fund) plan assets SEK m	2022	2021
Shares and fund shares on an active market	8,742	10,720
Unlisted shares and fund shares	716	565
Interest-bearing securities listed on an active market	4,894	5,378
Unlisted interest-bearing securities	0	0
Other plan assets	869	422
<b>Total</b>	<b>15,221</b>	<b>17,085</b>

Further information about the defined benefit pension plan can be found in note G8 of the 2022 Annual Report for Handelsbanken.

**EMPLOYEE BENEFITS**

Stadshypotek takes a long-term view of its staff's employment. Remuneration must be on market terms, so that Stadshypotek is able to attract, retain and develop skilled staff, and ensure good management succession. Stadshypotek generally has a low risk tolerance, which is also reflected in its attitude towards remuneration. Fixed remuneration consists primarily of a basic salary, customary employee benefits and pension. There are no exceptions to this principle of a fixed salary, although termination benefits may be paid. Salaries are set locally and are based on salary-setting factors known in advance: the nature and level of difficulty of the work, competencies, performance and results achieved, leadership, the market, and the employee as a cultural ambassador for the Handelsbanken Group. The independent control functions monitor and analyse the remuneration system, and report material risks and deficiencies to the Board.

Total remuneration is defined as that which Stadshypotek pays directly or indirectly to an employee as part of their employment, such as cash salary, other cash remuneration, customary salary benefits, company car and pension provisions. As of 1 March 2020, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2020 are not affected and remain covered by the defined benefit pension plan. The Board decides on the level of remuneration paid to individuals in Stadshypotek's executive management and control functions who are employees of Stadshypotek.

**Remuneration policy**

The principles for Stadshypotek's system of remuneration are established in a remuneration policy decided by the Board. The Board of Stadshypotek has a designated member who is involved in the preparation of supporting documentation considered by the Board when deciding levels of remuneration. Stadshypotek's remuneration policy is reviewed annually or whenever necessary. Stadshypotek's remuneration policy is based on a risk analysis produced by the risk control function at Stadshypotek, which is independent of the business operations. Risk Control and Compliance must identify, monitor, analyse and report on material risks associated with the remuneration policy.

**TERMS AND REMUNERATION OF EXECUTIVE OFFICERS**

For the Chief Executive, remuneration is paid in the form of a fixed salary, customary salary benefits and pension provisions. Decisions regarding the remuneration paid to the Chief Executive are taken by Stadshypotek's Board.

The Chief Executive received a fixed salary and remuneration amounting to SEK 2.7 million, including benefits of SEK 0.1 million, during 2022.

There are no agreements involving termination benefits for the Chief Executive. The Chief Executive has a defined benefit pension under the BTP agreement with a retirement age of 65. The pension is fully earned by the age of retirement. If the employment is terminated before reaching the retirement age, a paid-up policy is disbursed covering the retirement pension amount already accrued.

Board member Michael Bertorp received a fee of SEK 285 thousand (285). No fees were paid to other members of the Board. The year's pension cost for the Chief Executive totalled SEK 1.0 million (0.8). For other members of the company's management team, remuneration is paid in the form of a fixed salary, customary salary benefits and a pension provision in accordance with the terms of the applicable collective agreement, the occupational pension plan for the Swedish banks (BTP2). The year's pension cost for other members of the company's management team was SEK 4.4 million (2.3).

At the end of 2022, loans to executive officers at Stadshypotek were as follows:

SEK m	2022	2021
To the Chief Executive and other executive officers in the company's senior management team	52	28
To other Board members (excluding Chief Executive)	45	63

The loans concerned were granted to 16 (12) individuals and all were secured by pledged collateral. Stadshypotek's interest income for loans to the above-mentioned categories totals SEK 1.0 million (0.8). Executive officers who are employed by Stadshypotek are subject to the same credit terms as other employees. The discount on the interest rate for credits is determined on the basis of the government borrowing rate set annually by the Swedish Tax Authority, plus one percentage point. The discount on the interest rate is taxed in connection with monthly salary payments and constitutes a basis for employer's contributions for Stadshypotek. Interest payable on credits exceeding SEK 2.5 million is determined by applying normal commercial terms. All credits are subject to the customary credit assessment.

Gender balance, number	2022		2021	
	Men	Women	Men	Women
The Board	4	2	4	2
Executive officers <sup>1</sup>	4	3	3	3

<sup>1</sup> Employees of Stadshypotek. In addition, three people are employed by Handelsbanken.

**Remuneration to other members of the company's senior management and to risk-takers**

Fixed salary and other benefits to other members of the company's management team, including risk-takers, totalled SEK 7.8 million (6.2).



NOTES

**NOTE 7** other administrative expenses

SEK m	2022	2021
Cost of premises	-4	-7
External IT costs	-177	-192
Communication	-2	-1
Travel and marketing	-11	-10
Purchased services <sup>1</sup>	-1,661	-1,545
Other costs	-77	-65
<b>Total</b>	<b>-1,932</b>	<b>-1,810</b>
<i>of which expenses for operating leases</i>	<i>-5</i>	<i>-7</i>

<sup>1</sup> Purchased services mainly comprise remuneration to Handelsbanken for services ordered by Stadshypotek and performed by the branch operations. Purchased services also include remuneration to Handelsbanken for IT services ordered by Stadshypotek, as well as funding services.

Contracted irrevocable future operating lease charges, broken down by maturity SEK m	2022	2021
Within 1 year	-6	-5
Between 1 and 5 yrs	-23	-21
Over 5 yrs	-4	-4
<b>Total</b>	<b>-33</b>	<b>-30</b>

Operating leases are mainly related to agreements that are normal for the operations regarding rental expenses.

Remuneration to auditors and audit companies SEK m	2022	2021
Ernst & Young AB, audit assignment	-0.8	-2.0
Ernst & Young AB, audit activities in addition to the audit assignment	-0.1	-0.3
PricewaterhouseCoopers AB, audit assignment	-1.5	-
PricewaterhouseCoopers AB, audit activities in addition to the audit assignment	-0.2	-
PricewaterhouseCoopers AB, other	-0.2	-
<b>Total</b>	<b>-2.8</b>	<b>-2.3</b>

**NOTE 8** Credit losses

SEK m	2022	2021
<b>Expected credit losses on balance sheet items</b>		
The year's provision Stage 3	-8	-7
Reversal of Stage 3 provisions to Stage 1 or Stage 2	3	5
<b>Total expected credit losses in Stage 3</b>	<b>-5</b>	<b>-2</b>
The year's net provision Stage 2	-49	-1
The year's net provision Stage 1	-37	3
<b>Total expected credit losses in Stage 1 and Stage 2</b>	<b>-86</b>	<b>2</b>
<b>Total expected credit losses on balance sheet items</b>	<b>-91</b>	<b>0</b>
<b>Expected credit losses on off-balance sheet items</b>		
The year's net provision Stage 3	-	-
The year's net provision Stage 2	0	0
The year's net provision Stage 1	0	0
<b>Total expected credit losses on off-balance sheet items</b>	<b>0</b>	<b>0</b>
<b>Write-offs</b>		
Actual credit losses for the year <sup>1</sup>	-17	-17
Utilised share of previous provisions in Stage 3	13	11
<b>Total write-offs</b>	<b>-4</b>	<b>-6</b>
<b>Recoveries</b>	<b>32</b>	<b>10</b>
<b>Net credit losses</b>	<b>-63</b>	<b>4</b>
<i>of which loans to the public</i>	<i>-63</i>	<i>4</i>

<sup>1</sup> Of the year's actual credit losses, SEK -17m (-12) is subject to enforcement activities.

SEK m	2022	2021
<b>Model-based provision in Stage 1 and Stage 2</b>		
Update of macroeconomic assumptions	-29	6
Transfer of exposures in exposed industries from Stage 1 to Stage 2	-2	1
Change in risk of default in included portfolio (net rating changes)	-5	5
Effect of changed exposure (existing, new and terminated exposures)	-4	6
Other	-10	-14
<b>Total model-based provision in Stage 1 and Stage 2</b>	<b>-50</b>	<b>4</b>
<b>Expert-based provision</b>		
Expert-based provision	-61	-25
<b>Change in expert-based calculation</b>	<b>-36</b>	<b>-2</b>
<b>Total expected credit losses in Stage 1 and Stage 2</b>	<b>-86</b>	<b>2</b>

The provision requirement for exposures in Stage 1 and Stage 2 has increased during 2022. This is mainly due to updated values for the forward-looking macroeconomic risk factors, whereby GDP has decreased, while inflation and interest rates have increased compared to the forecast at the previous year-end. The selection of macroeconomic risk factors is unchanged. The probability weighting for a negative/neutral/positive scenario is 20%/60%/20% (15%/70%/15%). In addition, a number of factors have combined to contribute to a slight further increase to the provision requirement during the year.

During the period 2020-2021, the Bank applied an expert-based provision based on risks relating to the Covid-19 pandemic which were not deemed to be fully considered in the Bank's risk models. This provision was reversed during the year, given that the remaining effects the pandemic could still have on the repayment capacity of the Bank's customers is deemed to be reflected in the individual provision level in line with the Bank's internal risk classification.

During the year, the Bank applied an expert-based provision based on elevated credit risks relating to uncertainty factors which were not deemed to be fully considered in the Bank's risk models. These uncertainty factors are primarily associated with the instability of the operating environment, including the war in Ukraine, which created extensive supply chain disruptions, shortages of input goods and energy, and the availability of labour within certain sectors. Given the challenges, at the end of the year, in assessing how the uncertainty factors noted above affect the credit risk at individual company level, together with uncertainty surrounding how these factors will develop, the Bank has therefore applied an expert-based stress to sectors at risk of extra sensitivity to supply and access disruptions. This stress has been applied in addition to the model-based calculations, and resulted in an additional provision requirement of SEK 61m.

The impairment testing process for agreements in Stage 3 has not been changed, and the customary procedure with individual assessment has continued.



NOTES

NOTE 8 Cont.

Key figures, credit losses Loans to the public, SEK m	2022	2021
Credit loss ratio, acc., %	0.00	0.00
Total reserve ratio, %	0.01	0.01
Reserve ratio Stage 1, %	0.00	0.00
Reserve ratio Stage 2, %	0.28	0.28
Reserve ratio Stage 3, %	4.86	7.02
Percentage of loans in Stage 3	0.07	0.07

Balance sheet and off-balance sheet items that are subject to impairment testing 2022 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
<b>Balance sheet items</b>						
Loans to credit institutions	9,066	-	-	-	-	-
Loans to the public	1,521,624	43,143	1,269	-66	-100	-55
<b>Total</b>	<b>1,530,690</b>	<b>43,143</b>	<b>1,269</b>	<b>-66</b>	<b>-100</b>	<b>-55</b>
<b>Off-balance sheet items</b>						
Contingent liabilities	3	0	-	0	-	-
of which guarantee commitments	-	-	-	-	-	-
of which obligations	3	0	-	0	0	-
<b>Total</b>	<b>1,530,693</b>	<b>43,143</b>	<b>1,269</b>	<b>-66</b>	<b>-100</b>	<b>-55</b>

Items on and off the balance sheet that are subject to impairment testing 2021 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
<b>Balance sheet items</b>						
Loans to credit institutions	13,301	-	-	-	-	-
Loans to the public	1,504,722	20,275	1,103	-51	-55	-79
<b>Total</b>	<b>1,518,023</b>	<b>20,275</b>	<b>1,103</b>	<b>-51</b>	<b>-55</b>	<b>-79</b>
<b>Off-balance sheet items</b>						
Contingent liabilities	4	0	-	0	-	-
of which guarantee commitments	-	-	-	-	-	-
of which obligations	4	0	-	0	0	-
<b>Total</b>	<b>1,518,027</b>	<b>20,275</b>	<b>1,103</b>	<b>-51</b>	<b>-55</b>	<b>-79</b>

CHANGE ANALYSIS

Change in the provision for expected credit losses, loans to the public 31 December 2022 SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-51	-55	-79	-185
Derecognised assets	16	10	16	42
Write-offs	0	0	14	14
Remeasurements due to changes in credit risk	-55	-3	-2	-60
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	-1	0	0	-1
Purchased or originated assets	-10	-2	0	-12
Transfer to Stage 1	-3	6	0	3
Transfer to Stage 2	19	-68	0	-49
Transfer to Stage 3	19	12	-4	27
<b>Provision at end of year</b>	<b>-68</b>	<b>-100</b>	<b>-55</b>	<b>-221</b>



## NOTES

### NOTE 8 Cont.

Change in the provision for expected credit losses, loans to the public  
31 December 2021  
SEK m

	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-55	-54	-90	-199
Derecognised assets	6	12	8	26
Write-offs	0	0	11	11
Remeasurements due to changes in credit risk	-16	-4	2	-18
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	-1	0	0	-1
Purchased or originated assets	-7	-2	-1	-10
Transfer to Stage 1	-2	6	0	4
Transfer to Stage 2	10	-26	0	-16
Transfer to Stage 3	14	13	-9	18
Provision at end of year	-51	-55	-79	-185

The provision for expected credit losses regarding off-balance sheet items was SEK 0 million in 2022 (0).

The provision for expected credit losses regarding balance sheet items, with the exception of loans to the public, was SEK 0 million in 2022 (0).

The change analysis shows the net effect on the provision for the stage in question for each explanatory item during the period. The transfer rows present the effect on the provision for the stated stage of transfers between stages, as well as between collective and individual assessment within the same stage. The amounts stated in the transfer rows and for 'Purchased or originated assets' demonstrate the expected credit loss

calculated for the stated stage at the end of the period. The effects of other explanatory items on the provision are presented in the stage applying at the start of the period. 'Changes due to update in the methodology for estimation' demonstrates the effect on the provision of changes in the models and parameters applied to calculate the expected credit loss for the stated stage. Where applicable, the provision amount is adjusted for

future updates in the methodology which are known at the reporting date. In 2020, the estimated provision amount was adjusted due to planned updates to the methodology for estimation. These adjustments are recognised together with other adjustments under 'Remeasurement due to change in credit risk'. The explanatory items are identified at customer level by lender and country.

Change in gross volumes, balance sheet items that are subject to impairment testing 2022 SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	1,518,023	20,275	1,103	1,539,401
Derecognised assets	-132,747	-3,048	-303	-136,098
Write-offs	-1	-2	-13	-16
Remeasurement due to changed credit risk	45,563	-23,943	-28	21,593
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	7,677	167	5	7,849
Purchased or originated assets	137,191	5,137	46	142,374
Transfer to Stage 1	15,847	-15,823	-24	0
Transfer to Stage 2	-60,531	60,703	-172	0
Transfer to Stage 3	-332	-323	655	0
Volume at end of year	1,530,690	43,143	1,269	1,575,102

Change in gross volumes, balance sheet items that are subject to impairment testing 2021 SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	1,435,145	18,684	705	1,454,534
Derecognised assets	-81,669	-2,285	-206	-84,160
Write-offs	-2	-1	-10	-13
Remeasurement due to changed credit risk	32,922	-399	-22	32,501
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	8,813	225	2	9,040
Purchased or originated assets	126,360	1,128	11	127,499
Transfer to Stage 1	15,025	-15,004	-21	0
Transfer to Stage 2	-18,238	18,328	-90	0
Transfer to Stage 3	-333	-401	734	0
Volume at end of year	1,518,023	20,275	1,103	1,539,401



NOTES

NOTE 8 Cont.

