Annual Report 2024

Stadshypotek
– a Handelsbanken company

Brief information

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.
Financial calendar 2025	Interim report January – June 2025: 16 July.

Addresses

Stadshypotek AB
Office address: Torsgatan 14
Postal address: 103 70 Stockholm, Sweden
Telephone: +46 (0)8 701 54 00
Website: Stadshypotek.se

Stadshypotek AB (publ), branch operations in Finland
Office address: Östersjögatan 11–13
Postal address: FI-00180 Helsinki, Finland
Telephone: +358 (0)10 444 11

Stadshypotek AB NUF
Office address: Tjuvholmen Allé 11
Postal address: Postboks 1342 Vika
NO-0113 Oslo, Norge, Norway
Telephone: +47 (0)22 39 70 00

Stadshypotek AB (publ)
Corporate identity no: 556459-6715
Date of registration: 23 December 1992
Registered office: Stockholm
Stadshypotek.se

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

The year in brief

6%

Operating profit decreased by 6% to SEK 8,739 m (9,298).

7%

Earnings per share decreased by 7% to SEK 42,741 (45,893).

10.6%

Return on equity decreased to 10.6% (11.3).

4%

Income decreased by 4% to SEK 12,418 m (12,876).

2%

Net interest income fell 2% to SEK 11,990 m (12,212).

9%

Expenses rose by 9% to SEK -2,624 m (-2,400).

21.1%

The C/I ratio was 21.1% (18.6).

-0.01%

The credit loss ratio was -0.01% (0.01).

12.5%

The common equity tier 1 ratio was 12.5% (11.6).

Comments from the Chief Executive

Stockholm, February 2025
Cecilia Hasselbo,
Chief Executive

At the start of 2024, the property market remained sluggish, continuing the previous year's trend of low activity and uncertainty. There was, though, a distinct shift during the second half of the year, and volume growth in the mortgage market began to rise. The number of home purchases increased and the time taken to conclude transactions shortened. Housing prices stabilised during the year and the market is now more balanced. Many customers continue to choose shorter fixed-rate periods for their mortgages. This positive trend is also apparent in the corporate market and the Norwegian market.

In total, Stadshypotek's lending volume grew by SEK 2 billion to SEK 1,583 billion in 2024. There was a somewhat higher increase on the corporate side than on the household side. Operating profit decreased compared to 2023, primarily due to high funding costs and fierce competition, which continued to put pressure on margins in the mortgage market.

Stadshypotek's credit portfolio remains strong, with low credit risk. In terms of sustainability, Stadshypotek continues to strengthen its offering, and has seen a growing interest in digital tools such as Energikollen, as well as ongoing growth in green lending. During the year, the majority of the Finnish mortgage operations were divested according to plan.

All in all, 2024 has been a challenging year for the company, but Stadshypotek has strengthened its position, especially in Norway, while continuing to offer customers products that are both sustainable and competitive in the long term.

Five-year overview

Income statements

SEK m	2024	2023	2022	2021	2020
Interest income according to the effective interest method	63,928	52,584	27,213	20,971	22,097
Interest expenses	-51,938	-40,372	-12,234	-5,316	-6,803
Net interest income	**11,990**	**12,212**	**14,979**	**15,655**	**15,294**
Fee and commission income	13	15	13	13	14
Fee and commission expenses	-65	-42	-52	-41	-42
Net fee and commission income	**-52**	**-27**	**-39**	**-28**	**-28**
Net gains/losses on financial transactions	**468**	**690**	**-12**	**88**	**68**
Other income	**12**	**1**	**1,190**	**2**	**1**
Total income	**12,418**	**12,876**	**16,118**	**15,717**	**15,335**
General administrative expenses					
Staff costs	-79	-83	-76	-100	-88
Other administrative expenses	-2,514	-2,289	-1,932	-1,810	-1,723
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-31	-28	-27	-27	-20
Total expenses	**-2,624**	**-2,400**	**-2,035**	**-1,937**	**-1,831**
Profit before credit losses and government fees	**9,794**	**10,476**	**14,083**	**13,780**	**13,504**
Net credit losses	104	-95	-63	4	-9
Government fees	-1,159	-1,083	-1,133	-707	-654
Operating profit	**8,739**	**9,298**	**12,887**	**13,077**	**12,841**
Profit before taxes	**8,739**	**9,298**	**12,887**	**13,077**	**12,841**
Taxes	-1,815	-1,863	-2,850	-2,722	-2,761
Profit for the year	**6,924**	**7,435**	**10,037**	**10,355**	**10,080**
Earnings per share, SEK	42,741	45,893	61,955	63,922	62,221

Balance sheets

SEK m	2024	2023	2022	2021	2020
Assets					
Loans to credit institutions	30,485	10,623	9,066	13,301	15,007
Loans to the public	1,583,330	1,580,628	1,565,815	1,525,915	1,439,328
Value change of interest-hedged item in portfolio hedge	-	-1	-6	4	12
Derivative instruments	14,356	12,043	7,941	7,223	11,955
Other assets	1,777	1,174	1,807	900	1,301
Total assets	**1,629,948**	**1,604,467**	**1,584,623**	**1,547,343**	**1,467,603**
Liabilities and equity					
Due to credit institutions	823,220	786,898	832,578	823,116	768,567
Issued securities	734,754	739,845	670,999	652,607	622,083
Derivative instruments	5,617	8,922	16,094	2,428	2,417
Other liabilities	5,584	6,494	10,237	11,342	12,201
Subordinated liabilities	-	-	-	-	-
Equity	60,773	62,308	54,715	57,850	62,335
Total liabilities and equity	**1,629,948**	**1,604,467**	**1,584,623**	**1,547,343**	**1,467,603**

Key figures

	2024	2023	2022	2021	2020
Profit before credit losses and government fees, SEK m	9,794	10,476	14,083	13,780	13,504
Credit losses/recoveries, SEK m	104	-95	-63	4	-9
Operating profit, SEK m	8,739	9,298	12,887	13,077	12,841
Total assets, SEK m	1,629,948	1,604,467	1,584,623	1,547,343	1,467,603
Equity, SEK m	60,773	62,308	54,715	57,850	62,335
Return on equity, %	10.6	11.3	15.4	15.6	15.1
Return on total assets, %	0.43	0.47	0.63	0.69	0.70
Net interest margin, %	0.74	0.77	0.94	1.04	1.07
C/I ratio, %	21.1	18.6	12.6	12.3	11.9
Credit loss ratio, %	-0.01	0.01	0.00	0.00	0.00
Common equity tier 1 ratio, CRR, %	12.5	11.6	12.9	12.6	13.1
Tier 1 ratio, CRR, %	17.5	16.6	17.1	16.9	16.0
Total capital ratio, CRR, %	17.5	16.6	18.5	18.3	20.7
Average number of employees	52	49	44	57	64

For calculation of key figures and definitions, see pages 92 and 93.

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 branch in Norway focus primarily on the financing of residential properties.

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 Norway and Finland 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

Parts of Stadshypotek's Finnish international branch were divested in 2024. 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 30.

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 also available to both companies and housing co-operative associations looking to finance investments in energy efficiency improvements to their properties, or investments intended to protect the properties against the effects of climate change. 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 2024 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.

Employees

In 2024, the average number of employees at Stadshypotek was 52 (49). Of these employees, 38 per cent (40) were women and 62 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.

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.

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 Stadshypotek, all employees must have equal opportunities for development. We aim to have an inclusive work environment, where we respect and appreciate our different backgrounds, competencies and experiences. No type of discrimination is tolerated at Stadshypotek. 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 environment 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 employees and trade union representative, each manager is responsible for performing regular work environment surveys, based on our health factors.

The results form the basis of a work environment plan which is integrated with the unit's business plan and in this way becomes a natural part of how the operation develops. Stadshypotek also follows up sickness absence rate figures, as well as reported incidents.

Oktogonen – Handelsbanken's profit-sharing scheme

The Oktogonen profit-sharing scheme covers all Stadshypotek AB employees. 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, 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 (1995:1559).

Shareholders and shareholders' meetings

Stadshypotek AB (publ) 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), Stadshypoteket'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 annual general meeting for the period until the end of the following year's annual general meeting. 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 44.

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

Cecilia Hasselbo
Chief Executive. Employed since 2023.
Niklas Eklund
Business Development and Market, Sweden. Employed since 2020.
Mikael Otterbjörk
Credits. Employed since 2014.
Magnus Skaaden
Finance. Employed since 2023.
Anna Österman
Property Valuation. Employed since 2019.
Peter Fahlstedt
Corporate governance and risk management. Employed since 2021.
Carolina Bornudd Kivitalo
Corporate governance and risk management. Employed since 2022.
Jennie Bardosson
Risk Control. Employed since 2016.
Christine Werbro
HR. Employee at Handelsbanken.
Mattias Lidgren
Financing. Employee at Handelsbanken.
Eylem Oussi
Compliance. Employee at 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 the central internal audit function 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 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 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 the central Handelsbanken Risk Control function.

Follow-up
The functions for Internal Audit, Compliance and Risk Control monitor compliance with policies, instructions and other steering documents.

The Board[1)]

Name	Dan Lindwall Chairman	Michael Bertorp Board Member	Michael Sterne Board Member
Year elected	2024	2013	2021
Year of birth	1965	1949	1967
Position and significant board assignments	• Part of Handelsbanken's Executive Team, responsible for subsidiaries and Group-wide matters, Svenska Handelsbanken AB • Chairman, Handelsbanken Liv Försäkringsaktiebolag • Board Member, P27 Nordic Payments Platform AB • Board Member, BGC Holding	• Chairman, Bergs Timber AB • Consultancy services, legal and business administration. • Chairman, Eken Financing Value Added Forestry AB.	• Östergötland County Manager at Handelsbanken.
Background	• Various positions at Handelsbanken. • Employed since 2000.	• 1984–2005 SCA. • 1982–1984 Swedish Ministry of Justice. • 1972–1982 The Swedish courts.	• Various positions at Handelsbanken. • Employed since 1996.
Academic background and qualifications	• Advanced Management Program, Wharton, University of Pennsylvania. • Master of Science (B.Sc.), Gothenburg University School of Business, Economics and Law	• Law degree, Lund University.	• Bachelor's degree in Business Administration, Jönköping University.
Board meetings Attendance[2)]	11/15	15/15	15/15

1) The table presents the Board of Directors since the annual general meeting held on 27 March 2024. Dan Lindwall was appointed to Stadshypotek's Board at the annual general meeting of shareholders. Per Beckman and David Haqvinsson stepped down from the Board at the annual general meeting of shareholders.
2) Including per capsulam meetings.

Remuneration principles

The principles for Stadshypotek's system of remuneration are established in a remuneration policy decided by the 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.

Handelsbanken's profit-sharing scheme, Oktogonen, also covers employees of Stadshypotek. 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 Handelsbanken's performance.

Disbursements are made directly to the individual employee either in cash, to a pension savings programme, 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-evaluation 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-evaluation.

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 policies, instructions and other steering documents. The policy established by the Board for internal auditing activities states that these must entail the examination of internal governance and control, and an evaluation of the reliability of the financial reporting.

Name	**Linda Hellström** Board Member	**Jörgen Olander** Board Member	**Helena Håkansson** Board Member (employee representative)
Year elected	2022	2022	2018
Year of birth	1972	1965	1969
Position and significant board assignments	• General Counsel, part of senior management, and Head of Legal, Products, Sustainability, Investment offering and Communications at Handelsbanken Liv Försäkringsaktiebolag. • Board member of Svenska RKA International Insurance Services AB.	• Head of Financial Control, Markets & Treasury at Handelsbanken	• Employee in Handelsbanken's Swedish branch operations. • Board member of Financial Sector Union of Sweden's Swedish branch operations union club. • Board member of Financial Sector Union of Sweden's Handelsbanken union club.
Background	• 2006–2012 Lawyer at Länsförsäkringar Liv AB. • 2002–2005 Notary at Stockholm County Court. • 2000–2002 Lawyer and head of European Union law, Swedish Immigration Board. • 2000 Legal Intern, UNHCR.	• Various positions at Handelsbanken. • Employed since 1995.	• Various positions at Handelsbanken. • Employed since 2007. • 2002–2007 Secondary school teacher, Kalmar. • 1991–1998 Bank employee at Ölands Bank. • 1989–1991 Bank employee at Sparbanken Kronan.
Academic background and qualifications	• Law and Political Science, Lund University.	• MBA, Gothenburg University School of Business, Economics and Law	• Marketing course, IHM. • Bachelor's degree in English. • Master's degree in French. • Qualified teacher for Years 4–9.
Board meetings Attendance[2)]	15/15	15/15	15/15

Lending

Stadshypotek's role in Handelsbanken

In the Swedish operations of the Handelsbanken Group, mortgage finance is conducted principally via Stadshypotek. At Stadshypotek's branch in Norway, business operations focus primarily on financing residential property. Parts of Stadshypotek's Finnish international branch were divested in 2024.

Mortgage market in Sweden

The mortgage market recovered in 2024, and can now be described as stable and balanced. A change in the market conditions has resulted in improved household finances – mainly through lower interest rates, but also thanks to a decline in energy prices. House prices climbed by 5 per cent on an annual basis, while prices for housing co-operative apartments rose by 6 per cent. The market is saturated with housing available for purchase, which is holding back price developments to a certain extent. Given that people's ability to move has been somewhat hindered in the recent past, however, this pent up need means that the number of sales has increased substantially compared to previous years. The number of house sales during the year was around 65,000, representing an increase of 20 per cent compared to 2023. The number of housing co-operative apartments sales during the year was around 106,000, representing an increase of 13 per cent compared to the previous year. Table 2 on page 11 shows price trends in the Greater Stockholm, Greater Gothenburg and Greater Malmö areas.

Corporate market in Sweden

The commercial property market has cooled off substantially over the past few years, in terms of both volume and number of transactions. In 2024, the conditions became much more stable and the market came to life again. According to the real estate consultant Colliers, the transaction volume amounted to SEK 134 billion, an increase of just over 50 per cent compared with 2023. Across all segments, there is high demand for good quality, i.e. modern properties in attractive locations – ideally environmentally certified. The properties' cash flows remain stable. Commercial and office properties have benefited from indexed rental agreements while, for rented housing, rent negotiations generated historically high rent increases. The vacancy rate for commercial and office properties rose slightly during the year, in the wake of the weaker economy and a rise in the number of bankruptcies. As regards residential properties, there is still a housing shortage in many places, although the trend is for a slightly higher number of vacancies, mainly regarding newly produced housing. The conditions for new construction projects improved during the year, and it is expected that ground will be broken for an increasing number of construction projects in the coming years. These will mainly involve the production of rental properties and single-family housing. Residential developers still find themselves experiencing difficulties when it comes to the booking and sale of housing co-operative apartments.

Mortgage and corporate markets in Norway and Finland

Stadshypotek has branches in Norway and Finland. The mortgage market in Norway grew by 6.4 per cent in 2024, compared to 0.5 per cent in 2023. In Finland, the mortgage market contracted by 2.7 per cent in 2024, compared to a decrease of 4.9 per cent in 2023. During the year, the majority of the Finnish mortgage business was divested according to plan.

Customer satisfaction in the mortgage industry increased

Customer satisfaction in the mortgage industry increased in 2024, according to the Swedish Quality Index (SKI). Once again, Handelsbanken was ranked above the industry average.

SKI's survey in 2024 shows that the primary drivers of customer satisfaction are service, price and terms, all of which are well reflected in our focus at present and in the future. We have an established business model with a decentralised way of working, local presence and a high level of expertise in the branch operations, and have a good ability to adapt to customers' needs – regardless of meeting place, we are always available.

Stadshypotek's lending

Stadshypotek's lending volume in Sweden rose by SEK 12 billion (19) during the year. Household lending decreased by SEK 3 billion (-2), while loans to the corporate market grew by SEK 15 billion (21). At year-end, Stadshypotek's loans to the public in Sweden were SEK 1,407 billion (1,395), with loans to households accounting for 67 per cent (68), or SEK 944 billion (947).

The market share for loans to Swedish households secured by mortgages in single-family housing or housing co-operative apartments was 20.5 per cent (20.9) 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 151 billion (127), with the private market accounting for NOK 115 billion (93) and the corporate market accounting for NOK 36 billion (34).

Stadshypotek's Finnish branch is in the process of being divested and, at year-end, loans to the public Finland totalled EUR 3 billion (5), with the private market accounting for EUR 0 billion (1) and the corporate market accounting for EUR 3 billion (4).

Table 1 – Mortgage market in Sweden[1)]

Mortgage lending to households SEK bn Type of collateral	2024	2023	Change, SEK bn	Change, %
Single-family housing[1)]	6,540	2,714	3,826	141
Housing co-operative apartment[1)]	2,687	1,403	1,284	92
Total	**9,227**	**4,117**	**5,110**	**124**

Table 2 – Mortgage market in Sweden, price trends

Price trend, %	2024	2023
Single-family housing		
Greater Stockholm	6	-2
Greater Gothenburg	4	-1
Greater Malmö	5	2
Housing co-operative apartments		
Greater Stockholm	7	3
Greater Gothenburg	4	2
Greater Malmö	5	0

Table 3 – Corporate market in Sweden

Lending to non-financial companies SEK bn Type of collateral	2024	2023	Change, SEK bn	Change, %
Property as collateral[1)]	1,712	1,689	23	1
of which multi-family dwellings	*1,059*	*1,039*	*20*	*2*
of which housing co-operative associations	*571*	*574*	*-3*	*-1*

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

Price trend, %	2024	2023
Norway[2)]	6	1
Finland[2)]	-1	-5

1) The figures for 2024 refer to November and for 2023 to December.
2) The figures for 2024 and 2023 refer to December.

Funding

Stadshypotek's treasury function is integrated with Handelsbanken Finance. This organisational structure offers the best conditions for matching the funding source and instrument offering the lowest 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 eight outstanding benchmark loans which mature between 2025 and 2031. Stadshypotek's bonds are arranged by five market makers. The Swedish 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, as well as a programme for issues in Australia (AMTCN).

Stadshypotek also has a commercial paper programme in Sweden, with a ceiling of SEK 90 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.

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 corresponded to 100 per cent (91) of the nominal debt at 31 December 2024. Information about the assets in the cover pools for covered bonds is provided in the tables on page 13.

Interest rate trends

After inflation receded in late 2023/early 2024, the Riksbank initiated in May the long-awaited Swedish rate cutting cycle. The cycle began with a 0.25-percentage point cut by the Riksbank, from 4 per cent down to 3.75 per cent. In doing so, the Riksbank became the first central bank among its contemporaries in the eurozone and US to cut its policy rate.

