eika. Boligkreditt

Annual report 2015

At your side.

Front page photo: Hamnøy , Lofoten

Damstredet, Oslo

Contents

The Eika Alliance

The Eika Alliance comprises 74 local banks, Eika Gruppen and Eika Boligkreditt. More than NOK 360 billion in total assets, almost a million customers and over 3 000 employees make it one of the largest players in the Norwegian banking and financial market – and one of the most important players in Norway's local communities.

Eika Boligkreditt

Eika Boligkreditt AS is a credit institution owned at 31 December 2014 by 72 local banks in the Eika Alliance and OBOS. Its principal purpose is to provide access for the local banks to long-term and competitive funding. The company has an international rating and is licensed as a credit institution, and funds its lending by issuing covered bonds. By virtue of its size, Eika Boligkreditt is able to raise loans in both Norwegian and international financial markets, and to seek financing wherever the best market terms can be obtained at any given time. Eika Boligkreditt ensures that the alliance banks have access to financing on roughly the same terms as the larger banks in the Norwegian market. Eika Boligkreditt consequently ranks as an important contributor to reducing financing risk for the local banks and to ensuring that customers of the local banks achieve competitive terms for their residential mortgages.

The local banks in Eika

Local savings banks have contributed to settlement, economic development and security for private customers and the business sector in Norwegian local communities for almost 200 years. The local banks in the Eika Alliance are fully independent and control their own strategy, brand and visual identity.

A local presence, advisers with integrated financial expertise, and a clear commitment to their customers and the local community will also ensure them a strong position in the future. The local bank is moreover a trusted and important adviser to the local business community, with the emphasis on small and medium-sized enterprises. Through their philanthropic donations, too, the banks in the alliance contribute to innovation, growth and development by financing culture, sports and voluntary organisations. Levels of customer satisfaction with and loyalty to the alliance banks in Eika are among the highest in Norway.

Eika Gruppen

Eika Gruppen serves as the financial services group in Eika Alliansen, and is owned in part by 74 local banks. Its strategic foundation is to ensure strong and caring local banks which serve as a driving force for growth and development, for customers and for the local community. The group delivers a complete platform for banking infrastructure, including IT, payment processing and digital services which make the local bank competitive. In addition, it comprises the product companies Eika Forsikring, Eika Kredittbank, Eika Kapitalforvaltning and Aktiv Eiendomsmegling. Eika Gruppen's products and solutions are distributed through some 400 offices in Norway. Eika Boligkreditt was demerged from the Eika Gruppen financial group in 2012, and became directly owned by the local banks and OBOS.

Eika Boligkreditt in brief

Ålesund

History

2003

- Eika Boligkreditt is founded on 24 March.

2005

- The first residential mortgage is disbursed on 28 February to Røros-banken.
- The mortgage portfolio exceeds NOK 1 billion as early as October.

2007

- The Norwegian regulations for covered bonds come into force in June.
- Eika Boligkreditt's covered bonds are rated Aaa by Moody's Investors Service in the same month.
- The company issues its first covered bond in Norway during August, while the first international transaction takes place on 24 October.

2009

- The net mortgage portfolio exceeds NOK 20 billion during November.
- The company's covered bonds are down-graded to Aa2 by Moody's Investors Service.
- Activity is increasing, and the company receives more than 1 000 loan applications in a single month for the first time in June.
- Eika Boligkreditt participates in a NOK 10.4 billion swap arrangement with the Norwegian government.

2010

- Eika Boligkreditt moves with Eika Gruppen to new Oslo premises in Parkveien.
- Kjartan M Bremnes takes over as chief executive of Eika Boligkreditt.

2012

- Eika Boligkreditt is demerged from Eika Gruppen and becomes directly owned by the local banks and OBOS.
- A tighter structure of agreements is established between the new owners and the company.
- Total assets exceed NOK 50 billion during June.
- The company issues its first "jumbo" (EUR 1 billion) bond in the euro market.

2014

- Moody's Investors Service upgrades the company's covered bonds to Aa1.
- EBK's covered bonds are registered on the Oslo Stock Exchange's benchmark list.
- The net residential mortgage portfolio exceeds NOK 60 billion in June.
- Commissions to owner banks of NOK 582 million.

2015

- Eika Boligkreditt introduces individual lending rates for the owner banks.
- New and improved agreement on credit guarantees comes into force on 1 October.
- The company's covered bonds have their rating further strengthened by a notch in leeway.
- Four owner banks merge into two, and the number of owner banks is correspondingly reduced.

2015: Highlights

72

LOCAL BANKS

Eika Boligkreditt was directly owned by 72 local banks and OBOS at 31 December 2015.

388

LOCAL AUTHORITIES

Eika Boligkreditt has mortgagees in 388 local authorities.

89.9 BN

TOTAL ASSETS

Total assets were NOK 89.9 billion at 31 December.

43 THOUSAND

MORTGAGEES

Eika Boligkreditt has 43 314 mortgagees in its portfolio.

27.3%

MORTGAGEES

Proportion of residential mortgagees who live in Norway's 10 largest cities.

32.1%

MORTGAGED PROPERTY

32.1 per cent of the mortgaged property lies in Oslo and Akershus.

44.2%

LTV

The average loan to value (LTV) was 44.2 per cent on the whole mortgage portfolio, and 14.9 per cent on mortgages to residential cooperatives.

794

MORTGAGES TO RESIDENTIAL COOPERATIVES

In addition to standalone residential mortgages, the portfolio included 794 mortgages to residential cooperatives.