Change in gross volumes, loans to the public that are subject to impairment testing 2022				
SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	1,504,722	20,275	1,103	1,526,100
Derecognised assets	-131,069	-3,048	-303	-134,420
Write-offs	-1	-2	-13	-16
Remeasurement due to changed credit risk	48,164	-23,943	-28	24,193
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	7,636	167	5	7,808
Purchased or originated assets	137,188	5,137	46	142,371
Transfer to Stage 1	15,847	-15,823	-24	0
Transfer to Stage 2	-60,531	60,703	-172	0
Transfer to Stage 3	-332	-323	655	0
Volume at end of year	1,521,624	43,143	1,269	1,566,036

Change in gross volumes, loans to the public that are subject to impairment testing 2021				
SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	1,420,138	18,684	705	1,439,527
Derecognised assets	-80,628	-2,284	-206	-83,118
Write-offs	-1	-1	-12	-14
Remeasurement due to changed credit risk	33,585	-397	-21	33,177
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	8,802	225	2	9,029
Purchased or originated assets	126,360	1,128	11	127,499
Transfer to Stage 1	15,025	-15,004	-21	0
Transfer to Stage 2	-18,236	18,325	-89	0
Transfer to Stage 3	-333	-401	734	0
Volume at end of year	1,504,722	20,275	1,103	1,526,100

Change in gross volume, off-balance sheet items that are subject to impairment testing 2022				
SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	4	0	-	4
Derecognised assets	-4	-	-	-4
Write-offs	-	-	-	-
Remeasurement due to changed credit risk	2	0	-	2
Changes due to update in the methodology for estimation	-	-	-	-
Foreign exchange effect, etc.	0	0	-	0
Purchased or originated assets	1	-	-	1
Transfer to Stage 1	0	0	-	0
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Volume at end of year	3	0	-	3

Change in gross volume, off-balance sheet items that are subject to impairment testing 2021				
SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	6	-	-	6
Derecognised assets	-2	-	-	-2
Write-offs	-	-	-	-
Remeasurement due to changed credit risk	-3	0	-	-3
Changes due to update in the methodology for estimation	-	-	-	-
Foreign exchange effect, etc.	0	0	-	0
Purchased or originated assets	3	-	-	3
Transfer to Stage 1	0	0	-	0
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Volume at end of year	4	0	-	4



## NOTES

### NOTE 8 Cont.

#### SENSITIVITY ANALYSIS 2022

The calculation of expected credit losses applies forward-looking information in the form of macro-economic scenarios. The expected credit loss is a probability-weighted average of the calculated

forecasts over three scenarios. The forecast in the neutral scenario is assigned a weighting of 60 per cent (70), while an upturn in the economy is assigned a weighting of 20 per cent (15) and a downturn in the economy a weighting of 20 per

cent (15). These have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2022.

Macroeconomic risk factors	Minimum			Average			Maximum		
	Negative	Neutral	Positive	Negative	Neutral	Positive	Negative	Neutral	Positive
<b>2022</b>									
<b>GDP growth</b>									
Sweden	-3.55	-0.25	3.15	-0.50	1.30	2.50	2.00	2.80	2.20
UK	-3.90	-0.20	3.90	-1.30	0.80	3.40	1.20	2.30	3.10
Norway	-2.38	-0.30	2.45	0.67	1.25	1.80	3.17	2.75	1.50
Finland	-3.25	-0.57	2.24	-0.20	0.98	1.59	2.30	2.48	1.29
Eurozone	-3.59	-0.03	1.95	-0.54	1.52	1.30	1.96	3.02	1.00
USA	-2.87	-0.26	2.65	0.18	1.29	2.00	2.66	2.99	1.70
<b>Unemployment index</b>									
Sweden	8.87	10.00	9.80	7.70	8.10	7.90	7.10	7.16	7.30
UK	5.93	6.39	6.20	5.33	4.89	4.70	4.73	3.69	3.80
Norway	3.25	4.15	4.35	2.08	2.25	2.45	1.47	1.31	1.85
Finland	8.17	8.60	8.40	7.00	6.90	6.50	6.40	5.96	5.90
Eurozone	8.60	9.40	9.30	7.43	7.50	7.40	6.83	6.56	6.80
USA	5.16	6.49	6.30	3.99	4.59	4.40	3.39	3.65	3.80
<b>Key rate</b>									
Sweden	1.54	0.75	1.00	2.75	2.25	2.25	3.25	3.00	3.00
UK	3.25	3.25	3.25	4.00	4.00	3.75	4.50	4.75	4.50
Norway	1.75	1.00	1.00	3.25	3.00	2.75	3.75	3.75	3.50
Finland	1.05	0.25	0.25	2.25	1.75	1.25	2.75	2.50	2.00
Eurozone	1.05	0.25	0.25	2.25	1.75	1.25	2.75	2.50	2.00
USA	3.20	1.88	1.70	4.63	3.88	3.20	5.13	4.63	3.95
<b>Property price index, commercial properties</b>									
Sweden	-15.54	-8.66	-0.74	-8.50	-6.44	0.58	-3.52	-1.73	-0.52
UK	-18.72	-5.11	3.34	-13.83	-1.23	2.11	-8.93	1.31	0.90
Norway	-11.19	-8.80	-2.42	-5.96	-1.14	-1.90	-3.00	0.61	-2.74
Finland	-12.43	-6.53	0.70	-5.87	-1.00	1.19	-2.57	0.52	-0.04
Eurozone	-11.94	-3.67	0.85	-7.39	0.66	1.65	-4.01	2.57	0.86
USA				-10.34	-4.41	-1.54			
<b>Property price index, residential properties</b>									
Sweden	-22.37	1.77	1.89	-13.51	1.75	1.95	-6.78	2.19	3.92
UK	-10.00	0.07	1.08	-3.20	1.20	2.35	5.00	2.41	2.74
Norway	-3.53	-1.04	2.19	-0.95	0.38	1.83	2.05	5.26	3.71
Finland	-4.07	0.92	1.16	-1.02	1.92	2.12	0.75	2.90	2.80
Eurozone	2.95	2.35	2.00	2.40	2.00	2.00	2.10	1.70	2.03

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2 as at 31 December 2022, which arises if a probability of 100% is assigned to the negative and positive scenarios, respectively.

2022	Percentage increase of provision in negative scenario	Percentage decrease of provision in positive scenario
Total	9.65	-6.13
Sweden	10.52	-6.53
Norway	5.72	-4.88
Finland	6.11	-4.12



NOTES

NOTE 8 Cont.

**SENSITIVITY ANALYSIS 2021**

The calculation of expected credit losses pursuant to IFRS 9 applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the

calculated forecasts over three scenarios. The forecast in the normal scenario (Base case) is assigned a weighting of 70 per cent, while the two alternative scenarios, reflecting an upturn and downturn in the economy, are assigned a weighting of 15 and 15 per cent respectively.

The following table presents the maximum, minimum and average annual forecasts for some of the central risk factors by home market and scenario for the next five years.

Macroeconomic risk factors	Minimum			Average			Maximum		
	Negative	Neutral	Positive	Negative	Neutral	Positive	Negative	Neutral	Positive
<b>2021</b>									
<b>GDP growth</b>									
Sweden	4.38	-0.55	1.06	4.38	3.85	2.06	4.38	6.85	3.56
UK	6.70	-0.19	0.38	6.70	5.20	1.30	6.70	7.61	2.78
Norway	3.92	-0.28	0.06	3.92	3.85	1.06	3.92	5.80	2.56
Denmark	4.18	-1.65	0.72	4.18	2.64	1.72	4.18	5.65	3.22
Finland	3.51	-1.39	0.80	3.51	3.00	1.80	3.51	6.01	3.30
Eurozone	5.18	0.00	0.91	5.18	4.39	1.91	5.18	7.44	3.41
USA	5.52	0.04	1.57	5.52	4.22	2.57	5.52	7.66	4.17
<b>Unemployment Index</b>									
Sweden	8.81	9.88	10.41	8.81	7.56	7.16	8.81	6.58	6.36
UK	4.80	6.84	8.40	4.80	4.50	4.80	4.80	3.34	3.40
Norway	3.13	4.52	5.33	3.13	2.30	2.23	3.13	1.90	1.93
Denmark	5.10	6.52	7.46	5.10	4.19	4.06	5.10	3.42	3.36
Finland	7.78	9.24	9.90	7.78	7.00	6.50	7.78	5.94	5.70
Eurozone	7.87	10.24	10.90	7.87	7.70	7.50	7.87	6.93	6.90
USA	5.46	6.72	7.05	5.46	4.08	3.55	5.46	3.41	2.95
<b>Key rate</b>									
Sweden	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.50
UK	0.10	0.10	0.10	0.10	0.50	0.50	0.10	0.75	1.00
Norway	0.50	0.00	0.00	0.50	1.25	1.50	0.50	1.75	2.00
Denmark	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.30
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
USA	0.13	0.13	0.13	0.13	0.13	0.63	0.13	0.38	1.13
<b>Property price index, commercial properties</b>									
Sweden	11.14	-12.68	-6.97	11.14	9.10	6.30	11.14	16.99	15.62
UK	12.43	-9.95	-5.04	12.43	0.71	-0.74	12.43	5.66	1.14
Norway	2.52	-13.68	-8.53	2.52	4.07	-0.11	2.52	8.92	6.36
Denmark	6.28	-9.70	-6.55	6.28	4.69	2.62	6.28	9.28	8.81
Finland	6.04	-12.68	-5.35	6.04	7.62	5.65	6.04	14.81	13.62
Eurozone	0.71	-14.46	-6.82	0.71	4.25	3.02	0.71	9.74	10.48
USA	5.52	4.22	2.57	-2.86	1.36	-4.48	5.52	4.22	2.57
<b>Property price index, residential properties</b>									
Sweden	17.27	-4.98	0.83	17.27	5.01	1.73	17.27	11.11	2.15
UK	12.94	-6.25	-0.70	12.94	4.03	3.09	12.94	9.36	5.40
Norway	7.17	-5.30	4.44	9.97	2.99	1.48	12.47	8.35	2.82
Denmark	10.84	-3.40	-0.14	13.00	3.57	1.54	14.17	8.70	3.15
Finland	0.91	0.18	-0.29	1.42	3.50	2.50	4.71	3.80	1.83
Eurozone	-4.42	3.56	2.95	3.56	2.63	2.40	6.35	2.14	2.10

Effect on the provision in Stage 1 and Stage 2 of the alternative scenarios, as a percentage of the weighted provision.

2021	Percentage increase of provision in negative scenario	Percentage decrease of provision in positive scenario
Total	17.80	-8.52
Sweden	19.55	-9.62
Norway	13.27	-6.10
Denmark	16.13	-7.34
Finland	12.97	-5.36



NOTES

NOTE 8 Cont.

The table below shows how the provision in Stage 1 and Stage 2 is affected if the threshold applied for the ratio between the residual credit risk calculated at the time of reporting and the date of initial recognition was set 0.5 points lower or higher than the applied threshold of 2.5.

A reduction of 0.5 to the threshold value would increase the number of loans transferred from Stage 1 to Stage 2 and would also entail an increase in the provision for expected credit losses. A reduction of 0.5 to the threshold value would have the opposite effect. The company

uses both quantitative and qualitative indicators to assess significant increases in credit risk. Further information is provided in note 2 under the heading "Credit risk".

2022		2021	
Threshold value	Change in total provision for Stage 1 and Stage 2	Threshold value	Change in total provision for Stage 1 and Stage 2
2	1.85%	2	5.11%
2.5	0.00%	2.5	0.00%
3	-1.38%	3	-3.56%

Credit exposure by PD intervals

Balance sheet items broken down by PD intervals

PD value	Gross volume		
	Stage 1	Stage 2	Stage 3
0.00 to <0.15	1,358,650	22,252	-
0.15 to <0.25	15,479	1,401	-
0.25 to <0.50	147,111	5,603	-
0.50 to <0.75	1,711	761	-
0.75 to <2.50	4,239	2,210	-
2.50 to <10.00	3,330	9,653	-
10.00 to <100	170	1,163	-
100 (defaults)	-	-	1,269
<b>Total</b>	<b>1,530,690</b>	<b>43,043</b>	<b>1,269</b>

Loans to the public, breakdown by PD intervals

PD value	Gross volume		
	Stage 1	Stage 2	Stage 3
0.00 to <0.15	1,350,536	22,254	-
0.15 to <0.25	15,392	1,401	-
0.25 to <0.50	146,298	5,602	-
0.50 to <0.75	1,702	761	-
0.75 to <2.50	4,215	2,208	-
2.50 to <10.00	3,312	9,654	-
10.00 to <100	169	1,163	-
100 (defaults)	-	-	1,269
<b>Total</b>	<b>1,521,624</b>	<b>43,043</b>	<b>1,269</b>

Off-balance sheet items broken down by PD intervals

PD value	Gross volume		
	Stage 1	Stage 2	Stage 3
0.00 to <0.15	3	0	-
0.15 to <0.25	0	0	-
0.25 to <0.50	0	0	-
0.50 to <0.75	0	0	-
0.75 to <2.50	0	0	-
2.50 to <10.00	0	0	-
10.00 to <100	0	0	-
100 (defaults)	-	-	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>

Refers to 12-month PD value as at the reporting date. There was no reprocessed property at 31 December 2022 or at 31 December 2021.



NOTES

NOTE 9 Taxes

Deferred tax assets SEK m	2022	2021
Hedging instruments	996	-
Other	0	73
<b>Total</b>	<b>996</b>	<b>73</b>

Deferred tax liabilities SEK m	2022	2021
Loans to the public	115	-
Hedging instruments	-	251
<b>Total</b>	<b>115</b>	<b>251</b>
<b>Net deferred tax liabilities</b>	<b>-881</b>	<b>178</b>

2022 Change in deferred taxes	Opening balance	Recognised in income statement	Recognised in other comprehen- sive income	Closing balance
Loans to the public	-	109	6	115
Hedging instruments	251	-	-1,247	-996
Other	-73	73	-	0
<b>Total</b>	<b>178</b>	<b>182</b>	<b>-1,241</b>	<b>-881</b>

2021 Change in deferred taxes	Opening balance	Recognised in income statement	Recognised in other comprehen- sive income	Closing balance
Hedging instruments	708	-	-457	251
Other	-	-73	-	-73
<b>Total</b>	<b>708</b>	<b>-73</b>	<b>-457</b>	<b>178</b>

Tax expenses recognised in the income statement SEK m	2022	2021
Current tax		
Tax expense for the year	-2,684	-2,712
Adjustment of tax relating to prior years	16	-83
Deferred tax		
Changes in temporary differences	-182	73
<b>Total</b>	<b>-2,850</b>	<b>-2,722</b>
Tax rate	20,6%	20,6%
Tax calculated on the profit for the year, before tax	-2,655	-2,694
Difference	-195	-28
The difference is due to the tax effect for the following items		
Various non-deductible expenses	-1	-1
Different tax rates in other countries	-30	-17
Adjustment of tax relating to prior years	16	-83
Other	-180	73
<b>Total</b>	<b>-195</b>	<b>-28</b>

NOTE 10 Loans to credit institutions

SEK m	2022	2021
Loans in Swedish kronor		
Banks	2,631	9,221
<b>Total</b>		
Loans in foreign currency		
Banks	6,435	4,080
<b>Total</b>		
<b>Total loans to credit institutions</b>	<b>9,066</b>	<b>13,301</b>
of which accrued interest income	2	-

Average volumes SEK m	2022	2021
Loans to credit institutions in Swedish kronor	5,279	5,704
Loans to credit institutions in foreign currency	6,012	4,129
<b>Total</b>	<b>11,291</b>	<b>9,833</b>

NOTE 11 Loans to the public

SEK m	2022	2021
Loans in Swedish kronor		
Household	949,428	921,445
Corporate	427,240	380,399
<b>Total</b>	<b>1,376,668</b>	<b>1,301,844</b>
Loans in foreign currency		
Household	112,611	156,208
Corporate	76,757	68,048
<b>Total</b>	<b>189,368</b>	<b>224,256</b>
Provision for expected credit losses	-221	-185
<b>Total loans to the public</b>	<b>1,565,815</b>	<b>1,525,915</b>
of which accrued interest income	2,568	1,190

Average volumes SEK m	2022	2021
Loans to the public in Swedish kronor	1,335,494	1,269,048
Loans to the public in foreign currency	229,682	212,914
<b>Total</b>	<b>1,565,176</b>	<b>1,481,962</b>

NOTE 12 Shares and participating interests in Group companies

Shares and participating interests in Group companies and associated companies SEK m	2022	2021
Shares in Group companies	0	0

Group companies	Corporate identity no.	Domicile	Number of shares	Ownership share, %	Carrying amount, SEK '000	
					2022	2021
Svenska Intecknings Garanti AB Sigab	556432-7285	Stockholm	1,000	100	100	100



NOTES

NOTE 13 Derivative instruments

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	Up to 1 year	1-5 years	Over 5 years	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Options	323	41	-	364	1,061	7	1	-	-
Swaps	-	108,603	43,770	152,373	74,967	4	570	11,684	818
<b>Total</b>	<b>323</b>	<b>108,644</b>	<b>43,770</b>	<b>152,737</b>	<b>76,028</b>	<b>11</b>	<b>571</b>	<b>11,684</b>	<b>818</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	58,519	55,006	12,414	125,939	162,542	146	3,690	4,176	83
Currency-related contracts									
Swaps	20,560	48,153	35,311	104,024	93,686	7,784	2,962	234	1,527
<b>Total</b>	<b>79,079</b>	<b>103,159</b>	<b>47,725</b>	<b>229,963</b>	<b>256,228</b>	<b>7,930</b>	<b>6,652</b>	<b>4,410</b>	<b>1,610</b>
<b>Total derivatives</b>	<b>79,402</b>	<b>211,803</b>	<b>91,495</b>	<b>382,700</b>	<b>332,256</b>	<b>7,941</b>	<b>7,223</b>	<b>16,094</b>	<b>2,428</b>
<i>of which OTC derivatives not settled by CCP</i>	<i>79,402</i>	<i>211,803</i>	<i>91,495</i>	<i>382,700</i>	<i>332,256</i>	<i>7,941</i>	<i>7,223</i>	<i>16,094</i>	<i>2,428</i>

Currency breakdown of market values	Positive market values		Negative market values	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
SEK	-62,260	-44,340	6,721	25,422
USD	-	11,463	-	-
EUR	89,348	32,151	-2,143	-44,746
GBP	8,225	7,949	-	-
NOK	-27,372	-	11,516	21,752
<b>Total</b>	<b>7,941</b>	<b>7,223</b>	<b>16,094</b>	<b>2,428</b>

Derivative contracts are reported gross on the balance sheet and in the notes. Stadshypotek AB (publ) only has derivative transactions with its parent company, Svenska Handelsbanken AB (publ). No derivatives are subject to offsetting.