As the year progressed, the inflationary pressure in Sweden became less pronounced, allowing for further rate cuts. At the same time, inflation in the eurozone and, above all, the US was declining more slowly. The Swedish economy weakened, with lower GDP growth and a rise in unemployment. However, positive signs could be seen towards the end of the year, such as increased household consumption and an upswing in GDP. The Swedish policy rate was cut by a total 1.50 points in 2024, ending at 2.50 per cent – close to the Riksbank's estimated neutral interest rate of approximately 2.25 per cent. It is expected that this level will be reached in the first quarter of 2025 by the Riksbank, the market and analysts alike.

Although the market has throughout the year repeatedly priced in quicker and larger rate cuts than proved to be the case, 2024 ended with a significant rise to market rates in Sweden and internationally, particularly in Germany and the US.

Funding

The integration of Stadshypotek's treasury function with Handelsbanken Finance 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 375.9 billion (347.8), while interest rate swap agreements paying fixed interest amounted to SEK 0.8 billion (0.8).

Issues of covered bonds in Swedish kronor totalled a nominal SEK 104.8 billion (143.8) during the year. During the same period, a nominal volume totalling SEK 113.7 billion (89.8) matured or was repurchased. The carrying amount of the outstanding Swedish kronor bonds was SEK 614.6 billion (619.6) at year-end, including accrued interest.

Issues of foreign currency bonds under the EMTCN programme totalled EUR 0.8 billion (1.0). The nominal outstanding volume at year-end was EUR 8.2 billion (8.7) and GBP - billion (-). 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 were no outstanding volumes in the US or Australian programmes at year-end.

Issues in NOK totalled NOK 7.0 billion (8.0). The outstanding nominal volume at the year-end was NOK 29.0 billion (27.0). Stadshypotek issued one green bond in 2024, with a nominal amount of SEK 6 billion.

Rating
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

	Assets pooled		Assets utilised	
SEK m	2024	2023	2024	2023
Swedish pool, SEK	1,298,858	1,281,718	671,531	692,099
Norwegian pool, NOK	137,562	117,138	78,979	73,414
Total	**1,436,420**	**1,398,856**	**750,510**	**765,513**

Average loan-to-value (LTV) of cover pools, 31 December

%	2024	2023
Swedish pool, SEK	54.3	54.0
Norwegian pool, NOK	58.5	58.4

At 31 December 2024, the cover pool assets for covered bonds, categorised by type of collateral, were as follows:

Type of collateral SEK m	Sweden	Norway	Total
Public	1,694	0	1,694
Single-family housing	498,037	64,263	562,300
Second home	34,192	4,868	39,060
Rental property	375,547	29,787	405,334
Housing co-operative apartment, share	277,210	12,214	289,424
Housing co-operative apartment, premises	276	0	276
Owner-occupied apartment	0	23,873	23,873
Housing company share – apartment	0	1,610	1,610
Housing company share – house	0	0	0
Commercial/Offices	64,933	93	65,026
Agricultural	46,960	737	47,697
Residential farm	0	116	116
Other	8	0	8
Total	**1,298,857**	**137,561**	**1,436,418**

Stadshypotek's funding 31 December SEK bn	2024		2023		
	Carrying amount	Proportion, %	Carrying amount	Proportion, %	Change
Funding from the parent company	823	53	787	52	36
Covered bonds, SEK	566	36	571	37	-5
Covered bonds, foreign currency	120	8	120	8	0
Senior Non-preferred Notes	49	3	49	3	0
Total	**1,558**	**100**	**1,527**	**100**	**31**

Financial overview 2024

Financial performance

Stadshypotek's operating profit for the year was SEK 8,739 million (9,298), a decrease of SEK 559 million (3,589), or 6 per cent (28), compared to the previous year. The decrease was mainly due to decreased margins arising from the fierce competition in the Swedish mortgage loan market. In 2024, the company's net interest margin fell from 0.77 per cent to 0.74 per cent. Parts of Stadshypotek's Finnish international branch were divested in 2024, accounting for capital losses of SEK -99 million.

Operating income

Income for the year was SEK 12,418 million (12,876), a decrease of SEK 458 million (3,242), or 4 per cent (20), compared to the previous year. Of this income, SEK 1,043 million (679) was attributable to the branch in Norway, SEK 411 million (480) to the branch in Finland and SEK 1 million (17) to the branch in Denmark.

Net interest income decreased by SEK 222 million (2,767), or 2 per cent (18), to SEK 11,990 million (12,212). Of the net interest income, SEK 1,054 million (688) was attributable to the branch in Norway, SEK 396 million (469) to the branch in Finland. Net interest income for the Swedish operations decreased by SEK 499 million (2,020), primarily due to narrower margins in the private market.

Net gains/losses on financial transactions totalled SEK 468 million (690).

Expenses and credit losses

Expenses increased by SEK 224 million (365), or 9 per cent (18), to SEK -2,624 million (-2,400), of which SEK -128 million (-101) was attributable to the branch in Norway, SEK -183 million (-41) to the branch in Finland and SEK - million (0) to the branch in Denmark. Staff costs went down by SEK 4 million (+7) or 5 per cent (+9) compared to 2023. Other administrative expenses increased by SEK 225 million (357), or 10 per cent (18). This was mainly attributable to SEK -111 million of capital losses relating to the partial divestment of the Finnish operations, as well as to an increase in the compensation paid to the parent company in relation to the sale and administration of mortgage loans.

Net credit losses totalled SEK +104 million (-95). This amount includes changed macroeconomic assumptions and expert-based calculations that resulted in reductions to the provision requirement of SEK 77 million and SEK 40 million, respectively. The credit loss ratio stood at -0.01 per cent of lending (0.01).

Taxes and profit for the year

After taxes of SEK -1,815 million (-1,863), profit for the year was SEK 6,924 million (7,435).

Profitability

The profit corresponded to a return on equity of 10.6 per cent (11.3). 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 variable 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 hedging instrument in cash flow hedges totalled SEK 736 million (1,735) after tax.

Total assets and equity

At 31 December 2024, Stadshypotek's total assets stood at SEK 1,629,948 million (1,604,467), with equity accounting for SEK 60,773 million (62,308).

Group contribution

A Group contribution of SEK 4,300 million (6,000) has been provided to the parent company, Handelsbanken.

Financial risks

For information about financial risks, see note 2.

Proposed appropriation of profits

In accordance with the balance sheet for Stadshypotek AB, the following profits, after deduction for a net paid Group contribution of SEK 3,414 million and other dividends of SEK 1,261 million, are at the disposal of the annual general meeting:

Retained earnings, SEK m	25,279
Fair value fund, SEK m	-1,351
Profit for the year, SEK m	6,924
Total	30,852

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.

Half-yearly performance

	2024		2023	
SEK m	Jul–Dec	Jan–Jun	Jul–Dec	Jan–Jun
Interest income according to the effective interest method	31,484	32,444	29,502	23,082
Interest expenses	-25,421	-26,517	-23,721	-16,651
Net interest income	**6,063**	**5,927**	**5,781**	**6,431**
Fee and commission income	6	7	7	8
Fee and commission expenses	-35	-30	-21	-21
Net fee and commission income	**-29**	**-23**	**-14**	**-13**
Net gains/losses on financial transactions	**142**	**326**	**587**	**103**
Other income	**12**	**0**	**1**	**0**
Total income	**6,188**	**6,230**	**6,355**	**6,521**
General administrative expenses				
Staff costs	-39	-40	-40	-43
Other administrative expenses	-1,288	-1,226	-1,146	-1,143
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-17	-14	-14	-14
Total expenses	**-1,344**	**-1,280**	**-1,200**	**-1,200**
Profit before credit losses and government fees	**4,844**	**4,950**	**5,155**	**5,321**
Net credit losses	92	12	-65	-30
Government fees	-580	-579	-542	-541
Operating profit	**4,356**	**4,383**	**4,548**	**4,750**
Profit before taxes	**4,356**	**4,383**	**4,548**	**4,750**
Taxes	-914	-901	-883	-980
Net profit for the period	**3,442**	**3,482**	**3,665**	**3,770**

Income statement

SEK m	Note	2024	2023
Interest income according to the effective interest method		63,928	52,584
Interest expenses		-51,938	-40,372
Net interest income	*3*	**11,990**	**12,212**
Fee and commission income		13	15
Fee and commission expenses		-65	-42
Net fee and commission income	*4*	**-52**	**-27**
Net gains/losses on financial transactions	*5*	**468**	**690**
Other income	*30*	**12**	**1**
Total income		**12,418**	**12,876**
General administrative expenses			
Staff costs	*6*	-79	-83
Other administrative expenses	*7, 30*	-2,514	-2,289
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	*16, 17*	-31	-28
Total expenses		**-2,624**	**-2,400**
Profit before credit losses and government fees		**9,794**	**10,476**
Net credit losses	*8*	104	-95
Government fees	*9*	-1,159	-1,083
Operating profit		**8,739**	**9,298**
Profit before taxes		**8,739**	**9,298**
Taxes	*10*	-1,815	-1,863
Profit for the year		**6,924**	**7,435**
Earnings per share, SEK		42,741	45,893

For calculation of key figures and definitions, see pages 92 and 93.

Statement of comprehensive income

SEK m	2024	2023
Profit for the year	**6,924**	**7,435**
Other comprehensive income		
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	927	2,185
Translation differences	-26	-215
of which hedges of net assets in foreign operations	*-*	*-*
Tax on items that may subsequently be reclassified to the income statement	-185	-406
of which cash flow hedges	*-191*	*-450*
of which translation differences	*6*	*44*
Total items that may subsequently be reclassified to the income statement	**716**	**1,564**
Total other comprehensive income	**716**	**1,564**
Total comprehensive income for the year	**7,640**	**8,999**

Balance sheet

SEK m	Note	2024	2023
Assets			
Loans to credit institutions	*11*	30,485	10,623
Loans to the public	*12*	1,583,330	1,580,628
Value change of interest-hedged item in portfolio hedge		-	-1
Shares and participating interests	*13*	0	0
Derivative instruments	*14, 15*	14,356	12,043
Intangible assets	*16*	65	89
Property and equipment	*17*	0	0
Current tax assets		-	-
Deferred tax assets	*10*	395	586
Other assets	*18*	1,232	433
Prepaid expenses and accrued income	*19*	85	66
Total assets		**1,629,948**	**1,604,467**
of which Group claims	*25*	*44,936*	*22,747*
Liabilities			
Due to credit institutions	*20*	823,220	786,898
Issued securities	*21*	734,754	739,845
Derivative instruments	*14, 15*	5,617	8,922
Current tax liabilities		388	295
Deferred tax liabilities	*10*	-	-
Other liabilities	*22*	5,172	6,175
Accrued expenses and deferred income	*23*	24	24
Total liabilities		**1,569,175**	**1,542,159**
of which Group liabilities	*25*	*882,307*	*851,074*
Equity			
Share capital		4,050	4,050
Other funds		24,520	28,328
Retained earnings		25,279	22,495
Profit for the year		6,924	7,435
Total equity		**60,773**	**62,308**
Total liabilities and equity		**1,629,948**	**1,604,467**

Statement of changes in equity

31 December 2024	Restricted equity			Non-restricted equity					
SEK m	Share capital[1]	Statutory reserve	Fund for internally developed software	Tier 1 instruments	Tier 2 instruments	Hedge reserve[2]	Translation reserve[2]	Retained earnings incl. profit for the year	Total
Opening equity 2024	4,050	8,106	89	17,700	4,500	-2,103	36	29,930	62,308
Profit for the year								6,924	6,924
Other comprehensive income						736	-20		716
of which reclassified in equity									-
Total comprehensive income for the year						736	-20	6,924	7,640
Reclassified to retained earnings									-
Tier 2 instruments					-4,500				-4,500
Dividend on equity instruments								-1,261	-1,261
Group contributions provided								-4,300	-4,300
Tax effect on Group contributions								886	886
Fund for internally developed software			-24					24	-
Closing equity 2024	4,050	8,106	65	17,700	-	-1,367	16	32,203	60,773

31 December 2023	Restricted equity			Non-restricted equity					
SEK m	Share capital[1]	Statutory reserve	Fund for internally developed software	Tier 1 instruments	Tier 2 instruments	Hedge reserve[2]	Translation reserve[2]	Retained earnings incl. profit for the year	Total
Opening equity 2023	4,050	8,106	100	13,200	4,500	-3,838	207	28,390	54,715
Profit for the year								7,435	7,435
Other comprehensive income						1,735	-171		1,564
of which reclassified in equity									-
Total comprehensive income for the year						1,735	-171	7,435	8,999
Reclassified to retained earnings									-
Tier 1 instruments				4,500					4,500
Dividend on equity instruments								-1,142	-1,142
Group contributions provided								-6,000	-6,000
Tax effect on Group contributions								1,236	1,236
Fund for internally developed software			-11					11	-
Closing equity 2023	4,050	8,106	89	17,700	4,500	-2,103	36	29,930	62,308

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

Specification of changes in equity

Change in hedge reserve SEK m	2024	2023
Hedge reserve at beginning of year	-2,103	-3,838
Cash flow hedge		
Effective portion of change in fair value	1,022	2,331
Interest rate risk	*1,386*	*2,664*
Foreign exchange risk	*-364*	*-333*
Net amount reclassified in the income statement	-95	-146
Interest rate risk	*-84*	*-149*
Foreign exchange risk	*-11*	*3*
Tax	-191	-450
Hedge reserve at end of year	-1,367	-2,103

Change in translation reserve SEK m	2024	2023
Translation reserve at beginning of year	36	207
Change in translation difference	-26	-192
Tax on change for the year	6	39
Tax referring to previous years	-	-
Reclassified to the income statement, net	0	-18
Reclassified to retained earnings, net	-	-
Translation reserve at end of year	16	36

Cash flow statement

SEK m	2024	2023
Operating activities		
Operating profit	8,739	9,298
of which paid-in interest	*64,493*	*50,433*
of which paid-out interest	*-50,676*	*-36,382*
Adjustment for non-cash items in profit/loss		
Credit losses	-65	117
Depreciation and amortisation	31	28
Other non-cash items	3,630	2,559
Paid income tax	-841	-903
Change in the assets and liabilities of operating activities		
Loans to the public	-18,180	-12,778
Due to credit institutions	50,612	-48,527
Issued securities	-12,759	59,311
Derivative instruments	926	2,296
Change in other balance sheet items	-196	-2,929
Cash flow from operating activities	**31,897**	**8,472**
Investing activities		
Divestment of international branch operations	-100	-
Acquisition of intangible assets	-7	-17
Cash flow from investing activities	**-107**	**-17**
Financing activities		
Issues of equity instruments	-	4,500
Repayment of equity instruments	-4,500	-
Dividend on equity instruments	-1,325	-1,095
Group contribution paid	-6,000	-10,000
Cash flow from financing activities	**-11,825**	**-6,595**
Cash flow for the year	**19,965**	**1,860**
Liquid funds at beginning of year	**10,623**	**9,066**
Cash flow from operating activities	31,897	8,472
Cash flow from investing activities	-107	-17
Cash flow from financing activities	-11,825	-6,595
Exchange rate difference on liquid funds	-103	-303
Liquid funds at end of year	**30,485**	**10,623**
Liquid funds		
Liquid funds held by banks	29,485	10,203
Pledged cash collateral held by banks	1,000	420
Loans to credit institutions	**30,485**	**10,623**

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

Divestment of international branch operations SEK m	2024	2023
Purchase price	14,870	-
Loans to the public	-14,959	-
Selling expenses	-11	-
Net gains/losses	**-100**	**-**

Notes

Note 1 Material accounting policies

Contents

1. Statement of compliance

Basis for accounts
Stadshypotek's (the company's) annual report has been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. In addition, the accounting policies also adhere to the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority in FFFS 2008:25, Annual Reports in Credit Institutions and Securities Companies. The presentation currency is the Swedish krona and all figures are rounded to the nearest million kronor (SEK m) unless otherwise stated. The company's accounting policies are described in note 1.

Issuing and adoption of annual report
The Annual Report was approved for issue by the Board and the Chief Executive on 3 February 2025 and will be submitted for adoption by the annual general meeting on 31 March 2025.

Stadshypotek AB (publ) has its registered office in Stockholm, at the address 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.

2. Changed accounting policies

The changes in accounting regulations applicable from 1 January 2024 have not had any impact on the company's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

Other changes in regulations
Other changes in regulations on or after 1 January 2024 have had no impact on the company's accounting.

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 2023 Annual Report.

3. Changes in IFRS which are yet to be applied

Amendments to the classification and measurement of financial instruments (IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure)
In May 2024, the IASB published amendments relating to the classification and measurement of financial instruments in IFRS 9 and IFRS 7. Assuming that the changes are adopted by the EU, and the date of implementation proposed by the IASB is not changed, the changes to the standard are to be applied as of the 2026 financial year.

The amendments to IFRS 9 primarily entail clarifications to the assessment of whether contractual cash flows in financial assets, which include terms dependent on future events, meet the criteria to constitute solely payments of principal and interest (SPPI criteria). Above all, the amendments provide guidance for assessing whether the SPPI criteria are met for a sustainability-linked loan. In certain cases, unforeseen events give rise to contractual cash flows that meet SPPI criteria, both before and after the changes to the cash flows, but the nature of the unforeseen event is not directly related to basic lending risks and costs. One example is sustainability-linked loans, where the terms of the agreement state that the interest rate is adjusted based on the borrower's reduction of their carbon dioxide emissions. In such cases, the SPPI criteria are met only if the contractual cash flows in all possible scenarios do not deviate significantly from a financial asset with identical contractual cash flows, but without the occurrence of the unforeseen event. It is further clarified that contractual cash flows do not meet SPPI criteria if they are indexed to a variable that does not constitute basic lending risks and costs, such as an equity index or commodity index, or if they represent a portion of the borrower's income of profit, even if such terms may be common in the market. The amendments to IFRS 7 entail, among other effects, qualitative and quantitative disclosure requirements regarding contractual terms that could change the amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The disclosure requirements encompass financial assets at amortised cost or fair value through other comprehensive income, and financial liabilities at amortised cost.

The amendments to IFRS 9 also clarify the timing of the initial recognition of financial assets and liabilities and the timing of the removal of financial assets and liabilities from the statement of financial position. The amendments include an optional exemption entailing that financial liabilities settled through electronic transfer can be derecognised from the statement of financial position before the settlement date, i.e. before the contractual obligation is met, annulled or lapses, on the condition that certain criteria specified in the regulations are met.

The company has commenced work on analysing the effects of the amendments to IFRS 9 and IFRS 7. At present, the assessment is that the amendments will not have a material impact on Stadshypotek's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

Other forthcoming changes in regulations
Other forthcoming changes in the accounting regulations issued for application are not assessed to have a material impact on the company's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

Note 1 cont.

