

Länsförsäkringar Hypotek

Interim Report January–March 2016

THE PERIOD IN BRIEF

- Operating profit increased 108% to SEK 187 M (90) and return on equity amounted to 8.1% (4.5).
- Net interest income increased 26% to SEK 372 M (296).
- Loan losses amounted to SEK 0.1 M (-3.1), net, corresponding to loan losses of 0.00% (-0.01).
- Lending increased 15.5% to SEK 151 billion (131).
- The Common Equity Tier 1 capital ratio amounted to 40.8% (37.4*) on 31 March 2016.
- The number of customers rose 7% to 219,000.

*) Refers to 31 December 2015.

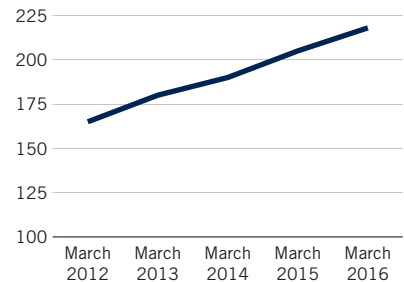
Figures in parentheses pertain to the same period in 2015.

ANDERS BORGCRANTZ, PRESIDENT OF LÄNSFÖRSÄKRINGAR HYPOTEK:

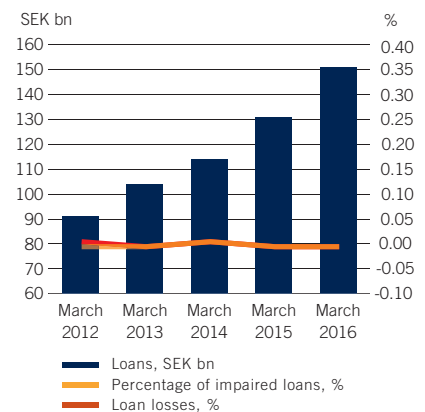
During the quarter, Länsförsäkringar Hypotek reported a favourable performance in the mortgage market, where we successively continued to capture market shares and deliver a strong operating profit. Lending is growing at a steady rate with high credit quality, while loan losses remain very low. It is clear that our strong local presence and our high customer satisfaction are continuing to be a winning combination. The trend in housing prices remained one of the most debated issues and it is positive that the price trend at the end of last year and start of this year appears to have entered into a calmer phase. The new regulation on mortgage repayments is expected to finally come into force during the second quarter of the year, which will further strengthen the distinct trend towards an improved mortgage repayment culture. Additional measures are being discussed by the authorities and it is important in this respect that any effects on the function of the housing market are carefully analysed before the measures are introduced. It is also important that the underlying problem of insufficient new housing construction is addressed.

CUSTOMER TREND

Number of customers, 000s



LOANS TO THE PUBLIC



KEY FIGURES

	Q 1 2016	Q 4 2015	Q 1 2015	Full-Year 2015
Return on equity, %	8.1	7.1	4.5	6.0
Return on total capital, %	0.44	0.37	0.23	0.32
Investment margin, %	0.87	0.87	0.77	0.84
Cost/income ratio before loan losses	0.11	0.13	0.21	0.16
Common Equity Tier 1 capital ratio, %	40.8	37.4	23.9	37.4
Total capital ratio, %	46.2	42.9	25.8	42.9
Percentage of impaired loans, gross, %	0.04	0.00	0.00	0.00
Reserve ratio in relation to loans, %	0.02	0.02	0.03	0.02
Loan losses, %	0.00	0.00	-0.01	-0.01

INCOME STATEMENT, QUARTERLY

	Q 1 2016	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015
Net interest income	371.9	357.3	339.0	333.0	296.3
Net commission	-191.3	-195.9	-199.3	-231.9	-173.0
Net gains/losses from financial items	30.6	15.6	15.8	49.8	-12.9
Other operating income	0.1	0.1	0.0	0.0	0.0
Total operating income	211.2	177.1	155.5	150.9	110.4
Staff costs	-3.8	-3.3	-3.1	-4.2	-3.8
Other administration expenses	-20.1	-20.2	-20.5	-19.9	-19.7
Total operating expenses	-24.0	-23.6	-23.6	-24.2	-23.5
Profit before loan losses	187.2	153.5	131.9	126.7	86.9
Loan losses, net	0.1	0.3	3.2	3.2	3.1
Operating profit	187.3	153.8	135.1	129.9	90.0

Market commentary

The year was characterised by turmoil in the financial markets, driven by such factors as uncertainty regarding the economic performance of China and weak figures from the US, which shook the confidence in the development of the global economy. These factors combined led to declines in the stock markets and prices of commodities, while lower risk appetite resulted in interest rates on corporate bonds rising whereas rates on government bonds fell. However, both China and the US reported better economic statistics during the quarter and the market gradually recovered.