Eika Boligkreditt in brief

Bjørvika, Oslo

Eika Boligkreditt is a credit institution directly owned by 72 local banks in Eika Alliansen and the OBOS housing association. Its main purpose is to secure access for the owner banks in the Eika Alliance to long-term competitive funding by issuing covered bonds in the Norwegian and international financial markets. An important part of the company's business concept is to increase the competitiveness of the owner banks and reduce their financing risk – including refinancing risk. At 31 December 2015, the local banks had transferred a total of NOK 64.5 billion in residential mortgages to Eika Boligkreditt and thereby relieved their own funding requirements by a corresponding amount.

The company is licensed as a credit institution and authorised to raise loans in the market by issuing covered bonds. Norwegian regulations for covered bonds were adopted in 2007, establishing a new type of bond which has become, within a few years, an important source of financing for banks and credit institutions. By concentrating funding activities in Eika Boligkreditt, the owner banks have secured a player in the bond market which can, by virtue of its size, achieve competitive terms in both Norwegian and international financial markets.

Funding activity began at Eika Boligkreditt in February 2005 and, with current total assets of NOK 89.9 billion, the company accounts for a substantial proportion of the external funding for the owner banks. To ensure the best possible financing terms for the owner banks, the company aims to be an active issuer in both Norwegian and international financial markets.

Andebu Sparebank, Askim & Spydeberg Sparebank, Aurland Sparebank, Aurskog Sparebank, Bamble Sparebank, Bank2, Berg Sparebank, BFH Sparebank, Bien Sparebank, Birkenes Sparebank, Bjugn Sparebank, Blaker Sparebank, Drangedal Sparebank, Eidsberg Sparebank, Etnedal Sparebank, Evje & Hornnes Sparebank, Fornebubanken, Gildeskål Sparebank, Gjerstad Sparebank, Grong Sparebank, Grue Sparebank, Haltdalen Sparebank, Harstad Sparebank, Vesterålen Sparebank, Hegra Sparebank, Hemne Sparebank, HjartdalBanken, Hjelmeland Sparebank, Høland og Setskog Sparebank, Hønefoss Sparebank, Indre Sogn Sparebank, Jæren Sparebank, Jernbanepersonalets bank og forsikring, Klæbu Sparebank, Kragerø Sparebank, Banken Kvinesdal Sparebank, Larvikbanken, Lillestrømbanken, Lofoten Sparebank, Marker Sparebank, Meldal Sparebank, Melhusbanken, Nesset Sparebank, OBOS, Odal Sparebank, Ofoten Sparebank, Oppdalsbanken, Orkdal Sparebank, Rindal Sparebank, RørosBanken, Sandnes Sparebank, Selbu Sparebank, Skue Sparebank, Soknedal Sparebank, Sparebanken DIN, Sparebanken Narvik, Sparekassa, Stadsbygd Sparebank, Sunndal Sparebank, Surnadal Sparebank, Strømmen Sparebank, Tinn Sparebank, Tolga Os Sparebank, Totens Sparebank, Trøgstad Sparebank, Tysnes Sparebank, Valle Sparebank, Vang Sparebank, Vegårshei Sparebank, Vekselbanken, Vestre Slidre Sparebank, Vik Sparebank, Ørland Sparebank, Ørskog Sparebank, Åfjord Sparebank, Aasen Sparebank

Shareholders

72 local banks and OBOS[1] — 100% — **Eika Boligkreditt AS**

74 local banks and OBOS — 100% — **Eika Gruppen AS**

Ownership structure

Eika Boligkreditt AS

CEO
Kjartan M Bremnes

Risk Manager Mari M Sjoner

IT manager Thomas Johansen

Head of lending Hege A Skoglund

Chief marketing officer Kurt E Mikalsen

Financial manager Hugo J Henriksen

CFO Odd-Arne Pedersen

Senior vice president, funding
Anders Mathisen

[1] Bank2 and Sandnes sparebank are only shareholders in Eika Gruppen AS.

Board of directors

Tor Egil Lie

Director

- Born: 1955.
- Position: CEO, Jæren Sparebank.
- Education: BSc economics and administration, Rogaland Regional College/University of Stavanger (UiS), chartered auditor.
- Other directorships: director, Aktiv Jæren Eiendomsmegling AS and Safi, UiS.
- Director since 2014.

Boddvar Kaale

Director

- Born: 1963.
- Position: Executive Vice President, OBOS BBL.
- Education: MSc business economics, Norwegian School of Economics, Law degree, University of Oslo.
- Other directorships: Chair, OBOS-banken AS, OBOS Eiendomsmeglere AS and Megleroppgjør AS. Director, OBOS Skadeforsikring AS and Tyngdekraft AS.
- Director since 2015.

Bjørn Riise

Chair

Born: 1963.
Position: CEO, Klæbu Sparebank.
Education: BSc computing finance, Trondheim Engineering College, business economics, Trondheim Business School.
Other directorships: chair Klæbu advisory board, Mid-Norway Chamber of Commerce and Industry.
Director since 2008 and chair since 2015.

Olav Sem Austmo

Director

- Born: 1963.
- Position: CFO, TrønderEnergi AS.
- Education: MBA, BI Norwegian Business School, AFA, Norwegian School of Economics.
- Other directorships: chair, TrønderEnergi Kraft AS and Serepta Energi AS.
- Director since 2015.

Terje Svendsen

Director

- Born: 1956.
- Position: President Norges Fotballforbund.
- Education: MSc business economics, Norwegian School of Economics.
- Other directorships: chair, Fotball Media AS, director, Nordenfjeldske Eiendomsfond AS, Norsk Byggmontering AS and Saltdalshytta Gudbrandsdal AS.
- Director since 2011.

Executive management

Hugo J Henriksen
Financial manager
- Born: 1969.
- Education: MSc business economics, University of Bodø.
- Career: Terra-Gruppen, Ernst & Young.
- Joined company in 2007.

