

Stadshypotek

Press release

22 August 2000

Stadshypotek's interim report January – June 2000

Result

The Stadshypotek Group's profits for January – June 2000 were SEK 2 185m (2 253). The result for the first half of 1999 included capital gains from a property sale. Excluding this and taking into account reduced guaranteed commission income from the parent company, the operating profit for the first half of 2000 exceeded operating profit for the corresponding period of 1999. Compared with the second half of 1999, operating profit increased by 17 %.

Income

Group net interest income was SEK 2 359m (2 375). Compared with the first half of 1999, net interest income has been positively affected by increased private market lending and there has been a smaller negative impact from early redemptions of private market loans which were granted in 1993 and the first half of 1994. Net interest income has been negatively affected by lower return on equity due mainly to lower interest levels.

The decrease in Other income is explained by capital gains from sale of a business property in 1999, lower guarantee commission income from the parent company in 2000 and increased costs for external market makers for the company's funding.

Expenses

The Group's expenses were SEK 207m (271), a decrease by SEK 64m or 24 % compared to the same period last year. Expenses include the agents' commission which Handelsbanken Hypotek pays to Handelsbanken. Due to a decrease in the subsidiary's volumes, agent's commission fell by SEK 40m. The remaining reduction in expenses is the result of rationalisation measures which have been carried out.

Loan losses

Net loan losses were SEK -17m (-48), which corresponds to a loan loss ratio of -0.01% (-0.02) of total lending.

Problem loans after deduction of the reserve for possible loan losses decreased by SEK 890m to SEK 2 944m. The proportion of bad debts was 0.9% (1.2).

Lending

Private market lending continued to increase while lending to the corporate market fell. Since year-end, total lending has increased by SEK 1 473m.

Capital ratio

Capital ratio as at 30 June 2000 was 12.5% (14.4). The lower capital ratio is due to payment of dividends and group contribution.

Stockholm, 22 August 2000



Michael Zell
President

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

Profit and loss account

Amounts in SEKm	2000 Jan – June	1999 Jan – June	Change	1999 Full year
Interest income	10 584	11 853	- 11%	22 760
Interest expense	-8 225	-9 478	13%	- 18 337
Net interest income	2 359	2 375	- 1%	4 423
Other operating income	16	101	-84%	138
Total income	2 375	2 476	-4%	4 561
General administrative expenses				
- Staff costs	13	20	- 35%	33
- Other	194	246	- 21%	456
Depreciations and write-downs of fixed assets	0	5		17
Total expenses	207	271	- 24%	506
Result before loan losses	2 168	2 205	2%	4 055
Loan losses, net 1)	- 17	-48		-65
Operating profit	2 185	2 253	-3%	4 120
Minority interests	- 8	- 8	-	-22
Profit before taxes	2 177	2 245	-3%	4 098
Taxes	- 616	- 631	-2%	-1 029
Net profit for the period	1 561	1 614	-3%	3 069
1) Individually valued claims				
Actual loan losses, net	132	338		554
Less previous years' provisions	- 101	- 249		-420
Provision for possible loan losses	48	148		245
Recovered from actual losses in previous years	- 37	- 83		-147
Restored previous provisions for possible loan losses	- 59	- 202		-297
Net expense for the period, individually valued loan losses	- 17	-48		-65
Total loan losses	- 17	-48		-65

Balance sheet

	June 2000 SEK m	June 1999 SEK m	December 1999 SEK m
Assets			
Lending to credit institutions	509	2 740	4 898
Lending to the general public	320 828	320 771	319 355
Tangible assets	2	14	2
Other assets	7 831	9 034	7 595
Total assets	329 170	332 559	331 850
Liabilities and shareholders' equity			
Liabilities to credit institutions	112 794	97 442	90 677
Deposits from the general public	53	21	53
Issued securities etc.	179 734	193 503	199 835
Other liabilities and provisions	12 352	12 414	14 012
Minority interest	253	253	261
Subordinated liabilities	498	3 886	3 887
Total liabilities	305 684	307 519	308 725
Shareholders' equity	23 486	25 040	23 125
Total liabilities and shareholders' equity	329 170	332 559	331 850

