

Länsförsäkringar Hypotek

Year-end Report 2015

2015 IN BRIEF

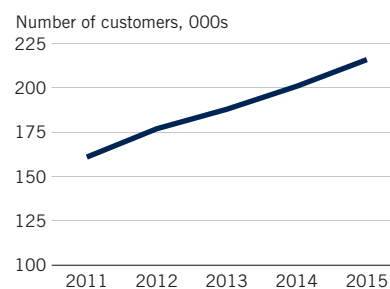
- Operating profit rose 26% to SEK 509 M (405) and return on equity was 6.0% (5.5).
- Net interest income increased 32% to SEK 1,326 M (1,001).
- Loan losses amounted to SEK -10 M (-11), net, corresponding to loan losses of -0.01% (-0.01).
- Lending increased 17% to SEK 147 billion (126).
- The Core Tier 1 ratio amounted to 37.4% (21.9) on 31 December 2015.
- The number of customers rose 7% to 216,000.

Figures in parentheses pertain to the same period in 2014.

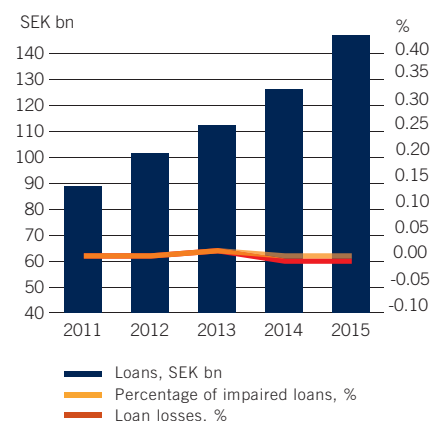
ANDERS BORGCRANTZ, PRESIDENT OF LÄNSFÖRSÄKRINGAR HYPOTEK:

“ It is gratifying that the positive trend in Länsförsäkringar’s retail mortgages is continuing. Volume growth is healthy and we are successively capturing market share while maintaining high credit quality and strengthened operating profit. The housing price trend entails a rising macroeconomic risk and thus it is important to work to promote a better culture of mortgage amortizations. At the same time, it is essential that structural measures are taken to address the underlying problem of too low a rate of new housing construction.

CUSTOMER TREND



LOANS TO THE PUBLIC



KEY FIGURES

	Q 4 2015	Q 3 2015	Q4 2014	Full-year 2015	Full-Year 2014
Return on equity, %	7,1	6,3	6,4	6,0	5,5
Return on total capital, %	0,37	0,34	0,34	0,32	0,29
Investment margin, %	0,87	0,85	0,78	0,84	0,71
Cost/income ratio before loan losses	0,13	0,15	0,15	0,16	0,19
Core Tier 1 ratio, %	37,4	37,3	21,9	37,4	21,9
Total capital ratio, %	42,9	42,9	23,8	42,9	23,8
Percentage of impaired loans, gross, %	0,00	0,00	0,00	0,00	0,00
Reserve ratio in relation to loans, %	0,02	0,02	0,03	0,02	0,03
Loan losses, %	0,00	-0,01	0,00	-0,01	-0,01

INCOME STATEMENT, QUARTERLY

SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014
Net interest income	357.3	339.0	333.0	296.3	281.6
Net commission	-195.9	-199.3	-231.9	-173.0	-171.6
Net gains/losses from financial items	15.6	15.8	49.8	-12.9	33.6
Other operating income	0.1	0.0	0.0	0.0	0.3
Total operating income	177.1	155.5	150.9	110.4	143.9
Staff costs	-3.3	-3.1	-4.2	-3.8	-3.2
Other administration expenses	-20.2	-20.5	-19.9	-19.7	-18.7
Total operating expenses	-23.6	-23.6	-24.2	-23.5	-21.9
Profit before loan losses	153.5	131.9	126.7	86.9	122.0
Loan losses, net	0.3	3.2	3.2	3.1	0.0
Operating profit	153.8	135.1	129.9	90.0	122.0

Market commentary

2015 was a year of major fluctuations in the financial markets. Stock-market upswings continued at the start of the year, but greater uncertainty started to make its mark felt in April. A low risk appetite and major fluctuations then prevailed on the financial markets as a result of the, at times, widespread concern for the global economy, primarily driven by uncertainty regarding the Chinese economy and also speculations about if and when the Federal Reserve would raise interest rates. The oil price fell sharply during the year, which led to lower inflation pressure and ultimately pressure on additional easing from the central banks. The US economy performed well during the year and the labour market continued to strengthen. This trend led to the Federal Reserve raising interest rates towards the end of the year, the first