The industrial sector in the US was impacted by a stronger USD and sharp falls in oil prices. Incoming data now indicates an improvement following weak figures at the end of the preceding year and start of this year. The US services sector continued to perform positively, the labour market continued to strengthen and clearer signs of rising pressure on inflation in the US economy emerged. The Federal Reserve, which in spite of this climate has remained cautious in its statements and is

showing obvious concern regarding the trends in the economic environment, is expected to raise interest rates very slowly. This has also resulted in the strengthening of the USD abating slightly in the first quarter.

The European economy continued to recover and confidence among households and companies remained relatively stable despite concern in the financial markets, the ongoing refugee crisis and terrorist attacks. However, the economy maintained its slow growth and pressure on inflation remained low while the EUR remained relatively strong, which is why the ECB decided on new robust stimulus measures during the meeting held in March. A new loan package to banks was launched, the ECB's monthly asset purchase programme was expanded and interest rates were cut further. The situation in the financial markets stabilised in the wake of the ECB's decisions at the start of March and stock markets recovered most of their losses from the beginning of the year, although the US, Europe and Sweden were still in the red at the end of the quarter. Risk appetite improved, which had a positive ef-

fect on credit spreads and boosted demand for banks' bonds.

Economic statistics for Sweden remained strong, despite confidence among companies falling slightly, although from a very high level. The trend in the labour market was strong, and companies continue to have significant requirements for new employees. However, notwithstanding the strong economy, the Riksbank decided to further lower the repo rate at its meeting in February due to inflation which according to their forecast is appearing to be falling again. Housing prices continued to rise again towards the end of the first quarter, following a quiet end to 2015 for the housing market and a slightly cautious approach at the start of 2016.

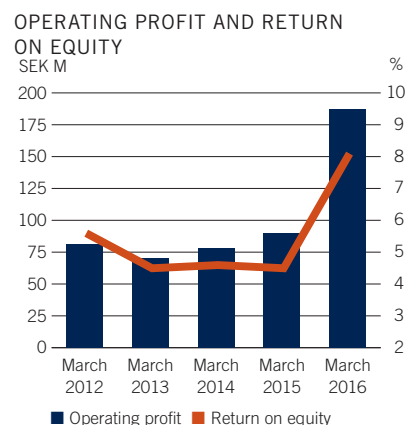
FIRST QUARTER OF 2016 COMPARED WITH FIRST QUARTER OF 2015

Growth and customer trend

Loans to the public rose 15.5%, or SEK 20 billion, to SEK 151 billion (131), with continued very high credit quality. The number of customers rose 7%, or 14,000, to 219,000 (205,000), and 86% (85) of retail mortgage customers have Länsförsäkringar as their primary bank.

Earnings and profitability

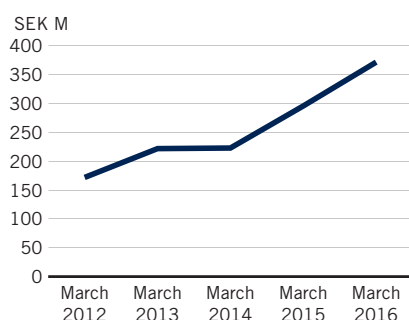
Operating profit rose 108% to SEK 187 M (90). The investment margin strengthened to 0.87% (0.77). Profit before loan losses increased 115% to SEK 187 M (87). The increase was primarily attributable to unrealised changes in value in net gains from financial transactions and higher net interest income. Return on equity amounted to 8.1% (4.5).



Income

Operating income rose 92% to SEK 211 M (110), primarily due to higher net interest income and the effect of unrealised changes in value in net gains from financial transactions. Net interest income increased 26% to SEK 372 M (296). Net gains from financial items amounted to SEK 31 M (-13). Net commission amounted to an expense of SEK -191 M (-173), as a result of higher remuneration to the regional insurance companies related to the favourable performance of the business.