4. Financial instruments (IFRS 9 Financial Instruments, IAS 32 Financial Instruments: Presentation)

Recognition and derecognition
Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date. 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.

Measurement categories
Financial assets 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 points for the classification of financial assets into the respective measurement categories is the company's business model for managing such assets and the asset's contractual terms.

Financial liabilities are allocated to one of the following measurement categories:
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 row on the balance sheet may be classified in different measurement categories, see note 28.

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

Assessment of the business model for financial assets
The assessment of the business model for managing financial assets defines classification into measurement categories. For the purposes of the business model, Stadshypotek has divided its financial assets into portfolios on the basis of how they are managed, reported and evaluated by the company's management. When the business model is determined for the respective portfolio, the factors considered include established guidelines and objectives with 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 financial assets' contractual terms
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. If the financial asset has 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 assessed as not constituting solely payments of principal and interest.

The company offers sustainability-linked loan agreements to its corporate customers, which include an incentive in the form of a lower interest rate for the borrower to make progress towards certain defined sustainability goals, determined on a sliding scale depending on the amount of progress made towards the goals. The difference compared to a non-sustainability-linked loan is that the interest rate is adjusted by a pre-determined amount (in general from 1.5 to 5.0 basis points), based on the borrower's progress towards their sustainability goals. The sustainability-linked goals are thus specific to each individual borrower. The company has evaluated the sustainability-linked loan agreements and the contractual cash flows constitute solely payments of principal and interest on the outstanding principal amount. The contractual cash flows are thus deemed to be consistent with a basic loan arrangement, and the sustainability-linked loan agreements are recognised at amortised cost.

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 this measurement category consist of loans and holdings of interest-bearing securities. These assets are subject to impairment testing. Financial liabilities recognised in this measurement category consist primarily of liabilities due to credit institutions, deposits and borrowing from the public, 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 are recognised in the income statement items Net interest income and Credit losses, respectively. Early repayment charges for loans redeemed ahead of time, capital gains/losses generated from repurchases of the Bank's own issued securities, and foreign exchange effects are recognised in the income statement under 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. 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 7.

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.

Note 1 cont.

There is a corresponding option to irrevocably designate, at initial recognition, a financial liability as measured at fair value through profit or loss if either of the following conditions is met:
- It eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the liability.
- A group of financial liabilities, or a group of both financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these instruments is provided internally to the company's management on that same basis.

This valuation principle has been applied to avoid inconsistencies when measuring assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis. Unrealised and realised changes in value are recognised under Net gains/losses on financial transactions. Interest is recognised under Net interest income.

The only instance for the company where the above criteria in the measurement category are met is 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
Issued financial guarantees entail an obligation to reimburse the holder of a debt instrument (loan or interest-bearing security) for losses incurred in the event that a specified debtor fails to make a payment when due in accordance with the contractual terms, 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 for issued financial guarantees are amortised under 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 24.

Loan commitments are reported off the balance sheet until the settlement date of the loan, see note 24. Fees received for loan commitments are accrued under 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 is included in the loan's effective interest. Financial guarantees and irrevocable loan commitments are subject to impairment testing.

Compound financial instruments
A compound financial instrument consists of a derivative component (an embedded derivative) and a non-derivative host contract. 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 all of the following terms are met:
- 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.
- The compound financial instrument is not measured at fair value through profit or loss. Consequently, derivatives embedded in financial liabilities measured at fair value through profit or loss are not recognised separately.

Embedded derivatives in financial assets are not recognised separately. 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 transactions
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 (repurchase agreement) 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 Other loans to central banks, Loans 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 7.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and recognised at a net amount on the balance sheet if the company has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability. Further information about the offsetting of financial assets and liabilities is provided in note 15.

5. Principles for fair value measurement of financial assets and liabilities (IFRS 13 Fair Value Measurement)

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 can 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.

When there is no reliable information about market prices for financial instruments, 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 adjust-

Note 1 cont.

ment 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 market practice and are continuously reviewed by the risk control function, as well as being compared with the counterparty valuation.

Derivatives
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 7.

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.

6. Credit losses (IFRS 9 Financial Instruments)

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. 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 on 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.

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 calculation. 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 detailed description of significant increases in credit risk, see the 'Credit risks' section of note 2. The provisions in the different impairment stages are calculated on an individual basis. Manual calculation is used for agreements in Stage 3, with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3. 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.

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. Total credit losses in Stage 1 are calculated using the probability of default during the coming 12-month period. For Stage 2 and Stage 3, credit losses are calculated using the probability of default during the asset's remaining time to maturity.

Model-based calculation
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/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 additional information on the models used to calculate expected credit losses for agreements in Stage 1 and Stage 2, 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 sensitivity analyses 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. 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 local 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, non-payment or an indication of unlikeliness to pay.

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.

An expert-based calculation
Expert-based calculation is carried out for credit losses, in order to incorporate the estimated impact of factors not deemed to have been considered in the model (Stage 1 and Stage 2), or which have not been considered in manual calculations (Stage 3). The model-based calculations are constructed with

Note 1 cont.

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.

An 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 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 at fair value through other comprehensive income are recognised at fair value on the balance sheet. Provisions for expected credit losses on these instruments are recognised in the fair value reserve in equity and do not, therefore, reduce the carrying amount of the instrument.
- For financial assets measured at amortised cost and off-balance sheet items, the period's credit losses (expected and actual) are recognised in the income statement under the item Credit losses. This item consists of the period's provisions for expected credit losses, less reversals of previous provisions, as well as write-offs and recoveries during the period.
- For financial assets measured at fair value through other comprehensive income, the credit losses for the period (expected and actual) are recognised in the income statement under the item Net gains/losses on financial transactions.
- Write-offs comprise 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 accruing 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/credit-impaired asset

The company's definition of default is identical to the definition applied in the Capital Requirements Regulation (CRR), 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 its 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 and 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 forbearance measures or commercial renegotiations. Forbearance measures refer to changes in terms and conditions in conjunction with restructurings or other financial relief measures. Such changes are implemented with the objective of securing repayment in full, or of maximising the repayment of the outstanding loan amount, from lenders 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 the market conditions for 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 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

Note 1 cont.

the assessment made when granting the forbearance measure. 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 this date is used thereafter for the calculation of expected credit losses and for the assessment of whether there has been a significant increase in the credit risk since the initial recognition.

7. Hedge accounting (IAS 39 Financial Instruments: Recognition and Measurement)

Stadshypotek has elected to continue to apply the hedge accounting rules in IAS 39, in accordance with the transitional rules in IFRS 9. 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. 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.

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 relationships at fair value comprise the interest rate risk on lending and borrowing at fixed interest rates. The hedging instruments in these hedging relationships consist of interest rate swaps. 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 in the balance sheet in conjunction with Loans to the public. When fair value hedges are terminated early, the accrued value change on the hedged item is amortised under 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.

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 funding is normally much longer than the interest rate adjustment period, which is very short. Cash flow hedging is also used to hedge foreign exchange risk in future cash flows deriving from lending and funding. Foreign exchange risks deriving from intragroup monetary items can also be subject to this type of hedging, if they give rise to currency exposures which are not fully eliminated on consolidation. 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 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.

For more information, see note 14 Derivative instruments.

8. Assets held for sale and accounting of discontinued operations (IFRS 5 Non-current Assets Held for Sale and Discontinued Operations)

Non-current assets or a group of assets, possibly with some directly associated 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 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. Thus, property, plant and equipment or intangible assets held for sale are not depreciated or amortised. 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 30.

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 30.

9. 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.

Note 1 cont.

10. 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.

Income 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 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.

11. Employee benefits (IAS 19 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

Defined benefit plans
The company has pension obligations which are guaranteed through insurance with Pensionskassan SHB Tjänstepensionsförening (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
Defined contribution pension plans under the BTPK plan are plans where 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 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

Note 1 cont.

degree such benefits are accumulated as a result of the employees working for the company over a period of time.

12. Group contribution

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.

13. Estimates and material assessments

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.

Financial instruments at fair value
When categorising financial instruments at fair value at level 1, level 2 or level 3, the assessments are made in terms of the degree of transparency regarding market data used in the valuation. Financial instruments which are valued at the current market price in an active market are included in level 1. Financial instruments which are valued using valuation models based on input data which essentially can be verified using market observations are included in level 2. Financial instruments which have been valued on the basis of valuation models essentially affected by input data that is not possible to verify using external market information are included in level 3. Assessments have thus been made to identify which financial instruments are lacking an active market. Moreover, assessments have been made when selecting which valuation models are to be applied, and in terms of which input data is to be used in the valuation models.

The starting point is that input data used in valuation models can essentially be verified using market observations such as quoted prices for equities and fixed-income instruments. In the event that input data in a valuation model cannot be verified with external market data to any material extent, it is appropriate for company management to apply its own estimates and assumptions when calculating fair value. The company's holdings of financial assets classified at level 3 constitute, however, only a very minor proportion of the total financial assets at fair value. The company has an established control environment for ascertaining the fair values of financial instruments, including a review of valuation models and market prices undertaken by the risk control function. The carrying amounts for financial instruments measured at fair value are presented in note 29, Fair value measurement of financial instruments.

For further information on material assessments undertaken in the fair value measurement of financial instruments and the assumptions applied, see note 1, section 5, Principles for fair value measurement of financial assets and liabilities, and note 29, Fair value measurement of financial instruments.

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 requirement 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.

Note 1 cont.

Manual and expert-based calculation
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.

An 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 calculation, see Manual calculation and Expert-based calculation in section 6.

14. Exchange rates

Exchange rates	31 Dec 2024	31 Dec 2023
EUR 1 = SEK		
Income statement (average)	11.4340	11.4789
Balance sheet (at end of period)	11.4775	11.1270
GBP 1 = SEK		
Income statement (average)	13.5072	13.2010
Balance sheet (at end of period)	13.8441	12.7997
USD 1 = SEK		
Income statement (average)	10.5643	10.6166
Balance sheet (at end of period)	10.9948	10.0524
NOK 1 = SEK		
Income statement (average)	0.9832	1.0054
Balance sheet (at end of period)	0.9678	0.9923
DKK 1 = SEK		
Income statement (average)	1.5330	1.5406
Balance sheet (at end of period)	1.5388	1.4930
CHF 1 = SEK		
Income statement (average)	12.0082	11.8186
Balance sheet (at end of period)	12.1907	11.9986

Note 2 Risks and risk control

Risks and uncertainty factors

As part of the Handelsbanken Group, Stadshypotek has a low risk tolerance and 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 performs 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 decision-makers, control procedures are in place to ensure that excessive risks are not taken in individual transactions or local operations. In lending, this means that large loans are subject to limits and 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 meas-

Note 2 cont.

urements 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 Handelsbanken Risk Control function. In addition, limit utilisation is reported regularly to Stadshypotek's Chief Executive and Board of Directors.

Stadshypotek is also covered by Handelsbanken Risk Control, 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. Handelsbanken Risk Control is responsible for the independent reporting of risks for the banking group of which Stadshypotek is a part. Handelsbanken 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. 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, county 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 Handelsbanken's 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.

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 regularly performs control activities to ensure that Stadshypotek's credit portfolio has a low tolerance for credit risks and is otherwise aligned with Stadshypotek's Credit policy and Credit instructions. 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 proportion 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

Note 2 cont.

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 to small companies respectively (that are also classed as retail exposures), but the principle is the same.

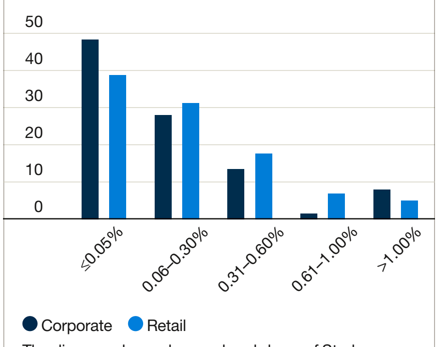
For retail exposures and exposures to medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Handelsbanken Group's own loss history. For exposures to large corporates that are subject to a capital requirement using the IRB Approach with own estimates 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 the 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.

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

Proportion of exposure, %



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.

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.

Note 2 cont.

Credit risk exposures by risk class 2024

SEK m	Balance sheet items: Loans to the public	Balance sheet items: Loans to credit institutions	Balance sheet items: Derivative instruments	Off-balance sheet items: Contingent liabilities	Total
Risk class					
1	457,948	-	-	813	458,761
2	479,178	-	-	233	479,411
3	387,095	-	-	37	387,132
4	149,234	-	-	1	149,235
5	61,428	-	-	15	61,443
6	14,188	-	-	-	14,188
7	24,642	-	-	-	24,642
8	204	-	-	-	204
9	6,237	-	-	-	6,237
Defaults	2,658	-	-	-	2,658
Standardised approach	518	30,485	14,356		45,359
Total	**1,583,330**	**30,485**	**14,356**	**1,099**	**1,629,270**

Credit risk exposures by risk class 2023

SEK m	Balance sheet items: Loans to the public	Balance sheet items: Loans to credit institutions	Balance sheet items: Derivative instruments	Off-balance sheet items: Contingent liabilities	Total
Risk class					
1	477,283	-	-	-	477,283
2	482,718	-	-	11	482,729
3	372,391	-	-	-	372,391
4	148,295	-	-	-	148,295
5	48,903	-	-	-	48,903
6	14,823	-	-	-	14,823
7	27,101	-	-	-	27,101
8	222	-	-	-	222
9	6,461	-	-	-	6,461
Defaults	1,730	-	-	-	1,730
Standardised approach	701	10,623	12,043	-	23,367
Total	**1,580,628**	**10,623**	**12,043**	**11**	**1,603,305**

Balance sheet items that are subject to impairment testing under IFRS 9, broken down by risk class 2024

SEK m	Gross: Stage 1	Gross: Stage 2	Gross: Stage 3	Provisions: Stage 1	Provisions: Stage 2	Provisions: Stage 3
Risk class						
1	498,656	1,723	-	-1	-1	-
2	472,500	2,528	-	-4	-2	-
3	378,799	3,805	-	-6	-5	-
4	142,087	3,869	-	-5	-3	-
5	54,269	7,187	-	-6	-22	-
6	6,599	7,614	-	-4	-21	-
7	17,242	7,418	-	-1	-17	-
8	-	209	-	-	-5	-
9	33	6,218	-	0	-14	-
Defaults	-	-	2,763	-	-	-105
Standardised approach	518	-	-	-	-	-
Total	**1,570,703**	**40,571**	**2,763**	**-27**	**-90**	**-105**

Note 2 cont.

Balance sheet items that are subject to impairment testing under IFRS 9, broken down by risk class 2023

SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	478,335	1,956	-	-5	-3	-
2	481,901	4,299	-	-10	-5	-
3	369,518	5,896	-	-14	-9	-
4	133,021	16,451	-	-14	-7	-
5	32,609	16,349	-	-10	-45	-
6	4,275	10,600	-	-4	-48	-
7	19,244	7,891	-	-4	-30	-
8	-	229	-	-	-7	-
9	25	6,462	-	0	-26	-
Defaults	-	-	1,819	-	-	-89
Standardised approach	701	-	-	0	-	-
Total	**1,519,629**	**70,133**	**1,819**	**-61**	**-180**	**-89**

Loans to the public that are subject to impairment testing, broken down by risk class 2024

SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	456,227	1,723	-	-1	-1	-
2	476,500	2,684	-	-4	-2	-
3	383,384	3,722	-	-6	-5	-
4	145,446	3,796	-	-5	-3	-
5	54,269	7,187	-	-6	-22	-
6	6,599	7,614	-	-4	-21	-
7	17,242	7,418	-	-1	-17	-
8	-	209	-	-	-5	-
9	33	6,218	-	0	-14	-
Defaults	-		2,763	-	-	-105
Standardised approach	518		-	-	-	-
Total	**1,540,218**	**40,571**	**2,763**	**-27**	**-90**	**-105**

Loans to the public that are subject to impairment testing, broken down by risk class 2023

SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	475,335	1,956	-	-5	-3	-
2	478,278	4,455	-	-10	-5	-
3	366,518	5,896	-	-14	-9	-
4	132,021	16,295	-	-14	-7	-
5	32,609	16,349	-	-10	-45	-
6	4,275	10,600	-	-4	-48	-
7	19,244	7,891	-	-4	-30	-
8	-	229	-	-	-7	-
9	25	6,462	-	0	-26	-
Defaults	-	-	1,819	-	-	-89
Standardised approach	701	-	-	0	-	-
Total	**1,509,006**	**70,133**	**1,819**	**-61**	**-180**	**-89**

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 6, 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: 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 application 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 70 per cent for the neutral scenario and 15 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 agreement is expected to incur a credit loss within 12 months 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 agreements 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 main criterion when assessing whether an agreement is deemed to have incurred a significant increase in credit risk that requires its transfer to Stage 2, according to Handelsbanken's definition, is 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

Note 2 cont.

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-specific, 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 forecast 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 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.

Geographical breakdown of lending in Sweden

	Stockholm		Västra Götaland		Skåne		Other counties	
Proportion of lending, %	2024	2023	2024	2023	2024	2023	2024	2023
Single-family housing	27.8	28.2	15.0	14.8	13.7	13.7	43.5	43.3
Housing co-operative apartments	58.3	58.6	12.2	11.9	9.9	9.8	19.6	19.7
Private market	**38.2**	**38.7**	**14.0**	**13.8**	**12.4**	**12.3**	**35.3**	**35.2**
Multi-family dwelling	30.3	31.1	17.1	16.6	16.2	16.0	36.4	36.3
Offices and commercial buildings	31.9	29.1	18.4	19.7	12.3	12.5	37.5	38.7
Corporate market	**30.7**	**30.6**	**17.4**	**17.3**	**15.2**	**15.1**	**36.7**	**37.0**
Total	**35.4**	**35.7**	**15.3**	**15.1**	**13.5**	**13.4**	**35.8**	**35.8**

Note 2 cont.