Kurt E Mikalsen
Chief marketing officer
- Born: 1968.
- Education: BA, University of Bodø.
- Career: DNB, GMAC Commercial Finance.
- Joined company in 2006.

Hege Skoglund
Head of lending
- Born: 1966.
- Education: Diploma, business economics, BI Norwegian Business School.
- Career: Sparebanken Gjensidige Nor, Sparebanken Kreditt AS.
- Joined company in 2005.

Kjartan M Bremnes
CEO
- Born: 1965.
- Education: law degree, University of Oslo/ King's College London.
- Career: BA-HR law firm, Follo Consulting Team AS, Vesta Hygea AS.
- Joined company in 2004.

Mari M Sjoner
Risk manager
- Born: 1985.
- Education: MSc business economics, Norwegian School of Economics.
- Joined company in 2010.

Odd Arne Pedersen
CFO
- Born: 1962.
- Education: MBE, BI Norwegian Business School, AFA and Master of Finance, Norwegian School of Economics.
- Career: Terra Forvaltning, Terra Securities, Terra-Gruppen, Fearnley Fonds, DN Hypotekforening.
- Joined company in 2008.

Anders Mathisen
Senior vice president, funding
- Born: 1967.
- Education: MBE, BI Norwegian Business School.
- Career: Terra Forvaltning, SEB, Norges Bank.
- Joined company in 2012.

Lofoten

A strategically important company for the banks

Common denominators for the local banks in the Eika Alliance are their strong local roots, that they rank among the smallest banks in Norway, and that a generally high proportion of their activity is directed at the private and residential mortgage market.

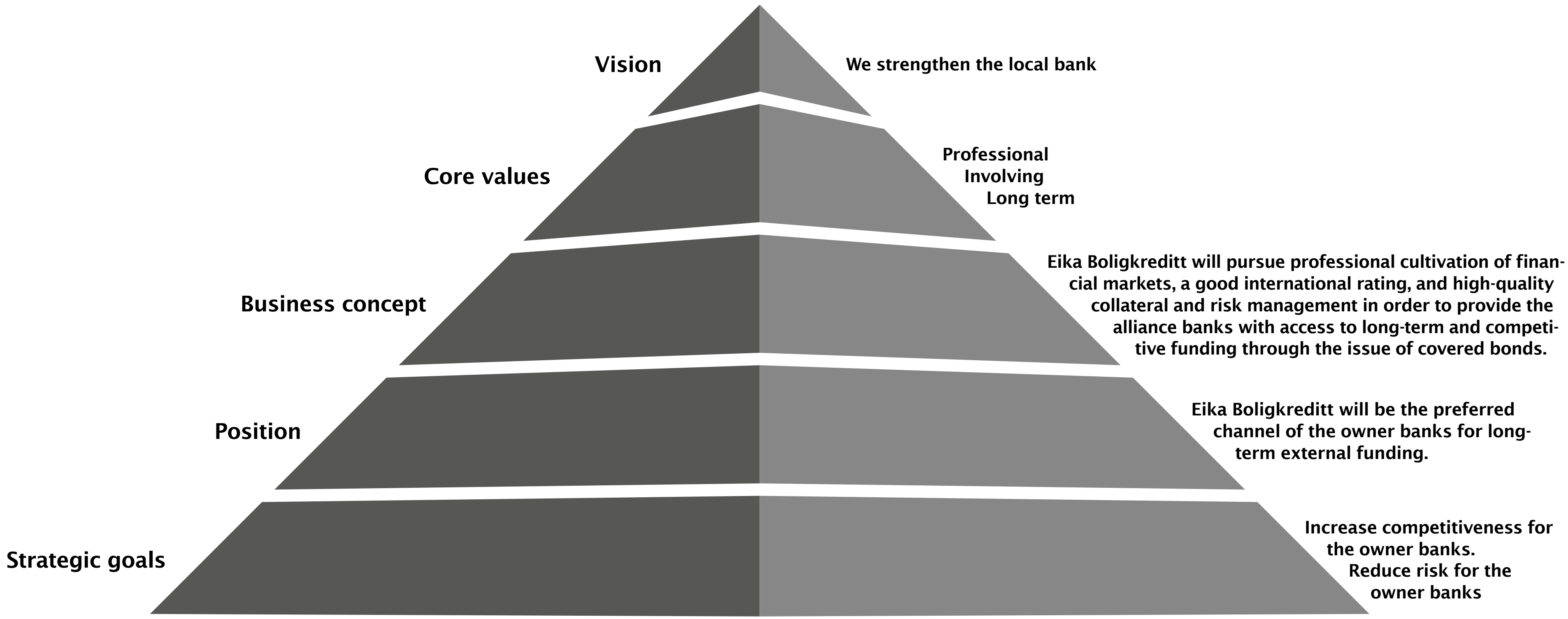
The decision by the local banks 13 years ago to establish a joint mortgage credit institution was a direct consequence of a trend where they – like all the other banks – experienced a decline in their deposit-to-loan ratio and a corresponding increase in the need for external financing from the bond market.

For small local banks, this meant increased vulnerability in achieving competitive borrowing costs and higher risk exposure because they would be subject to price fluctuations in the Norwegian bond market. The most important reasons for establishing Eika Boligkreditt were accordingly to maintain competitiveness in the residential mortgage segment – which was and remains the most important market for the local banks – and to reduce financing and refinancing risk in the bond market.

Through Eika Boligkreditt, the local banks and OBOS achieve indirect access to favourable borrowing through an internationally rated credit institution licensed to issue covered bonds in the Norwegian and international markets. Use by the local banks is very broad, and the owner banks had established a mortgage portfolio of NOK 64.5 billion in Eika Boligkreditt at 31 December 2015. That corresponds to about half of total external financing for the local banks, and this share is rising.