rise since 2006. The eurozone economy continued to recover during the year, partly due to the high expansive measures from the ECB. The stimulus packages implemented by the ECB at the start of the year led to long-term interest rates reaching historically low levels in the spring. Concern about the global economy also impacted more risk-exposed assets with the stock markets generally reporting major fluctuations. The stock markets in Sweden, the US and Europe reported positive returns, while returns for emerging markets fell. Long-term interest rates have risen slightly since reaching a low point in April but have remained low, while heightened uncertainty, combined with poor liquidity in the secondary market, has led to credit spreads widening. The spread for Swedish covered bonds also increased during the year. The Swedish economy

performed very well. However, inflation remained very low, which resulted in the highly unusual situation of a negative key interest rate and high growth. This in turn accentuated the discussion on the housing market where prices are continuing to rise at a fast pace with household indebtedness following suit. The authorities' work on introducing mortgage amortization requirements continued during the year. However, incoming statistics towards the end of the year showed signs of a slow down in prices.

2015 COMPARED WITH 2014

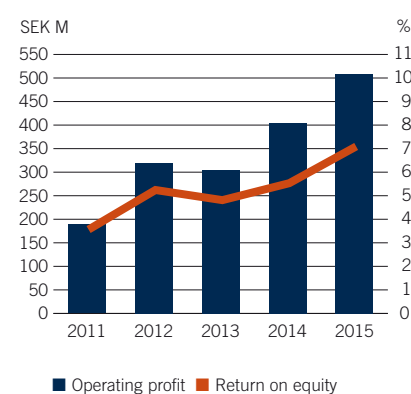
Growth and customer trend

Loans to the public rose 17%, or SEK 21 billion, to SEK 147 billion (126), with continued very high credit quality. The number of customers rose 7%, or 15,000, to 216,000 (201,000), and 86% (85) of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

Operating profit rose 26% to SEK 509 M (405). The investment margin strengthened to 0.84% (0.71). Profit before loan losses rose 27% to SEK 499 M (394) due to higher net interest income. Return on equity amounted to 6.0% (5.5).

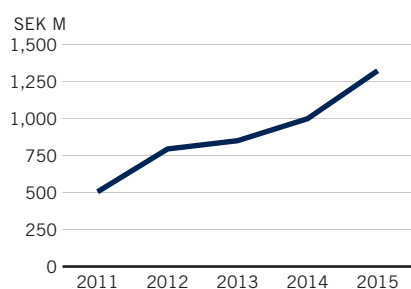
OPERATING PROFIT AND RETURN ON EQUITY



Income

Operating income increased 22% to SEK 594 M (486), due to higher net interest income as a result of increased volumes and improved margins. Net interest income increased 32% to SEK 1,326 M (1,001). Net gains from financial items amounted to SEK 68 M (49). Net commission amounted to an expense of SEK -800 M (-564), due to higher remuneration to the regional insurance companies related to higher business volumes and improved margins.

NET INTEREST INCOME



Expenses

Operating expenses amounted to SEK 95 M (91). The cost/income ratio before loan losses amounted to 0.16 (0.19).

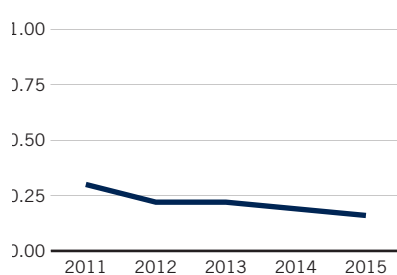
Loan losses

Loan losses amounted to SEK -10 M (-11), net, corresponding to loan losses of -0.01% (-0.01). Impaired loans, gross, amounted to SEK 0 M (0.3), corresponding to a percentage of impaired loans, gross, of 0.0% (0.0). The new settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated, entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission. The transition to the settlement model means that the credit reserves on the date of introduction will be gradually reversed by SEK 21 M. SEK 8 M was reversed during the period. Loan losses before reversal remained low at SEK -2 M (-1),

net. Reserves totalled SEK 30 M (39), corresponding to a reserve ratio in relation to loans of 0.02% (0.03). In addition, SEK 13 M of the remuneration to the regional insurance companies is withheld, in accordance with the settlement model described above. The reserve ratio in relation to loans, including the held remuneration to the regional insurance companies, was 0.03% (0.03).

For more information regarding loan losses, reserves and impaired loans, see notes 8 and 10.

COST/INCOME RATIO BEFORE LOAN LOSSES



Loans

All loans are granted in Sweden and in SEK. Loans to the public rose 17%, or SEK 21 billion, to SEK 147 billion (126). The credit quality of the loan portfolio, comprising 73% (74) single-family homes, 22% (20) tenant-owned apartments and 5% (6) multi-family housing, remained favourable. The market share of retail mortgages on 31 December 2015 was 5.5% (5.1), according to Statistics Sweden.