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

Loans to the public, geographical breakdown 2024

	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Sweden	1,368,854	36,044	2,505	-23	-82	-95	1,407,203
Norway	143,692	2,315	188	-4	-4	-2	146,185
Finland	27,672	2,212	70	0	-4	-8	29,942
Total	**1,540,218**	**40,571**	**2,763**	**-27**	**-90**	**-105**	**1,583,330**

Loans to the public, geographical breakdown 2023

	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Sweden	1,328,823	64,671	1,682	-54	-166	-79	1,394,877
Norway	123,558	2,345	82	-5	-5	0	125,975
Finland	56,625	3,117	55	-2	-9	-10	59,776
Total	**1,509,006**	**70,133**	**1,819**	**-61**	**-180**	**-89**	**1,580,628**

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 2024

	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	992,638	18,753	2,403	-14	-38	-65	1,013,677
Housing co-operative associations	263,662	4,525	46	-1	-4	-7	268,221
Property management	255,104	15,424	278	-9	-26	-27	270,744
Manufacturing	415	22	4	0	0	0	441
Retail	626	99	7	0	0	-2	730
Hotel and restaurant	627	80	0	0	-2	-1	704
Passenger and goods transport by sea	9	1	-	0	0	-	10
Other transport and communication	358	44	-	0	0	-	402
Construction	731	271	7	-1	-10	-	998
Electricity, gas and water	897	2	-	0	0	-	899
Agriculture, hunting and forestry	16,079	791	12	-2	-5	-2	16,873
Other services	2,348	413	3	0	-3	-1	2,760
Holding companies, investment companies and insurance companies, mutual funds, etc.	1,084	110	1	0	-2	0	1,193
Sovereigns and municipalities	1,273	3	-	0	0	-	1,276
Other corporate lending	4,367	33	2	0	0	-	4,402
Total	**1,540,218**	**40,571**	**2,763**	**-27**	**-90**	**-105**	**1,583,330**

Loans to the public broken down by sector and industry 2023

	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	992,581	21,771	1,587	-40	-37	-52	1,015,810
Housing co-operative associations	265,424	5,264	12	-1	-1	-8	270,690
Property management	224,944	40,825	125	-10	-82	-29	265,773
Manufacturing	200	51	0	-3	-29	0	219
Retail	620	56	13	0	0	0	689
Hotel and restaurant	641	90	0	0	-1	0	730
Passenger and goods transport by sea	11	1	-	0	0	-	12
Other transport and communication	476	31	-	0	0	-	507
Construction	668	300	5	-2	-20	0	951
Electricity, gas and water	1,097	10	3	0	0	0	1,110
Agriculture, hunting and forestry	15,714	1,175	73	-4	-5	0	16,953
Other services	2,675	395	0	-1	-3	0	3,066
Holding companies, investment companies and insurance companies, mutual funds, etc.	986	97	1	0	-1	0	1,083
Sovereigns and municipalities	2,328	17	-	0	0	-	2,345
Other corporate lending	641	50	0	0	-1	0	690
Total	**1,509,006**	**70,133**	**1,819**	**-61**	**-180**	**-89**	**1,580,628**

Note 2 cont.

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 2024

SEK m	Sweden	Norway	Finland	Total
Private individuals	900,490	113,144	43	1,013,677
Housing co-operative associations	218,035	28,043	22,143	268,221
Property management	258,795	4,724	7,225	270,744
Manufacturing	441	-	-	441
Retail	711	19	-	730
Hotel and restaurant	690	14	0	704
Passenger and goods transport by sea	10	-	-	10
Other transport and communication	393	9	-	402
Construction	968	30	-	998
Electricity, gas and water	797	-	102	899
Agriculture, hunting and forestry	16,823	50	-	16,873
Other services	2,614	102	44	2,760
Holding, investment, insurance companies, mutual funds etc.	1,111	46	36	1,193
Sovereigns and municipalities	927	-	349	1,276
Other corporate lending	4,398	4	-	4,402
Net loans to the public	**1,407,203**	**146,185**	**29,942**	**1,583,330**
of which total provisions for expected credit losses (Stages 1–3)	*-200*	*-10*	*-12*	*-222*
Gross loans to the public	**1,407,403**	**146,195**	**29,954**	**1,583,552**

Loans to the public, geographical breakdown by sector and industry 2023

SEK m	Sweden	Norway	Finland	Total
Private individuals	904,904	93,979	16,927	1,015,810
Housing co-operative associations	211,604	27,566	31,520	270,690
Property management	252,801	4,112	8,860	265,773
Manufacturing	214	-	5	219
Retail	650	27	12	689
Hotel and restaurant	711	14	5	730
Passenger and goods transport by sea	12	-	-	12
Other transport and communication	386	18	103	507
Construction	902	34	15	951
Electricity, gas and water	816	-	294	1,110
Agriculture, hunting and forestry	16,883	70	-	16,953
Other services	2,698	116	252	3,066
Holding, investment, insurance companies, mutual funds etc.	899	38	146	1,083
Sovereigns and municipalities	726	-	1,619	2,345
Other corporate lending	671	1	18	690
Net loans to the public	**1,394,877**	**125,975**	**59,776**	**1,580,628**
of which total provisions for expected credit losses (Stages 1–3)	*-299*	*-10*	*-21*	*-330*
Gross loans to the public	**1,395,176**	**125,985**	**59,797**	**1,580,958**

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 verifies the market values of pledged properties on an annual basis. Lending in Sweden, which accounts for 89 per cent (88) of Stadshypotek'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 62.7 per cent (63.5); multi-family dwellings 27.9 per cent (27.5) and offices and commercial property 9.4 per cent (9.0). Lending to the largest customer category corresponded to 0.71 per cent (0.71) of the entire portfolio. There were 45 (38) customers or customer categories with loans of SEK 1 billion or more.

Loan-to-value analysis, Stadshypotek Sweden, 31 December, proportion of lending %

	2024			2023		
Loan-to-value ratio	Private market	Corporate market	Total	Private market	Corporate market	Total
0–60%	89.9	98.5	93.0	89.2	98.5	92.6
61–75%	6.6	1.3	4.7	6.9	1.4	4.9
>75%	**3.5**	**0.2**	2.3	3.9	0.1	2.5

Note 2 cont.

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 Handelsbanken 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 county or national 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 their 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 is declared bankrupt.

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 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 process 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 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. 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 Bank branch with business responsibility (unit with customer and credit responsibility) and are approved by either the county-level or national credit committee or a central unit, depending on the size of the provision. Of the credit provisions in Stage 3 which are approved by a county-level or national credit committee, a selection is subsequently reviewed/quality assured by the central credit department. In addition, Handelsbanken 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 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 internal 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 totalled SEK +104 million (-95). The credit loss ratio was -0.01 per cent (0.01) of total lending. The largest credit loss attributable to a single customer or customer category was SEK 12.4 million (4.2). The ten largest credit losses totalled SEK 22.0 million (12.8). Credit losses are reported in note 8 on page 47.

Note 2 cont.

Repossessed property:
At 31 December 2024, there was no repossessed 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 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 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. Handelsbanken 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.

Note 2 cont.

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 2024

SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 years	>5 yrs	Total
Assets						
Loans to credit institutions	23,954	4,590	1,941	-	-	30,485
Loans to the public	1,040,155	80,642	124,088	325,624	12,821	1,583,330
Total	**1,064,109**	**85,232**	**126,029**	**325,624**	**12,821**	**1,613,815**
Liabilities						
Due to credit institutions	559,519	74,492	70,569	115,052	3,588	823,220
Issued securities	93,716	-	84,739	509,047	47,253	734,755
Total	**653,235**	**74,492**	**155,308**	**624,099**	**50,841**	**1,557,975**
Off-balance sheet items, nominal amount	-360,362	-9,007	34,177	305,933	20,323	-8,936
Difference between assets and liabilities, including off-balance sheet items	50,512	1,733	4,899	7,458	-17,697	46,905

Interest rate fixing periods for Stadshypotek's assets and liabilities, 31 December 2023

SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 years	>5 yrs	Total
Assets						
Loans to credit institutions	10,623	-	-	-	-	10,623
Loans to the public	961,808	90,173	123,781	386,427	18,438	1,580,628
Total	**972,432**	**90,173**	**123,781**	**386,427**	**18,438**	**1,591,251**
Liabilities						
Due to credit institutions	476,737	66,237	80,002	159,558	4,363	786,898
Issued securities	122,661	-	81,761	472,924	62,499	739,845
Total	**599,398**	**66,237**	**161,763**	**632,482**	**66,863**	**1,526,743**
Off-balance sheet items, nominal amount	-322,720	-	20,895	256,017	52,697	6,889
Difference between assets and liabilities, including off-balance sheet items	50,313	23,936	-17,087	9,962	4,273	71,398

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

Maturities for Stadshypotek's assets and liabilities, 31 December 2024

SEK m	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Loans to credit institutions	20,820	9,796	-	-	30,616
Loans to the public	84,004	254,494	371,689	988,179	1,698,366
Total	**104,824**	**264,290**	**371,689**	**988,179**	**1,728,982**
Due to credit institutions	200,908	161,127	352,913	165,752	880,700
Issued securities	3,203	113,049	604,751	75,130	796,134
Total	**204,111**	**274,176**	**957,664**	**240,883**	**1,676,834**

Derivatives, 31 December 2024

SEK m	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Total derivatives inflow	1,251	20,616	97,449	15,361	134,677
Total derivatives outflow	3,476	19,102	91,956	13,668	128,202
Net	**-2,225**	**1,514**	**5,493**	**1,693**	**6,475**

Maturities for Stadshypotek's assets and liabilities, 31 December 2023

SEK m	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Loans to credit institutions	10,626	-	-	-	10,626
Loans to the public	92,267	256,746	393,801	1,003,082	1,745,896
Total	**102,893**	**256,746**	**393,801**	**1,003,082**	**1,756,522**
Due to credit institutions	155,327	151,839	385,530	148,556	841,252
Issued securities	56,394	87,298	552,922	98,290	794,904
Total	**211,721**	**239,137**	**938,452**	**246,846**	**1,636,156**

Derivatives, 31 December 2023

SEK m	Up to 3 mths	3–12 mths	1–5 years	>5 yrs	Total
Total derivatives inflow	7,192	16,670	84,984	27,521	136,367
Total derivatives outflow	9,334	18,656	80,364	26,199	134,552
Net	**-2,142**	**-1,986**	**4,620**	**1,322**	**1,815**

Note 2 cont.

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 important 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 the Handelsbanken Group's central Risk Control function 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 2024.

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 158 million (157). 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 111–190 million (110–189).

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 61 million (62).

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 411 million (440).

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 158 million (158).

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 types of risk 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 2024 – 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 an 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.

Note 2 cont.

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.

Note 3 Net interest income

SEK m	2024	2023
Interest income according to the effective interest method		
Loans to the public	63,250	52,121
Loans to credit institutions	678	463
Total interest income	**63,928**	**52,584**
Interest expenses		
Due to credit institutions	-28,521	-22,884
Issued securities	-16,663	-11,335
Derivative instruments[1]	-6,751	-6,152
Other interest expenses	-3	-1
Total interest expenses	**-51,938**	**-40,372**
of which interest expenses according to the effective interest method and interest on derivatives through hedge accounting	*-51,938*	*-40,372*
Net interest income	**11,990**	**12,212**

1) 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 4.00 per cent (3.32). During the year, the average funding rate (due to credit institutions, issued securities and derivative instruments) was 3.37 per cent (2.65). The interest income is entirely attributable to assets recognised at amortised cost. Total interest expenses on liabilities recognised at amortised cost for 2024 were SEK 45,184 million (34,219).

Note 4 Net fee and commission income

SEK m	2024	2023
Fee and commission income		
Lending	8	11
Other	5	4
Total fee and commission income	**13**	**15**
Fee and commission expenses		
Securities	-59	-42
Other	-6	0
Total fee and commission expenses	**-65**	**-42**
Net fee and commission income	**-52**	**-27**

Note 5 Net gains/losses on financial transactions

SEK m	2024	2023
Amortised cost	**469**	**580**
of which loans	*33*	*7*
of which issued securities	*436*	*573*
Fair value through profit or loss, mandatory including foreign exchange effects	**-8**	**22**
Trading, derivatives, foreign exchange effects, etc.	*-8*	*22*
Hedge accounting	**7**	**88**
of which net/gains losses, fair value hedges	*-4*	*89*
of which ineffective portion of cash flow hedges	*11*	*-1*
Total	**468**	**690**

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 and financial liabilities 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	2024	2023
Salaries and fees	-48	-47
Social security costs	-15	-15
Pension costs	-18	-24
of which special payroll tax	*-4*	*-5*
Provision to profit-sharing scheme	-1	0
Other staff costs	3	3
Total staff costs	**-79**	**-83**

The average number of employees in the company during the year was 52 (49). Of these employees, 38 per cent (40) were women and 62 per cent (60) were men.

Stadshypotek has pension obligations under the BTP2 agreement which are guaranteed through insurance with Pensionskassan SHB Tjänstepensionsförening (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 2025 are expected to amount to SEK 11 million.

The pension fund's obligations totalled SEK 7,494 million at 31 December 2024 (7,000), 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 16,718 million at 31 December 2024 (16,324). The breakdown of the pension fund's assets is shown in the following table.

Pensionskassan's (pension fund) plan assets

SEK m	2024	2023
Shares and fund shares on an active market	9,685	9,477
Unlisted shares and fund shares	-	721
Interest-bearing securities listed on an active market	5,635	5,376
Unlisted interest-bearing securities	-	-
Other plan assets	1,398	750
Total	**16,718**	**16,324**

Further information about the defined benefit pension plan can be found in note G8 of the 2024 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 2021, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2021 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.

Note 6 cont.

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 2.3 million, including benefits of SEK 0.0 million, during 2024.

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 325 thousand (300). No fees were paid to other members of the Board. The year's pension cost for the Chief Executive totalled SEK 1.0 million (1.0). 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 3.5 million (5.0).

Salaries and fees

SEK m	2024	2023
Salaries to Chief Executive and executive officers	11	11
Other employees	37	36
Total	**48**	**47**

Loans to executive officers

SEK m	2024	2023
To the Chief Executive and other executive officers in the company's senior management team	47	54
To other Board members (excluding Chief Executive)	36	42
Total	**83**	**96**

The loans concerned were granted to 16 (16) individuals and all were secured by pledged collateral. Stadshypotek's interest income for loans to the above-mentioned categories totals SEK 2.0 million (1.1). 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 1.5 per cent. 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 3 million is determined by applying normal commercial terms. All credits are subject to the customary credit assessment.

Gender balance, number

	2024		2023	
	Men	Women	Men	Women
The Board	5	2	5	2
Executive officers [1]	4	5	3	4

1) Employees of Stadshypotek. In addition, two people are employed by Handelsbanken.

Note 7 Other administrative expenses

SEK m	2024	2023
Cost of premises	-5	-6
External IT costs	-127	-144
Communication	-1	-1
Travel and marketing	-5	-21
Purchased services[1)]	-2,198	-2,067
Other administrative expenses[2)]	-178	-50
Total	**-2,514**	**-2,289**
of which expenses for operating leases	*-6*	*-6*

1) Purchased services mainly comprise remuneration to Handelsbanken for services ordered by Stadshypotek and performed by the branch operations. Purchased services also includes remuneration to Handelsbanken for IT services ordered by Stadshypotek, as well as funding services.
2) Other administrative expenses include capital losses of SEK -111 million relating to the divestment of parts of the Finnish operations.

Contracted irrevocable future operating lease charges, broken down by maturity

SEK m	2024	2023
Within 1 year	-7	-7
Between 1 and 5 yrs	-26	-30
Over 5 yrs	-5	-6
Total	**-38**	**-43**

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

Remuneration to auditors and audit companies

SEK m	2024	2023
Ernst & Young AB, audit assignments	-	-0.1
Deloitte AB, audit assignments	-0.7	-0.6
PricewaterhouseCoopers AB, audit assignment	-1.5	-1.5
PricewaterhouseCoopers AB, audit activities outside the audit assignment	-0.2	-0.5
KPMG AB, Other	-0.4	-
Total	**-2.8**	**-2.7**

Note 8 Credit losses

SEK m	2024	2023
Expected credit losses on balance sheet items		
The year's provision Stage 3	-54	-33
Reversal of Stage 3 provisions to Stage 1 or Stage 2	11	2
Total expected credit losses in Stage 3	**-43**	**-31**
The year's net provision Stage 2	84	-81
The year's net provision Stage 1	33	3
Total expected credit losses in Stage 1 and Stage 2	**117**	**-78**
Total expected credit losses on balance sheet items	**74**	**-109**
Expected credit losses on off-balance sheet items		
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
Total expected credit losses on off-balance sheet items	**0**	**0**
Write-offs		
Actual credit losses for the year[1)]	-21	-21
Utilised share of previous provisions in Stage 3	12	13
Total write-offs	**-9**	**-8**
Recoveries	**39**	**22**
Net credit losses	**104**	**-95**
of which loans to the public	*104*	*-95*

1) Of the year's actual credit losses, SEK -21 million (-21) is subject to enforcement activities.

SEK m	2024	2023
Model-based provision in Stage 1 and Stage 2		
Update of macroeconomic assumptions	72	31
Transfer of exposures in exposed industries from Stage 1 to Stage 2	-1	2
Change in risk of default in included portfolio (net rating changes)	-19	-105
Effect of changed exposure (existing, new and terminated exposures)	12	-17
Other	13	0
Total model-based provision in Stage 1 and Stage 2	**77**	**-89**
Expert-based provision	*-10*	*-50*
Change in expert-based calculation	**40**	**11**
Total expected credit losses in Stage 1 and Stage 2	**117**	**-78**

The provision amount has decreased in 2024. The decrease to the model-based provision is mainly due to the effects of changes in the values of the forward-looking macroeconomic risk factors. This is offset somewhat by negative migration in the customer portfolio. In addition, a number of smaller factors have combined to contribute to the decrease to the provision requirement during the year.

During the year, the company applied an expert-based provision based on elevated credit risks relating to uncertainty factors which were not deemed to be fully considered in the company's risk models. These uncertainty factors are primarily linked to macroeconomic conditions and potentially substantial changes in demand. Given the challenges, at the end of the quarter, in assessing how the uncertainty factors noted above affect the credit risk at individual company level, the company has therefore analysed the necessity of an expert-based stress in sectors at risk of extra sensitivity and decided on an additional provision requirement of SEK 10 million (50).

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

Key figures, credit losses
Loans to the public

	2024	2023
Credit loss ratio, acc., %	-0.01	0.01
Total reserve ratio, %	0.01	0.02
Reserve ratio Stage 1, %	0.00	0.00
Reserve ratio Stage 2, %	0.22	0.26
Reserve ratio Stage 3, %	3.79	4.87
Proportion of loans in Stage 3, %	0.17	0.12

Note 8 cont.