HEDGE ACCOUNTING

The table shows derivatives acting as hedging instruments for interest rate risk and foreign exchange risk in cash flow hedges at the respective year-end.

Risk category and type of hedge accounting 31 December 2022 SEK m	Up to 1 year	1-5 years	Over 5 years
<b>CASH FLOW HEDGE</b>			
<b>Interest rate risk</b>			
Interest rate swaps pay fixed interest and receive variable interest			
Nominal amount	17,000	750	-
Average fixed interest rate, %	0.19	1.63	-
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	41,519	54,256	12,414
Average fixed interest rate, %	1.12	0.89	1.93
<b>Foreign exchange risk</b>			
Interest rate swaps pay variable interest in SEK and receive variable interest in foreign currencies			
Currency-related derivatives EUR/SEK			
Nominal amount, SEK	12,891	32,129	12,052
Average exchange rate at time of acquisition SEK/EUR	9.490	10.248	10.778
Foreign exchange derivatives, USD/SEK			
Nominal amount, SEK	-	-	-
Average exchange rate at time of acquisition SEK/USD	-	-	-
Currency-related derivatives GBP/SEK			
Nominal amount, SEK	7,669	-	-
Average exchange rate at time of acquisition SEK/GBP	11.025	-	-
Foreign exchange derivatives, EUR/NOK			
Nominal amount, SEK	-	16,024	23,259
Average exchange rate at time of acquisition NOK/EUR	-	9.655	10.397



NOTES

NOTE 13 Cont.

The table shows derivatives acting as hedging instruments for interest rate risk and foreign exchange risk in cash flow hedges at the respective year-end.

Risk category and type of hedge accounting 31 December 2021 SEK m	Up to 1 year	1-6 years	Over 5 years
<b>CASH FLOW HEDGE</b>			
<b>Interest rate risk</b>			
Interest rate swaps pay fixed interest and receive variable interest			
Nominal amount	3,000	17,750	-
Average fixed interest rate, %	0.20	0.25	-
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	37,435	92,032	12,325
Average fixed interest rate, %	2.68	1.02	1.96
<b>Foreign exchange risk</b>			
Interest rate swaps pay variable interest in SEK and receive variable interest in foreign currencies			
<b>Currency-related derivatives EUR/SEK</b>			
Nominal amount, SEK	9,791	43,148	1,028
Average exchange rate at time of acquisition SEK/EUR	9.328	10.050	10.305
<b>Foreign exchange derivatives, USD/SEK</b>			
Nominal amount, SEK	11,208	-	-
Average exchange rate at time of acquisition SEK/USD	8.868	-	-
<b>Currency-related derivatives GBP/SEK</b>			
Nominal amount, SEK	-	7,553	-
Average exchange rate at time of acquisition SEK/GBP	-	11.025	-
<b>Foreign exchange derivatives, EUR/NOK</b>			
Nominal amount, SEK	-	-	20,958
Average exchange rate at time of acquisition NOK/EUR	-	-	10.422

The table shows amounts attributable to hedging instruments, and to ineffectiveness in hedge accounting at the respective year-end.

Risk category and type of hedge accounting 31 December 2022 SEK m	Nominal amount hedging Instruments	Carrying amount hedging Instruments		Balance sheet item in which a hedging instrument is included	Change in fair value used to calculate effectiveness for 2022	Change in the value of hedging instruments recognised in, other comprehensive income	Ineffectiveness recognised in the income statement	Income statement items which include ineffectiveness	Reclassified from the hedge reserve to the income statement	Income statement items which include the reclassification
		Assets	Liabilities							
<b>CASH FLOW HEDGE</b>										
<b>Interest rate risk</b>										
Interest rate swaps pay fixed interest and receive variable interest										
	17,750	146	-	Derivatives	163	163	-	Net gains/losses on financial transactions	-	-
Interest rate swaps receive fixed interest and pay variable interest										
	108,189	0	4,176	Derivatives	-6,524	-6,521	-3	Net gains/losses on financial transactions	-116	Net gains/losses on financial transactions
<b>Foreign exchange risk</b>										
<b>Currency-related derivatives SEK/EUR</b>										
	57,072	4,859	-	Derivatives	252	252	-	Net gains/losses on financial transactions	-	-
<b>Currency-related derivatives SEK/USD</b>										
	-	-	-	Derivatives	6	6	-	Net gains/losses on financial transactions	-	-
<b>Currency-related derivatives SEK/GBP</b>										
	7,669	1,027	-	Derivatives	18	18	-	Net gains/losses on financial transactions	-	-
<b>Foreign exchange derivatives, EUR/NOK</b>										
	39,283	1,888	234	Derivatives	148	147	1	Net gains/losses on financial transactions	-	-
<b>Total</b>	<b>229,963</b>	<b>7,930</b>	<b>4,410</b>		<b>-5,937</b>	<b>-5,935</b>	<b>-2</b>		<b>-116</b>	



NOTES

NOTE13 Cont.

The table shows amounts attributable to hedging instruments, and to ineffectiveness in hedge accounting at the respective year-end.

Risk category and type of hedge accounting	31 December 2021 SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments		Balance sheet item in which a hedging instrument is included	Change in fair value used to calculate ineffectiveness for 2021	Change in the value of hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Income statement items which include ineffectiveness	Reclassified from the hedge reserve to the income statement	Income statement items which include the reclassification
			Assets	Liabilities							
<b>CASH FLOW HEDGE</b>											
<b>Interest rate risk</b>											
Interest rate swaps pay fixed interest and receive variable interest	20,750		1	79	Derivatives	94	84	0	Net gains/losses on financial transactions		
Interest rate swaps receive fixed interest and pay variable interest	141,782	3,689		4	Derivatives	-2,332	-2,332	0	Net gains/losses on financial transactions	-116	Net gains/losses on financial transactions
<b>Foreign exchange risk</b>											
Currency-related derivatives SEK/EUR	53,967	1,957		589	Derivatives	158	158	-	Net gains/losses on financial transactions		
Currency-related derivatives SEK/USD	11,208	247		-	Derivatives	3	3	-	Net gains/losses on financial transactions		
Currency-related derivatives SEK/GBP	7,553	758		-	Derivatives	-8	-8	-	Net gains/losses on financial transactions		
Foreign exchange derivatives, EUR/NOK	20,958	-		938	Derivatives	-15	-15	-	Net gains/losses on financial transactions		
<b>Total</b>	<b>258,228</b>	<b>6,652</b>	<b>1,610</b>			<b>-2,100</b>	<b>-2,100</b>	<b>0</b>		<b>-116</b>	

The tables show hedged items at the respective year-end.

Risk category and type of hedge accounting	31 December 2022 SEK m	Change in fair value used to calculate ineffectiveness	Of which amounts remaining in the hedge reserve from hedges where hedge accounting is no longer applied.	
			Hedge reserve	
<b>CASH FLOW HEDGE</b>				
<b>Interest rate risk</b>				
Issued variable-interest securities		6,521	-4,944	554
Variable-interest loans to the public		-163	115	-
<b>Foreign exchange risk</b>				
Issued securities at fixed interest rate in EUR		-252	-129	-
Issued securities at variable interest rate in GBP		-18	-2	-
Issued securities at fixed interest rate in USD		-6	-	-
Issued securities at fixed interest rate in NOK		-147	126	-
<b>Total</b>		<b>5,935</b>	<b>-4,834</b>	<b>554</b>

Risk category and type of hedge accounting	31 December 2021 SEK m	Change in fair value used to calculate ineffectiveness	Of which amounts remaining in the hedge reserve from hedges where hedge accounting is no longer applied.	
			Hedge reserve	
<b>CASH FLOW HEDGE</b>				
<b>Interest rate risk</b>				
Issued securities at fixed interest rate		2,332	1,691	669
Loans to the public at fixed interest rate		-94	-47	-
<b>Foreign exchange risk</b>				
Issued securities at fixed interest rate in EUR		-158	-380	-
Issued securities at variable interest rate in GBP		8	-20	-
Issued securities at fixed interest rate in USD		-3	-6	-
Issued securities at fixed interest rate in NOK		15	-21	-
<b>Total</b>		<b>2,100</b>	<b>1,217</b>	<b>669</b>



NOTES

NOTE 13 Cont.

The table shows derivatives acting as hedging instrument for interest rate risk in fair value hedges at the respective year-end.

Risk category and type of hedge accounting	Up to 1 year	1-5 years	Over 5 years
31 December 2022 SEK m			
<b>Fair value hedges</b>			
<b>Interest rate risk</b>			
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	-	108,603	43,770
Average fixed interest rate, %	-	1.63	0.93

Risk category and type of hedge accounting	Up to 1 year	1-5 years	Over 5 years
31 December 2021 SEK m			
<b>Fair value hedges</b>			
<b>Interest rate risk</b>			
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	-	33,455	41,512
Average fixed interest rate, %	-	0.25	0.39

The table shows amounts attributable to hedging instruments, and to ineffectiveness in hedge accounting at the respective year-end.

Risk category and type of hedge accounting	Carrying amount hedging instruments			Balance sheet item in which a hedging instrument is included	Change in fair value used to calculate ineffectiveness for 2022	Change in value of hedging instruments recognised in the income statement	Ineffectiveness recognised in the income statement	Income statement items which include ineffectiveness
	Nominal amount hedging instruments	Assets	Liabilities					
31 December 2022 SEK m								
<b>FAIR VALUE HEDGES</b>								
<b>Interest rate risk</b>								
Interest rate swaps receive fixed interest and pay variable interest	152,373	4	11,684	Derivatives	-11,494	11,423	-71	Net gains/losses on financial transactions
<b>Total</b>	<b>152,373</b>	<b>4</b>	<b>11,684</b>		<b>-11,494</b>	<b>11,423</b>	<b>-71</b>	
<b>FAIR VALUE PORTFOLIO HEDGES</b>								
<b>Interest rate risk</b>								
Interest rate options (cap)	364	7	-	Derivatives	9	-9	0	Net gains/losses on financial transactions
<b>Total</b>	<b>364</b>	<b>7</b>	<b>-</b>		<b>9</b>	<b>-9</b>	<b>0</b>	

Risk category and type of hedge accounting	Carrying amount hedging instruments			Balance sheet item in which a hedging instrument is included	Change in fair value used to calculate ineffectiveness for 2021	Change in value of hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Income statement items which include ineffectiveness
	Nominal amount hedging instruments	Assets	Liabilities					
31 December 2021 SEK m								
<b>FAIR VALUE HEDGES</b>								
<b>Interest rate risk</b>								
Interest rate swaps receive fixed interest and pay variable interest	74,967	570	818	Derivatives	-1,568	1,546	-22	Net gains/losses on financial transactions
<b>Total</b>	<b>74,967</b>	<b>570</b>	<b>818</b>		<b>-1,568</b>	<b>1,546</b>	<b>-22</b>	
<b>FAIR VALUE PORTFOLIO HEDGES</b>								
<b>Interest rate risk</b>								
Interest rate options (cap)	1,061	1	-	Derivatives	8	-8	0	Net gains/losses on financial transactions
<b>Total</b>	<b>1,061</b>	<b>1</b>	<b>-</b>		<b>8</b>	<b>-8</b>	<b>0</b>	



NOTES

NOTE 13 Cont.

The below tables show hedged items at the respective year-end.

Risk category and type of hedge accounting	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item		Balance sheet item in which the hedged item is included	Change in value used to calculate ineffectiveness for 2021	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value	Balance sheet item in which the accrued amount is included
	Assets	Liabilities	Assets	Liabilities				
31 December 2022 SEK m								
<b>FAIR VALUE HEDGES</b>								
Interest rate risk	-	139,462	-	-12,428	Issued securities	11,423	19	Issued securities
<b>Total</b>		139,462		-12,428		11,423	19	
<b>FAIR VALUE PORTFOLIO HEDGES</b>								
Interest rate risk	352				Loans to the public			
					Value change of interest-hedged item in portfolio hedge			
Interest rate risk	-6	-	-6	-		-9	-	-
<b>Total</b>	346	-	-6	-		-9	-	-

Risk category and type of hedge accounting	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item		Balance sheet item in which the hedged item is included	Change in value used to calculate ineffectiveness for 2020	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value	Balance sheet item in which the accrued amount is included
	Assets	Liabilities	Assets	Liabilities				
31 December 2021 SEK m								
<b>FAIR VALUE HEDGES</b>								
Interest rate risk	-	76,420	-	-1,118	Issued securities	1,546	33	Issued securities
<b>Total</b>		76,420		-1,118		1,546	33	
<b>FAIR VALUE PORTFOLIO HEDGES</b>								
Interest rate risk	1,008				Loans to the public			
					Value change of interest-hedged item in portfolio hedge			
Interest rate risk	4	-	4	-		-8	-	-
<b>Total</b>	1,012	-	4	-		-8	-	-



NOTES

**NOTE 14** Offsetting of financial instruments

SEK m	2022	2021
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>		
Gross amount	7,941	7,223
Amounts set off	-	-
<b>Carrying amount on the balance sheet</b>	<b>7,941</b>	<b>7,223</b>
<b>Related amounts not offset on the balance sheet</b>		
Financial instruments, netting arrangements	-16,094	-2,428
<b>Total amounts not set off on the balance sheet</b>	<b>-16,094</b>	<b>-2,428</b>
<b>Net amount</b>	<b>-8,153</b>	<b>4,795</b>
<b>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</b>		
Gross amount	-16,094	-2,428
Amounts set off	-	-
<b>Carrying amount on the balance sheet</b>	<b>-16,094</b>	<b>-2,428</b>
<b>Related amounts not offset on the balance sheet</b>		
Financial instruments, netting arrangements	7,941	7,223
<b>Total amounts not set off on the balance sheet</b>	<b>7,941</b>	<b>7,223</b>
<b>Net amount</b>	<b>-8,153</b>	<b>4,795</b>

The above information refers to reported financial instruments that are covered by legally binding netting agreements. All financial instruments that are subject to netting agreements have been entered into with the parent company Svenska Handelsbanken AB (publ) as the counterparty. No derivatives are subject to offsetting.