NET INTEREST INCOME



Expenses

Operating expenses amounted to SEK 24 M (24). The cost/income ratio before loan losses amounted to 0.11 (0.21).

Loan losses

Loan losses amounted to SEK 0.1 M (-3), net, corresponding to loan losses of 0.00% (-0.01). Impaired loans, gross, amounted to SEK 1 M (0), corresponding to a percentage of impaired loans, gross, of 0.00% (0.00).

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 0 M was reversed during the period. Loan losses before reversal remained low at SEK 0 M (0), net. Reserves amounted to SEK 30 M (36), corresponding to a reserve ratio in relation to loans of 0.02% (0.03). In addition, SEK 14 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.

Loans

All loans are granted in Sweden and in SEK. Loans to the public increased 15.5%, or SEK 20.3 billion, to SEK 151.2 billion (130.9). The credit quality of the loan portfolio, comprising 73% (73) single-family homes, 22% (20) tenant-owned apartments and 5% (6) multi-family housing, remained favourable. On 29 February 2016, the market share of retail mortgages was 5.5% (5.2), according to Statistics Sweden.

Cover pool

The cover pool contains SEK 141.6 billion, corresponding to 94% of the loan portfolio. The collateral comprises only private homes, of which 74% (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 amount is only SEK 472,000 (440,000). The weighted average loan-to-value ratio, LTV, was 60% (62) and the nominal, current OC amounted to 41% (40). A stress test of the cover pool based on a 20% price drop in the market value of the mortgages' collateral resulted in a weighted average LTV of 67% (67) on 31 March 2016. No impaired loans are included in the cover pool. 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 foremost in Europe.

Cover pool	31 Mar 2016	31 Mar 2015
Cover pool, SEK billion	142	131
OC ¹⁾ , nominal, current level, %	41	40
Weighted average LTV, %	60.3	62
Collateral	Private homes	Private homes
Seasoning, months	59	60
Number of loans	299,912	276,207
Number of borrowers	135,355	125,500
Number of properties	135,198	125,879
Average commitment, SEK 000s	1,047	966
Average loan, SEK 000s	472	440
Interest rate type, variable, %	63	59
Interest rate type, fixed, %	37	41
Impaired loans	Inga	Inga

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

Liquidity is favourable and the maturity profile is well diversified. Debt securities in issue increased 14% to SEK 110.6 billion (97.1). Issued covered bonds during the quarter totalled a nominal SEK 7.9 billion (6.7) and repurchases of a nominal SEK 0.1 billion (0.5) were executed. Matured covered bonds amounted to a nominal SEK 8.0 billion (11.3).

Liquidity

On 31 March 2016, the liquidity reserve totalled SEK 9.5 billion (10.2) according to the Swedish Bankers' Association's definition. The liquidity situation continues to be favourable and the survival horizon amounts to approximately 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)	31 Mar 2016	31 Dec 2015
IRB Approach	13,580	13,159
retail exposures	10,095	9,690
exposures to corporates	3,485	3,469
Standardised Approach	2,616	2,953
Operational risks	740	650
Total REA	18,439	18,120
Common Equity Tier 1 capital	7,515	6,773
Tier 1 capital	7,515	6,773
Total capital	8,521	7,781
Common Equity Tier 1 capital ratio	40.8	37.4%
Tier 1 ratio	40.8	37.4%
Total capital ratio	46.2	42.9%

On 31 March 2016, Common Equity Tier 1 capital and Tier 1 capital was SEK 7,515 M (6,773) and the Common Equity Tier 1 capital ratio amounted to 40.8% (37.4). Own funds totalled SEK 8,521 M (7,781) and the capital adequacy ratio amounted to 46.2% (42.9). Common Equity Tier 1

capital increased SEK 742 M during the period mainly attributable to a received capital contribution of SEK 600 M and generated profit of SEK 146 M.

On 31 March 2016, the total Risk Exposure Amount (REA) amounted to SEK 18,439 M (18,120). The increase was mainly due to lending to households in the form of mortgages, SEK 405 M. In Pillar II, the risk weight floor for mortgages of 25% entailed an additional capital requirement of SEK 3,197 M (3,071).

This countercyclical capital buffer that is to be applied from 13 September 2015 (1.0% of REA) amounted to SEK 184 M.