Balance sheet and off-balance sheet items that are subject to impairment testing 2024

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items						
Loans to credit institutions	30,485	-	-	-	-	-
Loans to the public	1,570,703	40,571	2,763	-27	-90	-105
Total	**1,601,188**	**40,571**	**2,763**	**-27**	**-90**	**-105**
Off-balance sheet items						
Contingent liabilities	1,095	4	-	0	0	-
of which guarantee commitments	-	-	-	-	-	-
of which obligations	*1,095*	*4*	-	*0*	*0*	-
Total	**1,602,283**	**40,575**	**2,763**	**-27**	**-90**	**-105**

Items on and off the balance sheet that are subject to impairment testing 2023

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items						
Loans to credit institutions	10,623	-	-	-	-	-
Loans to the public	1,509,006	70,133	1,819	-61	-180	-89
Total	**1,519,629**	**70,133**	**1,819**	**-61**	**-180**	**-89**
Off-balance sheet items						
Contingent liabilities	11	0	-	0	0	-
of which guarantee commitments	-	-	-	-	-	-
of which obligations	*11*	*0*	-	*0*	*0*	-
Total	**1,519,640**	**70,133**	**1,819**	**-61**	**-180**	**-89**

Change analysis

Change in the provision for expected credit losses, loans to the public, 31 December 2024

SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	**-61**	**-180**	**-89**	**-330**
Derecognised assets	8	30	9	47
Write-offs	0	0	12	12
Remeasurements due to changes in credit risk	8	59	-14	53
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	0	0	0	0
Purchased or originated assets	-4	-2	-1	-7
Transfer to Stage 1	-3	10	0	7
Transfer to Stage 2	11	-31	0	-20
Transfer to Stage 3	14	24	-22	16
Provision at end of year	**-27**	**-90**	**-105**	**-222**

Change in the provision for expected credit losses, loans to the public31 December 2023

SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	**-66**	**-100**	**-55**	**-221**
Derecognised assets	4	8	1	13
Write-offs	0	0	13	13
Remeasurements due to changes in credit risk	-76	11	-27	-92
Changes due to update in the methodology for estimation	14	3	-1	16
Foreign exchange effect, etc.	1	0	0	1
Purchased or originated assets	-8	-10	0	-18
Transfer to Stage 1	-4	16	0	12
Transfer to Stage 2	59	-139	0	-80
Transfer to Stage 3	15	31	-20	26
Provision at end of year	**-61**	**-180**	**-89**	**-330**

The provision for expected credit losses regarding off-balance sheet items was SEK 0 million in 2024 (0).

The provision for expected credit losses regarding balance sheet items, with the exception of loans to the public, was SEK 0 million in 2024 (0).

Note 8 cont.

The change analysis shows the net effect on the provision for the stage in question for each explanatory item during the period. The effect of derecognitions and write-offs is calculated on the opening balance. The effect of revaluations arising as a result of updates in models and/or risk parameters, foreign exchange effects, etc., is calculated before any transfer of net amounts between stages. Purchased or originated assets and amounts transferred between stages are recognised after the effects of other explanatory items are taken into account. The transfer rows present the effect on the provision for the stated stage.

Change in gross volumes, balance sheet items that are subject to impairment testing, 2024

SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	**1,519,629**	**70,133**	**1,819**	**1,591,581**
Derecognised assets	-119,142	-6,514	-427	-126,083
Write-offs	-1	-1	-12	-14
Remeasurement due to changed credit risk	11,165	5,962	-139	16,988
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	-1,853	17	0	-1,836
Purchased or originated assets	131,536	1,831	33	133,400
Transfer to Stage 1	55,182	-55,165	-17	0
Transfer to Stage 2	-25,135	25,383	-184	64
Transfer to Stage 3	-680	-1,074	1,691	-63
Volume at end of year	**1,570,703**	**40,571**	**2,763**	**1,614,037**

Change in gross volumes, balance sheet items that are subject to impairment testing, 2023

SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	**1,530,690**	**43,143**	**1,269**	**1,575,102**
Derecognised assets	-76,141	-4,788	-276	-81,205
Write-offs	-1	-1	-13	-14
Remeasurement due to changed credit risk	-10,504	-119	-219	-10,843
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	-6,979	-133	-3	-7,115
Purchased or originated assets	112,011	3,593	52	115,656
Transfer to Stage 1	51,408	-51,397	-12	0
Transfer to Stage 2	-80,315	80,473	-41	117
Transfer to Stage 3	-540	-638	1,061	-117
Volume at end of year	**1,519,629**	**70,133**	**1,819**	**1,591,581**

Change in gross volumes, loans to the public that are subject to impairment testing, 2024

SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	**1,509,006**	**70,133**	**1,819**	**1,580,958**
Derecognised assets	-119,140	-6,514	-427	-126,081
Write-offs	-1	-1	-12	-14
Remeasurement due to changed credit risk	-8,586	5,962	-139	-2,763
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	-1,853	17	0	-1,836
Purchased or originated assets	131,423	1,831	33	133,287
Transfer to Stage 1	55,182	-55,165	-17	0
Transfer to Stage 2	-25,135	25,383	-184	64
Transfer to Stage 3	-680	-1,074	1,691	-63
Volume at end of year	**1,540,218**	**40,571**	**2,763**	**1,583,552**

Change in gross volumes, loans to the public that are subject to impairment testing, 2023

SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	**1,521,624**	**43,143**	**1,269**	**1,566,036**
Derecognised assets	-76,141	-4,788	-276	-81,205
Write-offs	-1	-1	-12	-14
Remeasurement due to changed credit risk	-12,061	-119	-220	-12,400
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	-6,979	-133	-3	-7,115
Purchased or originated assets	112,011	3,593	52	115,656
Transfer to Stage 1	51,408	-51,397	-11	0
Transfer to Stage 2	-80,315	80,473	-41	117
Transfer to Stage 3	-540	-638	1,061	-117
Volume at end of year	**1,509,006**	**70,133**	**1,819**	**1,580,958**

Note 8 cont.

Change in gross volume, off-balance sheet items that are subject to impairment testing, 2024

SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	**11**	**0**	**-**	**11**
Derecognised assets	-6	-	-	-6
Write-offs	0	-	-	0
Remeasurement due to changed credit risk	843	0	-	844
Changes due to update in the methodology for estimation	0	0	0	0
Foreign exchange effect, etc.	-21	0	-	-21
Purchased or originated assets	267	4	-	271
Transfer to Stage 1	0	0	-	0
Transfer to Stage 2	0	-	-	0
Transfer to Stage 3	0	-	-	0
Volume at end of year	**1,095**	**4**	**-**	**1,099**

Change in gross volume, off-balance sheet items that are subject to impairment testing, 2023

SEK m	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	**3**	**0**	**-**	**3**
Derecognised assets	-	-	-	0
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	11	-	-	11
Transfer to Stage 1	0	0	-	0
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Volume at end of year	**11**	**0**	**-**	**11**

Sensitivity analyses

Macroeconomic forecast in ECL calculations and sensitivity analysis

The calculation of expected credit losses applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the calculated forecasts. The forecast in the base case scenario is assigned a weight of 70% (70), while an upturn in the economy is assigned 15% (15), and a downturn 15% (15). These scenarios and weightings have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2024.

Macroeconomic risk factors 2024, %

	Downturn scenario			Base case scenario			Upturn scenario		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
GDP growth									
Sweden	-2.75	0.80	2.81	2.11	2.71	2.16	3.85	3.60	1.96
Norway	-3.45	-0.34	2.25	1.55	1.66	1.60	3.15	2.46	1.40
Finland	-3.50	-0.40	2.05	1.50	1.60	1.40	3.10	2.40	1.20
Unemployment index									
Sweden	10.02	10.32	10.54	8.32	7.92	7.54	7.62	6.92	6.84
Norway	3.90	4.60	5.30	2.20	2.20	2.30	1.50	1.20	1.60
Finland	9.70	9.90	10.00	8.00	7.50	7.00	7.30	6.50	6.30
Key rate									
Sweden	4.50	4.50	3.75	2.25	2.25	2.25	1.50	1.25	1.25
Norway	5.75	5.25	4.00	3.50	3.00	2.50	2.75	2.00	1.50
Finland	4.25	4.25	3.50	2.00	2.00	2.00	1.25	1.00	1.00
Property price index, commercial properties									
Sweden	-10.15	-3.37	4.19	1.45	3.88	4.51	8.42	10.22	6.28
Norway	-15.53	-8.28	1.08	-1.93	-1.03	0.65	3.73	4.09	2.00
Finland	-10.56	-5.14	2.13	-1.24	0.62	2.29	3.96	5.60	3.68
Property price index, residential properties									
Sweden	-4.51	-4.44	4.14	3.24	3.25	3.53	7.06	7.40	4.99
Norway	-0.59	0.55	5.58	9.59	8.14	4.90	11.57	9.50	3.93
Finland	-4.08	-1.48	1.99	1.47	2.07	2.77	5.18	3.54	3.20

Note 8 cont.

Sensitivity analysis, macroeconomic scenarios

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 2024, which arises when a probability of 100% is assigned to the downturn and upturn scenarios, respectively.

	2024		2023	
	Percentage increase of provision in downturn scenario	Percentage decrease of provision in upturn scenario	Percentage increase of provision in downturn scenario	Percentage decrease of provision in upturn scenario
Total	**40.58**	**-18.84**	**29.40**	**-16.28**
Sweden	41.42	-19.40	30.19	-16.83
Norway	31.39	-13.12	26.78	-13.59
Finland	44.35	-20.35	19.98	-10.51

Sensitivity analysis, significant increase in credit risk

The table below shows how the provision in Stage 1 and Stage 2 as at 31 December is affected if the threshold value applied for the ratio between residual credit risk calculated on the reporting date and on initial recognition were to be set 0.5 units lower and higher, respectively, than the applied threshold value 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. An increase 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'.

Change in the total provision in Stage 1 and Stage 2, %

Threshold value	2024	2023
2	7.28	4.95
2.5	0.00	0.00
3	-8.23	-2.37

Credit exposure by PD intervals
Balance sheet items broken down by PD intervals

	2024 Gross volume, SEK m			2023 Gross volume, SEK m		
PD value[1]	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
0.00 to <0.15	1,371,515	7,310	-	1,319,919	21,478	-
0.15 to <0.25	166,430	3,716	-	20,675	2,378	-
0.25 to <0.50	16,508	1,866	-	162,447	8,522	-
0.50 to <0.75	2,122	740	-	8,128	5,950	-
0.75 to <2.50	9,723	12,700	-	4,870	7,872	-
2.50 to <10.00	4,390	13,531	-	3,450	22,170	-
10.00 to <100	15	708	-	140	1,763	-
100 (defaults)	-	-	2,763	-	-	1,819
Total	**1,570,703**	**40,571**	**2,763**	**1,519,629**	**70,133**	**1,819**

Loans to the public, breakdown by PD intervals

	2024 Gross volume, SEK m			2023 Gross volume, SEK m		
PD value[1]	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
0.00 to <0.15	1,344,891	7,310	-	1,310,694	21,479	-
0.15 to <0.25	163,202	3,716	-	20,528	2,379	-
0.25 to <0.50	16,189	1,866	-	161,312	8,521	-
0.50 to <0.75	2,081	740	-	8,071	5,950	-
0.75 to <2.50	9,535	12,700	-	4,836	7,872	-
2.50 to <10.00	4,305	13,531	-	3,426	22,171	-
10.00 to <100	15	708	-	139	1,763	-
100 (defaults)	-	-	2,763	-	-	1,819
Total	**1,540,218**	**40,571**	**2,763**	**1,509,006**	**70,133**	**1,819**

1) Refers to 12-month PD value as at the reporting date.

Note 8 cont.

Off-balance sheet items broken down by PD intervals

	2024 Gross volume, SEK m			2023 Gross volume, SEK m		
PD value[1]	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
0.00 to <0.15	1,095	4	-	11	0	-
0.15 to <0.25	0	0	-	0	0	-
0.25 to <0.50	0	0	-	0	0	-
0.50 to <0.75	0	0	-	0	0	-
0.75 to <2.50	0	0	-	0	0	-
2.50 to <10.00	0	0	-	0	0	-
10.00 to <100	0	0	-	0	0	-
100 (defaults)	-	-	0	-	-	0
Total	**1,095**	**4**	**0**	**11**	**0**	**0**

1) Refers to 12-month PD value as at the reporting date.

There was no repossessed property at 31 December 2024 or at 31 December 2023.

Note 9 Government fees

SEK m	2024	2023
Risk tax	-415	-385
Resolution fee	-744	-698
Total	**-1,159**	**-1,083**

Note 10 Taxes

Deferred tax assets

SEK m	2024	2023
Hedging instruments	355	546
Settlement of foreign tax	40	40
Other	0	0
Total	**395**	**586**

Deferred tax liabilities

SEK m	2024	2023
Loans to the public	-	-
Hedging instruments	-	-
Total	**-**	**-**
Net deferred tax asset/liability	**395**	**586**

Unrecognised deferred tax assets and deficits

A deferred tax asset is recognised for loss carry-forwards and other deductible temporary differences to the extent that it can be utilised in the foreseeable future. Unrecognised deferred tax assets in Stadshypotek AB amount to SEK 124 million (113).

Note 10 cont.

Change in deferred taxes 2024

SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public	-	-	-	-
Hedging instruments	546	-	-191	355
Settlement of foreign tax	40	0	-	40
Other	0	0	0	0
Total	**586**	**0**	**-191**	**395**

Change in deferred taxes 2023

SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public	-115	118	-3	-
Hedging instruments	996	-	-450	546
Settlement of foreign tax	-	40	-	40
Other	0	0	0	0
Total	**881**	**158**	**-453**	**586**

Tax expenses recognised in the income statement

SEK m	2024	2023
Current tax		
Tax on profit for the year	-1,809	-2,068
Adjustment of tax relating to prior years	-6	47
Deferred tax		
Changes in temporary differences	0	158
Total	**-1,815**	**-1,863**
Profit before taxes	**8,739**	**9,298**
Effective tax rate	**20.8%**	**20.0%**
Swedish tax rate	20.6%	20.6%
Tax calculated according to Swedish tax rate	-1,800	-1,915
Difference	**-15**	**52**
The difference is due to the following items		
Non-deductible / taxable items	2	10
Settlement of foreign tax	-11	-5
Adjustment of tax relating to prior years	-6	47
Total	**-15**	**52**

Note 11 Loans to credit institutions

SEK m	2024	2023
Loans in Swedish kronor		
Banks[1)]	5,189	2,456
Total	**5,189**	**2,456**
Loans in foreign currency		
Banks	25,296	8,167
Total	**25,296**	**8,167**
Total loans to credit institutions	**30,485**	**10,623**
of which accrued interest income	*19*	*1*
1) of which pledged cash collateral	1,000	420

Average volumes

SEK m	2024	2023
Loans to credit institutions in Swedish kronor	1,065	2,546
Loans to credit institutions in foreign currency	9,056	4,096
Total	**10,121**	**6,642**

Note 12 Loans to the public

SEK m	2024	2023
Loans in Swedish kronor		
Household	944,407	947,372
Corporate	462,996	447,804
Total	**1,407,403**	**1,395,176**
Loans in foreign currency		
Household	110,872	109,661
Corporate	65,277	76,121
Total	**176,149**	**185,782**
Provision for expected credit losses	-222	-330
Total loans to the public	**1,583,330**	**1,580,628**
of which accrued interest income	*4,120*	*4,708*

Average volumes

SEK m	2024	2023
Loans to the public in Swedish kronor	1,392,845	1,386,424
Loans to the public in foreign currency	189,205	185,626
Total	**1,582,050**	**1,572,050**

Note 13 Shares and participating interests in Group companies

Shares and participating interests in Group companies

	2024	2023
Shares in Group companies	0	0

					Carrying amount, SEK '000	
Group companies	Corporate identity number	Domicile	Number of shares	Ownership share, %	2024	2023
Svenska Intecknings Garanti AB Sigab	556432-7285	Stockholm	1,000	100	100	100

Note 14 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	Up to 1 year	1–5 years	Over 5 yrs	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	-	-	-	-	41	-	1	-	-
Swaps	22,000	279,036	33,875	334,911	281,129	6,311	5,318	4,710	6,608
Total	**22,000**	**279,036**	**33,875**	**334,911**	**281,170**	**6,311**	**5,319**	**4,710**	**6,608**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	12,927	27,647	1,148	41,722	67,394	6	67	907	2,151
Currency-related contracts									
Swaps	10,865	66,109	12,759	89,733	93,380	8,039	6,657	-	163
Total	**23,792**	**93,756**	**13,907**	**131,455**	**160,774**	**8,045**	**6,724**	**907**	**2,314**
Total derivatives	**45,792**	**372,792**	**47,782**	**466,366**	**441,944**	**14,356**	**12,043**	**5,617**	**8,922**
of which OTC derivatives not settled by CCP	*45,792*	*372,792*	*47,782*	*466,366*	*441,944*	*14,356*	*12,043*	*5,617*	*8,922*

Currency breakdown of market values

	Positive market values		Negative market values	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
SEK	-41,923	-38,404	1,885	14,685
EUR	95,883	86,982	3,732	-5,763
NOK	-39,604	-36,535	-	-
Total	**14,356**	**12,043**	**5,617**	**8,922**

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).

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 2024

SEK m	Up to 1 year	1–5 years	Over 5 yrs
Cash flow hedge			
Interest rate risk			
Interest rate swaps pay fixed interest and receive variable interest			
Nominal amount	750	-	-
Average fixed interest rate, %	1.63	-	-
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	12,177	27,647	1,148
Average fixed interest rate, %	0.54	1.25	1.54
Foreign exchange risk			
Currency-related derivatives EUR/SEK			
Nominal amount, SEK	10,865	36,257	1,089
Average exchange rate at time of acquisition SEK/EUR	10.253	10.834	10.305
Currency-related derivatives GBP/SEK			
Nominal amount, SEK	-	-	-
Average exchange rate at time of acquisition SEK/GBP	-	-	-
Foreign exchange derivatives, EUR/NOK			
Nominal amount, SEK	-	29,852	11,670
Average exchange rate at time of acquisition NOK/EUR	-	10.574	10.066

Note 14 cont.