The Group's bad debts and repossessed property

	June 2000 SEK m	June 1999 SEK m	December 1999 SEK m
Bad debts, gross	4 079	5 225	4 729
Reserve for possible losses	-1 160	- 1 440	- 1 272
Bad debts, net	2 919	3 785	3 457
Reduced rate loans without a provision for possible loan losses	25	49	40
Total problem loans	2 944	3 834	3 497
Problem loans before write-downs for possible loan losses	4 104	5 274	4 769
Non-performing loans for which interest is reported as income	863	997	1 007
Property repossessed to protect claims			
Properties	-	1	-
Shares in housing co-operatives	-	2	-

Derivative instruments

30 June 2000

Interest-rate related instruments Currency-related instruments

	Market value, SEKm	Book value, SEKm	Market value, SEKm	Book value, SEKm
Positive values	1 187	76	0	4
Negative values	2 538	191	10	16

Stadshypotek uses derivatives in order to hedge against risks on its own balance sheet and therefore applies hedge accounting with acquisition valuation. This means that the book values stated here only express the accrued interest amounts on the instruments. The differences between the market values of the derivatives and the book values below correspond to equally large, but opposite, differences between the market values and the book values of the items on the balance sheet which are hedged by the derivatives.

Quarterly performance of Stadshypotek Group

SEK m	2000:2	2000:1	1999:4	1999:3	1999:2
Interest income	5 274	5 310	5 438	5 469	5 738
Interest expense	-4 092	- 4 133	- 4 417	- 4 442	- 4 484
Net interest income	1 182	1 177	1 021	1 027	1 254
Other operating income	10	6	24	13	23
Total income	1 192	1 183	1 045	1 040	1 277
General administrative expenses					
Staff costs	7	6	6	7	11
Other	94	100	100	110	118
Depreciation and write-downs of tangible fixed assets	0	0	10	2	1
Total expenses	101	106	116	119	130
Profit before loan losses	1 091	1 077	929	921	1 147
Loan losses	2	-19	10	- 27	-62
Operating profit	1 089	1 096	919	948	1 209

Key Financial Figures and Ratios

The Group	2000 Jan – June	1999 Jan – June	1999 Full year
Overall interest margin	1.43%	1.41%	1.31%
Income/expense ratio excl loan losses	11.43	9.14	9.01
Income/expense ratio incl loan losses	12.45	11.10	10.34
Loan loss level	-0.01	-0.02	-0.02
Proportion of bad debts	0.9%	1.2%	1.1%
Bad debt reserve ratio	28%	28%	27%
Return on shareholders' equity	12.2%	12.6%	11.9%
Capital ratio	12.5%	14.4%	12.0%
Tier 1 capital ratio	12.5%	14.3%	12.0%

Cash flow statement

The Group	2000 Jan – June	1999 Jan – June
Cash flow on operating activities	1 151	841
Cash flow on investing activities	0	43
Cash flow on financing activities	-4 589	- 5 628
Cash flow for the period	-3 438	- 4 774
Liquid funds at beginning of period	3 353	5 870
Cash flow for the period	-3 438	- 4 774
Liquid funds at end of period	-85	1 126

Profit and loss account – Parent company

	Jan – June 2000 SEK m	Jan – June 1999 SEK m	Full year 1999 SEK m
Interest income	9 132	9 645	18 977
Interest expense	– 7 223	– 7 857	– 15 605
Net interest income	1 909	1 788	3 372
Other operating income	12	603	633
Total income	1 921	2 391	4 005
General administrative expenses			
Staff costs	11	16	25
Other	74	81	154
Depreciation and write-downs of fixed assets	0	5	16
Total expenses	85	102	195
Result before loan losses	1 836	2 289	3 810
Net loan losses	– 23	– 40	– 80
Operating profit	1 859	2 329	3 890
Appropriations	437	– 15	417
Taxes on the period's result	– 647	– 506	– 1 192
Net profit for the period	1 649	1 808	3 995

Balance sheet – Parent company

	June 2000 SEK m	June 1999 SEK m	December 1999 SEK m
Assets			
Lending to the general public	265 184	244 357	251 485
Other assets	43 193	60 046	59 815
Total assets	308 377	304 403	311 300
Liabilities and shareholders' equity			
Liabilities	284 162	278 586	287 097
Untaxed reserves	3 304	4 172	3 741
Equity	20 911	21 645	20 462
Total liabilities and shareholders' equity	308 377	304 403	311 300