This capital conservation buffer that is to correspond to 2.5% of REA amounted to SEK 461 M on 31 March 2016.

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

Interest-rate risk

On 31 March 2016, an increase in market interest rates of 1 percentage point would have decreased the value of interest-bearing assets and liabilities, including derivatives, by SEK 6 M (decrease: 32).

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 2015 Annual Report and the Pillar III report for the consolidated situation. No significant changes in the allocation of risk have taken place compared with the description provided in these reports.

FIRST QUARTER OF 2016 COMPARED WITH FOURTH QUARTER OF 2015

Operating profit rose 21% to SEK 187 M (154), due to increased operating income, mainly the result of higher net interest income and improved net gains from financial transactions. Return on equity amounted to 8.1% (7.1). Operating income increased 19% to SEK 211 M (177). Net interest income increased 4.2% to SEK 372 M (357). Net gains from financial items amounted to SEK 31 M (16) as a result of changes in value of interest-bearing items. Commission expense amounted to SEK 192 M (197). Operating expenses amounted to SEK 24 M (24) and the cost/income ratio before loan losses to 0.11% (0.13). Loan losses totalled SEK 0.1 M (-0.3), net.

Events after the end of the period

No significant events took place after the end of the period.

¹⁾ Comparative figures refer to 31 December 2015

INCOME STATEMENT

SEK M	Note	Q 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Interest income	3	1,163.3	1,156.8	1%	1,218.5	-5%	4,706.0
Interest expense	4	-791.5	-799.5	-1%	-922.2	-14%	-3,380.4
Net interest income		371.9	357.3	4%	296.3	26%	1,325.6
Commission income	5	0.6	0.6	-	0.5	20%	2.2
Commission expense	6	-191.9	-196.5	-2%	-173.5	11%	-802.3
Net gains/losses from financial items	7	30.6	15.6	96%	-12.9	-	68.3
Other operating income		0.1	0.1	-	0.0	-	0.1
Total operating income		211.2	177.1	19%	110.4	91%	593.9
Staff costs		-3.8	-3.3	16%	-3.8	1%	-14.4
Other administration expenses		-20.1	-20.2	-	-19.7	2%	-80.3
Depreciation and impairment of tangible assets		0.0	-0.1	-	0.0	-	-0.2
Total operating expenses		-24.0	-23.6	2%	-23.5	2%	-94.9
Profit before loan losses		187.2	153.5	22%	86.9	-	499.0
Loan losses, net	8	0.1	0.3	-62%	3.1	-96%	9.8
Operating profit		187.3	153.8	22%	90.0	-	508.8
Appropriations		-	-127.0	-	-	-	-127.0
Tax		-41.2	-8.8	-	-6.4	-	-73.5
Profit for the period		146.1	18.0	-	83.6	75%	308.3

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Q 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Profit for the period	146.1	18.0	-	83.6	74.8%	308.3
Other comprehensive income						
Items that may subsequently be reclassified to the income statement						
Cash-flow hedges	71.5	-40.7	-	25.9	-	38.0
Change in fair value from available-for-sale financial assets	-0.5	3.4	-	-12.3	-	-64.0
Tax attributable to items that are rerouted or can be rerouted as income for the period	-15.6	8.2	-	-3.0	-	5.7
Total other comprehensive income for the period, net after tax	55.4	-29.1	-	10.6	-	-20.3
Total comprehensive income for the period	201.5	-11.1	-	94.2	-	288.0