Risk category and type of hedge accounting, 31 December 2023

SEK m	Up to 1 year	1–5 years	Over 5 yrs
Cash flow hedge			
Interest rate risk			
Interest rate swaps pay fixed interest and receive variable interest			
Nominal amount	-	750	-
Average fixed interest rate, %	-	1.63	-
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	26,495	39,036	1,113
Average fixed interest rate, %	1.15	1.04	1.54
Foreign exchange risk			
Currency-related derivatives EUR/SEK			
Nominal amount, SEK	7,885	35,401	12,048
Average exchange rate at time of acquisition SEK/EUR	9.900	10.658	10.778
Currency-related derivatives GBP/SEK			
Nominal amount, SEK	-	-	-
Average exchange rate at time of acquisition SEK/GBP			
Foreign exchange derivatives, EUR/NOK			
Nominal amount, SEK	5,146	21,287	11,613
Average exchange rate at time of acquisition NOK/EUR	9.532	10.239	10.066

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 2024

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 2024	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							
Cash flow hedge										
Interest rate risk										
Interest rate swaps pay fixed interest and receive variable interest	750	6	-	Derivatives	-13	-13	-	Net gains/losses on financial transactions	-	-
Interest rate swaps receive fixed interest and pay variable interest	40,972	-	907	Derivatives	1,399	1,399	-	Net gains/losses on financial transactions	-84	Net gains/losses on financial transactions
Foreign exchange risk										
Currency-related derivatives SEK/EUR	48,211	3,034	-	Derivatives	-135	-136	1	Net gains/losses on financial transactions	-1	-
Currency-related derivatives SEK/GBP	-	-	-	Derivatives	-	-	-	Net gains/losses on financial transactions	-	-
Foreign exchange derivatives, EUR/NOK	41,522	5,005	-	Derivatives	-218	-228	10	Net gains/losses on financial transactions	-10	-
Total	**131,455**	**8,045**	**907**		**1,033**	**1,022**	**11**		**-95**	

Note 14 cont.

Risk category and type of hedge accounting, 31 December 2023

SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments: Assets	Carrying amount hedging instruments: Liabilities	Balance sheet item in which a hedging instrument is included	Change in fair value used to calculate ineffectiveness for 2023	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
Cash flow hedge										
Interest rate risk										
Interest rate swaps pay fixed interest and receive variable interest	750	19	-	Derivatives	-97	-97	-	Net gains/losses on financial transactions	-	-
Interest rate swaps receive fixed interest and pay variable interest	66,644	48	2,151	Derivatives	2,748	2,748	0	Net gains/losses on financial transactions	-146	Net gains/losses on financial transactions
Foreign exchange risk										
Currency-related derivatives SEK/EUR	55,334	2,706	-	Derivatives	-145	-144	-1	Net gains/losses on financial transactions	-	-
Currency-related derivatives SEK/GBP	-	-	-	Derivatives	2	2	-	Net gains/losses on financial transactions	-	-
Foreign exchange derivatives, EUR/NOK	38,046	3,951	163	Derivatives	-177	-177	0	Net gains/losses on financial transactions	-	-
Total	**160,774**	**6,724**	**2,314**		**2,331**	**2,332**	**-1**		**-146**	

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

Risk category and type of hedge accounting, 31 December 2024

SEK m	Change in fair value used to calculate ineffectiveness	Hedge reserve	Of which amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Cash flow hedge			
Interest rate risk			
Variable-interest loans to the public	-1,399	-1,028	321
Variable-interest issued securities	13	6	-
Foreign exchange risk			
Issued securities at fixed interest rate in EUR	364	-699	-
Issued securities at variable interest rate in GBP	-	-	-
Total	**-1,022**	**-1,721**	**321**

Risk category and type of hedge accounting, 31 December 2023

SEK m	Change in fair value used to calculate ineffectiveness	Hedge reserve	Of which amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Cash flow hedge			
Interest rate risk			
Variable-interest loans to the public	-2,748	-2,342	405
Variable-interest issued securities	97	18	-
Foreign exchange risk			
Issued securities at fixed interest rate in EUR	321	-325	-
Issued securities at variable interest rate in GBP	-2	-	-
Total	**-2,332**	**-2,649**	**405**

Note 14 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, 31 December 2024

SEK m	Up to 1 year	1–5 years	Over 5 yrs
Fair value hedges			
Interest rate risk			
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	22,000	279,036	33,875
Average fixed interest rate, %	1.74	2.56	1.41

Risk category and type of hedge accounting, 31 December 2023

SEK m	Up to 1 year	1–5 years	Over 5 yrs
Fair value hedges			
Interest rate risk			
Interest rate swaps receive fixed interest and pay variable interest			
Nominal amount	11,813	217,731	51,585
Average fixed interest rate, %	1.22	2.31	2.36

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 2024

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 2024	Change in the value of the hedged item recognised in the income statement	Ineffectiveness recognised in the income statement	Income statement items which include ineffectiveness
		Assets	Liabilities					
Fair value hedges								
Interest rate risk								
Interest rate swaps receive fixed interest and pay variable interest	334,911	6,311	4,710	Derivatives	1,678	-1,674	-4	Net gains/losses on financial transactions
Total	**334,911**	**6,311**	**4,710**		**1,678**	**-1,674**	**-4**	
Fair value portfolio hedges								
Interest rate risk								
Interest rate options (cap)	-	-	-	Derivatives	-	1	1	Net gains/losses on financial transactions
Total	**-**	**-**	**-**		**-**	**1**	**1**	

Risk category and type of hedge accounting, 31 December 2023

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 2023	Change in the value of the hedged item recognised in the income statement	Ineffectiveness recognised in the income statement	Income statement items which include ineffectiveness
		Assets	Liabilities					
Fair value hedges								
Interest rate risk								
Interest rate swaps receive fixed interest and pay variable interest	281,129	5,318	6,608	Derivatives	9,779	-9,690	89	Net gains/losses on financial transactions
Total	**281,129**	**5,318**	**6,608**		**9,779**	**-9,690**	**89**	
Fair value portfolio hedges								
Interest rate risk								
Interest rate options (cap)	41	1	-	Derivatives	-5	5	0	Net gains/losses on financial transactions
Total	**41**	**1**	**-**		**-5**	**5**	**0**	

Note 14 cont.

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

Risk category and type of hedge accounting, 31 December 2024

SEK m	Carrying amount hedged item: Assets	Carrying amount hedged item: Liabilities	Accumulated fair value adjustment included in the carrying amount of the hedged item: Assets	Accumulated fair value adjustment included in the carrying amount of the hedged item: Liabilities	Balance sheet item in which the hedged item is included	Change in value used to calculate ineffectiveness for 2024	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
Fair value hedges								
Interest rate risk	-	335,803	-	-868	Issued securities	-1,674	-	Issued securities
Total		**335,803**	**-**	**-868**		**-1,674**	**-**	
Fair value portfolio hedges								
Interest rate risk	1	-	-	-	Loans to the public	-	-	-
Interest rate risk	-	-	-	-	Value change of interest-hedged item in portfolio hedge	-	-	-
Total	**1**	**-**	**-**	**-**		**-**	**-**	**-**

Risk category and type of hedge accounting, 31 December 2023

SEK m	Carrying amount hedged item: Assets	Carrying amount hedged item: Liabilities	Accumulated fair value adjustment included in the carrying amount of the hedged item: Assets	Accumulated fair value adjustment included in the carrying amount of the hedged item: Liabilities	Balance sheet item in which the hedged item is included	Change in value used to calculate ineffectiveness for 2023	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
Fair value hedges								
Interest rate risk	-	275,738	-	-2,626	Issued securities	-9,690	-	Issued securities
Total		**275,738**	**-**	**-2,626**		**-9,690**	**-**	
Fair value portfolio hedges								
Interest rate risk	48	-	-	-	Loans to the public	-	-	-
Interest rate risk	-1	-	-1	-	Value change of interest-hedged item in portfolio hedge	5	-	-
Total	**47**	**-**	**-1**	**-**		**5**	**-**	**-**

Note 15 Offsetting of financial instruments

SEK m	2024	2023
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements		
Gross amount	14,356	12,043
Amounts set off	-	-
Carrying amount on the balance sheet	**14,356**	**12,043**
Related amounts not offset on the balance sheet		
Financial instruments, netting arrangements	-5,617	-8,922
Total amounts not set off on the balance sheet	**-5,617**	**-8,922**
Net amount	**8,739**	**3,121**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements		
Gross amount	-5,617	-8,922
Amounts set off	-	-
Carrying amount on the balance sheet	**-5,617**	**-8,922**
Related amounts not offset on the balance sheet		
Financial instruments, netting arrangements	14,356	12,043
Total amounts not set off on the balance sheet	**14,356**	**12,043**
Net amount	**8,739**	**3,121**

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.

Note 16 Intangible assets

Internally developed software

SEK m	2024	2023
Cost of acquisition at beginning of year	198	181
Cost of acquisition of additional intangible assets	7	17
Disposals and retirements	-	-
Cost of acquisition at end of year	**205**	**198**
Accumulated depreciation and impairment at beginning of year	-109	-81
Disposals and retirements	-	-
Depreciation for the year according to plan	-31	-28
Impairment for the year	-	-
Accumulated depreciation and impairment losses at end of year	**-140**	**-109**
Carrying amount	**65**	**89**

Note 17 Property and equipment

Equipment

SEK m	2024	2023
Cost of acquisition at beginning of year	3	3
Cost of additional acquisition for the year	-	-
Disposals and retirements	-	-
Cost of acquisition at end of year	**3**	**3**
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	-	-
Accumulated depreciation and impairment losses at end of year	**-3**	**-3**
Carrying amount	**0**	**0**

The cost of acquisition for tangible non-current assets depreciated in full in 2024 totalled SEK 3 million (3).

Note 18 Other assets

SEK m	2024	2023
Claims on investment banking settlements	1,003	-
Accounts receivable	94	114
Other	135	319
Total	**1,232**	**433**

Note 19 Prepaid expenses and accrued income

SEK m	2024	2023
Prepaid expenses	0	2
Accrued income	85	64
Total	**85**	**66**

Note 20 Due to credit institutions

SEK m	2024	2023
Due in Swedish kronor		
Banks	695,844	661,773
Total	**695,844**	**661,773**
Due in foreign currency		
Banks	127,376	125,125
Total	**127,376**	**125,125**
Total due to credit institutions	**823,220**	**786,898**
of which accrued interest expenses	*6,610*	*5,939*

Average volumes

SEK m	2024	2023
Due to credit institutions in Swedish kronor	662,801	706,550
Due to credit institutions in foreign currency	127,639	123,519
Total	**790,440**	**830,069**

Note 21 Issued securities

	2024		2023	
SEK m	Carrying amount	Nominal amount	Carrying amount	Nominal amount
Bonds[1]				
Bonds in Swedish kronor	614,641	609,610	619,627	618,447
Bonds in foreign currency	120,113	122,181	120,218	123,597
Total	734,754	731,791	**739,845**	**742,044**
of which accrued interest expenses	*6,109*		*4,509*	

Change analysis

SEK m	2024	2023
Issued securities at beginning of year	**739,845**	**670,999**
Issued	121,858	177,931
Repurchased	-43,217	-51,590
Matured	-91,441	-66,975
Foreign exchange effects, etc.	7,709	9,480
Issued securities at end of year	**734,754**	**739,845**

Average volumes

SEK m	2024	2023
Swedish kronor	624,527	570,743
Foreign currency	126,235	124,273
Total	**750,762**	**695,017**

1) For a list of bonds, see page 91.

Note 22 Other liabilities

SEK m	2024	2023
Liabilities on investment banking settlements	-	-
Group contributions provided	4,300	6,000
Other	872	175
Total	**5,172**	**6,175**

Note 23 Accrued expenses and deferred income

SEK m	2024	2023
Accrued expenses	8	9
Deferred income	16	15
Total	**24**	**24**

Note 24 Pledged assets and commitments

Assets pledged for own debt

SEK m	2024	2023
Pledged cash collateral held by banks	1,000	420
of which pledged for covered bonds	*1,000*	*420*
Loans to the public[1)]	750,510	765,513
of which pledged for covered bonds	*750,510*	*765,513*
	751,510	**765,933**

1) 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

SEK m	2024	2023
Committed credit offers	1,894	2,187
Repurchase agreement	1,391	3,191
Issued interest rate options, nominal value	-	48
Future lease payments	38	43
Total	**3,323**	**5,469**

Note 25 Related party disclosures

Related parties – claims and liabilities

SEK m	2024	2023
Loans to credit institutions	30,485	10,623
Derivative instruments	14,356	12,043
Other assets	95	81
Total	**44,936**	**22,747**
Due to credit institutions	823,220	786,898
Issued securities	49,111	49,152
Derivative instruments	5,617	8,922
Other liabilities	4,359	6,102
Total	**882,307**	**851,074**
Commitments	1,391	3,191
Derivatives, nominal amounts	466,367	441,944

Related parties – income and expenses

SEK m	2024	2023
Interest income	678	458
Interest expenses[1)]	-37,790	-30,712
Fee and commission income	2	3
Fee and commission expenses	-12	-8
Other income	7	6
Other administrative expenses	-2,326	-2,208
Total	**-39,441**	**-32,461**

1)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 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 Tjänstepensionsförening 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.

Note 26 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 92 and 93.

Income statement 2024

SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
Net interest income	10,539	1,054	1	396	-	11,990
Net fee and commission income	-55	-1	-	4	-	-52
Net gains/losses on financial transactions	478	-10	-	0	-	468
Other income	1	-	0	11	-	12
Total income	**10,963**	**1,043**	**1**	**411**	**-**	**12,418**
General administrative expenses						
Staff costs	-79	-	-	-	-	-79
Other administrative expenses	-2,203	-128	-	-183	-	-2,514
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-31	-	-	-	-	-31
Total expenses	**-2,313**	**-128**	**-**	**-183**	**-**	**-2,624**
Profit before credit losses and government fees	**8,650**	**915**	**1**	**228**	**-**	**9,794**
Net credit losses	107	-2	-	-1	-	104
Government fees	-1,068	-61	-	-30		-1,159
Operating profit	**7,689**	**852**	**1**	**197**	**-**	**8,739**
Profit before taxes	**7,689**	**852**	**1**	**197**	**-**	**8,739**

Key figures 2024

	Sweden	Norway	Denmark	Finland	Stadshypotek AB
Return on total assets, %	0.41	0.47	-	0.30	0.43
Net interest margin, %	0.71	0.74	-	0.70	0.74
C/I ratio, %	21.1	12.3	0.0	44.6	21.1
Credit loss ratio, %	-0.01	0.00	-	0.00	-0.01

Balance sheet, 31 December 2024

SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
Loans to the public, Household						
Gross lending, Household	944,407	110,842	-	30	-	1,055,279
Expected credit losses, Household	-109	-6	-	-6	-	-121
Total loans to the public, Household	**944,298**	**110,836**	**-**	**24**	**-**	**1,055,158**
Loans to the public, Corporate						
Gross lending, Corporate	462,996	35,353	-	29,924	-	528,273
Expected credit losses, Corporate	-91	-4	-	-6	-	-101
Total loans to the public, Corporate	**462,905**	**35,349**	**-**	**29,918**	**-**	**528,172**
Total loans to the public	**1,407,203**	**146,185**	**-**	**29,942**	**-**	**1,583,330**
Average loans to the public for the period Jan–Dec 2024	*1,392,845*	*136,894*	-	*52,311*	-	*1,582,050*
Total assets	**1,495,815**	**154,575**	**-**	**46,833**	**-67,275**	**1,629,948**
Average total assets for the period Jan–Dec 2024	*1,475,373*	*142,094*	-	*56,248*	*-63,508*	*1,610,207*

Note 26 cont.

Income statement 2023

SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
Net interest income	11,038	688	17	469	-	12,212
Net fee and commission income	-37	0	-	10	-	-27
Net gains/losses on financial transactions	698	-9	-	1	-	690
Other income	1	-	-	-	-	1
Total income	**11,700**	**679**	**17**	**480**	**-**	**12,876**
General administrative expenses						
Staff costs	-83	-	-	-	-	-83
Other administrative expenses	-2,147	-101	0	-41	-	-2,289
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-28	-	-	-	-	-28
Total expenses	**-2,258**	**-101**	**0**	**-41**	**-**	**-2,400**
Profit before credit losses and government fees	**9,442**	**578**	**17**	**439**	**-**	**10,476**
Net credit losses	-93	-1	-	-1	-	-95
Government fees	-1,002	-54	-	-27		-1,083
Operating profit	**8,347**	**523**	**17**	**411**	**-**	**9,298**
Profit before taxes	**8,347**	**523**	**17**	**411**	**-**	**9,298**

Key figures 2023

	Sweden	Norway	Denmark	Finland	Stadshypotek AB
Return on total assets, %	0.45	0.33	23.30	0.51	0.47
Net interest margin, %	0.75	0.55	11.98	0.72	0.77
C/I ratio, %	19.3	14.9	0.2	8.4	18.6
Credit loss ratio, %	0.01	0.00	-	0.00	0.01

Balance sheet, 31 December 2023

SEK m	Sweden	Norway	Denmark	Finland	Eliminations	Stadshypotek AB
Loans to the public, Household						
Gross lending, Household	947,372	92,408	-	17,253	-	1,057,033
Expected credit losses, Household	-137	-8	-	-17	-	-162
Total loans to the public, Household	**947,235**	**92,400**	**-**	**17,236**	**-**	**1,056,871**
Loans to the public, Corporate						
Gross lending, Corporate	447,804	33,577	-	42,544	-	523,925
Expected credit losses, Corporate	-162	-2	-	-4	-	-168
Total loans to the public, Corporate	**447,642**	**33,575**	**-**	**42,540**	**-**	**523,757**
Total loans to the public	**1,394,877**	**125,975**	**-**	**59,776**	**-**	**1,580,628**
Average loans to the public for the period Jan–Dec 2023	*1,386,424*	*122,129*	*-*	*63,496*	*-*	*1,572,049*
Total assets	**1,474,032**	**132,870**	**359**	**60,597**	**-63,391**	**1,604,467**
Average total assets for the period Jan–Dec 2023	*1,463,608*	*124,629*	*145*	*64,924*	*-60,994*	*1,592,312*

Note 27 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 2024

SEK m	SEK	DKK	EUR	GBP	NOK	USD	Total
Assets							
Loans to credit institutions	5,189	-	16,848	0	8,448	-	30,485
Loans to the public	1,407,203	-	29,942	-	146,185	-	1,583,330
of which corporate	*462,905*	-	*29,918*	-	*35,349*	-	*528,172*
of which households	*944,298*	-	*24*	-	*110,836*	-	*1,055,158*
Derivatives	-41,923	-	95,883	-	-39,604	-	14,356
Other assets	1,729	-	48	-	-		1,777
Total assets	**1,372,198**	**-**	**142,721**	**0**	**115,029**	**-**	**1,629,948**
Liabilities							
Due to credit institutions	695,844	-	43,909	-	83,467	-	823,220
Issued securities	614,641	-	91,865	-	28,248	-	734,754
Derivatives	1,885	-	3,732	-	-	-	5,617
Other liabilities	4,577	-	782	-	201	-	5,560
Accrued expenses and deferred income	23	-	0	-	1	-	24
Total liabilities	**1,316,970**	**-**	**140,288**	**-**	**111,917**	**-**	**1,569,175**
Net foreign currency position	**55,228**	**-**	**2,433**	**0**	**3,112**	**-**	**60,773**
of which retained earnings and international branch profits for the year			*2,142*		*3,671*		*5,813*

31 December 2023

SEK m	SEK	DKK	EUR	GBP	NOK	USD	Total
Assets							
Loans to credit institutions	2,456	359	810	0	6,998	0	10,623
Loans to the public	1,394,877	-	59,776	-	125,975	-	1,580,628
of which corporate	*447,642*	-	*42,540*	-	*33,575*	-	*523,757*
of which households	*947,235*	-	*17,236*	-	*92,400*	-	*1,056,871*
Derivatives	-38,404	-	86,982	-	-36,535	-	12,043
Other assets	1,156	-	17		-		1,173
Total assets	**1,360,085**	**359**	**147,585**	**0**	**96,438**	**0**	**1,604,467**
Liabilities							
Due to credit institutions	661,773	-	58,615	-	66,510	-	786,898
Issued securities	619,627	-	93,202	-	27,016	-	739,845
Derivatives	14,685	-	-5,763	-	-	-	8,922
Other liabilities	5,938	352	70		110		6,470
Accrued expenses and deferred income	23	-	0	-	1	-	24
Total liabilities	**1,302,046**	**352**	**146,124**	**-**	**93,637**	**-**	**1,542,159**
Net foreign currency position	**58,039**	**7**	**1,461**	**0**	**2,801**	**0**	**62,308**
of which retained earnings and international branch profits for the year		*7*	*1,913*		*3,088*		*5,008*

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.