**NOTE 15** Intangible assets

SEK m	2022	2021
<b>Internally developed software</b>		
Cost of acquisition at beginning of year	154	151
Cost of acquisition of additional intangible assets	30	3
Disposals and retirements	-3	-
<b>Cost of acquisition at end of year</b>	<b>181</b>	<b>154</b>
Accumulated amortisation and impairment at beginning of year	-57	-30
Disposals and retirements	3	-
Amortisation for the year according to plan	-27	-27
Impairment for the year	-	-
<b>Accumulated amortisation and impairment losses at end of year</b>	<b>-81</b>	<b>-57</b>
<b>Carrying amount</b>	<b>100</b>	<b>97</b>

**NOTE 16** Property and equipment

Equipment SEK m	2022	2021
Cost of acquisition at beginning of year	3	3
Cost of additional acquisition for the year	0	0
Disposals and retirements	-	-
<b>Cost of acquisition at end of year</b>	<b>3</b>	<b>3</b>
Accumulated depreciation and impairment at beginning of year	-3	-3
Disposals and retirements	-	-
Depreciation for the year according to plan	0	0
Impairment for the year	-	-
<b>Accumulated depreciation and impairment losses at end of year</b>	<b>-3</b>	<b>-3</b>
<b>Carrying amount</b>	<b>0</b>	<b>0</b>

The cost of acquisition for tangible non-current assets depreciated in full in 2022 totalled SEK 3 million (3).

**NOTE 17** Other assets

SEK m	2022	2021
Claims on investment banking settlements	-	-
Accounts receivable	344	33
Other	85	115
<b>Total</b>	<b>429</b>	<b>148</b>

**NOTE 18** Prepaid expenses and accrued income

SEK m	2022	2021
Accrued income	65	52
Prepaid expenses	1	3
<b>Total</b>	<b>66</b>	<b>55</b>



NOTES

**NOTE 19** Due to credit institutions

SEK m	2022	2021
Due in Swedish kronor		
Banks	706,179	667,356
<b>Total</b>	<b>706,179</b>	<b>667,356</b>
Due in foreign currency		
Banks	126,399	155,760
<b>Total</b>	<b>126,399</b>	<b>155,760</b>
<b>Total due to credit institutions</b>	<b>832,578</b>	<b>823,116</b>
<i>of which accrued interest expenses</i>	<i>3,093</i>	<i>809</i>
<b>Average volumes</b>		
SEK m	2022	2021
Due to credit institutions in Swedish kronor	688,251	649,806
Due to credit institutions in foreign currency	165,179	154,705
<b>Total</b>	<b>853,430</b>	<b>804,511</b>

**NOTE 20** Issued securities

SEK m	2022		2021	
	Carrying amount	Nominal amount	Carrying amount	Nominal amount
Bonds <sup>1</sup>				
Bonds in Swedish kronor	544,294	544,428	511,128	497,823
Bonds in foreign currency	126,705	133,262	141,479	140,835
<b>Total</b>	<b>670,999</b>	<b>677,690</b>	<b>652,607</b>	<b>638,758</b>
<i>of which accrued interest expenses</i>	<i>3,430</i>		<i>3,424</i>	
<b>Change analysis</b>				
SEK m	2022	2021		
Issued securities at beginning of year	652,607	622,083		
Issued	147,639	157,159		
Repurchased	-41,633	-51,594		
Matured	-86,288	-75,769		
Foreign exchange effects, etc.	-1,328	728		
<b>Issued securities at end of year</b>	<b>670,999</b>	<b>652,607</b>		
<b>Average volumes</b>				
SEK m	2022	2021		
Swedish kronor	534,038	487,439		
Foreign currency	130,267	142,835		
<b>Total</b>	<b>664,305</b>	<b>630,274</b>		

<sup>1</sup>For a list of bonds, see page 85.

**NOTE 21** Other liabilities

SEK m	2022	2021
Liabilities on investment banking settlements	-	-
Group contributions provided	10,000	11,000
Other	92	69
<b>Total</b>	<b>10,092</b>	<b>11,069</b>

**NOTE 22** Accrued expenses and deferred income

SEK m	2022	2021
Accrued expenses	14	9
Deferred income	16	13
<b>Total</b>	<b>30</b>	<b>22</b>

**NOTE 23** Pledged assets and commitments

Assets pledged for own debt	2022	2021
SEK m		
Liquid funds deposited at banks	100	5,000
<i>of which pledged for covered bonds</i>	<i>100</i>	<i>5,000</i>
Loans to the public <sup>1</sup>	728,662	692,211
<i>of which pledged for covered bonds</i>	<i>728,662</i>	<i>692,211</i>
<b>Total</b>	<b>728,762</b>	<b>697,211</b>

<sup>1</sup> The cover pool comprises loans against mortgages in single-family housing, multi-family dwellings and housing co-operative apartments with a loan-to-value ratio of up to 75% of the market value, as well as public credits plus additional collateral in the form of cash funds deposited at banks. 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 cover pool fulfil 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.

Commitments	2022	2021
SEK m		
Credit commitments	1,902	1,302
Repurchase agreement	4,916	8,077
Issued interest rate options, nominal value	351	1,007
Future lease payments	33	30
<b>Total</b>	<b>7,202</b>	<b>10,416</b>



## NOTE 24 Related party disclosures

Related parties – claims and liabilities SEK m	2022	2021
Loans to credit institutions	9,066	13,301
Derivative instruments	7,941	7,223
Other assets	84	80
<b>Total</b>	<b>17,091</b>	<b>20,604</b>
Due to credit institutions	832,578	823,116
Issued securities	29,098	14,003
Derivative instruments	16,094	2,428
Other liabilities	10,055	11,040
<b>Total</b>	<b>887,825</b>	<b>850,587</b>
Commitments	4,916	8,077
Derivatives, nominal amounts	382,700	332,256

Related parties – income and expenses SEK m	2022	2021
Interest income	314	216
Interest expenses <sup>1</sup>	-7,271	-1,763
Fee and commission income	3	3
Fee and commission expenses	-8	-10
Other income	5	6
Other administrative expenses	-1,825	-1,721
<b>Total</b>	<b>-8,782</b>	<b>-3,269</b>

<sup>1</sup> Interest expenses from derivative instruments related to Stadshypotek's funding may have both a positive and a negative impact on interest income and interest expenses.

The business operations of Stadshypotek are highly decentralised. The basic principle is that organisation and working methods are determined by Handelsbanken's branches, 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 the respective countries. Stadshypotek's funding needs are managed by Handelsbanken's Treasury Department. The services performed by Handelsbanken 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 purchased by Stadshypotek from the parent company, which are included in other administrative expenses, consist primarily of sales compensation, IT services and the treasury function. Stadshypotek's branches outside Sweden make payments to Handelsbanken's branches in the respective countries for services rendered by them on behalf of Stadshypotek. In addition, inter-company transactions consist of funding from the parent company, derivative transactions and lending to the parent company.

Pension premiums paid to Pensionskassan SHB Försäkringsförening are reported in note 6. Note 6 also contains information about loans granted to executive officers as well as disclosures relating to the terms and conditions of executive officers and other remuneration.

All amounts stated in the tables above refer to transactions with the parent company.



NOTES

**NOTE 25** Segment reporting

Segment reporting should reflect how the company's management monitors the business operations, which in the case of Stadshypotek corresponds to the geographical organisational structure.

For definitions of key figures, see pages 86 and 87.

Income statement 2022						
SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
Net interest income	13,058	852	512	557	-	14,979
Net fee and commission income	-47	0	-	8	-	-39
Net gains/losses on financial transactions	6	-21	-	1	-	-12
Other income	40	-	1,150	-	-	1,190
<b>Total income</b>	<b>13,059</b>	<b>831</b>	<b>1,662</b>	<b>566</b>	<b>-</b>	<b>16,118</b>
General administrative expenses						
Staff costs	-75	-	-1	-	-	-76
Other administrative expenses	-1,767	-101	-26	-38	-	-1,932
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-27	-	-	-	-	-27
<b>Total expenses before credit losses</b>	<b>-1,869</b>	<b>-101</b>	<b>-27</b>	<b>-38</b>	<b>-</b>	<b>-2,035</b>
<b>Profit before credit losses</b>	<b>11,190</b>	<b>730</b>	<b>1,635</b>	<b>528</b>	<b>-</b>	<b>14,083</b>
Net credit losses	-41	-2	-15	-5	-	-63
Risk tax and resolution fee	-1,022	-55	-25	-31	-	-1,133
<b>Operating profit</b>	<b>10,127</b>	<b>673</b>	<b>1,595</b>	<b>492</b>	<b>-</b>	<b>12,887</b>
<b>Profit before taxes</b>	<b>10,127</b>	<b>673</b>	<b>1,595</b>	<b>492</b>	<b>-</b>	<b>12,887</b>

Key figures 2022					
	Sweden	Norway	Denmark	Finland	Stadshypotek AB
Return on total assets, %	0.56	0.41	2.52	0.47	0.63
Net interest margin, %	0.92	0.67	1.04	0.93	0.94
C/I ratio before credit losses, %	14.3	12.1	1.7	6.8	12.6
C/I ratio after credit losses, %	14.6	12.4	2.5	7.7	13.0
Credit loss ratio, %	0.00	0.00	0.03	0.01	0.00

Balance sheet						
31 December 2022						
SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
<b>Loans to the public, Household</b>						
Gross lending, Household	949,427	93,521	-	19,091	-	1,062,039
Expected credit losses, Household	-145	-9	-	-15	-	-169
<b>Total loans to the public, Household</b>	<b>949,282</b>	<b>93,512</b>	<b>-</b>	<b>19,076</b>	<b>-</b>	<b>1,061,870</b>
<b>Loans to the public, Corporate</b>						
Gross lending, Corporate	427,240	33,754	-	43,003	-	503,997
Expected credit losses, Corporate	-44	-2	-	-6	-	-52
<b>Total loans to the public, Corporate</b>	<b>427,196</b>	<b>33,752</b>	<b>-</b>	<b>42,997</b>	<b>-</b>	<b>503,945</b>
<b>Total loans to the public</b>	<b>1,376,478</b>	<b>127,264</b>	<b>-</b>	<b>62,073</b>	<b>-</b>	<b>1,565,815</b>
<i>Average loans to the public for the period Jan-Dec 2022</i>	<i>1,335,494</i>	<i>123,008</i>	<i>47,185</i>	<i>59,489</i>	<i>-</i>	<i>1,565,176</i>
<b>Total assets</b>	<b>1,453,289</b>	<b>131,634</b>	<b>731</b>	<b>63,575</b>	<b>-64,606</b>	<b>1,584,623</b>
<i>Average total assets for the period Jan-Dec 2022</i>	<i>1,414,954</i>	<i>126,441</i>	<i>49,286</i>	<i>60,002</i>	<i>-65,382</i>	<i>1,585,301</i>



## NOTES

### NOTE 25 Cont.

Income statement 2021						
SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
Net interest income	13,418	1,130	526	581	-	15,655
Net fee and commission income	-37	0	-	9	-	-28
Net gains/losses on financial transactions	79	6	-	3	-	88
Other income	2	-	-	-	-	-2
<b>Total income</b>	<b>13,462</b>	<b>1,136</b>	<b>526</b>	<b>593</b>	<b>-</b>	<b>15,717</b>
<b>General administrative expenses</b>						
Staff costs	-99	-	-1	-	-	-100
Other administrative expenses	-1,647	-91	-36	-36	-	-1,810
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-27	-	-	-	-	-27
<b>Total expenses before credit losses</b>	<b>-1,773</b>	<b>-91</b>	<b>-37</b>	<b>-36</b>	<b>-</b>	<b>-1,937</b>
<b>Profit before credit losses</b>	<b>11,689</b>	<b>1,045</b>	<b>489</b>	<b>557</b>	<b>-</b>	<b>13,780</b>
Net credit losses	3	0	1	0	-	4
Risk tax and resolution fee	-605	-50	-25	-27	-	-707
<b>Operating profit</b>	<b>11,087</b>	<b>995</b>	<b>465</b>	<b>530</b>	<b>-</b>	<b>13,077</b>
<b>Profit before taxes</b>	<b>11,087</b>	<b>995</b>	<b>465</b>	<b>530</b>	<b>-</b>	<b>13,077</b>

### Key figures 2021

	Sweden	Norway	Denmark	Finland	Stadshypotek AB
Return on total assets, %	0.65	0.71	0.71	0.76	0.69
Net interest margin, %	1.00	1.03	1.03	1.04	1.04
C/I ratio before credit losses, %	13.2	8.0	7.0	6.1	12.3
C/I ratio after credit losses, %	13.1	8.0	6.7	6.1	12.3
Credit loss ratio, %	0.00	0.00	0.00	0.00	0.00

### Balance sheet

31 December 2021						
SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
<b>Loans to the public, Household</b>						
Gross lending, Household	921,445	86,703	50,455	19,050	-	1,077,653
Expected credit losses, Household	-85	-6	-28	-11	-	-130
<b>Total loans to the public, Household</b>	<b>921,360</b>	<b>86,697</b>	<b>50,427</b>	<b>19,039</b>	<b>-</b>	<b>1,077,523</b>
<b>Loans to the public, Corporate</b>						
Gross lending, Corporate	380,399	29,233	-	38,615	-	448,447
Expected credit losses, Corporate	-47	-3	-	-5	-	-55
<b>Total loans to the public, Corporate</b>	<b>380,352</b>	<b>29,230</b>	<b>-</b>	<b>38,610</b>	<b>-</b>	<b>448,392</b>
<b>Total loans to the public</b>	<b>1,301,712</b>	<b>115,927</b>	<b>50,427</b>	<b>57,649</b>	<b>-</b>	<b>1,525,915</b>
<i>Average loans to the public for the period Jan-Dec 2021</i>	<i>1,269,048</i>	<i>107,548</i>	<i>49,435</i>	<i>55,931</i>	<i>-</i>	<i>1,481,962</i>
<b>Total assets</b>	<b>1,387,212</b>	<b>117,489</b>	<b>52,505</b>	<b>58,121</b>	<b>-67,984</b>	<b>1,547,343</b>
<i>Average total assets for the period Jan-Dec 2021</i>	<i>1,345,309</i>	<i>110,007</i>	<i>50,973</i>	<i>56,085</i>	<i>-57,782</i>	<i>1,504,592</i>



## NOTES

### NOTE 26 Assets and liabilities by currency

The company's view of foreign exchange risk is shown in note 2.

The total value in Swedish kronor of the company's assets and liabilities broken down by currency is specified in the following table.