The funding profile through Eika Boligkreditt involves longer tenors at a significantly more favourable rate and with access to far larger and more stable investor markets than the owner banks could have achieved individually. This is precisely why Eika Boligkreditt has become strategically important for the owner banks, contributing to enhanced competitiveness and lower risk exposure.

Strategy pyramid



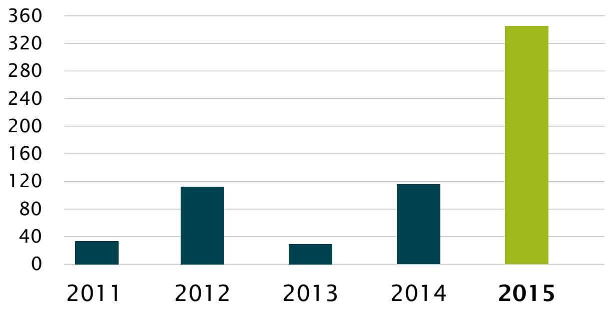
COMPANY PRIORITIES

- Sustainable growth
- Good international rating
- Profitability and cost-efficiency
- Prudent risk
- Quality at every level

Results and key figures

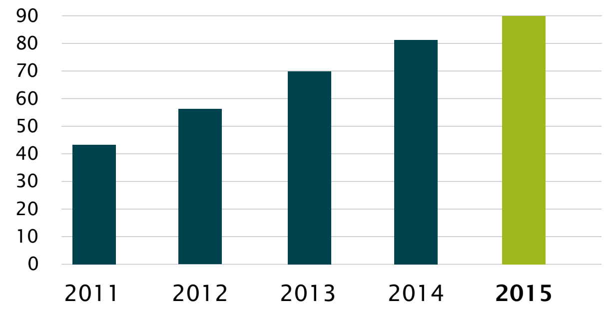
PROFIT BEFORE TAX

Amounts in NOK million



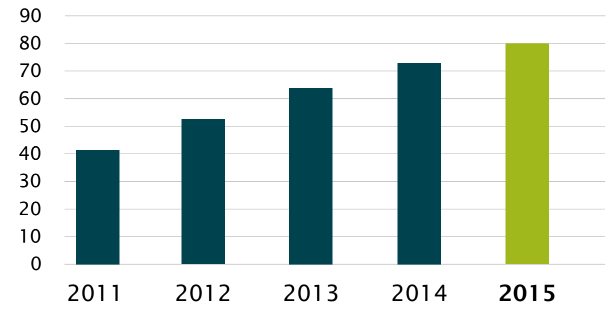
TOTAL ASSETS

Amounts in NOK billion



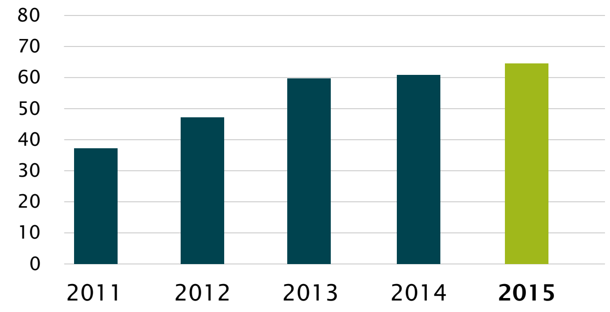
BORROWING PORTFOLIO

Amounts in NOK billion



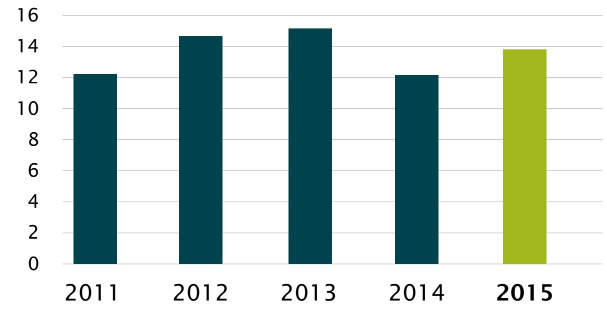
MORTGAGE PORTFOLIO

Amounts in NOK billion



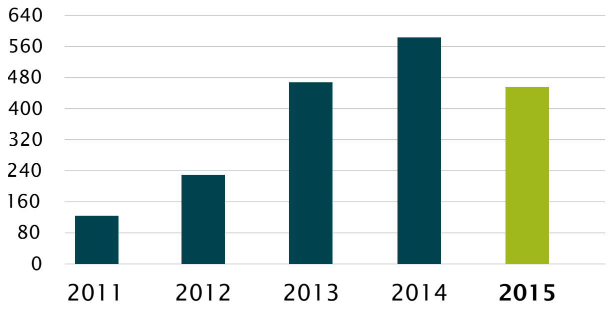
NEW MORTGAGES

in thousands



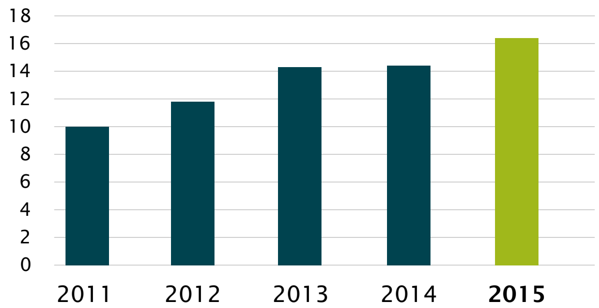
DISTRIBUTOR COMMISSIONS

Amounts in NOK million



CAPITAL ADEQUACY RATIO[1]

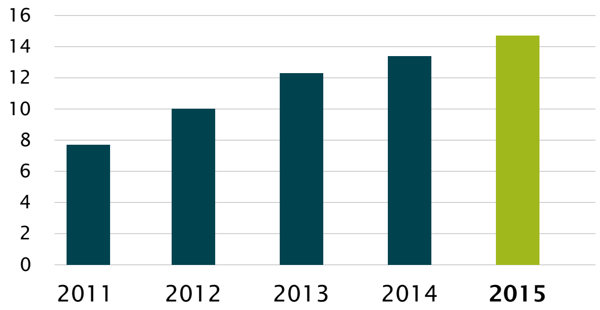
Value in per cent



[1] The company employs the standard method specified by the capital requirement regulations for calculating capital requirements for credit risk.