Note 28 Classification of financial assets and liabilities

31 December 2024

SEK m	Fair value through profit or loss: Mandatory	Fair value through profit or loss: Fair value option	Fair value through profit or loss: Derivatives identified as hedging instruments	Amortised cost	Total carrying value	Fair value
Assets						
Loans to credit institutions				30,485	30,485	30,485
Loans to the public				1,583,330	1,583,330	1,582,199
Value change of interest-hedged item in portfolio hedge	-				-	-
Derivative instruments			14,356		14,356	14,356
Other assets	7			1,310	1,317	1,317
Total	**7**	**-**	**14,356**	**1,615,125**	**1,629,488**	**1,628,357**
Shares and participating interests in Group companies and associated companies					0	
Non-financial assets					460	
Total assets					**1,629,948**	
Liabilities						
Due to credit institutions				823,220	823,220	810,557
Issued securities				734,754	734,754	729,319
Derivative instruments			5,617		5,617	5,617
Other liabilities		7		5,189	5,196	5,196
Total	**-**	**7**	**5,617**	**1,563,163**	**1,568,787**	**1,550,689**
Non-financial liabilities					388	
Total liabilities					**1,569,175**	

31 December 2023

SEK m	Fair value through profit or loss: Mandatory	Fair value through profit or loss: Fair value option	Fair value through profit or loss: Derivatives identified as hedging instruments	Amortised cost	Total carrying value	Fair value
Assets						
Loans to credit institutions				10,623	10,623	10,623
Loans to the public				1,580,628	1,580,628	1,572,513
Value change of interest-hedged item in portfolio hedge	-1				-1	-1
Derivative instruments			12,043		12,043	12,043
Other assets	6			493	499	499
Total	**5**	**-**	**12,043**	**1,591,744**	**1,603,792**	**1,595,677**
Shares and participating interests in Group companies and associated companies					0	
Non-financial assets					675	
Total assets					**1,604,467**	
Liabilities						
Due to credit institutions				786,898	786,898	778,607
Issued securities				739,845	739,845	713,172
Derivative instruments			8,922		8,922	8,922
Other liabilities		6		6,193	6,199	6,199
Total	**-**	**6**	**8,922**	**1,532,936**	**1,541,864**	**1,506,900**
Non-financial liabilities					295	
Total liabilities					**1,542,159**	

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

Note 29 Fair value measurement of financial instruments

Financial instruments reported at fair value 31 December 2024

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Value change of interest-hedged item in portfolio hedge			-	-
Derivative instruments		14,356		14,356
Other assets	7			7
Total	**7**	**14,356**	**-**	**14,363**
Liabilities				
Derivative instruments		5,617		5,617
Other liabilities		7		7
Total	**-**	**5,624**	**-**	**5,624**

Financial instruments reported at fair value 31 December 2023

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Value change of interest-hedged item in portfolio hedge			-1	-1
Derivative instruments		12,043		12,043
Other assets	6			6
Total	**6**	**12,043**	**-1**	**12,048**
Liabilities				
Derivative instruments		8,922		8,922
Other liabilities		6		6
Total	**-**	**8,928**	**-**	**8,928**

Changes in the holdings of financial instruments reported at fair value in level 3

SEK m	2024	2023
Value change of interest-hedged item in portfolio hedge		
Carrying amount at beginning of year	**-1**	**-6**
Acquisitions	-	-
Matured	1	2
Unrealised value change in income statement	-	3
Carrying amount at end of period	**-**	**-1**

Fair value of financial instruments measured at amortised cost 31 December 2024

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Loans to credit institutions		30,485		30,485
Loans to the public			1,582,199	1,582,199
Other assets			1,310	1,310
Total	**-**	**30,485**	**1,583,509**	**1,613,994**
Liabilities				
Due to credit institutions		810,557		810,557
Issued securities	665,748	63,571		729,319
Other liabilities			5,189	5,189
Total	**665,748**	**874,128**	**5,189**	**1,545,065**

Note 29 cont.

Fair value of financial instruments measured at amortised cost 31 December 2023

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Loans to credit institutions		10,623		10,623
Loans to the public			1,572,513	1,572,513
Other assets			493	493
Total	**-**	**10,623**	**1,573,006**	**1,583,629**
Liabilities				
Due to credit institutions		778,607		778,607
Issued securities	649,601	63,571		713,172
Other liabilities			6,193	6,193
Total	**649,601**	**842,178**	**6,193**	**1,497,972**

Valuation process

Stadshypotek's independent risk control is responsible for having appropriate instructions and processes for fair value measurement of financial instruments in place. 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 changes 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
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.

Notes 28 and 29 also present the fair value of financial instruments reported at cost or amortised cost, categorised according to their respective valuation hierarchy.

Note 30 Disclosures regarding 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 a disposal group in accordance with IFRS 5. The divestment process for the Finnish operations is continuing according to plan.

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, Finland

SEK m	31 Dec 2024	31 Dec 2023
Assets		
Loans to the public	29,942	59,776
Other assets	41	0
Prepaid expenses and accrued income	-	-
Total	**29,983**	**59,776**
Liabilities		
Current tax liabilities	-	64
Other liabilities	779	2
Accrued expenses and deferred income	0	0
Total	**779**	**66**

Income, expenses and profit from discontinued operations, Finland

SEK m	Full year 2024	Full year 2023
Net interest income	2,299	2,339
Net fee and commission income	1	8
Net gains/losses on financial transactions	0	1
Other income[1)]	12	-
Total income	**2,312**	**2,348**
Staff costs	-	-
Other expenses[1]	-113	-1
Depreciation, amortisation and impairment losses of property, equipment and intangible assets	-	-
Total expenses	**-113**	**-1**
Net credit losses	-1	-2
Government fees	-30	-27
Profit from discontinued operations, before taxes	**2,168**	**2,318**
1) Capital gains/losses for the year from the partial divestment of the Finnish operations amounted net to SEK -99 million, of which SEK +12 million was other income and SEK -111 million was other expenses.	-99	-

Cash flow statement from discontinued operations, Finland

SEK m	Full year 2024	Full year 2023
Cash flow from operating activities	19,541	4,530
Cash flow from investing activities	14,870	-
Cash flow from financing activities	-	-
Cash flow for the year from discontinued operations	**34,411**	**4,530**

Note 31 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 capital adequacy 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 2024 – 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 2024, the Swedish National Debt Office established a minimum requirement for Stadshypotek amounting to 6,00 per cent of total liabilities and own funds. In 2024, 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 method 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 statements. 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 2022 to recognise the Norwegian measures in Pillar 1. In addition, the Swedish Financial Supervisory Authority introduced a risk weight floor of 25 per cent for Swedish residential properties and of 35 per cent for Swedish commercial properties on 30 September 2023.

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 29.

Note 31 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

	SEK m	31 Dec 2024	31 Dec 2023	Regulation (EU) No 575/2013 Article Reference
	Common equity tier 1 capital: instruments and reserves			Regulation (EU) No 575/2013 Article reference
1	Capital instruments and the related share premium accounts	4,050	4,050	26.1, 27, 28, 29
	of which share capital	*4,050*	4,050	*EBA list 26.3*
2	Retained earnings	36,864	35,454	26.1 c
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	-1,351	-2,067	26.1
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	3,510	2,671	26.2
6	**Common equity tier 1 (CET1) capital before regulatory adjustments**	**43,073**	**40,108**	
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)			34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-65	-89	36.1 b, 37
11	Fair value reserves related to gains or losses on cash flow hedges	1,366	2,103	33.1 a
12	Negative amounts resulting from the calculation of expected loss amounts	-1,051	-1,144	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) (k)
20c	*of which securitisation positions (negative amount)*			36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
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	*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*			36.1 i, 48.1 b
25	*of which deferred tax assets arising from temporary differences*			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 l
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)			36.1 j
28	**Total regulatory adjustments to common equity tier 1 capital (CET1)**	**250**	**870**	
29	**Common equity tier 1 capital**	**43,323**	**40,978**	
	Additional tier 1 capital: instruments			
30	Capital instruments and the related share premium accounts	17,700	17,700	51, 52
32	*of which classified as liabilities under applicable accounting standards*			
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	**Additional tier 1 (AT1) capital before regulatory adjustments**			
	Additional tier 1 capital: regulatory adjustments			
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	**Total regulatory adjustments to additional tier 1 (AT1) capital**			
44	**Additional tier 1 capital**	**17,700**	**17,700**	
45	**Tier 1 capital (tier 1 capital = common equity tier 1 capital + additional tier 1 capital)**	**61,023**	**58,678**	

Note 31 cont.

	SEK m	31 Dec 2024	31 Dec 2023	Regulation (EU) No 575/2013 Article Reference
	Tier 2 capital: instruments and reserves			
46	Capital instruments and the related share premium accounts	-	-	62, 63
50	Credit risk adjustments			62 c and d
51	**Tier 2 (T2) capital before regulatory adjustments**	-	-	
	Tier 2 (T2) capital: regulatory adjustments			
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
57	**Total regulatory adjustments to tier 2 capital**			
58	**Tier 2 capital**	-	-	
59	**Total capital (total capital = tier 1 capital + tier 2 capital)**	**61,023**	**58,678**	
60	**Total risk-weighted assets**	**347,799**	**352,879**	
	Capital ratios and buffers			
61	Common equity tier 1 capital (as a percentage of the risk-weighted exposure amount)	12.5	11.6	92.2 a
62	Tier 1 capital (as a percentage of the risk-weighted exposure amount)	17.5	16.6	92.2 b
63	Total capital (as a percentage of the risk-weighted exposure amount)	17.5	16.6	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)	4.5	4.5	CRD 128, 129, 130, 131, 133
65	*of which capital conservation buffer requirement*	2.5	2.5	
66	*of which countercyclical capital buffer requirement*	2.0	2.0	
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)	8.0	7.1	CRD 128
	Amounts below the threshold for deductions (prior to determining the risk weight)			
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
	Applicable caps on the inclusion of provisions in tier 2 capital			
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
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2023)			
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

Note 31 cont.

Capital instruments' main features[1)]

	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		2024-12-12
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 12 March 2030, 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 270bp
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

1) N/A denotes not applicable.

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

Note 31 cont.

Capital instruments' main features[1)]

	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	2020-12-27	2021-06-30
Perpetual or dated	Perpetual	Perpetual
Original maturity date	N/A	2026-06-30
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

1) N/A denotes not applicable.

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

Note 31 cont.

Capital instruments' main features[1)]

	Tier 1 capital	Tier 2 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	Tier 2 capital
Post-transitional CRR rules	Additional tier 1 capital	Tier 2 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 4,500 million	SEK 4,500 million
Nominal amount of instrument	SEK 4,500 million	SEK 4,500 million
Issue price	SEK 4,500 million	SEK 4,500 million
Redemption price	SEK 4,500 million	SEK 4,500 million
Accounting classification	Equity	Equity
Original date of issuance	2023-12-12	13-12-27
Perpetual or dated	Perpetual	Perpetual
Original maturity date	2029-03-12	29-01-03
Issuer call subject to prior supervisory approval	Yes	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 30 March 2029, and thereafter only on each subsequent interest payment date.	2024-01-03
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.	N/A	N/A
Subsequent call dates, if applicable	N/A	At each future interest due date, this being the third of the month after the end of each quarter
Coupons/dividends		
Fixed or floating dividend/coupons	Floating	Floating
Coupon rate and any related index	3-month STIBOR plus 390bp	3-month STIBOR plus 200bp
Existence of dividend stopper		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
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

1) N/A denotes not applicable.

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

Note 31 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	2024	2023
Credit risk according to standardised approach	37	41
Credit risk according to IRB Approach	25,742	26,126
Market risk	228	-
Operational risk	1,818	1,910
Total capital requirement	**27,825**	**28,077**
Common equity tier 1 capital	**43,323**	**40,978**
Tier 1 capital	**61,023**	**58,678**
Total own funds	**61,023**	**58,678**

Capital adequacy analysis 31 December

	2024	2023
Common equity tier 1 ratio, CRD IV, %	12.5	11.6
Tier 1 ratio, CRD IV, %	17.5	16.6
Total capital ratio, CRD IV, %	17.5	16.6
Risk exposure amount CRD IV, SEK m[1]	347,799	352,879
Own funds in relation to capital requirement according to Basel I floor, %		
Institution-specific buffer requirement, %	4.5	4.5
of which capital conservation buffer requirement, %	*2.5*	*2.5*
of which countercyclical capital buffer requirement, %	*2.0*	*2.0*
Common equity tier 1 capital available for use as a buffer, %	8.0	7.1

1) 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

	Exposure amount		Average risk weight, %		Capital requirement	
SEK m	2024	2023	2024	2023	2024	2023
Sovereign, municipalities and central banks	**8,013**	**10,807**	**7.4**	**7.6**	**47**	**66**
Corporate	**287,654**	**279,175**	**15.7**	**19.1**	**3,605**	**4,266**
of which other lending, foundation approach	*514*	*562*	*15.1*	*17.6*	*6*	*8*
of which other lending, advanced approach	*287,140*	*278,613*	*15.7*	*19.1*	*3,599*	*4,258*
– Large corporates	*2,742*	*2,934*	*28.2*	*26.3*	*62*	*62*
– Medium-sized companies	*26,192*	*27,866*	*13.4*	*14.6*	*280*	*326*
– Property companies	*258,206*	*247,812*	*15.8*	*19.5*	*3,257*	*3,870*
Housing co-operative associations	**268,553**	**270,158**	**1.8**	**2.2**	**390**	**465**
Household	**1,014,966**	**1,016,721**	**7.7**	**7.9**	**6,270**	**6,388**
– Private individuals	*1,010,409*	*1,011,745*	*7.7*	*7.8*	*6,217*	*6,324*
– Small companies	*4,557*	*4,976*	*14.6*	*16.1*	*53*	*64*
Institutions	**-**	**-**	**-**	**-**	**-**	**-**
Non credit-obligation asset exposures	**95**	**0**	**75.0**	**100.0**	**6**	**0**
Total IRB approach	**1,579,281**	**1,576,862**	**8.2**	**8.9**	**10,318**	**11,185**
Risk weigh floor Swedish and Norwegian mortgages					13,538	13,612
Risk weight floor Swedish and Norwegian companies with property mortgages					1,886	1,328
Total IRB approach with impact of risk weight floor	**1,579,281**	**1,576,862**	**20.4**	**20.7**	**25,742**	**26,125**

Note 31 cont.

Capital requirement credit risks standardised approach[1)]

SEK m	2024 Exposure value	2024 Average risk weight, %	2024 Capital requirement	2023 Exposure value	2023 Average risk weight, %	2023 Capital requirement
Sovereign and central banks	-	-	-	-	-	-
Institutions	66,744	0.0	0	42,064	0.2	6
Corporate	0	100.0	0	198	99.9	16
Household	518	50.2	21	503	47.5	19
Other items	1,010	20.0	16	0	0.0	0
Total	**68,272**	**0.7**	**37**	**42,765**	**1.2**	**41**

1) Details of capital requirement for exposure classes where there are exposures.

EU OV1 – Overview of risk-weighted exposure amounts

SEK m			Risk-weighted exposure amounts 2024	Risk-weighted exposure amounts 2023	Minimum capital requirement 2024
	1	**Credit risk (excluding CCR)**	**322,235**	**327,004**	**25,779**
Article 438 c and d	2	*of which standardised approach*	*462*	*437*	*37*
Article 438 c and d	3	*of which the foundation IRB approach*	*832*	*996*	*67*
Article 438 c and d	4	*of which slotting approach*			
Article 438 d	5	*of which advanced IRB approach*	*128,137*	*138,812*	*10,251*
	5a	*of which risk weight floor*	*192,804*	*186,759*	*15,424*
Article 107	6	**Counterparty credit risk**	**-**	**74**	
	7	*of which standardised approach*	*-*	*74*	
	8	*of which the method using internal models*			
	9	*of which other counterparty credit risks*			
	10	N/A			
	11	N/A			
	12	N/A			
	13	N/A			
	14	N/A			
Article 438 e	15	**Settlement risk**			
Article 449 o i)	16	**Non-trading book securitisation exposures (after cap)**			
	17	*of which internal credit assessment approach for securitisation*			
	18	*of which external credit assessment approach for securitisation (including internal assessment approach)*			
	19	*of which the standardised approach for securitisation*			
Article 438 e	20	**Market risk**	**2,844**	**1,924**	**228**
	21	*of which standardised approach*	*2,844*	*1,924*	*228*
	22	*of which the method using internal models*			
Article 438 e	22a	**Large exposures**			
Article 438 f	23	**Operational risk**	**22,720**	**23,878**	**1,818**
	23a	*of which basic indicator approach*			
	23b	*of which standardised approach*	*22,720*	*23,878*	*1,818*
	23c	*of which internal measurement approach*			
Article 437,2, article 48 and article 60	24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**			
	25	N/A			
	26	N/A			
	27	N/A			
	28	N/A			
	29	**Total**	**347,798**	**352,879**	**27,825**

Note 31 cont.