31 December 2022 SEK m	SEK	DKK	EUR	GBP	NOK	USD	Total
<b>Assets</b>							
Loans to credit institutions	2,631	445	1,467	0	4,523	0	9,066
Loans to the public	1,376,478	-	62,073	-	127,264	-	1,565,815
of which corporate	427,196	-	42,997	-	33,752	-	503,945
of which households	949,282	-	19,076	-	93,512	-	1,061,870
Derivatives	-62,260	-	89,348	8,225	-27,372	-	7,941
Other assets	1,473	286	41	-	1	-	1,801
<b>Total assets</b>	<b>1,318,322</b>	<b>731</b>	<b>152,929</b>	<b>8,225</b>	<b>104,416</b>	<b>0</b>	<b>1,584,623</b>
<b>Liabilities</b>							
Due to credit institutions	706,179	-	61,866	-	64,533	-	832,578
Issued securities	544,294	-	92,866	8,227	25,612	-	670,999
Derivatives	6,721	-	-2,143	-	11,516	-	16,094
Other liabilities	9,572	368	118	-	149	-	10,207
Accrued expenses and deferred income	30	0	0	-	0	-	30
<b>Total liabilities</b>	<b>1,266,796</b>	<b>368</b>	<b>152,707</b>	<b>8,227</b>	<b>101,810</b>	<b>-</b>	<b>1,529,908</b>
<b>Net foreign currency position</b>	<b>51,526</b>	<b>363</b>	<b>222</b>	<b>-2</b>	<b>2,606</b>	<b>0</b>	<b>54,715</b>
of which retained earnings and international branch profits for the year	-	363	1,592	-	2,862	-	4,817

31 December 2021 SEK m	SEK	DKK	EUR	GBP	NOK	USD	Total
<b>Assets</b>							
Loans to credit institutions	9,221	2,072	252	0	1,756	0	13,301
Loans to the public	1,301,712	50,427	57,849	-	115,927	-	1,525,915
of which corporate	380,352	-	38,810	-	29,230	-	448,392
of which households	921,360	50,427	19,039	-	86,697	-	1,077,523
Derivatives	-44,340	-	32,151	7,949	-	11,463	7,223
Other assets	877	6	20	-	1	-	904
<b>Total assets</b>	<b>1,267,470</b>	<b>52,505</b>	<b>90,272</b>	<b>7,949</b>	<b>117,684</b>	<b>11,463</b>	<b>1,547,343</b>
<b>Liabilities</b>							
Due to credit institutions	667,356	51,491	40,502	-	63,767	-	823,116
Issued securities	511,128	-	92,138	7,943	30,002	11,396	652,607
Derivatives	25,422	-	-44,746	-	21,752	-	2,428
Other liabilities	11,317	-	3	-	-	-	11,320
Accrued expenses and deferred income	22	-	0	-	0	-	22
<b>Total liabilities</b>	<b>1,215,245</b>	<b>51,491</b>	<b>87,897</b>	<b>7,943</b>	<b>115,521</b>	<b>11,396</b>	<b>1,489,493</b>
<b>Net foreign currency position</b>	<b>52,225</b>	<b>1,014</b>	<b>2,375</b>	<b>6</b>	<b>2,163</b>	<b>67</b>	<b>57,850</b>
of which retained earnings and international branch profits for the year	-	911	1,192	-	2,264	-	4,367

The net foreign currency positions reported in the table are due to differences in valuation principles between lending and funding at amortised cost and derivatives at fair value. Stadshypotek's risk management strategy means that inflows and outflows in foreign currency are matched.



NOTES

**NOTE 27** Classification of financial assets and liabilities

31 December 2022 SEK m	Fair value through profit or loss					Fair value
	Mandatory	Fair value option	Derivatives identified as hedging instruments	Amortised cost	Total carrying amount	
<b>Assets</b>						
Loans to credit institutions				9,066	9,066	9,066
Loans to the public				1,565,815	1,565,815	1,537,157
Value change of interest-hedged item in portfolio hedge	-6				-6	-6
Derivative instruments			7,941		7,941	7,941
Other assets	6			489	495	495
<b>Total</b>	<b>0</b>	<b>-</b>	<b>7,941</b>	<b>1,575,370</b>	<b>1,583,311</b>	<b>1,554,653</b>
Shares and participating interests in Group companies and associated companies					0	
Non-financial assets					1,312	
<b>Total assets</b>					<b>1,584,623</b>	
<b>Liabilities</b>						
Due to credit institutions				832,578	832,578	796,255
Issued securities				670,999	670,999	628,724
Derivative instruments			16,094		16,094	16,094
Other liabilities		6		10,116	10,122	10,122
<b>Total</b>	<b>-</b>	<b>6</b>	<b>16,094</b>	<b>1,513,693</b>	<b>1,529,793</b>	<b>1,451,195</b>
Non-financial liabilities					115	
<b>Total liabilities</b>					<b>1,529,908</b>	

31 December 2021 SEK m	Fair value through profit or loss					Fair value
	Mandatory	Fair value option	Derivatives identified as hedging instruments	Amortised cost	Total carrying amount	
<b>Assets</b>						
Loans to credit institutions				13,301	13,301	13,301
Loans to the public				1,525,915	1,525,915	1,527,055
Value change of interest-hedged item in portfolio hedge	4				4	4
Derivative instruments			7,223		7,223	7,223
Other assets	8			195	203	203
<b>Total</b>	<b>12</b>	<b>-</b>	<b>7,223</b>	<b>1,539,411</b>	<b>1,548,846</b>	<b>1,547,788</b>
Shares and participating interests in Group companies and associated companies					0	
Non-financial assets					697	
<b>Total assets</b>					<b>1,547,343</b>	
<b>Liabilities</b>						
Due to credit institutions				823,116	823,116	822,815
Issued securities				652,607	652,607	654,256
Derivative instruments			2,428		2,428	2,428
Other liabilities		8		11,083	11,091	11,091
<b>Total</b>	<b>-</b>	<b>8</b>	<b>2,428</b>	<b>1,486,806</b>	<b>1,489,242</b>	<b>1,490,590</b>
Non-financial liabilities					251	
<b>Total liabilities</b>					<b>1,489,493</b>	

A description of the principles applied for measurement at fair value is given in note 1.



NOTES

**NOTE 28** Fair value measurement of financial instruments

Financial instruments reported at fair value 31 December 2022 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Value change of interest-hedged item in portfolio hedge			-6	-6
Derivative instruments		7,941		7,941
Other assets	6			6
<b>Total</b>	<b>6</b>	<b>7,941</b>	<b>-6</b>	<b>7,941</b>
<b>Liabilities</b>				
Derivative instruments		16,094		16,094
Other liabilities		6		6
<b>Total</b>	<b>-</b>	<b>16,100</b>	<b>-</b>	<b>16,100</b>

Financial instruments reported at fair value 31 December 2021 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Value change of interest-hedged item in portfolio hedge			4	4
Derivative instruments		7,223		7,223
Other assets	8			8
<b>Total</b>	<b>8</b>	<b>7,223</b>	<b>4</b>	<b>7,235</b>
<b>Liabilities</b>				
Derivative instruments		2,428		2,428
Other liabilities		8		8
<b>Total</b>	<b>-</b>	<b>2,436</b>	<b>-</b>	<b>2,436</b>

Changes in the holdings of financial instruments reported at fair value in level 3 SEK m	31 Dec 2022	31 Dec 2021
Value change of interest-hedged item in portfolio hedge		
Carrying amount at beginning of year		4
Acquisitions		0
Matured		0
Unrealised value change in income statement		-10
Carrying amount at end of period	-6	4

Fair value of financial instruments measured at amortised cost 31 December 2022 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Loans to credit institutions		9,066		9,066
Loans to the public			1,537,157	1,537,157
Other assets			489	489
<b>Total</b>	<b>-</b>	<b>9,066</b>	<b>1,537,646</b>	<b>1,546,712</b>
<b>Liabilities</b>				
Due to credit institutions		796,255		796,255
Issued securities	568,243	60,481		628,724
Other liabilities			10,116	10,116
<b>Total</b>	<b>568,243</b>	<b>856,736</b>	<b>10,116</b>	<b>1,435,095</b>

Fair value of financial instruments measured at amortised cost 31 December 2021 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Loans to credit institutions		13,301		13,301
Loans to the public			1,527,055	1,527,055
Other assets			195	195
<b>Total</b>	<b>-</b>	<b>13,301</b>	<b>1,527,250</b>	<b>1,540,551</b>
<b>Liabilities</b>				
Due to credit institutions		822,815		822,815
Issued securities	585,556	68,700		654,256
Other liabilities			11,083	11,083
<b>Total</b>	<b>585,556</b>	<b>891,515</b>	<b>11,083</b>	<b>1,488,154</b>



NOTE 28 Cont.

**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 and revised valuation models are always validated before they come into use.

Stadshypotek is also subject to the Handelsbanken Group's guidelines and instructions for valuation of financial instruments. Valuation matters which are of principle importance 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 valuation 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, and where the price information received can easily be 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 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 essentially based on market data are categorised as level 2. Level 2 mainly includes interest-related and currency-related derivatives. Financial instruments which have been valued using valuation models essentially based on input data that is not possible to verify using external market information are categorised as level 3. Level 3 includes Value change of interest-hedged item in portfolio hedge.

**PRINCIPLES FOR INFORMATION ABOUT THE FAIR VALUES OF FINANCIAL INSTRUMENTS CARRIED AT COST OR AMORTISED COST**

More information about the fair values of financial instruments carried at cost or amortised cost is given in the table. These instruments essentially comprise lending and funding.

**Lending**

Calculating fair value for lending purposes is based on the current market rate with an adjustment for assumed credit and liquidity risk premiums on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement.

**Funding and deposits**

Issued securities have been valued at the current market price where this was available. Funding where market price information has not been found has been valued using a valuation model based on market data in the form of prices or interest rates for similar instruments.

**Other interest-bearing financial assets and liabilities**

For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Short-term receivables and liabilities also include those with a maturity date or date for the next interest rate fixing falling within 30 days. Financial receivables and liabilities with a life of more than three months are discounted at the time the fair value is established.

Note 13 also reports the fair value of financial instruments reported at cost or amortised cost, categorised according to their respective valuation hierarchy.



NOTES

**NOTE 29** Disclosures on assets and liabilities held for sale and discontinued operations

Assets and liabilities in Stadshypotek's operations in Finland constitute assets and liabilities held for sale and are classed as disposal groups in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. The operations in Denmark were divested during Q4 2022. The operations in Denmark and Finland constitute discontinued operations. For a description of the accounting policies, see note 1.

- The disposal group and discontinued operations in Denmark are comprised of Handelsbanken Kredit (Stadshypotek AB (publ) Denmark branch).
- The disposal group and discontinued operations in Finland are comprised of Stadshypotek AB (publ), branch operations in Finland (Handelsbanken Asuntoluottopankki).

Assets and liabilities held for sale

Denmark SEK m	31 Dec 2022	31 Dec 2021	Finland SEK m	31 Dec 2022	31 Dec 2021
<b>Assets</b>			<b>Assets</b>		
Loans to the public	-	50,427	Loans to the public	62,073	57,849
Other assets	286	-	Other assets	24	-
Prepaid expenses and accrued income	-	-	Prepaid expenses and accrued income	-	-
<b>Total</b>	<b>286</b>	<b>50,427</b>	<b>Total</b>	<b>62,097</b>	<b>57,849</b>
<b>Liabilities</b>			<b>Liabilities</b>		
Current tax liabilities	368	103	Current tax liabilities	-	29
Other liabilities	-	0	Deferred tax liabilities	115	-
Accrued expenses and deferred income	0	0	Other liabilities	1	0
<b>Total</b>	<b>368</b>	<b>103</b>	Accrued expenses and deferred income	0	0
			<b>Total</b>	<b>116</b>	<b>29</b>
			<b>Total assets held for sale</b>	<b>62,383</b>	<b>108,276</b>
			<b>Total liabilities held for sale</b>	<b>484</b>	<b>132</b>



NOTES

NOTE 29 Cont.

Discontinued operations

Denmark SEK m	Full year 2022	Full year 2021
Net interest income	575	535
Net fee and commission income	-	-
Net gains/losses on financial transactions	-	-
Other income	-	-
<b>Total income</b>	<b>575</b>	<b>535</b>
Staff costs	-1	-1
Other expenses	-1	-1
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-	-
<b>Total expenses</b>	<b>-2</b>	<b>-2</b>
Net credit losses	-14	2
Risk tax and resolution fee	-25	-25
<b>Profit from discontinued operations, before taxes</b>	<b>534</b>	<b>510</b>
Net gains/losses on sale of disposal groups constituting discontinued operations, before taxes <sup>1</sup>	1,189	-
<b>Total profit for the year attributable to discontinued operations, before taxes</b>	<b>1,723</b>	<b>510</b>

<sup>1</sup> Other income in the income statement amounts to SEK 1,190 million, of which SEK 1,189 million constitutes net gains/losses.

Finland SEK m	Full year 2022	Full year 2021
Net interest income	660	461
Net fee and commission income	6	6
Net gains/losses on financial transactions	1	3
Other income	-	-
<b>Total income</b>	<b>667</b>	<b>470</b>
Staff costs	-	-
Other expenses	-1	-1
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-	-
<b>Total expenses</b>	<b>-1</b>	<b>-1</b>
Net credit losses	-5	0
Risk tax and resolution fee	-30	-27
<b>Profit from discontinued operations, before taxes</b>	<b>631</b>	<b>442</b>
Net gains/losses on sale of disposal groups constituting discontinued operations, before taxes	-	-
<b>Total profit for the year attributable to discontinued operations, before taxes</b>	<b>631</b>	<b>442</b>

Cash flow statement, discontinued operations

Denmark SEK m	Full year 2022	Full year 2021
Cash flow from operating activities	1,722	-553
Cash flow from investing activities	52,128	-
Cash flow from financing activities	-	-
<b>Cash flow for the year from discontinued operations</b>	<b>53,850</b>	<b>-553</b>

Finland SEK m	2022	2021
Cash flow from operating activities	1,190	-2,573
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
<b>Cash flow for the year from discontinued operations</b>	<b>1,190</b>	<b>-2,573</b>

## NOTES

### NOTE 30 Capital adequacy

#### CAPITAL POLICY

Stadshypotek aims to maintain a satisfactory capital level which reflects the risk inherent in the company's operations and which exceeds the minimum statutory requirements. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

#### STATUTORY CAPITAL REQUIREMENT

According to the capital adequacy regulations, regulation no. 575/2013 EU (CRR), which came into force in the EU on 1 January 2014 and directive 2013/36/EU which was implemented in Sweden on 2 August 2014, Stadshypotek must have common equity tier 1 capital, tier 1 capital and total own funds which at least correspond to the individual requirements relative to the total risk-weighted exposure amount for credit risks, market risks and operational risks. In addition to maintaining capital according to the minimum requirement, Stadshypotek must hold common equity tier 1 capital to fulfil the requirement for a capital conservation buffer and a countercyclical capital buffer in line with the levels decided by the Swedish Financial Supervisory Authority.

The company must also perform an internal capital adequacy assessment. Stadshypotek's capital policy – most recently adopted by the Board in 2022 – states the guidelines for the internal capital adequacy assessment. Since 1 February 2016, the resolution authority, which is the National Debt Office in Sweden, must also establish a minimum requirement for own funds and eligible liabilities (MREL) for the Handelsbanken Group and also for Stadshypotek. In December 2022, the Swedish National Debt Office established a minimum requirement for Stadshypotek amounting to 3.84 per cent of total liabilities and own funds. In 2022, Stadshypotek met all the statutory minimum and buffer levels. Since 2018, Stadshypotek has been permitted to exclude structural hedges when calculating the capital requirement for foreign exchange risk in accordance with Article 352.2 of the Capital Requirements Regulation.

#### DESCRIPTION OF OWN FUNDS

Own funds consist of tier 1 capital and tier 2 capital. Tier 1 capital is divided into common equity tier 1 capital and other tier 1 capital. Common equity tier 1 capital mainly comprises equity and has been affected by the Board's proposal for appropriation of profits. Deductions for intangible assets are made from the common equity tier 1 capital.

A neutrality adjustment is made for the effect of cash flow hedges on equity. Institutions with permission to use internal ratings-based models (IRB institutions) must make a deduction for the difference between expected credit losses under the IRB approach and the provisions recognised in the accounts for probable credit losses where the expected credit losses exceed the provisions made. The deduction is made from the common equity tier 1 capital.

Stadshypotek is included in Handelsbanken's consolidated situation. In general, Stadshypotek and its parent company are able to re-allocate capital between the companies, to the extent that is permitted by legislation, for example capital adequacy requirements and restrictions in corporate law. Stadshypotek sees no other material or legal obstacles to a rapid transfer

of funds from own funds, or repayment of liabilities between Stadshypotek and its parent company.

#### DESCRIPTION OF THE CAPITAL REQUIREMENT

**Credit risk** – Since Stadshypotek's lending takes place via Handelsbanken's branch network, Handelsbanken's IRB approach is also applied for Stadshypotek's risk classification and for calculating the credit risk for Stadshypotek's credits. The Swedish Financial Supervisory Authority has approved the Handelsbanken Group's IRB approach. There are two different IRB approaches: a foundation approach and an advanced approach. In the foundation approach, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set by the Financial Supervisory Authority. In the advanced approach, the Bank uses its own methods to calculate the loss given default (LGD) and the exposure at default (EAD). The advanced IRB approach has been applied for retail exposures (households and small companies) since 2007. Since 31 December 2010, the advanced IRB approach has been applied for medium-sized companies, housing co-operative associations and property companies, and in 2013, Stadshypotek received the Financial Supervisory Authority's approval to extend its use of the advanced IRB approach to large companies. As of Q2 2017, Stadshypotek applies the IRB approach without own estimates of LGD and credit conversion factor (CCF) for sovereign exposures.