Cover pool

The cover pool contains SEK 137 billion, corresponding to 94% of the loan portfolio. The collateral comprises only private homes, of which 75% (76) are single-family homes, 23% (22) tenant-owned apartments and 2% (2) vacation homes. The geographic spread throughout Sweden is favourable and the average loan commitment is only SEK 1.03 M (0.95). The weighted average loan-to-value ratio, LTV, was 60% (62) and the nominal, current OC amounted to 38% (30). A stress test of the cover pool based on a 20% price drop in the market value of the mortga-

ges' collateral resulted in a weighted average LTV of 67% (67) on 31 December 2015. No impaired loans are included in the cover pool. Länsförsäkringar Hypotek's cover pool has a healthy buffer to manage any downturns in housing prices. According to Moody's report from 25 August 2015, the assets in Länsförsäkringar Hypotek's cover pool continue to maintain the highest credit quality among all Swedish covered-bond issuers, and are among the best in Europe.

Cover pool	31 Dec 2015	31 Dec 2014
Cover pool, SEK billion	146	129
OC ¹⁾ , nominal, current level, %	38	30
Weighted average LTV, %	60	62
Collateral	Private homes	Private homes
Seasoning, months	59	60
Number of loans	295,057	270,806
Number of borrowers	133,245	123,077
Number of properties	133,274	123,512
Average commitment, SEK 000s	1,032	949
Average loan, SEK 000s	466	433
Interest rate type, variable, %	61	59
Interest rate type, fixed, %	39	41
Impaired loans	None	None

¹⁾ OC is calculated using nominal values and excludes accrued interest rates. Debt securities in issue in other currencies than SEK are translated into SEK using the swap rate. Debt securities in issue include repurchase agreements.

Funding

The funding structure is favourable and the maturity profile is well diversified. Debt securities in issue increased 9% to SEK 110 billion (101). Issued covered bonds during the year totalled a nominal SEK 35 billion (24) and repurchases of a nominal SEK 10 billion (8) were executed. Matured covered bonds amounted to a nominal SEK 16 billion (17).

Liquidity

On 31 December 2015, the liquidity reserve totalled SEK 9 billion (13), according to the Swedish Bankers' Association's definition. The liquidity situation remained healthy and the survival horizon was about two years. The liquidity reserve comprised 100% (100) Swedish covered bonds with the credit rating of AAA/Aaa.

Rating

Länsförsäkringar Hypotek is one of three issuers in the Swedish market with the highest credit rating for covered bonds from both Standard & Poor's and Moody's. The Parent Company Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A1/Stable from Moody's.

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Hypotek ¹⁾	Standard & Poor's	AAA/Stable	–
Länsförsäkringar Hypotek ¹⁾	Moody's	Aaa	–
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A–1(K–1)
Länsförsäkringar Bank	Moody's	A1/Stable	P–1

¹⁾ Pertains to the company's covered bonds

Capital adequacy

Länsförsäkringar Hypotek AB (SEK M)	30 Sep 2015	30 June 2015
IRB Approach	13,159	12,917
retail exposures	9,690	9,467
exposures to corporates	3,469	3,450
Standardised Approach	2,953	2,811
Total REA	18,120	17,842
Core Tier 1 capital	6,773	6,651
Tier 1 capital	6,773	6,651
Total capital	7,781	7,652
Core Tier 1 ratio	37.4%	37.3%
Tier 1 ratio	37.4%	37.3%
Total capital ratio	42.9%	42.9%

REA on 31 December 2015 amounted to SEK 18,120 M (17,842). The increase was mainly due to lending to households in the form of mortgages, SEK 223 M. In Pillar

II, the risk weight floor for mortgages of 25% entailed an additional capital requirement of SEK 3,071 M (2,973).

During the fourth quarter, Core Tier 1 capital and Tier 1 capital were mainly positively impacted by generated profit.

This countercyclical capital buffer that is to be applied from 13 September 2015 (1.0% of REA) amounted to SEK 181 M.

This capital conservation buffer that is to correspond to 2.5% of REA amounted to SEK 453 M on 31 December 2015.

For more information on the calculation of capital adequacy, see note 14.

Interest-rate risk

On 31 December 2015, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 23 M (22).

Risks and uncertainties

Länsförsäkringar Hypotek is exposed to a number of risks, primarily credit risks, liquidity risks and market risks. The macro-economic situation in Sweden is critical for credit risk, since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks which are restricted through narrow limits. The operations are characterised by a low risk profile.