Exposure amount/exposure value by country broken down into volumes calculated according to the IRB Approach and the standardised approach

	2024		2023	
SEK m	IRB approach	Standardised approach	IRB Approach	Standardised approach
Sweden	1,406,979	63,563	1,395,039	38,680
Norway	142,371	4,686	122,156	3,949
Finland	29,931	23	59,667	136
Total	**1,579,281**	**68,272**	**1,576,862**	**42,765**

Details of maturity periods for capital adequacy

IRB-approved exposures broken down by maturity according to the Capital Requirements Regulation (M), 2024

SEK m	Exposure amount	Within 1 year	1 yr–2.5 yrs	2.5 yrs	2.5 yrs–5 yrs	= 5 yrs
Corporate exposures	556,207	249,654	144,727	1,393	104,329	56,104

IRB-approved exposures broken down by maturity according to the Capital Requirements Regulation (M), 2023

SEK m	Exposure amount	Within 1 year	1 yr–2.5 yrs	2.5 yrs	2.5 yrs–5 yrs	= 5 yrs
Corporate exposures	549,333	220,548	149,289	716	109,286	69,494

Exposures approved for the IRB approach

Exposures by sector and counterparty type, broken down into exposure classes

	2024		2023	
SEK m		of which SME		of which SME
Retail exposures				
Private individuals	1,010,409		1,011,745	
Small companies	4,557		4,976	
Sovereign and municipal exposures[1]	**8,013**		**10,807**	
Corporate exposures				
Housing co-operative associations	268,553	268,551	270,158	270,152
Property management	263,635	155,885	254,586	149,887
Manufacturing	348	119	171	105
Retail	444	443	390	390
Hotel and restaurant	376	307	411	352
Passenger and goods transport by sea	-	-	-	-
Other transport and communication	293	293	281	281
Construction	662	662	651	619
Electricity, gas and water	231	82	190	186
Agriculture, hunting and forestry	15,723	15,223	15,779	15,289
Other services	1,825	1,684	2,249	1,799
Holding companies, investment companies and insurance companies, mutual funds, etc.	2,801	1,958	2,475	2,025
Other corporate lending	1,316	1,292	1,992	1,955
Non credit-obligation asset exposures	**95**	-	-	-
Exposures to institutions	-	-	0	0
Securitisation positions	-	-	-	-
Total IRB	**1,579,281**	**446,499**	**1,576,862**	**443,040**

1) Small and medium-sized enterprises.

Note 31 cont.

Geographical spread

IRB-approved exposures by country, broken down into corporate and retail exposures 2024

SEK m	Corporate exposures	Retail exposures		Sovereign and central banks	Municipalities
		Private individuals	Small companies		
Sweden	497,462	901,855	4,455	25	3,182
Norway	33,743	108,526	102	-	-
Finland	25,097	28	-	514	4,292
Total	**556,302**	**1,010,409**	**4,557**	**539**	**7,474**

Exposures calculated using the standardised approach by country, broken down by exposure class, 2024

SEK m	Institutions	Corporate	Household	Other items
Sweden	62,169	0	384	1,010
Norway	4,552	-	134	-
Finland	23	-	-	-
Total	**66,744**	**0**	**518**	**1,010**

IRB-approved exposures by country, broken down into corporate and retail exposures 2023

SEK m	Corporate exposures	Retail exposures		Sovereign and central banks	Municipalities
		Private individuals	Small companies		
Sweden	482,382	904,770	4,609	121	3,157
Norway	31,896	90,161	98	-	-
Finland	35,055	16,814	269	1,037	6,492
Total	**549,333**	**1,011,745**	**4,976**	**1,158**	**9,649**

Exposures calculated using the standardised approach by country, broken down by exposure class, 2023

SEK m	Institutions	Corporate	Household	Other items
Sweden	38,297	198	186	-
Norway	3,631	-	317	-
Finland	136	-	-	0
Total	**42,064**	**198**	**503**	**0**

Note 31 cont.

Leverage ratio

The table shows the leverage ratio at year-end 2024 and for the previous year. The exposures are specified for the categories balance sheet, derivative, securities funding and off-balance sheet exposures. The table shows 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

		2024	2023
SEK m		Leverage ratio for exposure – Capital Requirements Regulation	Leverage ratio for exposure – Capital Requirements Regulation
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,615,592	1,592,423
2	(Asset amounts deducted in determining Tier 1 capital)	250	870
3	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures) (total of lines 1 and 2)**	**1,615,842**	**1,593,293**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	20,098	16,861
5	Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	11,250	10,537
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	**Total derivatives exposures (sum of lines 4 to 10)**	**31,348**	**27,398**
SFT exposures			
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 CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**	**-**
Other off-balance sheet items			
17	Off-balance sheet exposures at gross notional amount	1,099	11
18	(Adjustments for conversion to credit equivalent amounts)	-551	-7
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**548**	**4**
Exempted exposures in accordance with Article 429(7) and 429(14) (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-61,929	-37,733
EU-19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
Capital and total exposure measures			
20	**Tier 1 capital**	**61,023**	**58,678**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**1,585,809**	**1,582,962**
Leverage ratio			
22	Leverage ratio, %	3.85	3.71
Choice on transitional arrangements and amount of derecognised fiduciary items			
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	-	-

Note 31 cont.

The table shows accounting assets and leverage ratio exposures at year-end 2024 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

		2024	2023
SEK m		Applicable amount	Applicable amount
1	Total assets as per published financial statements	1,629,948	1,604,467
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	16,992	15,354
5	Adjustments for SFT exposures	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	548	4
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)	-61,929	-37,733
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	250	870
8	**Leverage ratio total exposure measure**	**1,585,809**	**1,582,962**

LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

		2024	2023
SEK m		Applicable amount	Applicable amount
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,553,663	1,554,690
EU-2	Trading book exposures	-30,844	-26,524
EU-3	Non-trading book exposures, of which:	1,584,506	1,581,213
EU-4	Covered bonds	-	
EU-5	Exposures treated as sovereigns	1,276	2,442
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-
EU-7	Institutions	-	-
EU-8	Secured by mortgages of immovable properties	1,565,986	1,562,555
EU-9	Retail exposures	683	755
EU-10	Corporate	12,974	13,714
EU-11	Exposures in default	2,578	1,746
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,010	1

Countercyclical capital buffer

Amount of institution-specific countercyclical capital buffer

SEK m	2024	2023
Total risk exposure amount	347,799	352,879
Institution-specific countercyclical capital buffer rate, %	2.0	2.0
Institution-specific countercyclical capital buffer requirement	7,032	6,953

Note 31 cont.

The table shows a geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer.

Geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer 2024

	Breakdown by country			
SEK m	Sweden	Norway	Other countries	Total
General credit exposures	1,399,897	142,985	29,821	1,572,703
of which exposure value according to the standardised approach (SA)	*1,395*	*134*	*-*	*1,529*
of which exposure value according to the IRB approach	*1,398,502*	*142,851*	*29,821*	*1,571,174*
Trading book exposure				
of which sum of long and short positions in trading book				
of which value of trading book exposure for internal models				
Securitisation exposures				
of which exposure value according to the standardised approach (SA)				
of which exposure value according to the IRB approach				
Own funds requirement	23,613	1,905	207	25,725
of which general credit exposures	*23,613*	*1,905*	*207*	*25,725*
of which trading book exposures				
of which securitisation exposures				
Own funds weighting, %	91.8	7.4	0.8	100.0
Countercyclical capital buffer	5,903	595	3	6,501

Geographical breakdown of credit exposures relevant for the calculation of the countercyclical capital buffer 2023

	Breakdown by country			
SEK m	Sweden	Norway	Other countries	Total
General credit exposures	1,388,085	123,038	55,633	1,566,756
of which exposure value according to the standardised approach (SA)	*-*	*-*	*-*	*-*
of which exposure value according to the IRB approach	*1,388,085*	*123,038*	*55,633*	*1,566,756*
Trading book exposure				
of which sum of long and short positions in trading book				
of which value of trading book exposure for internal models				
Securitisation exposures				
of which exposure value according to the standardised approach (SA)				
of which exposure value according to the IRB approach				
Own funds requirement	23,836	1,603	656	26,095
of which general credit exposures	*23,836*	*1,603*	*656*	*26,095*
of which trading book exposures				
of which securitisation exposures				
Own funds weighting, %	91.4	6.1	2.5	100.0
Countercyclical capital buffer	2,625	412	1	3,038

Note 31 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 2024

SEK m	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	**761,009**	**-**	**854,705**	**-**
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	761,009	-	854,705	-

Encumbered and non-encumbered assets 2023

SEK m	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	**739,001**	**-**	**865,145**	**-**
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	739,001	-	865,145	-

Collateral received

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

Collateral received 2024

		Non-encumbered
SEK m	Fair value of encumbered collateral received or own interest-bearing securities	Fair value of collateral received or own interest-bearing securities issued available for encumbrance
Collateral received by the reporting institution	**-**	**-**
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	-	-
Total assets, collateral received and own interest-bearing securities issued	**761,009**	**-**

Note 31 cont.

Sources of encumbrance

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

Sources of encumbrance 2024

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	688,383	761,009

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.

Note 32 Material events after the balance sheet date

No events of material significance have occurred after the balance sheet date.

Note 33 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[1]	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.

1) Non-disclosed information is available to the supervisory authority.

Signatures of the Board and 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, 3 February 2025

Dan Lindwall
Chairman

Michael Bertorp
Board Member

Jörgen Olander
Board Member

Linda Hellström
Board Member

Michael Sterne
Board Member

Helena Håkansson
Employee Representative,
Board Member

Cecilia Hasselbo
Chief Executive

Auditor’s report

NOTE: this is an unofficial translation of the report originally issued in Swedish. In case of discrepancies between the original report and this translation the original Swedish version shall prevail.

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 of Stadshypotek AB (publ) for the year 2024. The annual accounts of the company are included on pages 4–87 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 parent company as of December 31, 2024 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 is consistent with the other parts of the annual accounts. 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 are consistent with the content of the additional report that has been submitted to the parent 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.

Particularly significant areas

Particularly significant areas are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for the current period. These matters were addressed in the context of the audit of, and in forming our opinion on, the financial statements as a whole, and we do not provide a separate opinion on these matters. The description below of how the audit was conducted in these areas is provided in this 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.

Key audit matters	How our audit addressed the Key audit matter
Provision for expected credit losses	

Detailed information and description of the area are provided in the annual accounts. Credit risk exposure and how it is managed is described in note 2. The company's expected credit losses are specified in note 8. The relevant accounting policies for the company in this area are described in note 1.

As of 31 December, 2024 lending to the public amounts to SEK 1,583,330 m (1,580,628) which amounts to 97 % of total assets. Provision for expected credit losses on lending to the public amounts to SEK 222 m for which SEK 117 m is based on model and expert based calculations (Stage 1 and 2) and SEK 105 m based on manual calculations (Stage 3).

Expected credit losses shall be measured in a way that reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of economic conditions. To determine the provision Stadshypotek is required to make estimates and assumptions regarding for example criteria to identify a significant increase in credit risk and methods to calculate expected credit losses.

Given the complexity of the calculation and the fact that it requires Stadshypotek to make assessments and assumptions with a significant impact on reported amounts, the valuation of the reserve for expected credit losses has been considered a particularly significant area.

We have evaluated whether Stadshypotek’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, among other things, carried out the following procedures;

- 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 model data input and general IT controls including system access management for affected systems.
- We have on a sample basis reviewed Stadshypotek’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 verified the functionality of the model.
- We have assessed the reasonableness of the macroeconomic data used.
- We have assessed the reasonableness of the manual adjustments, including the expert-based provision, performed by Stadshypotek.
- We have also reviewed that the disclosures in the financial reports regarding provisions for expected credit losses are appropriate..

Other Information than the annual accounts
This document contains other information besides the annual report, which is found on pages 2–3 and 91–93. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual report does not cover this information, and we do not express any form of assurance conclusion on this other information.

In connection with our audit of the annual report, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual report. During this review, we also consider the knowledge we have gained during the audit and assess whether the information otherwise appears to contain material misstatements.

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

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 report and that they give a fair presentation in accordance with the Swedish Annual Report Act for Credit Institutions and Securities Companies and, concerning the consolidated financial statement, in accordance with IFRS accounting standards as adopted by the EU. 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 report, 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 report 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.

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 report, 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 attention in our auditor's report to the related disclosures in the annual report or, if such disclosures are inadequate, to modify our opinion about the annual report. 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 report, including the disclosures, and whether the annual report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statement. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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 confirming that we have complied with relevant ethical requirements regarding independence, and to disclose any relationships and other matters that could reasonably be thought to bear on our independence, as well as, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual report, including the most significant 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 preclude public disclosure about the matter.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual report, we have also audited the administration of the Board of Directors and the Managing Director of Stadshypotek AB (publ) for the year 2024 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 Director's 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 regarding the allocation of the company's profit or loss. In the case of a proposed dividend, this includes, among other things, an assessment of whether the dividend is justifiable considering the requirements that the nature, scope, and risks of the company's operations impose on the size of the company's equity, the need for consolidation, liquidity, and overall financial position

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 Swedish Annual Report 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, focusing on 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 significance for the company's situation. We review and evaluate decisions made, supporting documentations, actions taken, and other circumstances relevant to our opinion on 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 documents in order to be able to assess whether the proposal is in accordance with the Swedish Companies Act.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for the corporate governance report on pages 7–9 and for ensuring that it has been prepared in accordance with the Swedish Annual Report Act.

Our review has been conducted in accordance with FAR's recommendation RevR 16, The Auditor's Examination of the Corporate Governance Report. This means that our examination of the corporate governance report has a different focus and significantly lesser scope than the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Swedish Annual Report Act and chapter 7 section 31, second paragraph of the same act, are consistent with the other parts of the annual report and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, February 21 2025

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Stadshypotek's bonds

Covered bonds, SEK

Loan no.	Interest rate, %	Loan date	Interest due dates	Due date	Nominal amount, SEK '000
EMTNCB	3.25	2011-11-01	11-03	2026-11-03	2,000,000
1590	1.00	2020-01-28	09-03	2025-09-03	66,360,000
1591	0.50	2020-10-16	06-01	2026-06-01	76,050,000
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	70,950,000
1594	2.00	2018-06-28	09-01	2028-09-01	81,886,000
1595	4.00	2023-09-18	05-02	2029-05-02	79,268,000
1596	2.50	2024-09-03	02-01	2030-02-01	27,700,000
1598	1.50	2021-05-26	09-03	2031-09-03	1,572,000
1598X	2.50	2024-09-03	09-01	2031-09-01	324,000
2006	1.81	2014-11-18	11-25	2025-11-25	400,000
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	8,500,000
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	10,000,000
2026G	3.6290	2023-06-13	06-20	2028-06-20	7,500,000
2027G	3M STIBOR	2023-06-13	03-20, 06-20, 09-20, 12-20	2028-06-20	1,500,000
2028	3M STIBOR	2024-01-08	01-03, 04-03, 07-03, 10-03	2028-04-03	10,000,000
2029	3M STIBOR	2024-03-18	02-02, 05-02, 08-02, 11-02	2027-08-02	9,500,000
2030G	2.8830	2024-06-25	07-02	2029-07-02	6,000,000
2031	3M STIBOR	2024-09-23	02-01, 05-01, 08-01, 11-01	2028-08-01	2,900,000
Total					**560,610,000**

Covered bonds, foreign currency

Currency	Nominal amount, thousands	Interest rate, %	Loan date	Interest due dates	Due date	Nominal amount, SEK '000
EUR	1,000,000	0.5000	2018-07-04	07-11	2025-07-11	11,477,472
EUR	1,250,000	0.3750	2019-03-06	03-13	2026-03-13	14,346,840
EUR	500,000	0.1250	2016-09-27	10-05	2026-10-05	5,738,736
EUR	500,000	0.7500	2017-10-24	11-01	2027-11-01	5,738,736
EURG	1,000,000	3.1250	2023-03-28	04-04	2028-04-04	11,477,472
EUR	1,000,000	0.0100	2020-11-17	11-24	2028-11-24	11,477,472
EUR	750,000	2.8750	2024-03-14	03-21	2029-03-21	8,608,104
EUR	1,000,000	2.6250	2022-09-20	09-27	2029-09-27	11,477,472
EUR	1,000,000	0.0100	2021-09-23	09-30	2030-09-30	11,477,472
EUR	100,000	1.4440	2018-04-16	04-19	2038-04-19	1,147,747
EUR	100,000	1.5445	2018-05-15	05-24	2038-05-24	1,147,747
NOK	6,000,000	3M NIBOR	2020-06-16	03-24, 06-24, 09-24, 12-24	2025-06-24	5,806,680
NOK	8,000,000	3M NIBOR	2021-02-16	03-10, 06-10, 09-10, 12-10	2026-03-10	7,742,240
NOK	8,000,000	3M NIBOR	2023-08-31	01-10, 04-10, 07-10, 10-10	2028-10-10	7,742,240
NOK	7,000,000	3M NIBOR	2024-09-05	03-12, 06-12, 09-12, 12-12	2029-09-12	6,774,460
Total						**122,180,890**

Senior non-preferred notes

Currency	Interest rate, %	Loan date	Interest due dates	Due 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
SEK	3M STIBOR	2023-09-28	03-29, 06-29, 09-29, 12-29	2031-09-29	10,000,000
SEK	3M STIBOR	2023-09-28	03-29, 06-29, 09-29, 12-29	2032-09-29	10,000,000
Total					**49,000,000**

Total bonds

SEK thousand	Change in 2024	Nominal amount
Covered bonds, SEK	-8,837,000	560,610,000
Covered bonds, foreign currency	-1,415,884	122,180,890
Senior Non-preferred Notes	-	49,000,000
Total	**-10,252,884**	**731,790,890**

Calculation of key figures

Return on equity

SEK m	2024	2023	2022	2021	2020
Equity	60,773	62,308	54,715	57,850	62,335
Adjustment hedge reserve	1,367	2,103	3,838	-966	-2,726
Return of Group contribution, net	3,414	4,764	7,940	8,734	8,960
Total adjusted equity	65,554	69,175	66,493	65,618	68,569
Adjusted equity, average[1)]	65,461	65,664	64,980	66,428	66,798
Profit for the year	6,924	7,435	10,037	10,355	10,080
Return on equity, %	10.6	11.3	15.4	15.6	15.1

1) 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.

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.

C/I ratio
Total expenses in relation to total income.

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.

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.

Mortgage loans
Lending in a mortgage institution.

Net interest margin
Net interest income in relation to average total assets.

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

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.

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.

Return on total assets
Profit for the year in relation to average total assets.

Total reserve ratio, loans to the public
Total provisions loans to the public in relation to gross loans to the public.

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.

Credit conversion factor (CCF)
The factor that is used when calculating the exposure amount for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance-sheet commitments.

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.

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.

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