In 2017, Handelsbanken received approval from the Swedish Financial Supervisory Authority to use new models for calculation of the PD values for companies. These models estimate the long-term PD, including a margin of conservatism and a business cycle adjustment, at the portfolio level. This portfolio PD is then allocated among the various risk classes. Normally the portfolio PD will not vary from year to year, though the risk-class PD will, as the breakdown of counterparties among the risk classes varies over time. When the new models were implemented, the risk weights for companies increased, while the future variation of the risk weights – and accordingly the capital requirement – decreased.

The Swedish Financial Supervisory Authority has decided to approve the Finnish Supervisory Authority's decision to implement an average company-specific risk weight floor of 15 per cent for Finnish mortgage loan exposures. The Swedish Financial Supervisory Authority's decision has applied since 1 January 2018. On 31 December 2018, the Swedish Financial Supervisory Authority introduced a risk weight floor of 25 per cent for Swedish mortgage loan exposures under Pillar 1. Following the Financial Supervisory Authority of Norway's decision to introduce a risk weight floor for certain exposures in Norway, the Swedish Financial Supervisory Authority resolved in 2021 to recognise the Norwegian measures in Pillar 1.

**Operational risk** – Like its parent company, Stadshypotek uses the standardised approach which means that the capital requirement is calculated by multiplying a factor specified in the regulations by the average operating income during the last three years.

**Market risk** – Stadshypotek has no market risks that are reported according to the capital adequacy rules for market risk. For a description of risk management, see note 2, Risks and risk control, on page 28.



NOTES

NOTE 30 Cont.

**Transitional own funds**

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

The excluded line items are deemed not to be relevant for Stadshypotek at the time of publication.

Own funds	2022	2021	Regulation (EU) No 575/2013 Article Reference
SEK m			
<b>Common equity tier 1 capital: instruments and reserves</b>			<b>Regulation (EU) No 575/2013 article reference</b>
1 Capital instruments and the related share premium accounts	4,050	4,050	26.1, 27, 28, 29
<i>of which share capital</i>	4,050	4,050	EBA list 26.3
2 Retained earnings	34,499	33,452	26.1 c
3 Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	-3,631	1,027	26.1
5e Independently reviewed interim profits net of any foreseeable charge or dividend	2,097	1,621	26.2
6 <b>Common equity tier 1 (CET1) capital before regulatory adjustments</b>	<b>37,015</b>	<b>40,150</b>	
<b>Common equity tier 1 capital: regulatory adjustments</b>			
7 Additional value adjustments (negative amount)			34, 105
8 Intangible assets (net of related tax liability) (negative amount)	-100	-97	36.1 b, 37
11 Fair value reserves related to gains or losses on cash flow hedges	3,638	-966	33.1 a
12 Negative amounts resulting from the calculation of expected loss amounts	-310	-377	36.1 d, 40, 159
14 Gains or losses on liabilities measured at fair value resulting from changes in the institution's own credit standing			33.1 b
15 Defined benefit pension fund assets (negative amount)			36.1 e, 41
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)			36.1 f, 42
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			36.1 i, 43, 45, 47, 48.1 b, 49.1-49.3, 79
20a Exposure amount of the following items which qualify for a risk weight of 1.250%, where the institution opts for the deduction alternative			36 (1) (d)
20c <i>of which securitisation positions (negative amount)</i>			36 (1) (d), 243 (1) (b), 244 (1) (b), 259
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)			36.1 c, 38, 48.1 a
22 Amount exceeding the 15% threshold (negative amount)			48.1
23 <i>of which direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>			36.1 i, 48.1 b
25 <i>of which deferred tax assets arising from temporary differences</i>			36.1 c, 38, 48.1 a
25a Losses for the current financial year (negative amount)			36.1 a
25b Foreseeable tax charges relating to CET1 items (negative amount)			36.1 i
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			36.1 j
28 <b>Total regulatory adjustments to common equity tier 1 capital (CET1)</b>	<b>3,428</b>	<b>-1,440</b>	
29 <b>Common equity tier 1 capital</b>	<b>40,443</b>	<b>38,710</b>	
<b>Additional tier 1 capital: Instruments</b>			
30 Capital instruments and the related share premium accounts	13,200	13,200	51, 52
32 <i>of which classified as liabilities under applicable accounting standards</i>			
33 Amount of qualifying items referred to in Article 484.4 and the related share premium accounts subject to phase-out from AT1			486.3
36 <b>Additional tier 1 (AT1) capital before regulatory adjustments</b>			
<b>Additional tier 1 capital: regulatory adjustments</b>			
37 Direct and indirect holdings by an institution of own AT1 instruments (negative amount)			52.1 b, 56 a, 57
40 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			56 d, 59, 79
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)			56 e
43 <b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>			
44 <b>Additional tier 1 capital</b>	<b>13,200</b>	<b>13,200</b>	
45 <b>Tier 1 capital (tier 1 capital + common equity tier 1 capital + additional tier 1 capital)</b>	<b>53,643</b>	<b>51,910</b>	

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



NOTES

NOTE 30 Cont.

Own funds	2022	2021	Regulation (EU) No 575/2013 Article Reference
SEK m			
<b>Tier 2 capital: instruments and reserves</b>			
46 Capital instruments and the related share premium accounts	4,500	4,500	62, 63
50 Credit risk adjustments			62 c och d
<b>51 Tier 2 (T2) capital before regulatory adjustments</b>	<b>4,500</b>	<b>4,500</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			63 b i, 66 a, 67
55 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			66d, 69, 79
<b>57 Total regulatory adjustments to tier 2 capital</b>			
<b>58 Tier 2 capital</b>	<b>4,500</b>	<b>4,500</b>	
<b>59 Total capital (total capital = tier 1 capital + tier 2 capital)</b>	<b>58,143</b>	<b>56,410</b>	
<b>60 Total risk-weighted assets</b>	<b>314,102</b>	<b>307,687</b>	
<b>Capital ratios and buffers</b>			
61 Common equity tier 1 capital (as a percentage of the risk-weighted exposure amount)	12.9	12.6	92.2 a
62 Tier 1 capital (as a percentage of the risk-weighted exposure amount)	17.1	16.9	92.2 b
63 Total capital (as a percentage of the risk-weighted exposure amount)	18.5	18.3	92.2 c
64 Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of the total risk-weighted exposure amount)	3.5	2.5	CRD 128, 129, 130, 131, 133
65 of which capital conservation buffer requirement	2.5	2.5	
66 of which countercyclical capital buffer requirement	1.0	0.0	
67 of which systemic risk buffer requirement			
67a of which buffer for global systemically important institutions or other systemically important institutions			
68 Common equity tier 1 capital available for use as a buffer (as a percentage of the risk-weighted exposure amount)	9.2	8.2	CRD 128
<b>Amounts below the threshold for deductions (prior to determining the risk weight)</b>			
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)			36.1 h, 46, 45, 56 c, 59, 60, 66 c, 69, 70
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)			36.1 i, 45, 48
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)			36.1 c, 38, 48
<b>Applicable caps on the inclusion of provisions in tier 2 capital</b>			
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)			62
77 Cap for inclusion of credit risk adjustments in T2 under standardised approach			62
78 Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)			62
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			62
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>			
80 Current cap on CET1 instruments subject to phase-out arrangements			484.3, 486.2, 486.5
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			484.3, 486.2, 486.5
82 Current cap on AT1 instruments subject to phase-out arrangements			484.4, 486.3, 486.5
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			484.4, 486.3, 486.5
84 Current cap on T2 instruments subject to phase-out arrangements			484.5, 486.4, 486.5
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			484.5, 486.4, 486.5

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



NOTES

NOTE 30 Cont.

Capital instruments main features <sup>1</sup>	Common equity tier 1 capital	Tier 1 capital
Issuer	Stadshypotek AB	Stadshypotek AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)		
Governing law(s) of the instrument	Swedish law	Swedish law
Regulatory treatment		
Transitional CRR rules	Common equity tier 1 capital	Additional tier 1 capital
Post-transitional CRR rules	Common equity tier 1 capital	Additional tier 1 capital
Eligible at solo/(sub-)consolidated/solo & (sub)consolidated level	Individual and group	Individual and group
Instrument type (types to be specified by each jurisdiction)	Share	Tier 1 capital
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 4,050 million	SEK 5,300 million
Nominal amount of instrument	SEK 4,050 million	SEK 5,300 million
Issue price	SEK 4,050 million	SEK 5,300 million
Redemption price	N/A	N/A
Accounting classification	Equity	Equity
Original date of issuance		19-12-27
Perpetual or dated	Perpetual	Perpetual
Original maturity date	N/A	N/A
Issuer call subject to prior supervisory approval	N/A	
Optional call date, contingent call dates and redemption amount	N/A	Stadshypotek is entitled to redeem or repay the loan only if the conditions stated in Article 77 of the CRR are met, but no sooner than 27 December 2024, and thereafter only on each subsequent interest payment date.
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends		
Fixed or floating dividend/coupons	N/A	Floating
Coupon rate and any related index	N/A	3-month STIBOR plus 335bp
Existence of dividend stopper	N/A	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Fully discretionary
Existence of step-up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A
Impairment features	No	No
If impairment, impairment trigger(s)	N/A	N/A
If impairment, full or partial	N/A	N/A
If impairment, permanent or temporary	N/A	N/A
If temporary impairment, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Lowest	Subordinate to all senior funding
Non-compliant transitioned features	No	No
If yes, specify non-compliant features	N/A	N/A

<sup>1</sup> N/A denotes not applicable.

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



NOTES

NOTE 30 Cont.

Capital instruments main features <sup>1</sup>	Tier 1 capital	Tier 1 capital
Issuer	Stadshypotek AB	Stadshypotek AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg Identifier for private placement)		
Governing law(s) of the instrument	Swedish law	Swedish law
Regulatory treatment		
Transitional CRR rules	Additional tier 1 capital	Additional tier 1 capital
Post-transitional CRR rules	Additional tier 1 capital	Additional tier 1 capital
Eligible at solo/(sub-)consolidated/solo & (sub)consolidated level	Individual and group	Individual and group
Instrument type (types to be specified by each jurisdiction)	Tier 1 capital	Subordinated loan
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 3,000 million	SEK 4,900 million
Nominal amount of instrument	SEK 3,000 million	SEK 4,900 million
Issue price	SEK 3,000 million	SEK 4,900 million
Redemption price	SEK 3,000 million	SEK 4,900 million
Accounting classification	Equity	Equity
Original date of issuance	20-12-27	21-06-30
Perpetual or dated	Perpetual	Perpetual
Original maturity date	N/A	26-06-30
Issuer call subject to prior supervisory approval		Yes
Optional call date, contingent call dates and redemption amount	Stadshypotek is entitled to redeem or repay the loan only if the conditions stated in Article 77 of the CRR are met, but no sooner than 27 December 2025, and thereafter only on each subsequent interest payment date.	Stadshypotek is entitled to redeem or repay the loan only if the conditions stated in Article 77 of the CRR are met, but no sooner than 30 December 2026, and thereafter only on each subsequent interest payment date.
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends		
Fixed or floating dividend/coupons	Floating	Floating
Coupon rate and any related index	3-month STIBOR plus 285bp	3-month STIBOR plus 270bp
Existence of dividend stopper	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of step-up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A
Impairment features	No	No
If impairment, impairment trigger(s)	N/A	N/A
If impairment, full or partial	N/A	N/A
If impairment, permanent or temporary	N/A	N/A
If temporary impairment, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all senior funding	Subordinate to all senior funding
Non-compliant transitioned features	No	No
If yes, specify non-compliant features	N/A	N/A

<sup>1</sup> N/A denotes not applicable.

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



NOTES

NOTE30 Cont.

Capital instruments main features <sup>1</sup>	Tier 2 capital
Issuer	Stadshypotek AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
Governing law(s) of the instrument	Swedish law
Regulatory treatment	
Transitional CRR rules	Tier 2 capital
Post-transitional CRR rules	Tier 2 capital
Eligible at solo/(sub-)consolidated/solo & (sub)consolidated level	Individual and group
Instrument type (types to be specified by each jurisdiction)	Subordinated loan
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 4,500 million
Nominal amount of instrument	SEK 4,500 million
Issue price	SEK 4,500 million
Redemption price	SEK 4,500 million
Accounting classification	Equity
Original date of issuance	13-12-27
Perpetual or dated	Perpetual
Original maturity date	29-01-03
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	3 January 2024 Stadshypotek is entitled to renegotiate the terms and conditions or, if 5 years have passed since the disbursement, redeem the loan if, due to changes to the applicable regulations at the time of issue, fully or partially, the loan is not allowed to be included in regulatory own funds. At each future interest due date, this being the third of the month after the end of each quarter
Subsequent call dates, if applicable	
Coupons/dividends	
Fixed or floating dividend/coupons	Floating
Coupon rate and any related index	3-month STIBOR plus 200bp
Existence of dividend stopper	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step-up or other incentive to redeem	No
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Impairment features	No
If impairment, impairment trigger(s)	N/A
If impairment, full or partial	N/A
If impairment, permanent or temporary	N/A
If temporary impairment, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all senior funding
Non-compliant transitioned features	No
If yes, specify non-compliant features	N/A

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



## NOTES

### NOTE 30 Cont.

#### CAPITAL ADEQUACY ANALYSIS

Figures 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, the CRD IV Directive was implemented in Sweden. Own funds and capital requirement are calculated in accordance with EU regulations. All references to CRD IV in this report refer to the new regulations in their entirety regardless of legislative form (regulation, directive, executive decree or national implementation).

Capital requirement 31 December SEK m	2022	2021
Credit risk according to standardised approach	0	0
Credit risk according to IRB Approach	23,270	22,818
Operational risk	1,858	1,797
<b>Total capital requirement</b>	<b>25,128</b>	<b>24,615</b>
<b>Total own funds</b>	<b>58,143</b>	<b>56,410</b>
<b>Tier 1 capital</b>	<b>53,643</b>	<b>51,910</b>

Capital adequacy analysis 31 December	2022	2021
Common equity tier 1 ratio, CRD IV	12.9%	12.6%
Tier 1 ratio, CRD IV	17.1%	16.9%
Total capital ratio, CRD IV	18.5%	18.3%
Risk exposure amount CRD IV, SEK m <sup>1</sup>	314,102	307,687
Own funds in relation to capital requirement according to Basel I floor		
Institution-specific buffer requirement	3.5%	2.5%
of which capital conservation buffer requirement	2.5%	2.5%
of which countercyclical capital buffer requirement	1.0%	0.0%
Common equity tier 1 capital available for use as a buffer	9.2%	9.2%

<sup>1</sup> On 31 December 2018, the Swedish Financial Supervisory Authority implemented a risk weight floor of 25 per cent for Swedish mortgage loan exposures.

Credit risks IRB SEK m	Exposure amount		Average risk weight, %		Risk-weighted exposure amount		Capital requirement	
	2022	2021	2022	2021	2022	2021	2022	2021
Sovereign, municipalities and central banks	12,913	13,810	7.6%	7.6%	984	1,048	79	84
Corporate	266,747	224,831	13.0%	12.7%	34,807	29,163	2,784	2,333
of which other lending, foundation approach	532	612	16.5%	12.4%	88	76	7	6
of which other lending, advanced approach	266,215	224,219	12.7%	12.7%	33,865	28,464	2,709	2,277
of which Risk weight floor Norway Companies with property mortgages	2,440	1,780	35.0%	35.0%	854	623	68	50
- Large corporates	1,473	894	28.0%	35.7%	413	319	33	26
- Medium-sized companies	27,126	24,450	12.2%	16.9%	3,313	4,121	265	330
- Property companies	237,616	198,876	12.7%	12.1%	30,139	24,024	2,411	1,922
Housing co-operative associations	262,373	244,960	2.0%	2.7%	5,250	6,688	420	535
Household	1,021,900	1,040,250	24.4%	23.9%	249,474	248,196	19,958	19,856
of which risk weight floor for mortgages	824,342	804,566	24.6%	24.7%	202,813	198,732	16,225	15,899
- Private individuals	1,016,677	1,034,490	4.5%	4.7%	45,982	48,673	3,679	3,894
- Small companies	5,223	5,760	13.0%	13.7%	679	791	54	63
Institutions	286	0	63.8%	-	182	0	15	0
Non credit-obligation assets	178	117	100.0%	100.0%	178	117	14	9
<b>Total</b>	<b>1,564,397</b>	<b>1,523,968</b>	<b>18.6%</b>	<b>18.7%</b>	<b>290,875</b>	<b>285,214</b>	<b>23,270</b>	<b>22,817</b>

Swedish mortgages have been included in the risk weight floor since 2018. Norwegian mortgages and Norwegian corporate lending with property mortgages have also been included since 2021.