Loan losses remain low and the refinancing of business activities was highly satisfactory during the period. A more detailed description of risks is available in the 2014 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

FOURTH QUARTER OF 2015 COMPARED WITH THIRD QUARTER OF 2015

Operating profit increased 14% to SEK 154 M (135), due to higher operating income. Return on equity amounted to 7.1% (6.3). Operating income increased 13% to SEK 177 M (156), due to improved net interest income and lower commission expenses. Net interest income rose 5% to SEK 357 M (339). Net gains from financial items amounted to SEK 16 M (16) as a result of changes in value of interest-bearing items. Commission expenses amounted to SEK 197 M (199). Operating expenses amounted to SEK 24 M (24) and the cost/income ratio before loan losses to 0.13% (0.15). Loan losses amounted to SEK -0.3 M (-3.2).

Events after the end of the period

No significant events occurred after the end of the period.

Annual Report

The Annual Report will be available on Länsförsäkringar Hypotek's website during the week commencing 22 February 2016.

INCOME STATEMENT

SEK M	Note	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Interest income	3	1,156.8	1,180.8	-2%	1,275.1	-9%	4,706.0	5,603.6	-16%
Interest expense	4	-799.5	-841.8	-5%	-993.5	-20%	-3,380.4	-4,602.6	-27%
Net interest income		357.3	339.0	5%	281.6	27%	1,325.6	1,001.0	32%
Commission income	5	0.6	0.5	20%	0.5	20%	2.2	2.0	10%
Commission expense	6	-196.5	-199.8	-2%	-172.1	14%	-802.3	-566.4	42%
Net gains/losses from financial items	7	15.6	15.8	-1%	33.6	-54%	68.3	48.6	41%
Other operating income		0.1	0.0		0.3	-50%	0.1	0.4	-75%
Total operating income		177.1	155.5	14%	143.9	23%	593.9	485.6	22%
Staff costs		-3.3	-3.1	6%	-3.2	3%	-14.4	-14.6	-1%
Other administration expenses		-20.2	-20.5	-1%	-18.7	8%	-80.3	-76.5	5%
Depreciation and impairment of tangible assets		-0.1	0.0		0.0		-0.2	-0.1	
Total operating expenses		-23.6	-23.6	0%	-21.9	8%	-94.9	-91.2	4%
Profit before loan losses		153.5	131.9	16%	122.0	26%	499.0	394.4	27%
Loan losses, net	8	0.3	3.2	-91%	0.0		9.8	10.7	-8%
Operating profit		153.8	135.1	14%	122.0	26%	508.8	405.1	26%
Appropriations		-127.0	-		-116.8	9%	-127.0	-116.8	9%
Tax		-8.8	-29.7	-70%	-14.9	-41%	-73.5	-77.1	-5%
Profit for the period		18.0	105.4	-83%	-9.7		308.3	211.2	46%

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Profit for the period	18.0	105.4	-83%	-9.7		308.3	211.2	46%
Other comprehensive income								
Items that may subsequently be reclassified to the income statement								
Cash-flow hedges	-40.7	-6.7		46.0		38.0	63.9	-41%
Change in fair value from available-for-sale financial assets	3.4	-12.5		-25.6		-58.0	-14.3	
Reclassification realised securities	0.0	0.0		15.3		-6.0	11.1	
Tax attributable to items that are rerouted or can be rerouted as income for the period	8.2	4.2	95%	-7.9		5.7	-13.3	
Total other comprehensive income for the period, net after tax	-29.1	-15.0	93%	27.9		-20.3	47.4	
Total comprehensive income for the period	-11.1	90.4		18.2		288.0	258.6	11%

BALANCE SHEET

SEK M	Note	31 Dec, 2015	31 Dec, 2014
Assets			
Loans to credit institutions	9	4,395.3	2,488.8
Loans to the public	10	147,055.5	126,127.9
Bonds and other interest-bearing securities		9,344.8	12,391.9
Derivatives	11	4,164.9	4,827.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		694.9	980.7
Tangible assets		0.6	0.5
Deferred tax assets		2.9	–
Other assets		18.0	53.9
Prepaid expenses and accrued income		945.7	1,372.6
Total assets		166,622.6	148,243.8
Liabilities, provisions and equity			
Due to credit institutions	9	41,267.7	32,637.1
Debt securities in issue		110,399.8	100,888.0
Derivatives	11	1,710.3	1,747.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,752.5	3,634.3
Other liabilities		73.3	122.3
Accrued expenses and deferred income		2,400.5	2,611.6
Provisions		0.9	0.8
Subordinated liabilities		1,001.0	501.0
Total liabilities and provisions		159,606.0	142,142.2
Untaxed reserves		308.8	181.8
Equity			
Share capital, 70,335 shares		70.3	70.3
Statutory reserve		14.1	14.1
Fair value reserve		89.6	109.9
Retained earnings		6,225.5	5,514.3
Profit for the year		308.3	211.2
Total equity		6,707.8	5,919.8
Total liabilities, provisions and equity		166,622.6	148,243.8
Memorandum items			
	12		
For own liabilities, pledged assets		146,364.1	128,742.0
Other pledged assets		None	None
Contingent liabilities		3,860.6	3,360.6
Other commitments		7,923.4	7,276.6
Other notes			
Accounting policies	1		
Segment reporting	2		
Fair value valuation techniques	13		
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CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD

SEK M	Jan-Dec 2015	Jan-Dec 2014
Cash and cash equivalents, 1 January	11.8	7.2
Cash flow from operating activities	-994.8	-425.2
Cash flow from investing activities	0.0	-0.2
Cash flow from financing activities	1,000.0	430.0
Cash flow for the period	5.2	4.6
Cash and cash equivalents, 31 December	17.0	11.8

Cash and cash equivalents are defined as loans to credit institutions, payable on demand.

The change in cash flow from operating activities is largely attributable to Loans to the public amounting to SEK -20,918.9 M (-13,976.3), Due to credit institutions to SEK 8,630.6 M (7,399.2) and Debt securities in issue SEK 8,972.9 M (-28.9). Changes to the cash flow from the financing activities are largely attributable to shareholder's contribution received SEK 500.0 M (430.0) and subordinated loans 500.0 M (0.0).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Share capital	Statutory reserve	Fair value reserves		Retained earnings	Profit for the period	Total
			Fair value reserve	Hedge reserve			
Opening balance, 1 January 2014	70.3	14.1	62.5		4,924.9	159.5	5,231.3
Profit for the period						211.2	211.2
Other comprehensive income for the period			-2.5	49.9			47.4
<i>Comprehensive income for the period</i>			-2.5	49.9		211.2	258.6
Resolution by Annual General Meeting					159.5	-159.5	0.0
Conditional shareholders' contribution received					430.0		430.0
Closing balance, 31 December 2014	70.3	14.1	60.0	49.9	5,514.3	211.2	5,919.8
Opening balance, 1 January 2015	70.3	14.1	60.0	49.9	5,514.3	211.2	5,919.8
Profit for the period						308.3	308.3
Other comprehensive income for the period			-49.9	29.6			-20.3
<i>Comprehensive income for the period</i>			-49.9	29.6		308.3	288.0
Resolution by Annual General Meeting					211.2	-211.2	0.0
Conditional shareholders' contribution received					500.0		500.0
Closing balance, 31 December 2015	70.3	14.1	10.1	79.5	6,225.5	308.3	6,707.8

NOTES

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Hypotek AB prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528) and Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, is to apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation. The recommendation stipulates the permissible exceptions from and additions to IFRS. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting.

New IFRS and interpretations that have not yet been applied

IFRS 9 will take effect on 1 January 2018. The part of the standard that pertains to provisions for expected loan losses will affect the institution's capital base. Länsförsäkringar Hypotek AB currently has an IFRS 9 project in progress, but believes that it is too early to assess the effect on the capital base.

Changes that have impacted the financial statements in 2015

No accounting standards, which have been published but not yet applied, came into effect during the period that have a significant effect on the company's financial statements or capital adequacy and large exposures.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2014 Annual Report.

NOTE 2 SEGMENT REPORTING

The business of the company represents one operating segment and reporting to the chief operating decision maker thus agrees with the interim report

NOTE 3 INTEREST INCOME

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Loans to credit institutions	6.0	3.2	87%	19.2	-69%	29.3 ¹	58.3	-50%
Loans to the public	732.8	735.7	0%	790.8	-7%	2,977.0	3,285.8	-9%
Interest-bearing securities	44.0	45.2	-3%	45.4	-3%	185.6	306.1	-39%
Derivatives	373.9	396.7	-6%	419.7	-11%	1,514.0	1,953.4	-22%
Other interest income	0.1	0.0		0.0		0.1	0.0	
Total interest income	1,156.8	1,180.8	-2%	1,275.1	-9%	4,706.0	5,603.6	-16%
of which interest income on impaired loans	0.0	0.0		0.2		0.9	0.7	
Average interest rate on loans to the public during the period, %	2.0	2.1		2.6		2.2	2.8	

¹ Of which negative interest of SEK 0.9 M.

NOTE 4 INTEREST EXPENSE

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Due to credit institutions	-102.9	-94.6	9%	-103.3		-347.8 ¹	-445.0	-22%
Dept securities in issue	-489.4	-515.9	-5%	-604.7	-19%	-2,135.3	-2,558.5	-17%
Subordinated liabilities	-4.4	-4.6	-4%	-3.7	19%	-15.6	-18.2	-14%
Derivatives	-192.4	-216.3	-11%	-272.4	-29%	-838.5	-1,542.1	-46%
Other interest expense	-10.4	-10.4		-9.4	11%	-43.2	-38.8	11%
Total interest expense	-799.5	-841.8	-5%	-993.5	-20%	-3,380.4	-4,602.6	-27%

¹ Of which negative interest of SEK 0.7 M.