BALANCE SHEET

SEK M	Note	31 Mar, 2016	31 Dec, 2015	31 Mar, 2015
Assets				
Loans to credit institutions	9	2,376.9	4,395.3	2,855.9
Loans to the public	10	151,146.5	147,055.5	130,857.8
Bonds and other interest-bearing securities		9,339.9	9,344.8	10,049.3
Derivatives	11	5,196.5	4,164.9	5,851.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		868.2	694.9	1,099.0
Tangible assets		0.6	0.6	0.7
Deferred tax assets		2.9	2.9	–
Other assets		3.7	18.0	7.1
Prepaid expenses and accrued income		981.7	945.7	1,008.7
Total assets		169,916.9	166,622.6	151,730.2
Liabilities, provisions and equity				
Due to credit institutions	9	42,274.6	41,267.7	39,125.8
Debt securities in issue		110,622.9	110,399.8	97,086.9
Derivatives	11	1,517.8	1,710.3	1,638.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		3,868.7	2,752.5	4,131.4
Other liabilities		84.5	73.3	61.1
Accrued expenses and deferred income		2,728.3	2,400.5	2,489.0
Provisions		0.9	0.9	0.8
Subordinated liabilities		1,001.0	1,001.0	501.0
Total liabilities and provisions		162,098.8	159,606.0	145,034.4
Untaxed reservs		308.8	308.8	181.8
Equity				
Share capital, 70,335 shares		70.3	70.3	70.3
Statutory reserve		14.1	14.1	14.1
Fair value reserve		145.0	89.6	120.5
Retained earnings		7,133.8	6,225.5	6,225.5
Profit for the year		146.1	308.3	83.6
Total equity		7,509.4	6,707.8	6,514.0
Total liabilities, provisions and equity		169,916.9	166,622.6	151,730.2
Other notes				
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CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD

SEK M	Jan-Mar 2016	Jan-Mar 2015
Cash and cash equivalents, 1 January	17.0	12.0
Cash flow from operating activities	-604.4	-503.5
Cash flow from investing activities	0.0	-0.2
Cash flow from financing activities	600.0	500.0
Cash flow for the period	-4.4	-3.7
Cash and cash equivalents, 31 December	12.6	8.3

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 -4,091.3 M (-4,727.4), Loans to credit institutions to SEK 2,016.7 M (-1,003.1) and Due to credit institution to SEK 1,006.9 M (7,121.0) M. Changes to the cash flow from the financing activities are largely attributable to shareholder's contribution received SEK 600.0 M (500.0) M.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK M	Restricted equity		Fair value reserves		Retained earnings	Profit for the period	Total
	Share capital	Statutory reserve	Fair value reserve	Hedge reserve			
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						83.6	83.6
Other comprehensive income for the period			-9.6	20.2			10.6
<i>Comprehensive income for the period</i>			-9.6	20.2			94.2
Resolution by Annual General Meeting					211.2	-211.2	
Conditional shareholders' contribution received					500.0		500.0
Closing balance, 31 March 2015	70.3	14.1	50.4	70.1	6,225.5	83.6	6,514.0
Opening balance, 1 April 2015	70.3	14.1	50.4	70.1	6,225.5	83.6	6,514.0
Profit for the period						224.7	224.7
Other comprehensive income for the period			-40.3	9.4			-30.9
<i>Comprehensive income for the period</i>			-40.3	9.4			193.8
Closing balance, 31 December 2015	70.3	14.1	10.1	79.5	6,225.5	308.3	6,707.8
Opening balance, 1 January 2016	70.3	14.1	10.1	79.5	6,225.5	308.3	6,707.8
Profit for the period						146.1	146.1
Other comprehensive income for the period			-0.4	55.8			55.4
<i>Comprehensive income for the period</i>			-0.4	55.8			201.5
According to Board's proposal for resolution by Annual General Meeting					308.3	-308.3	
Conditional shareholders' contribution received					600.0		600.0
Closing balance, 31 March 2016	70.3	14.1	9.7	135.3	7,133.8	146.1	7,509.4

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 Financial Instruments will take effect on 1 January 2018. The standard contains new requirements for recognition of financial instruments, an expected loss impairment for recognition of financial instruments, an expected loss impairment model and requirements for hedge accounting. The bank is working to analyse the financial effects of the new standard in more detail.

IFRS 15 Revenue from Contracts with Customers will take effect on 1 January 2018. The standard contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards. The assessment is that the standard will not have any significant effect on the financial statements, capital adequacy or major exposures.

Changes that have significantly impacted the financial statements in 2016.

No accounting standards, which have been published but not yet applied, came into effect during the period that have a significant effect on the consolidated financial statements or the Group's 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 2015 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 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Loans to credit institutions	7.4 ¹	6.0	23%	14.3	-48%	29.3
Loans to the public	735.1	732.8	-	763.3	-4%	2,977.0
Interest-bearing securities	40.2	44.0	-9%	51.2	-21%	185.6
Derivatives	380.5	373.9	2%	389.7	-2%	1,514.0
Other interest income	0.0	0.1	-	-	-	0.1
Total interest income	1,163.3	1,156.8	1%	1,218.5	-5%	4,706.0
of which interest income on impaired loans	0.0	0.0	-	0.2	-	0.9
Average interest rate on loans to the public during the period, %	2.0	2.0	-	2.38	-	2.2

¹ Of which negative interest of SEK 0.3 M.