Capital requirement credit risks standardised approach <sup>2</sup> SEK m	2022				2021			
	Exposure value	Average risk weight, %	Risk-weighted exposure value	Capital requirement	Exposure value	Average risk weight, %	Risk-weighted exposure value	Capital requirement
Sovereign and central banks								
Municipalities								
Institutions	28,970	0.0%	0	0	34,357	0.0%	0	0
Corporate	0	100.0%						
Household	0	100.0%			1	35.0%	0	0
Past due items								
Other items	0	100.0%			6	100.0%	6	0
<b>Total</b>	<b>28,970</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>34,363</b>	<b>0.0%</b>	<b>6</b>	<b>0</b>

<sup>2</sup> Details of capital requirement for exposure classes where there are exposures.

Stadshypotek received permission to calculate its sovereign exposures and exposures to municipalities and central banks in accordance with the IRB Approach.



NOTES

NOTE 30 Cont.

EU OV1 – Overview of risk-weighted exposure amounts			Risk-weighted exposure amounts	
			T	T
	1	Credit risk (excluding CCR)	290,876	23,270
Article 438 (c) and (d)	2	of which standardised approach	0	0
Article 438 (c) and (d)	3	of which foundation IRB Approach	1,487	119
Article 438 (c) and (d)	4	of which advanced IRB Approach	85,722	6,858
Article 438 (d)	5	of which the capital-related IRB Approach within the framework for the simplified risk-weighted approach or the IRB Approach	0	0
*Article 107	6	Counterparty credit risk	0	0
Article 438 (c) and (d)*	7	of which market valuation		
Article 438 (c) and (d)	8	of which original exposure		
Article 438 (c) and (d)	9	of which standardised approach		
	10	of which the method using internal models		
	11	of which risk exposure amount for contributions to the default fund of a CCP		
Article 438 (c) and (d)	12	of which creditworthiness adjustment	0	0
Article 438 (c) and (d)	13	Settlement risk		
Article 438 (e)	14	Non-trading book securitisation exposures (after cap)		
Article 449 o i)	15	of which IRB Approach		
	16	of which the internal formula approach		
	17	of which IRB Approach		
	18	of which standardised approach		
Article 438 (e)	19	Market risk	1,960	157
	20	of which standardised approach	1,960	157
	21	of which the IRB approach		
Article 438 (e)	22	Large exposures		
Article 438 f	23	Operational risk	23,226	1,858
	24	Of which basic indicator approach		
	25	of which standardised approach	23,226	1,858
	26	Of which internal measurement approach		
Article 437.2, Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)		
Article 500	28	Adjustment of the minimum limit		
	29	Total	316,062	25,285

Exposure amount/exposure value by country broken down into volumes calculated according to the IRB Approach and the standardised approach SEK m	2022		2021	
	IRB approach	Standardised approach	IRB Approach	Standardised approach
Sweden	1,377,123	27,423	1,302,229	32,061
Denmark			49,629	799
Finland	61,939	155	57,876	188
Norway	125,335	1,392	114,434	1,314
Total	1,564,397	28,970	1,523,968	34,363

DETAILS OF MATURITY PERIODS FOR CAPITAL ADEQUACY

IRB-approved exposures broken down by maturity according to the Capital Requirements Regulation (M) 2022

SEK m	Exposure amount	Within 1 year	1 yr–2.5 yrs	2.5 yrs	2.5 yrs–5 yrs	= 5 yrs
Corporate exposures	529,120	200,343	127,953	697	114,280	85,847
Total						

IRB-approved exposures broken down by maturity according to the Capital Requirements Regulation (M) 2021

SEK m	Exposure amount	Within 1 year	1 yr–2.5 yrs	2.5 yrs	2.5 yrs–5 yrs	= 5 yrs
Corporate exposures	469,791	90,854	42,982	638	42,270	293,047
Total	469,791	90,854	42,982	638	42,270	293,047



## NOTES

### NOTE 30 Cont.

#### EXPOSURES APPROVED FOR THE IRB APPROACH

Exposures by sector and counterparty type, broken down into exposure classes	2022		2021	
	SEK m	of which SME	of which SME	
<b>Retail exposures</b>				
Private individuals	1,016,677		1,034,490	
Small companies	5,223		5,760	
<b>Sovereign and municipal exposures<sup>1</sup></b>	12,913		13,810	
<b>Corporate exposures</b>				
Housing co-operative associations	262,373	262,373	244,960	244,960
Property management	244,261	156,238	203,670	142,744
Manufacturing	130	124	126	126
Retail	460	460	485	485
Hotel and restaurant	438	438	480	480
Passenger and goods transport by sea			4	4
Other transport and communication	283	283	212	212
Construction	721	717	594	552
Electricity, gas and water	198	193	247	244
Agriculture, hunting and forestry	15,532	14,976	14,793	14,494
Other services	1,819	1,539	1,720	1,565
Holding companies, investment companies and insurance companies, mutual funds, etc.	1,974	1,607	1,565	1,388
Other corporate lending	930	912	933	932
<b>Non credit-obligation assets</b>	178		117	
Exposures to institutions	286	0		
Securitisation positions				
<b>Total IRB</b>	<b>1,584,397</b>	<b>438,860</b>	<b>1,523,968</b>	<b>408,185</b>

<sup>1</sup> Small and medium-sized enterprises.



NOTES

NOTE 30 Cont.

**GEOGRAPHICAL SPREAD**

IRB-approved exposures by country, broken down into corporate and retail exposures 2022	Retail exposures				
	Corporate exposures	Private individuals	Small companies	Sovereign and central banks	Municipalities
SEK m					
Sweden	461,287	906,677	4,828	247	3,620
Denmark	0	0	0		
Finland	34,033	18,582	277	625	8,421
Norway	33,800	91,418	118		
<b>Total</b>	<b>529,120</b>	<b>1,016,677</b>	<b>5,223</b>	<b>872</b>	<b>12,041</b>

Exposures calculated using the standardised approach by country, broken down by exposure class, details of capital requirement for exposure classes where there are exposures 2022				
	Institutions	Corporate	Household	Other items
SEK m				
Sweden	27,423			
Denmark				
Finland	155			
Norway	1,392			
<b>Total</b>	<b>28,970</b>	<b>0</b>	<b>0</b>	<b>0</b>

IRB-approved exposures by country, broken down into corporate and retail exposures 2021	Retail exposures				
	Corporate exposures	Private individuals	Small companies	Sovereign and central banks	Municipalities
SEK m					
Sweden	411,518	681,580	5,154	570	3,290
Denmark	370	49,039	220		
Finland	28,941	18,501	284	709	9,241
Norway	28,962	65,370	102		
<b>Total</b>	<b>469,791</b>	<b>1,034,490</b>	<b>5,760</b>	<b>1,280</b>	<b>12,530</b>

Exposures calculated using the standardised approach by country, broken down by exposure class, details of capital requirement for exposure classes where there are exposures 2021				
	Institutions	Corporate	Household	Other items
SEK m				
Sweden	32,061			0
Denmark	799			
Finland	187		1	0
Norway	1,309			5
<b>Total</b>	<b>34,357</b>		<b>1</b>	<b>6</b>



NOTES

NOTE 30 Cont.

**LEVERAGE RATIO**

The table shows the leverage ratio at year-end 2021 and for the previous year. The exposures are specified for the categories balance sheet, derivative, securities funding and off-balance sheet exposures. The leverage ratio is calculated as tier 1 capital divided by total exposures. The leverage ratio has increased compared to the previous year.

LRCom: Leverage ratio – common disclosure	2022	2021
	Leverage ratio for exposure – Capital Requirements Directive	Leverage ratio for exposure – Capital Requirements Directive
SEK m		
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,576,682	1,540,119
2 (Asset amounts deducted in determining Tier 1 capital)	3,429	-1,440
3 <b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures) (total of lines 1 and 2)</b>	<b>1,580,111</b>	<b>1,538,679</b>
<b>Derivative exposures</b>		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	11,117	10,113
5 Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	6,867	8,342
EU-5a Exposure determined under Original Exposure Method	-	-
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8 (Except for the central counterparty part of trade exposures that are cleared with this counterparty)	-	-
9 Adjusted effective notional amount of written credit derivatives	-	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11 <b>Total derivatives exposures (sum of lines 4 to 10)</b>	<b>18,004</b>	<b>18,455</b>
<b>SFT exposures</b>		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14 Counterparty's credit risk exposure for SFT exposures	-	-
EU-14a Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-	-
15 Exposures to intermediated transactions	-	-
EU-15a (Exempted OCP leg of counterparty-cleared SFT exposures)	-	-
16 <b>Total securities financing transaction exposures (sum of lines 12 to,15a)</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet items</b>		
17 Off-balance sheet exposures at gross notional amount	1	9
18 (Adjustments for conversion to credit equivalent amounts)	0	-5
19 <b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>1</b>	<b>3</b>
<b>Exempted exposures in accordance with Article 429(7) and 429(14) (on and off balance sheet)</b>		
EU-19a (Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-27,154	-31,836
EU-19b (Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
<b>Capital and total exposure measures</b>		
20 Tier 1 capital	53,643	51,910
21 <b>Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>1,570,962</b>	<b>1,525,300</b>
<b>Leverage ratio</b>		
22 <b>Leverage ratio</b>	<b>3.41%</b>	<b>3.40%</b>
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>		
EU-23 Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
EU-24 Amount of derecognised fiduciary items in accordance with Article 429(13) of Regulation (EU) No 575/2013	0	0



## NOTES

### NOTE 30 Cont.

The table shows accounting assets and leverage ratio exposures at year-end 2021 and for the previous year. The total exposure measure for the leverage ratio has increased compared to the previous year.

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		2022	2021
SEK m		Applicable amount	Applicable amount
1	Total assets as per published financial statements	1,584,823	1,547,342
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-	-
4	Adjustments for derivative financial instruments	10,063	11,231
5	Adjustments for SFT exposures	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1	3
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-27,154	-31,836
EU-6b	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	3,429	-1,440
8	Leverage ratio total exposure measure	1,570,862	1,525,300

LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)		2022	2021
SEK m		Leverage ratio for exposure – Capital Requirements Directive	Leverage ratio for exposure – Capital Requirements Directive
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,565,839	1,526,738
EU-2	Trading book exposures	0	493
EU-3	Non-trading book exposures, of which:	1,565,839	1,526,244
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	3,657	4,715
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0	-
EU-7	Institutions	286	-
EU-8	Secured by mortgages of immovable properties	1,547,374	1,508,665
EU-9	Retail exposures	876	1,009
EU-10	Corporate	12,504	10,882
EU-11	Exposures in default	1,142	969
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	0	6



NOTES

NOTE 30 Cont.

**COUNTERCYCLICAL CAPITAL BUFFER**

Amount of institution-specific countercyclical capital buffer	2022	2021
SEK m		
Total risk exposure amount	316,062	307,687
Institution-specific countercyclical capital buffer rate	1.0%	0.1
Institution-specific countercyclical capital buffer requirement	3,317	203

**Geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer 2021**

The table shows a geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer. The capital requirement for the countercyclical capital buffer has increased compared to the previous year.

Geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer 2022	Breakdown by country			
	Sweden	Norway	Other countries	Total
SEK m				
<b>General credit exposures</b>				
Exposure value according to the standardised approach (SA)	0	0	0	0
Exposure value according to IRB Approach	1,368,601	125,803	58,616	1,551,020
<b>Trading book exposure</b>				
Sum of long and short positions in trading book				
Value of trading book exposure for internal models				
<b>Securitisation exposures</b>				
Exposure value according to the standardised approach (SA)				
Exposure value according to IRB Approach				
<b>Own funds requirement</b>				
of which general credit exposures	21,003	1,649	511	23,163
of which trading book exposures				
of which securitisation exposures				
<b>Total</b>	<b>21,003</b>	<b>1,649</b>	<b>511</b>	<b>23,163</b>
Own funds weighting	90.7%	7.1%	2.2%	100.0%
Countercyclical capital buffer	2,825	412	1	3,038

Geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer 2021	Breakdown by country			
	Sweden	Norway	Other countries	Total
SEK m				
<b>General credit exposures</b>				
Exposure value according to the standardised approach (SA)	0	5	1	6
Exposure value according to IRB Approach	1,294,077	114,950	101,014	1,510,041
<b>Trading book exposure</b>				
Sum of long and short positions in trading book				
Value of trading book exposure for internal models				
<b>Securitisation exposures</b>				
Exposure value according to the standardised approach (SA)				
Exposure value according to IRB Approach				
<b>Own funds requirement</b>				
of which general credit exposures	20,249	1,499	977	22,725
of which trading book exposures				
of which securitisation exposures				
<b>Total</b>	<b>20,249</b>	<b>1,499</b>	<b>977</b>	<b>22,725</b>
Own funds weighting	89.1%	6.6%	4.3%	100.0%
Countercyclical capital buffer	0	187	427	614



NOTES

NOTE 30 Cont.

**ENCUMBERED ASSETS**

The table shows encumbered and non-encumbered assets. The information is presented as quarterly median values for the previous twelve months.

Encumbered and non-encumbered assets 2022 SEK m	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
<b>Assets of the reporting institution</b>	718,297	-	871,270	-
Equity instruments	-	-	-	-
Interest-bearing securities	-	-	-	-
of which covered bonds	-	-	-	-
of which securities backed by other assets (ABS)	-	-	-	-
of which issued by general governments	-	-	-	-
of which issued by financial corporations	-	-	-	-
of which issued by non-financial corporations	-	-	-	-
Other assets	718,297	-	871,270	-

Encumbered and non-encumbered assets 2021 SEK m	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
<b>Assets of the reporting institution</b>	682,518	-	847,178	-
Equity instruments	-	-	-	-
Interest-bearing securities	-	-	-	-
of which covered bonds	-	-	-	-
of which securities backed by other assets (ABS)	-	-	-	-
of which issued by general governments	-	-	-	-
of which issued by financial corporations	-	-	-	-
of which issued by non-financial corporations	-	-	-	-
Other assets	682,518	-	847,178	-

**COLLATERAL RECEIVED**

The information is presented as quarterly median values for the previous twelve months.

Collateral received 2022 SEK m	Non-encumbered	
	Fair value of encumbered collateral received or own interest-bearing securities issued	Fair value of collateral received or own interest-bearing securities issued available for encumbrance
<b>Collateral received by the reporting institution</b>	-	-
Approved credit limits	-	-
Equity instruments	-	-
Interest-bearing securities	-	-
of which covered bonds	-	-
of which securities backed by other assets (ABS)	-	-
of which issued by general governments	-	-
of which issued by financial corporations	-	-
of which issued by non-financial corporations	-	-
Loans and advances other than loans on demand	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or securities backed by other assets	-	-
Own covered bonds and asset-backed securities issued but not yet pledged	-	-
<b>Total assets, collateral received and own interest-bearing securities issued</b>	718,297	-

**SOURCES OF ENCUMBRANCE**

The information is presented as quarterly median values for the previous twelve months.

Sources of encumbrance 2022 SEK m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own interest-bearing securities issued other than covered bonds and encumbered securities backed by other assets
Carrying amount of selected financial liabilities	645,228	718,297

Stadshypotek is part of the banking group led by Handelsbanken and the requirement for information according to Pillar 3 in CRR/CRD IV is fulfilled by Handelsbanken's information according to Pillar 3, which is available at handelsbanken.com.