NOTE 5 COMMISSION INCOME

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Loans	0.6	0.5	20%	0.5	20%	2.2	2.0	10%
Total commission income	0.6	0.5	20%	0.5	20%	2.2	2.0	10%

NOTE 6 COMMISSION EXPENSE

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Remuneration to regional insurance companies	-196.3	-199.7	-2%	-171.9	14%	-801.5	-565.4	42%
Other commission	-0.2	-0.1		-0.2		-0.8	-1.0	-20%
Total commission expense	-196.5	-199.8	-2%	-172.1	14%	-802.3	-566.4	42%

NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Interest-bearing assets and liabilities and related derivatives	4.3	2.9	45%	15.3	-72%	15.5	-12.0	
Other financial assets and liabilities	0.1	-0.5		0.4	-75%	0.2	-0.3	
Interest compensation	11.2	13.4	-16%	17.9	-37%	52.6	60.9	-14%
Total net gains / losses from financial items	15.6	15.8	-1%	33.6	-54%	68.3	48.6	41%

NOTE 8 LOAN LOSSES AND IMPAIRED LOANS

Loan losses, SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Specific reserve for individually assessed loan receivables								
Write-off of confirmed loan losses during the period	-0.3	-0.5	-40%	-0.9	-67%	-1.4	-3.0	-53%
Reversed earlier impairment of loan losses recognised as confirmed losses	0.0	0.7		0.9		1.2	2.1	-43%
Impairment of loan losses during the period	-0.8	-1.1	-27%	-1.7	-53%	-4.4	-6.1	-28%
Payment received for prior confirmed loan losses	0.7	0.6	17%	0.5	40%	2.6	3.2	-19%
Reversed impairment of loan losses no longer required	0.7	0.7		1.2	-42%	9.0	10.5	-14%
Net expense for the year for individually assessed loan receivables	0.3	0.4	-25%	0.0		7.0	6.7	4%
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk								
Provision / reversal of impairment of loan losses	0.0	2.8		0.0		2.8	4.0	-30%
Net expense for the year for collectively loan receivables	0.0	2.8		0.0		2.8	4.0	-30%
Annual net expense for lived up of guarantees	-	-		-		-	-	
Net expense of loan losses for the period	0.3	3.2	-91%	0.0		9.8	10.7	-8%

All information pertains to receivables from the public.

Impaired loans, SEK M	31 December 2015			31 December 2014		
	Individual Gross impairments	Collective impairments	Net	Individual Gross impairments	Collective impairments	Net
Corporate sector	-	-	-	-	-	-
Retail sector	0.0	-4.7	-25.4	0.3	-10.5	-28.2
Total	0.0	-4.7	-25.4	0.3	-10.5	-28.2

The settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. On December 31, 2015, the total credit reserve requirement amounted to SEK 43 M, of which Länsförsäkringar Hypotek ABs credit reserve amounted to SEK 30 M and the remainder amounting to SEK 13 M was offset against the regional insurance companies' held funds, according to the model described above. The transition to the model means that the Länsförsäkringar Hypotek ABs credit reserves on the date of introduction will be gradually reduced by SEK 21 M, while SEK 8 M was reversed during the period.

NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS

Loans to credit institutions include deposits with the Parent Company of SEK 4,273.6 M (2,476.0).

Due to credit institutions includes borrowings from the Parent Company of SEK 40,973.0 M (32,376.4).

Balances in the Parent Company's bank accounts pertaining to the covered bond operations are recognised as Loans to credit institutions.

NOTE 10 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden

SEK M	31 Dec, 2015	31 Dec, 2014
Loans to the public before reservations		
Corporate sector	7,167.1	6,468.5
Retail sector	139,918.5	119,698.1
Total	147,085.6	126,166.6
Reservations	-30.1	-38.7
Loans to the public	147,055.5	126,127.9
Remaining term of not more than 3 month	83,396.2	70,912.8
Remaining term of more than 3 months but not more than 1 year	15,980.7	14,749.5
Remaining term of more than 1 year but not more than 5 years	45,866.7	38,994.7
Remaining term of more than 5 years	1,811.9	1,470.9
Total	147,055.5	126,127.9

Definition

Remaining term is defined as the remaining fixed-interest period if the loan has periodically restricted conditions.