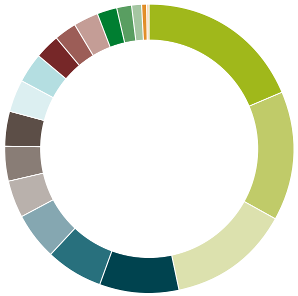
CORE TIER 1 CAPITAL RATIO

Value in per cent



GEOGRAPHICAL DISTRIBUTION

By county



Oslo	18.87%
Akershus county	14.40%
Sør-Trøndelag county	13.65%
Rogaland county	8.81%
Østfold county	6.37%
Telemark county	5.19%
Nord-Trøndelag county	4.11%
Buskerud county	3.93%
Møre og Romsdal county	3.92%
Vestfold county	3.61%
Nordland county	3.32%
Aust-Agder county	2.83%
Hordaland county	2.65%
Vest-Agder county	2.53%
Hedmark county	2.44%
Oppland county	1.62%
Troms county	1.16%
Sogn og Fjordane county	0.54%
Finnmark county	0.06%

LTV[1]

Specified in per cent and NOK

LTV:	0-≤40%	NOK 20 820.3 million	32.44%
LTV:	>40%-≤50%	NOK 12 702.8 million	19.79%
LTV:	>50%-≤60%	NOK 20 941.0 million	32.63%
LTV:	>60%-≤70%	NOK 9 313.9 million	14.51%
LTV:	>70%-≤75%	NOK 404.3 million	0.63%

[1] Eika Boligkreditt does not permit an LTV of more than 60 per cent of the value of the residential property provided as collateral. In subsequent calculations of price trends for housing, statistical methods are used to determine the updated value. Variations could arise during this process between the valuation established by a surveyor/valuer or estate agent and that determined using statistical methods. The LTV in the table has been determined solely on the basis of statistical methods. This means that the LTV for certain mortgages could exceed 60 per cent.

Improved competitiveness
Reduced risk exposure

Directors’ report and financial statements

Bergen

Financial highlights 2015

345 MILL

Pre-tax profit of NOK 345 million, compared with NOK 115.7 million in 2014.

89.9 BN

The company had total assets of NOK 89.9 billion at 31 December, compared with NOK 81.3 billion a year earlier.

79.9 BN

The borrowing portfolio totalled NOK 79.9 billion, a net increase of NOK 7 billion or 9.6 per cent from 31 December 2014.

6 %

The mortgage portfolio totalled NOK 64.5 billion, a net increase of NOK 3.6 billion or 6 per cent from 31 December 2014.

635.3 MILL

Net interest revenues were NOK 635.3 million, down by 14.2 per cent from 2014.

456 MILL

Distributor commissions to the owner banks totalled NOK 456 million, compared with NOK 582 million in 2014.

16.4 %

The company's capital adequacy ratio was 16.4 per cent at 31 December, compared with 14.4 per cent a year earlier. Capital adequacy is calculated in accordance with the capital requirement regulations.

44.2 %

The average LTV was 44.2 per cent for the whole mortgage portfolio, and 14.9 per cent on mortgages to residential cooperatives.

Directors' report 2015

The company's business

Nature of the business

Eika Boligkreditt's principal purpose is to secure access for the local banks in the Eika Alliance to long-term and competitive funding through the issue of covered bonds. An important part of the company's business concept is to increase the competitiveness of the local banks by improving their access to external financing in the Norwegian and international financial markets with regard to maturities, terms and depth. At 31 December 2015, the local banks and OBOS (the owner banks) had transferred a total of NOK 64.5 billion in mortgages and thereby reduced their own funding requirements by a corresponding amount. The company is licensed as a credit institution and authorised to raise loans in the market through the issue of covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and thereby established a new type of bond which has become important within a few years as a source of finance for lending by banks and credit institutions to the household sector. Concentrating funding activities related to covered bonds in Eika Boligkreditt has secured the local banks a player in the bond market with the necessary requirements to obtain competitive terms in both Norway and internationally. Funding activity began at Eika Boligkreditt in February 2005 and, with today's total assets of NOK 89.9 billion, it serves as an important borrowing channel for the local banks. To secure diversified borrowing sources for the latter, the company's goal is to be an active issuer in both Norwegian and international markets.

Ownership structure

Eika Boligkreditt was demerged from the Eika Gruppen AS financial group in May 2012, and became directly owned by the local banks in the Eika Alliance and the OBOS housing association. In conjunction with the changes to the ownership structure, a shareholder agreement was entered into with all the owner banks which stipulates in part that the ownership of the company is to be rebalanced on an annual basis. This will ensure an adjustment so that the holding of each owner bank corresponds to its share of the residential mortgage portfolio in the company's cover pool.