NOTES

**NOTE 31** Material events after the balance sheet date

Cecilia Hasselbo will take over as Chief Executive of Stadshypotek AB on 1 May 2023.

**NOTE 32** Proposed appropriation of profits

The Board proposes that the profits be carried forward to the next year. The Board's proposed appropriation of profits is shown on page 14.

Table of information items not disclosed under EBA/GL/2014/14

Description	Reasons for non-disclosure <sup>1</sup>	Reference to information which replaces non-disclosed information
The approved levels for risk to which the institution is exposed.	Limit levels regarding the Bank's risk tolerance are strictly confidential. The information relates to competitively significant business circumstances.	Key figures and risk measures on which the limit levels are based are stated in the report.

<sup>1</sup> Non-disclosed information is available to the supervisory authority.



SIGNATURES OF THE BOARD AND THE CHIEF EXECUTIVE

## Signatures of the Board and the Chief Executive

We hereby declare that the Annual Report has been prepared in accordance with generally accepted accounting practices for credit market companies in Sweden, that these accounts give a fair presentation of the company's financial position and performance, and that the statutory administration report provides a fair view of the company's operations, financial position and performance and describes material risks and uncertainties to which the company is exposed.

Stockholm, 6 February, 2023

Göran Stille  
Chair

Michael Bertorp  
Board member

Martin Björnberg  
Board member

Linda Hellström  
Board member

Michael Sterne  
Board member

Helena Håkansson  
Employee representative,  
Board member

David Haqvinnson  
Chief Executive



AUDITOR'S REPORT

## Auditor's report

Unofficial translation

To the general meeting of the shareholders of Stadshypotek AB (publ), corporate identity number 556459-6715

### REPORT ON THE ANNUAL ACCOUNTS

#### Opinions

We have audited the annual accounts and consolidated accounts of Stadshypotek AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 4–81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the company as of December 31, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are

consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the company.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in

Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Provision for expected credit losses

Detailed information and description of the area is presented in the annual accounts. Credit risk exposure and how it is handled is described in note 2 on page 28. The company's reported expected credit losses are specified in note 8 on page 42. Regarding the area relevant accounting policies for the company, these can be found in note 1, section 11 on page 23.

#### Key audit matters

As of 31 December, 2022 lending to the public amounts to 1,565,815 (1,525,915) SEK m which amount to 99% of total assets. The total credit risk exposure, including off-balance commitments, amounts to 1,582,825 SEK m.

Provision for expected credit losses on lending to the public amounts to 221 (185) SEK m for which 166 (106) SEK m is based on model based calculations (Stages 1 and 2) and 55 (79) SEK m is based on manual calculations (Stage 3).

Due to the complexity of the calculation and the fact that it requires the company to make estimates and assumptions with a significant impact on reported amounts, provisioning for expected credit losses is considered a key audit matter.

#### How our audit addressed the

#### Key audit matter

We have evaluated whether the company's assessment of probability of default, loss given default, exposure at default and expected credit loss as well as significant increase in credit risk is in accordance with IFRS 9.

We have obtained an understanding of and tested the design of key controls in the credit process including credit decision, credit review, rating classification as well as identifying and determining credits deemed to be in default. We have also tested controls related to input to model data and general IT controls including handling of authorization for these systems. Our assessment is that we can have a control-based approach in our audit.

Furthermore, we have on a sample basis challenged the company's initial and current credit rating. We have tested that data used from supporting systems used in the model is complete and accurate.

We have reviewed and assessed the model including assumptions and parameters and checked the functionality of the model. We have also reviewed and assessed the outcome of the model validations that have been carried out and assessed the reasonableness of the macroeconomic data used. In our audit, we used our internal model specialists to support us when performing the audit procedures.

We have also reviewed that the disclosures in the financial reports regarding credit risk are appropriate.



**Other information than the annual accounts**  
This document also contains other information than the annual accounts and is found on pages 1–3 and 85–89. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise

express any form of assurance conclusion regarding this other information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.



## AUDITOR'S REPORT

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Stadshypotek AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration

of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the

proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Stadshypotek AB (publ) by the general meeting of the shareholders on March 28 2022.

Stockholm February 24, 2023  
PricewaterhouseCoopers AB

Johan Rippe  
Authorized Public Accountant



STADSHYPOTEK'S BONDS

# Stadshypotek's bonds

Covered bonds, SEK	Interest rate, %	Loan date	Interest due dates	Maturity date	Nominal amount, SEK '000
EMTNCS	3.25	2011-11-01	11-03	2026-11-03	2,000,000
1587	1.50	2017-10-09	06-01	2023-06-01	56,316,000
1588	1.50	2018-09-17	03-01	2024-03-01	67,950,000
1589	1.50	2019-06-10	12-03	2024-12-03	69,430,000
1590	1.00	2020-01-28	09-03	2025-09-03	68,360,000
1591	0.50	2020-10-16	06-01	2026-06-01	71,150,000
1592	1.00	2021-10-18	03-01	2027-03-01	81,600,000
1593	2.50	2022-08-25	12-01	2027-12-01	31,000,000
1594	2.00	2018-08-28	09-01	2028-09-01	38,796,000
1598	1.50	2021-05-26	09-03	2031-09-03	1,786,000
2006	1.81	2014-11-18	11-25	2025-11-25	400,000
2020	3M STIBOR	2020-03-23	02-03, 05-03, 08-03, 11-03	2023-08-03	6,550,000
2021	3M STIBOR	2021-09-06	02-01, 05-01, 08-01, 11-01	2025-08-01	8,000,000
2022	2.54	2022-04-19	04-27	2037-04-27	500,000
2023	3M STIBOR	2022-05-06	01-05, 04-05, 07-05, 10-05	2026-01-05	750,000
2024	3M STIBOR	2022-05-17	03-03, 06-03, 09-03, 12-03	2025-12-03	8,100,000
2025	3M STIBOR	2022-10-20	01-04, 04-04, 07-04, 10-04	2027-10-04	2,750,000
<b>Total</b>					<b>515,428,000</b>

Covered bonds, foreign currency	Amount	Interest rate, %	Loan date	Interest due dates	Maturity date	Nominal amount, SEK '000
EUR	1,250,000	0.3750	2016-02-15	02-22	2023-02-22	13,919,303
EUR	500,000	0.3750	2017-02-14	02-21	2024-02-21	5,567,721
EUR	750,000	0.3750	2017-11-29	12-06	2024-12-06	8,351,582
EUR	1,000,000	0.5000	2018-07-04	07-11	2025-07-11	11,135,442
EUR	1,250,000	0.3750	2019-03-06	03-13	2026-03-13	13,919,302
EUR	500,000	0.1250	2016-09-27	10-05	2026-10-05	5,567,721
EUR	500,000	0.7500	2017-10-24	11-01	2027-11-01	5,567,721
EUR	1,000,000	0.0100	2020-11-17	11-24	2028-11-24	11,135,442
EUR	1,000,000	2.6250	2022-09-20	09-27	2029-09-27	11,135,442
EUR	1,000,000	0.0100	2021-09-23	09-30	2030-09-30	11,135,442
EUR	100,000	1.4440	2018-04-16	04-19	2038-04-19	1,113,544
EUR	100,000	1.5445	2018-05-15	05-24	2038-05-24	1,113,544
GBP	650,000	SONIA	2018-01-04	01-11, 04-11, 07-11, 10-11	2023-01-11	8,171,036
NOK	5,000,000	3M NIBOR	2018-03-22	03-21, 06-21, 09-21, 12-21	2023-06-21	5,297,610
NOK	5,000,000	3M NIBOR	2019-03-13	03-19, 06-19, 09-19, 12-19	2024-03-19	5,297,610
NOK	6,000,000	3M NIBOR	2020-06-16	03-24, 06-24, 09-24, 12-24	2025-06-24	6,357,132
NOK	6,000,000	3M NIBOR	2021-02-16	03-10, 06-10, 09-10, 12-10	2026-03-10	8,476,176
<b>Total</b>						<b>133,261,770</b>

Senior Non-preferred Notes	Interest rate, %	Loan date	Interest due dates	Maturity date	Nominal amount, SEK '000
SEK	3M STIBOR	2021-06-28	03-29, 06-29, 09-29, 12-29	2026-06-29	4,000,000
SEK	3M STIBOR	2021-12-09	03-13, 06-13, 09-13, 12-13	2027-12-13	5,000,000
SEK	3M STIBOR	2021-12-09	03-13, 06-13, 09-13, 12-13	2028-12-13	5,000,000
SEK	3M STIBOR	2022-11-14	02-15, 05-15, 08-15, 11-15	2029-11-15	7,500,000
SEK	3M STIBOR	2022-11-14	02-15, 05-15, 08-15, 11-15	2030-11-15	7,500,000
<b>Total</b>					<b>29,000,000</b>

Total bonds, SEK '000	Change in 2022	Nominal amount
Covered bonds, SEK	31,505,000	515,428,000
Covered bonds, foreign currency	-7,572,842	133,261,770
Senior Non-preferred Notes	15,000,000	29,000,000
<b>Total</b>	<b>38,932,158</b>	<b>677,689,770</b>



## CALCULATION OF KEY FIGURES

# Calculation of key figures

For definitions, see page 87.

Return on equity SEK m	2022	2021	2020	2019	2018
Equity	54,715	57,850	62,335	61,524	57,870
Adjustment hedge reserve	3,838	-966	-2,726	-2,264	-699
Return of Group contribution, net	7,940	8,734	8,960	7,388	5,772
<b>Total adjusted equity</b>	<b>66,493</b>	<b>65,618</b>	<b>68,569</b>	<b>66,648</b>	<b>62,943</b>
<b>Adjusted equity, average<sup>1</sup></b>	<b>64,980</b>	<b>66,428</b>	<b>66,798</b>	<b>64,252</b>	<b>60,810</b>
Profit for the year	10,037	10,355	10,080	9,771	9,672
<b>Return on equity, %</b>	<b>15.4</b>	<b>15.6</b>	<b>15.1</b>	<b>15.2</b>	<b>15.9</b>

<sup>1</sup> Average closing balance for the past five quarters.



# Definitions

## ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) are financial measures of historical and future performance, financial position or cash flow that are defined in neither IFRS nor the Capital Requirements Regulation.

Stadshypotek uses APMs to describe the performance of the operations and to increase comparability between periods. These need not be comparable with similar key figures (performance measures) presented by other companies.

### Proportion of loans in Stage 3

Net loans to the public Stage 3 in relation to gross loans to the public.

### Return on total assets

Profit for the year in relation to average total assets.

### Benchmark programme

Covered bonds are issued in the company's own name and as part of a joint funding programme. The bonds have a fixed coupon yield or a floating rate.

### Mortgage loans

Lending in a mortgage institution.

### C/I ratio

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

### Credit loss ratio as a percentage of loans to the public

Credit losses on loans to the public in relation to loans to the public at the beginning of the period.

### Net interest margin

Net interest income in relation to average total assets.

### Reserve ratio Stage 1 loans to the public

Provisions Stage 1 loans to the public in relation to gross loans to the public Stage 1.

### Reserve ratio Stage 2 loans to the public

Provisions Stage 2 loans to the public in relation to gross loans to the public Stage 2.

### Reserve ratio Stage 3 loans to the public

Provisions Stage 3 loans to the public in relation to gross loans to the public Stage 3.

### Earnings per share

Profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

### Return on equity

Profit for the year in relation to average equity adjusted for rights issues, dividends and changes in the value of derivatives in cash flow hedges.

### Total reserve ratio, loans to the public

Total provisions loans to the public in relation to gross loans to the public.



## DEFINITIONS

### KEY FIGURES DEFINED IN THE CAPITAL REQUIREMENTS REGULATION

#### Additional tier 1 capital

Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

#### Capital requirement

The statutory capital requirement means that an institution which is subject to CRR must have a common equity tier 1 ratio of at least 4.5 per cent, a tier 1 ratio of at least 6 per cent and a total capital ratio of at least 8 per cent. This means that own funds for the respective ratio must be at least the stated percentage of the risk exposure amount. For definitions of the respective own funds amounts, see Common equity tier 1 capital, Tier 1 capital and Total capital. In addition to the general requirements, the supervisory authority may add institution-specific requirements in accordance with the second pillar of the regulations.

#### Common equity tier 1 capital

Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill, and other intangible assets and also the difference between an expected loss and provisions made for probable credit losses.

#### Common equity tier 1 capital available for use as a buffer

The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal requirements.

#### Common equity tier 1 ratio

Common equity tier 1 capital in relation to risk-weighted exposure amount.

#### Credit conversion factor (CCF)

The factor that is used when calculating the exposure amount for unutilised overdraft facilities, credit commitments, guarantees and other off-balance-sheet commitments.

#### Exposure amount

Exposure amount (exposure at default) is the amount which is subject to capital adequacy requirements. The amount is calculated taking into account interest rates and fees. Amounts relating to off-balance-sheet items are recalculated using a credit conversion factor (CCF). For derivatives, the exposure amount is calculated as positive MTM (mark-to-market) plus value change risk, i.e. the nominal amount multiplied by the upward adjustment factor.

#### Exposure value

Exposure value is the same as exposure amount. The concept of exposure value is used in the standardised approach for credit risk.

#### Leverage ratio

Tier 1 capital in relation to total assets, including certain off-balance-sheet items recalculated with credit conversion factors defined in the standardised approach and regulatory adjustments from own funds.

#### Own funds/Total capital

Own funds are the sum of tier 1 and tier 2 capital.

#### Risk exposure amount

The capital requirement in accordance with CRR, multiplied by 12.5. The risk exposure amount is used in connection with market risk and operational risk.

#### Risk weight

A measure to describe the level of risk an exposure is expected to have according to the capital adequacy regulations.

#### Risk-weighted assets

Total risk exposure amounts. The statutory capital requirement is based on this.

#### Risk-weighted exposure amount

Exposure amount multiplied by risk weight. Risk-weighted exposure amounts are used in connection with credit risks, including counterparty risks.

#### Tier 1 capital

Common equity tier 1 capital including additional tier 1 capital.

#### Tier 1 ratio

Tier 1 capital in relation to risk-weighted exposure amount.

#### Tier 2 capital

Tier 2 capital is a sub-component of own funds and comprises, among other things, subordinated loans and puttable financial instruments classified as equity which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in tier 2 capital.

#### Total capital ratio

Total own funds for capital adequacy purposes in relation to risk-weighted assets.

#### Total risk-weighted exposure amount

Total risk exposure amount is the sum of risk exposure amount and risk-weighted exposure amount.



FACTS ABOUT THE COMPANY

## Facts about the company

**Registered name:** Stadshypotek AB (publ)  
**Corporate identity no:** 556459-6715  
**Date of registration:** 23 December 1992  
**Registered office:** Stockholm

**Share capital:** SEK 4,050,000,000, registered on 22 December 1997. The lowest and highest permissible share capital according to the Articles of Association is SEK 2,000,000,000 and SEK 8,000,000,000 respectively.

**Number of shares:** 162,000 shares with a quotient value of SEK 25,000 per share.

**Number of votes per share:** Each share carries one vote.

**Convertible debt, etc.:** The company has not issued any debt instruments which can be converted into or exchanged for shares, or which entail the right to subscribe to new shares.

**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.

### ADDRESSES

**Stadshypotek AB**  
**Office address:** Torgsgatan 14  
**Postal address:** 103 70 Stockholm, Sweden  
**Telephone:** Fax: +46 (0)8 701 55 40  
**Website:** stadshypotek.se

**Handelsbanken Kredit**  
**Office address:** Havneholmen 29  
**Postal address:** DK-1561 Copenhagen V, Denmark  
**Telephone:** +45 (0)46 79 12 00

**Stadshypotek AB (publ), branch operations in Finland**  
**Office address:** Östersjögatan 11-13  
**Postal address:** FI-00180 Helsinki, Finland  
**Telephone:** +358 (0)10 444 11

**Handelsbanken Eiendoms kreditt**  
**Office address:** Tjuvholmen Allé 11  
**Postal address:** Postboks 1342 Vika  
NO-01 13 Oslo, Norway  
**Telephone:** +47 (0)22 39 70 00



Nordic Swan Ecolabel, printed matter, 3041 0288