NOTE 4 INTEREST EXPENSE

SEK M	Q 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Due to credit institutions	-98.9 ¹	-102.9	-4%	-87.5	13%	-347.8
Dept securities in issue	-492.7 ¹	-489.4	1%	-595.2	-17%	-2,135.3
Subordinated liabilities	-4.1	-4.4	-7%	-3.4	21%	-15.6
Derivatives	-178.7	-192.4	-7%	-225.3	-21%	-838.5
Other interest expense	-17.2	-10.4	65%	-10.8	59%	-43.2
Total interest expense	-791.5	-799.5	-1%	-922.2	-14%	-3,380.4

¹ Of which negative interest on due to credit institution of SEK 0.6 M and dept securities in issue of SEK 0.1 M.

NOTE 5 COMMISSION INCOME

SEK M	Q 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Loans	0.6	0.6	-	0.5	20%	2.2
Total commission income	0.6	0.6	-	0.5	20%	2.2

NOTE 6 COMMISSION EXPENSE

SEK M	Q 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Remuneration to regional insurance companies	-190.8	-196.3	-3%	-173.3	10%	-801.5
Other commission	-1.1	-0.2	-	-0.2	-	-0.8
Total commission expense	-191.9	-196.5	-2%	-173.5	11%	-802.3

NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Interest-bearing assets and liabilities and related derivatives	22.2	4.3	-	-24.8	-	15.5
Other financial assets and liabilities	0.0	0.1	-	0.2	-	0.2
Interest compensation	8.4	11.2	-25%	11.7	-28%	52.6
Total net gains / losses from financial items	30.6	15.6	96%	-12.9	-	68.3

NOTE 8 LOAN LOSSES AND IMPAIRED LOANS

Loan losses, SEK M	Q 1 2016	Q 4 2015	Change	Q 1 2015	Change	Full-Year 2015
Specific reserve for individually assessed loan receivables						
Write-off of confirmed loan losses during the period	-0.2	-0.3	-33%	-0.5	-60%	-1.4
Reversed earlier impairment of loan losses recognised as confirmed losses	0.2	0.0	-	0.3	-33%	1.2
Impairment of loan losses during the period	-1.2	-0.8	50%	-1.0	20%	-4.4
Payment received for prior confirmed loan losses	0.6	0.7	-14%	0.5	20%	2.6
Reversed impairment of loan losses no longer required	0.8	0.7	14%	3.9	-79%	9.0
Net expense for the year for individually assessed loan receivables	0.2	0.3	-33%	3.2	-94%	7.0
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk						
Provision / reversal of impairment of loan losses	-0.1	0.0	-	-0.1	-	2.8
Net expense for the year for collectively loan receivables	-0.1	0.0	-	-0.1	-	2.8
Annual net expense for lived up of guarantees	-	-	-	-	-	-
Net expense of loan losses for the period	0.1	0.3	-67%	3.1	-97%	9.8

All information pertains to receivables from the public.

Impaired loans, SEK M	31 March 2016				31 December 2015				31 March 2015			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	-	-	-	-	-	-	-	-	-	-	-	-
Retail sector	1.0	-4.9	-25.5	-29.4	0.0	-4.7	-25.4	-30.1	0.5	-8.3	-27.4	-35.2
Total	1.0	-4.9	-25.5	-29.4	0.0	-4.7	-25.4	-30.1	0.5	-8.3	-27.4	-35.2

The settlement model, which was introduced on 1 January, 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. 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. As of 31 March, 2016 remains SEK 3.1 M to be reversed.

NOTE 9 LOANS / DUE TO CREDIT INSTITUTIONS

Loans to credit institutions include deposits with the Parent Company of SEK 1,394.4 M (1,752.8).

Due to credit institutions includes borrowings from the Parent Company of SEK 41,249.1 M (37,771.7).