Agreements on liquidity and capital support

Agreements were entered into in 2012 to regulate support for liquidity and capital respectively from the owner banks to Eika Boligkreditt. Liquidity support is regulated by an agreement concerning the purchase of covered bonds which came into effect on 10 May 2012. OBOS is a party to this agreement for the share of the residential mortgage portfolio held by OBOS-banken. The main features of this agreement are that the owner banks, for as long as they have residential mortgage portfolios in the company and under given circumstances, are committed to provide Eika Boligkreditt with liquidity. This liquidity obligation is limited to the maturity of the company's covered bonds issued under the Euro Medium Term Covered Note Programme (EMTCN Programme) and associated derivative agreements over the coming 12 months. To the extent that covered bonds have been purchased by the owner banks under the liquidity agreement and have not been redeemed, these are deducted from the calculation of each owner bank's outstanding liquidity obligation. Each owner bank's liquidity obligation is primarily limited to its pro rata share of the issued amount, which is calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their liquidity obligation pursuant to the agreement, the liquidity obligation of the other owner banks can be increased up to a limit of twice their original pro rata share.

Capital support from the owner banks is regulated by a shareholder agreement dated 10 May 2012. OBOS is a party to this agreement for the share of the residential mortgage portfolio held by OBOS-banken. This includes a commitment by the owner banks that, under given circumstances, they will have to provide the company with the capital required to maintain the company's applicable targets at any given time for tier 1 capital and total primary capital ratios, or higher tier 1 capital and/or total primary capital ratios as required or recommended by the Financial Supervisory Authority of Norway. The board of Eika Boligkreditt resolved to amend the company's internal capital targets with effect from 30 June 2015 to a minimum of 11 per cent for the core tier 1 capital ratio, 12.5 per cent for the tier 1 capital ratio, and 14.5 per cent for the tier 2 capital ratio. The individual owner bank's capitalisation obligation is primarily limited to its pro rata share of capital issues, calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their capitalisation obligation pursuant to the agreement, the capitalisation obligation of the remaining owner banks can be raised to a limit of twice their original pro rata share. The agreement on purchasing covered bonds and the shareholder agreement can be terminated under certain conditions.

International rating

The company's covered bonds have an Aa1 (AA+) international rating from Moody's Investors Service (Moody's).

Residential mortgages included in Eika Boligkreditt's cover pool must have a maximum loan-to-value (LTV) of 60 per cent at origination. This is a stricter standard than the 75 per cent LTV ceiling permitted in the Norwegian covered bond regulations. In addition, the owner banks have provided guarantees against defaults on transferred residential mortgages. The particularly high credit quality of the residential mortgages in Eika Boligkreditt's cover pool has repeatedly been confirmed by Moody's in its quarterly EMEA Covered Bonds Monitoring Overview. In the latest report, published by Moody's on 26 November 2015, Eika Boligkreditt was ranked first among European issuers for the lowest risk of loss on residential mortgages in the cover pool. The primary purpose of the report is to support Moody's rating of covered bonds, and to provide insight into various key assumptions which are decisive for the rating. The report embraces all covered-bond issuers rated by Moody's. This ranking by the agency confirms that the owner banks provide the company with high-quality residential mortgages.

Development of the mortgage portfolio

The owner banks had a total mortgage portfolio in Eika Boligkreditt of NOK 64.5 billion at 31 December 2015, representing an increase of NOK 3.6 billion or six per cent over the year. Standalone residential mortgages accounted for 86.3 per cent of the portfolio, with mortgages to residential cooperatives accounting for the remaining 13.7 per cent. Standalone mortgages include loans for holiday homes. The average LTV for the company's mortgages was 46.4 per cent based on the value of the properties at origination – 50.8 per cent for standalone mortgages and 18.5 per cent for mortgages to residential cooperatives. If subsequent price developments for the mortgaged properties are taken into account, the average LTV for the company's mortgages was 44.2 per cent at 31 December 2015 – 48.8 per cent for standalone mortgages and 14.9 per cent for mortgages to residential cooperatives. Since funding activity began in 2005, the company has experienced no defaults exceeding 90 days or losses related to its mortgage business. Guarantees issued by the owner banks have reduced the risk of loss.

Revised distributor agreement with the owner banks

The company revised its current distributor agreement in a dialogue with the owner banks during 2015. With effect from 1 January 2015, a supplementary agreement to the distributor agreement with the owner banks was entered into which regulates the net interest rate charged to the owner banks – ie, the price paid by the owner banks for their financing through Eika Boligkreditt. The amendment to the agreement means that the net interest rate for the owner banks will be influenced by the market interest rate for new borrowing in the covered bond market and by whether the owner banks reduce their financing through Eika Boligkreditt. Furthermore, the change incorporates a regulation of the owner banks' obligation to maintain their share of the loan portfolio in the cover pool. If at any time the owner bank's share of the residential mortgage portfolio in Eika Boligkreditt falls below a specified level regulated by the supplementary agreement, the owner bank – after a written warning – is liable to pay Eika Boligkreditt the present value of the company's calculated costs for a corresponding redemption of the company's borrowing in the market. Eika Boligkreditt can offset its claim on the owner bank pursuant to this agreement against commission payments due from Eika Boligkreditt to the owner bank.

Furthermore, a major revision of the distribution agreement was implemented in the fourth quarter of 2015, where the most important material change was a new agreement on credit guarantees provided to Eika Boligkreditt by the owner banks. While the guarantees previously represented fixed proportions of each loan, combined with a common framework guarantee, the new agreement involves a specified maximum guarantee commitment for the banks over a rolling 12-month period. The new guarantee agreement specifies that the bank which has transferred a residential mortgage undertakes to cover 80 per cent of a realised loss on it. The remaining 20 per cent of the loss can be offset by Eika Boligkreditt against commission payments due to all the owner banks, allocated pro rata on the basis of the individual bank's share of the residential mortgage portfolio at the date when the loss is realised. Within a rolling 12-month period, the guarantee commitment is limited to a maximum of one per cent of the individual bank's residential mortgage portfolio in the company, with a minimum of NOK 5 million or 100 per cent of the residential mortgage portfolio if it is smaller than NOK 5 million. In addition, the bank has a joint liability with all the other banks to offset that part of the loss which exceeds the bank's 80 per cent share for an amount up to 12 months commission income from Eika Boligkreditt. The revised distributor agreement replaces distributor agreements entered into earlier, and came into force on 1 October 2015.