NOTE 11 DERIVATIVES

SEK M	31 Dec 2015		31 Dec 2014	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest-related	65,771.0	2,203.2	65,485.0	2,818.0
Currency-related	13,606.6	1,961.7	14,442.0	2,009.5
<i>Other derivatives</i>				
Interest-related	-	-	7,000.0	0.0
Total derivatives with positive values	79,377.6	4,164.9	86,927.0	4,827.5
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest-related	72,125.0	1,139.7	62,765.0	1,313.6
Currency-related	7,699.4	570.6	13,547.9	433.3
<i>Other derivatives</i>				
Interest-related	-	-	7,000.0	0.2
Total derivatives with negative values	79,824.4	1,710.3	83,312.9	1,747.1

Länsförsäkringar Hypotek AB enters into financial hedging agreements to hedge against the interest-rate risk and currency risk that the Group's funding programmes give rise to. By using derivatives, the company can hedge both the fair value of the bonds issued due to changes in the market interest rate, and hedge cash flows attributable to future flows in foreign currency. Hedging instruments primarily comprise interest and currency interest-rate swaps.

NOTE 12 MEMORANDUM ITEMS

SEK M	31 Dec 2015	31 Dec 2014
For own liabilities, pledged assets		
Collateral pledged due to repurchase agreements	104.7	–
Loan receivables, covered bonds	137,484.4	117,267.0
Loan receivables, substitute collateral	8,775.0	11,475.0
Total for own liabilities, pledged assets	146,364.1	128,742.0
Other pledged assets	None	None
Contingent liabilities		
Conditional shareholders' contribution	3,860.6	3,360.6
Total contingent liabilities	3,860.6	3,360.6
Commitments		
Loans approved but not disbursed	7,923.4	7,276.6

NOTE 13 FAIR VALUE VALUATION TECHNIQUES

Determination of fair value through published price quotations or valuation techniques. Level 1 includes Instruments with published price quotations, Level 2 includes Valuation techniques based on observable market prices and Level 3 includes Valuation techniques based on unobservable market price.

SEK M	Level 1	Level 2	Level 3	Total
31 December 2015				
Assets				
Bonds and other interest-bearing securities	9,344.8			9,344.8
Derivatives		4,164.9		4,164.9
Liabilities				
Derivatives		1,710.3		1,710.3
SEK M				
31 December 2014				
Assets				
Bonds and other interest-bearing securities	12,391.9			12,391.9
Derivatives		4,827.5		4,827.5
Liabilities				
Derivatives		1,747.1		1,747.1

NOTE 13 FAIR VALUE VALUATION TECHNIQUES, CONTINUED

SEK M	31 Dec 2015		31 Dec 2014	
	Book value	Fair value	Book value	Fair value
Assets				
Loans to credit institutions	4,395.3	4,395.3	2,488.8	2,488.8
Loans to the public	147,055.5	147,711.2	126,127.9	127,341.6
Bonds and other interest-bearing securities	9,344.8	9,344.8	12,391.9	12,391.9
Derivatives	4,164.9	4,164.9	4,827.5	4,827.5
Total assets	164,960.5	165,616.2	145,836.1	147,049.8
Liabilities				
Due to credit institutions	41,267.7	41,267.7	32,637.1	32,637.1
Debt securities in issue	110,399.8	114,581.1	100,888.0	106,719.8
Derivatives	1,710.3	1,710.3	1,747.1	1,747.1
Other liabilities	6.8	6.8	6.7	6.7
Subordinated liabilities	1,001.0	1,001.6	501.0	525.3
Total Liabilities	154,385.6	158,567.5	135,779.9	141,636.0

There were no transfers between Level 1 and Level 2 during the period. There were no transfers from Level 3 during the period. The fair value of loans to credit institutions, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities.

When calculating the fair value of loans to the public, anticipated future cash flows have been discounted using a discount rate set at the current lending rate applied (including discounts).

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at the closing date or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, and for measuring the fair value of subordinated liabilities, a standard method or valuation technique based on the estimated or original issue spread has been utilised.

Derivatives essentially refer to swaps for which fair value has been calculated by discounting expected future cash flows.

Gains and losses are recognised in profit and loss under "net gains/losses from financial items." For information on the determination of fair value, valuation techniques and inputs, see also note Accounting policies.