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 Mar, 2016	31 Dec, 2015	31 Mar, 2015
Loans to the public before reservations			
Corporate sector	7,213.8	7,167.1	6,842.3
Retail sector	143,963.2	139,918.5	124,051.2
Total	151,177.0	147,085.6	130,893.5
Reservations	-30.4	-30.1	-35.7
Loans to the public	151,146.5	147,055.5	130,857.8
Remaining term of not more than 3 month	87,877.3	83,396.2	70,603.8
Remaining term of more than 3 months but not more than 1 year	17,299.4	15,980.7	17,581.3
Remaining term of more than 1 year but not more than 5 years	44,681.2	45,866.7	41,120.9
Remaining term of more than 5 years	1,288.6	1,811.9	1,551.8
Total	151,146.5	147,055.5	130,857.8

Definition

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

NOTE 11 DERIVATIVES

SEK M	31 Mar 2016		31 Dec 2015		31 Mar 2015	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	74,647.0	2,767.9	65,771.0	2,203.2	71,115.0	3,182.3
Currency-related	18,335.3	2,428.6	13,606.6	1,961.7	13,527.6	2,669.4
Total derivatives with positive values	92,982.3	5,196.5	79,377.6	4,164.9	84,642.6	5,851.7
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	61,290.0	1,132.2	72,125.0	1,139.7	66,455.0	1,466.6
Currency-related	3,213.3	385.6	7,699.4	570.6	3,817.9	171.8
Total derivatives with negative values	64,503.3	1,517.8	79,824.4	1,710.3	70,272.9	1,638.4

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 Mar 2016	31 Dec 2015	31 Mar 2015
For own liabilities, pledged assets			
Collateral pledged due to repurchase agreements	837.1	104.7	810.4
Loan receivables, covered bonds	141,600.3	137,484.4	121,650.1
Loan receivables, substitute collateral	8,775.0	8,775.0	9,275.0
Total for own liabilities, pledged assets	151,212.4	146,364.1	131,735.5
Other pledged assets	None	None	None
Contingent liabilities			
Conditional shareholders' contribution	4,460.6	3,860.6	3,860.6
Total contingent liabilities	4,460.6	3,860.6	3,860.6
Commitments			
Loans approved but not disbursed	10,679.9	7,923.4	9,775.7

NOTE 13 FAIR VALUE VALUATION TECHNIQUES

Determination of fair value through published price quotations or valuation techniques where

Level 1 includes Instruments with published price quotations

Level 2 includes Valuation techniques based on observable market prices

Level 3 includes Valuation techniques based on unobservable market price

SEK M	Level 1	Level 2	Level 3	Total
31 March 2016				
Assets				
Bonds and other interest-bearing securities	9,339.9			9,339.9
Derivatives		5,196.5		5,196.5
Liabilities				
Derivatives		1,517.8		1,517.8
SEK M				
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 March 2015				
Assets				
Bonds and other interest-bearing securities	10,049.3			10,049.3
Derivatives		5,851.7		5,851.7
Liabilities				
Derivatives		1,638.4		1,638.4

There were no transfers between Level 1 and Level 2 during the period. There were no transfers from Level 3 during the period.

NOTE 13 FAIR VALUE VALUATION TECHNIQUES, CONTINUED

SEK M	31 Mar 2016		31 Dec 2015		31 Mar 2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets						
Loans to credit institutions	2,376.9	2,376.9	4,395.3	4,395.3	2,855.9	2,855.9
Loans to the public	151,146.5	151,649.6	147,055.5	147,711.2	130,857.8	132,175.6
Bonds and other interest-bearing securities	9,339.9	9,339.9	9,344.8	9,344.8	10,049.3	10,049.3
Derivatives	5,196.5	5,196.5	4,164.9	4,164.9	5,851.7	5,851.7
Total assets	168,059.8	168,562.9	164,960.5	165,616.2	149,614.7	150,932.5
Liabilities						
Due to credit institutions	42,274.6	42,274.6	41,267.7	41,267.7	39,125.8	39,125.8
Debt securities in issue	110,622.9	116,103.1	110,399.8	114,581.1	97,086.9	103,734.2
Derivatives	1,517.8	1,517.8	1,710.3	1,710.3	1,638.4	1,638.4
Other liabilities	21.4	21.4	6.8	6.8	11.1	11.1
Subordinated liabilities	1,001.0	1,029.8	1,001.0	1,001.6	501.0	526.9
Total Liabilities	155,437.7	160,946.7	154,385.6	158,567.5	138,363.2	145,036.4