Cancellation of distributor agreement with OBOS-banken

Eika Boligkreditt has been aware for some time that OBOS-banken has been considering whether to establish its own wholly-owned residential mortgage company for the issue of covered bonds. On 11 January 2016, OBOS-banken stated in a stock exchange announcement that it had decided to establish such a company. As a result of this decision, the board of Eika Boligkreditt decided in its meeting of 9 February 2016 to cancel the distributor contract with OBOS-banken. A cancellation of the agreement by Eika Boligkreditt requires 12 months notice. The existing distributor agreement will accordingly remain in force until February 2017. At the expiry date for the distributor agreement, OBOS-banken will cease to have the right to transfer new residential mortgages to Eika Boligkreditt.

The distributor agreement also provides that OBOS-banken and Eika Boligkreditt will seek to reach agreement before the expiry date on the continuation of OBOS-banken's distributor responsibility for the existing residential mortgage portfolio.

The parties consider it likely that they will reach such an agreement, which means OBOS-banken will maintain a substantial residential mortgage portfolio and financing in Eika Boligkreditt during coming years. At 31 January 2016, OBOS-banken has a residential mortgage portfolio and financing in Eika Boligkreditt totalling NOK 7.7 billion. Following a rebalancing of ownership on the basis

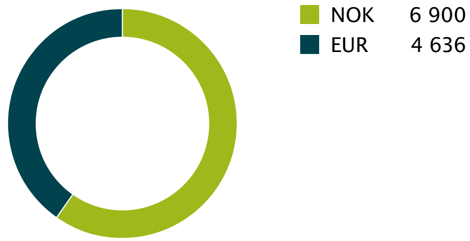
ISSUES BY SECTOR

(amounts in NOK million)

	2015	2014	2013	2012
Covered bonds (issued in SEK)	-	-	925	-
Covered bonds (issued in EUR)	**4 636**	4 123	7 409	15 687
Covered bonds (issued in NOK)	**6 250**	3 750	10 508	5 713
Senior unsecured bonds (issued in NOK)	**450**	1 975	2 300	1 900
Subordinated loans (issued in NOK)	**200**	-	250	-
Tier 1 perpetual bonds (issued in NOK)	-	200	250	-
Total issued	**11 536**	10 048	21 642	23 300

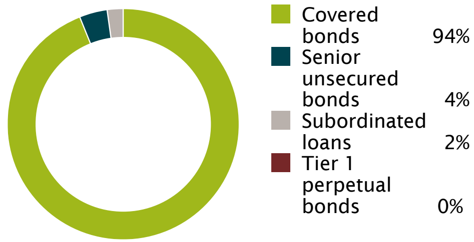
ISSUES BY CURRENCY

(in NOK mill) in 2015



ISSUES BY SECTOR

(in %) in 2015



of OBOS-banken's share of the overall residential mortgage portfolio at 31 December 2015, OBOS will hold 11.7 per cent of the shares in Eika Boligkreditt.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 79.9 billion at 31 December, up by NOK 7 billion from the end of 2014. Eika Boligkreditt issued bonds and certificates corresponding to NOK 11.3 billion in 2015. Forty per cent were issued in euros and 60 per cent in Norwegian kroner. Of the total issue volume, 94 per cent related to the issue of covered bonds. During 2015, repurchases of the company's own bonds totalled NOK 923 billion and maturing bonds amounted to NOK 4.9 billion. Tier 1 perpetual bonds were reclassified as equity with effect from the second quarter of 2015. See the statement of changes in equity for further details. Comparative figures have not been restated. After taking account of this reclassification, the nominal growth in borrowing, including subordinated loans and tier 1 perpetual bonds, amounted to NOK 7.2 billion in 2015.

The company's covered-bond issues are conducted under its Euro Medium Term Covered Note Programme, which is listed on the London Stock Exchange. This programme was last revised in October 2015. The borrowing limit in the programme is EUR 20 billion. Issues in 2015 and the three previous years are presented by sector in the table above. The issue volume was somewhat lower than expected in 2015. That is because the NOK 3.6 billion growth in mortgage lending during 2015 was somewhat lower than planned, which led to a corresponding decrease in the issue volume. The bond market in 2015 was very demanding, with lower liquidity and substantially higher credit margins. The credit margin over and above the money market interest rate (three months Nibor) for the company's covered bonds in Norwegian kroner and with a five-year tenor increased from 28 basis points at 31 May to 74 basis points at 31 December. Correspondingly, the credit margin for senior unsecured bonds issued by an average owner bank rose from 85 to 180 basis points over the same period for the same tenor. This sharp rise in Norwegian credit margins reflects increased credit margins in the eurozone, reduced position-taking in trading portfolios and lower liquidity.

The average tenor for new financing in 2015 was 6.1 years, while the average tenor for the company's borrowing portfolio declined from 4.4 years at 1 January to 4.1 years at 31 December. The table to the right shows the breakdown of the company's borrowing in various instruments.

Profit and loss account

Pre-tax profit

Eika Boligkreditt delivered a pre-tax profit of NOK 345 million for 2015, compared with NOK 115.7 million the year before. The 2015 result includes NOK 228.3 million in positive value changes for basis swaps (2014: negative at NOK 15.3 million), so that pre-tax profit for the year excluding changes to the value of basis swaps came to NOK 116.7 million. Profit was also affected by value changes to financial instruments, including NOK 7.8 million in net gain on lending at fair value, a net loss of NOK 7.7 million on financial derivatives, a net gain of NOK 232.9 million on fair value hedging of debt securities issued (including value changes in basis swaps), and a net loss of NOK 30.3 million on bonds and certificates. Profit for 2015 accordingly includes a net gain of NOK 202.6 million in the fair value of financial instruments, compared with a net loss of NOK 3.4 million for 2014. A total of NOK 24.5 million in interest on tier 1 perpetual bonds is not presented as an interest expense in the income statement, but as a reduction in equity.