NOT 14 CAPITAL-ADEQUACY ANALYSIS

SEK M	31 Dec 2015	31 Dec 2014
Total Equity	6,707.8	5,919.8
78 % of untaxed reserves	240.9	141.8
Own funds eligible for capital- adequacy	6,948.7	6,061.6
Adjustment for cash flow hedge	-79.5	-49.9
IRB shortfall	-	-60.0
Adjustment for prudent valuation	-80.9	-156.2
Deferred tax assets	-15.2	-18.8
Common Equity Tier 1 capital	6,773.1	5,776.7
Tier 2 instruments	1,001.0	501.0
IRB excess	6.7	5.8
Tier 2 capital	1,007.7	506.8
Own funds	7,780.8	6,283.5
Risk exposure amount according to CRD IV	18,119.9	26,419.5
Total Capital requirement according to CRD IV	1,449.6	2,113.6
Capital requirement for creditrisk according to Standardised Approach	236.3	248.2
Capital requirement for creditrisk according to IRB Approach	1,052.7	1,680.5
Capital requirement for operational risk	52.0	43.1
Capital requirement according to credit valuation adjustment	108.6	141.7
Core Tier 1 ratio according to CRD IV	37.4%	21.9%
Tier 1 ratio according to CRD IV	37.4%	21.9%
Capital adequacy ratio according to CRD IV	42.9%	23.8%
Special disclosures		
IRB Provisions surplus (+) / deficit (-)	-74.2	-150.4
- IRB Total provisions (+)	43.1	46.6
- IRB Anticipated loss (-)	-117.3	-197.0
Capital adequacy Basel I floor	6,023.3	5,180.5
Capital requirement Basel I floor	7,855.0	6,433.9
Surplus of capital according to Basel I floor	1,831.7	1,253.4

Minimum capital requirements and buffers	Minimum capital requirements	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	4.5%	2.5%	1.0%	n/a	8.0%
Tier 1 capital	6.0%	2.5%	1.0%	n/a	9.5%
Capital base	8.0%	2.5%	1.0%	n/a	11.5%

SEK M	Minimum capital requirements	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	815.4	453.0	181.2	n/a	1,449.6
Tier 1 capital	1,087.2	453.0	181.2	n/a	1,721.4
Capital base	1,449.6	453.0	181.2	n/a	2,083.8
Core Tier 1 capital available for use as buffer					31.4%

NOT 14 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	31 Dec 2015		31 Dec 2014	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Credit risk according to Standardised Approach				
Exposures to institutions	159.3	1,991.4	146.2	1,827.0
Exposures to corporates	–	–	–	–
Covered bonds	75.9	948.7	100.9	1,260.6
Other items	1.1	13.4	1.2	15.2
Total capital requirement and risk exposure amount	236.3	2,953.4	248.2	3,102.9
Credit risk according to IRB Approach				
<i>Retail exposures</i>				
Exposures secured by real estate collateral	772.4	9,655.6	1,383.1	17,288.2
Other retail exposures	2.8	34.4	1.5	18.8
Total retail exposures	775.2	9,690.0	1,384.6	17,307.0
Exposures to corporates	277.5	3,469.1	296.0	3,699.6
Total capital requirement and risk exposure amount	1,052.7	13,159.1	1,680.5	21,006.6
Operational risk				
Standardised Approach	52.0	649.9	43.1	538.4
Total capital requirement for operational risk	52.0	649.9	43.1	538.4
Total capital requirement for credit valuation adjustments	108.6	1,357.5	141.7	1,771.7

Internally assessed capital requirement

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 31 December 2015 amounted to SEK 1,765 M. The capital meeting the internal capital requirement, meaning the capital base, amounted to SEK 7,781 M. The bank bases its calculation on the methods used to calculate the capital requirement under the framework of Pillar I. For risks not included in Pillar I, known as Pillar II risks, internal models are used to allocate a capital requirement to each risk. In addition to this capital requirement, there is a capital conservation buffer that is used to cover the stress test buffer and business risk.

NOTE 15 DISCLOSURES ON RELATED PARTIES

Significant agreements for Länsförsäkringar Hypotek AB are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. Normal business transactions took place between Group companies as part of the outsourced operations.

This interim report is a translation of the Swedish interim report that has been reviewed by the company's auditors.

The President affirm that this interim report provides a true and fair view of the company's operations, financial position and earnings and describes the significant risks and uncertainties to which the company is exposed.

Stockholm, 10 February 2016

Anders Borgcrantz
President

AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM REPORT PREPARED IN ACCORDANCE WITH CHAPTER 9 OF THE SWEDISH ANNUAL ACCOUNTS ACT

To the Board of Directors of Länsförsäkringar Hypotek AB (publ)
Corporate Registration Number 556244-1781

Introduction

I have reviewed the interim financial information (interim report) of Länsförsäkringar Hypotek AB (publ) as per 31 December 2015 and the twelve-month period then ended. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express a conclusion on this interim report based on my review.

Focus and scope of the review

I conducted my review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and substantially more limited scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Therefore, a conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the interim report has not, in all material respects, been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 10 February 2016

Dan Beitner
Authorised Public Accountant

Financial calendar

Interim report Länsförsäkringar Hypotek**27 April 2016**
Interim report Länsförsäkringar Bank**27 April 2016**

This report contains such information that Länsförsäkringar Hypotek AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on 10 February 2016 at 11:00 a.m. Swedish time.

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