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

SEK M	31 Mar 2016	31 Dec 2015	31 Mar 2015
Total Equity	7,509.4	6,707.8	6,514.0
78 % of untaxed reserves	240.9	240.9	141.8
Own funds eligible for capital- adequacy	7,750.3	6,948.7	6,655.8
Adjustment for cash flow hedge	-135.3	-79.5	-70.1
IRB Provisions deficit (-) / surplus (+)	-84.3	-80.9	-161.4
Adjustment for prudent valuation	-16.1	-15.2	-17.5
Common Equity Tier 1 capital	7,514.6	6,773.1	6,406.8
Tier 2 instruments	1,001.0	1,001.0	501.0
IRB Provisions deficit (-) / surplus (+)	5.4	6.7	3.8
Tier 2 capital	1,006.4	1,007.7	504.8
Total Own funds	8,521.0	7,780.8	6,911.6
Risk exposure amount according to CRD IV	18,438.8	18,119.9	26,840.4
Total Capital requirement according to CRD IV	1,475.1	1,449.6	2,147.2
Capital requirement for creditrisk according to Standardised Approach	209.3	236.3	224.3
Capital requirement for creditrisk according to IRB Approach	1,086.4	1,052.7	1,747.6
Capital requirement for operational risk	59.2	52.0	52.0
Capital requirement according to credit valuation adjustment	120.2	108.6	123.4
Core Tier 1 ratio according to CRD IV	40.8%	37.4%	23.9%
Tier 1 ratio according to CRD IV	40.8%	37.4%	23.9%
Capital adequacy ratio according to CRD IV	46.2%	42.9%	25.8%
Special disclosures			
IRB Provisions surplus (+) / deficit (-)	-78.9	-74.2	-157.6
- IRB Total provisions (+)	44.7	43.1	44.3
- IRB Anticipated loss (-)	-123.6	-117.3	-201.9
Capital requirement according to Basel I floor	6,273.1	6,023.3	5,420.5
Capital base adjusted according to Basel I floor	8,599.9	7,855.0	7,069.3
Surplus of capital according to Basel I floor	2,326.8	1,831.7	1,648.8

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	829.7	461.0	184.4	n/a	1,475.1
Tier 1 capital	1,106.3	461.0	184.4	n/a	1,751.7
Capital base	1,475.1	461.0	184.4	n/a	2,120.5
Core Tier 1 capital available for use as buffer					34.8%

NOT 14 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	31 Mar 2016		31 Dec 2015		31 Mar 2015	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Credit risk according to Standardised Approach						
Exposures to institutions	132.3	1,653.8	159.3	1,991.4	141.7	1,770.9
Covered bonds	76.0	950.3	75.9	948.7	81.8	1,022.5
Other items	1.0	12.0	1.1	13.4	0.8	10.2
Total capital requirement and risk exposure amount	209.3	2,616.2	236.3	2,953.4	224.3	2,803.6
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Exposures secured by real estate collateral	804.4	10,055.0	772.4	9,655.6	1,466.0	18,324.9
Other retail exposures	3.2	39.6	2.8	34.4	1.6	19.5
Total retail exposures	807.6	10,094.6	775.2	9,690.0	1,467.6	18,344.4
Exposures to corporates	278.8	3,485.2	277.5	3,469.1	280.0	3,500.3
Total capital requirement and risk exposure amount	1,086.4	13,579.7	1,052.7	13,159.1	1,747.6	21,844.8
Operational risk						
Standardised Approach	59.2	740.4	52.0	649.9	52.0	649.9
Total capital requirement for operational risk	59.2	740.4	52.0	649.9	52.0	649.9
Total capital requirement for credit valuation adjustments	120.2	1,502.5	108.6	1,357.5	123.4	1,542.2

Internally assessed capital requirement

The internally assessed capital requirement for Länsförsäkringar Hypotek AB on 31 March 2016 amounted to SEK 1,768 M. The capital meeting the internal capital requirement, meaning the capital base, amounted to SEK 8,521 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, 27 April 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, 27 April 2016

Dan Beitner
Authorised Public Accountant

Financial calendar

Interim report Länsförsäkringar Hypotek **20 July 2016**
Interim report Länsförsäkringar Bank **20 July 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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