As reported above, profit for 2015 was significantly affected by value changes in basis swaps on the company's derivatives. Basis swaps are a price component in the derivative contracts entered into in connection with long-term borrowing. The derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting. The

BORROWING IN VARIOUS INSTRUMENTS

Capitalised amounts in NOK million

	31 Dec 2015	31 Dec 2014
Covered bonds	**76 950**	69 952
Senior unsecured bond loans	**2 926**	2 926
Subordinated loans	**449**	250
Tier 1 perpetual bonds [1]	-	448
Total borrowing	**80 325**	73 576

[1] Eika Boligkreditt reclassified tier 1 perpetual bonds during the second quarter of 2015 from liabilities to equity. Comparable figures have not been restated.

derivatives are intended to hedge foreign exchange and interest rate risks. They are hedging instruments, and the effect of such value changes will be zero over the term of the derivatives. The accounting effects will thereby reverse until the derivatives mature. This means that changes in the value of basis swaps only have an accrual effect with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early.

Revenues

The company's total interest income amounted to NOK 2 067 million in 2015, compared with NOK 2 462 million the year before. This change primarily reflected lower interest rates on lending in line with the declining money market interest rate during the year.

Net interest income

Net interest income amounted to NOK 635 million in 2015, compared with NOK 741 million the year before. This reduction reflects lower margins on residential mortgages. About 95.4 per cent of the residential mortgages in Eika Boligkreditt's portfolio have a variable interest rate. This means that the company, in consultation with the owner banks, can adjust the interest rate on its mortgages in line with interest-rate fluctuations in the market.

Distributor commissions

Distributor commissions to the owner banks, including arrangement commissions, amounted to NOK 456 million in 2015 compared with NOK 582 million the year before. Although the mortgage portfolio expanded in 2015, the decline in commission payments showed that the owner banks had lower margins on the portfolio compared with 2014.

Balance sheet and liquidity

Balance sheet

Assets in the company's balance sheet amounted to NOK 89.9 billion at 31 December 2015, up by NOK 8.6 billion over the year. Lending to customers rose by NOK 3.6 billion or six per cent from 31 December 2014.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 79.9 billion at 31 December, up by NOK 7 billion from the end of 2014.

Liquidity

Following a high level of activity in issuing covered bonds in Norwegian kroner over the year, the company maintained substantial liquidity during 2015. New funding totalling NOK 11.5 billion was raised by Eika Boligkreditt in 2015. Over the same period, the mortgage portfolio increased by NOK 3.6 billion while loan maturities and early redemptions amounted to NOK 5.8 billion. The company was provided with an additional NOK 0.6 billion in equity by the owners during the year, and received NOK 0.7 billion in cash collateral from counterparties to hedging contracts. Overall liquidity for the company rose by about NOK 3.3 billion in 2015.

Counterparties to hedging contracts provided the company with NOK 5 billion in cash collateral during 2015. Cash collateral is held as bank deposits and as various high-quality securities. In addition to straightforward cash collateral, the company received collateral in the form of securities (high-quality bonds) with a value corresponding to NOK 3.6 billion. The value of the securities provided as collateral is not included in the company's balance sheet. At 31 December, Eika Boligkreditt had an overall liquidity portfolio of NOK 14.9 billion – including NOK 5 billion in cash collateral received. In line with the regulations governing covered bonds, this liquidity is exclusively invested in a way which ensures low risk and a high degree of liquidity. It was invested at 31 December 2015 in Norwegian and European government securities, municipal bonds and covered bonds, and as deposits in banks with an international rating of A-/A3 or better. The size of the company's liquidity reserve, combined with a relatively low return resulting from a very conservative investment universe, involves not insignificant costs for the company. Eika Boligkreditt has nevertheless elected to maintain a relatively high liquidity ratio on the basis of continued strong growth in the mortgage portfolio and a conservative liquidity policy. The company has an agreement with the owner banks and OBOS on purchasing covered bonds. This facility is intended to secure liquidity for the company in circumstances where it cannot borrow in the financial market.

Risk management and capital adequacy ratio

Eika Boligkreditt obtained a total of NOK 800 million in additional primary (tier 2) capital during 2015, including NOK 600 million in core tier 1 capital and NOK 200 million in supplementary capital. The NOK 400 million in primary capital raised during the second quarter of 2015 was partly intended to satisfy new requirements for a countercyclical capital buffer of one per cent which came into effect on 30 June 2015. A provision of NOK 86 million was also made to the fund for unrealised gains related to changes in the fair value of financial instruments and shares classified as held for sale. At 31 December, the company had a total primary capital of NOK 4 505 million, up by NOK 882 million from a year earlier.

Eika Boligkreditt's operations are confined exclusively to residential mortgage lending with security of up to 60 per cent of the mortgaged property at origination. Since the third quarter of 2014, the company has taken account of the risk of credit valuation adjustment (CVA) by counterparties when calculating capital requirements for credit risk. This represents a supplement to the existing capital requirement for credit risk related to counterparty risk for derivatives. The basis for calculating the capital adequacy ratio has increased in line with the growth in total lending and an increase in the liquidity portfolio, and amounted to NOK 27.5 billion at 31 December 2015. This represents a quantification of Eika Boligkreditt's risk, and the company's total primary capital is calculated as an economic variable in relation to this calculation basis.

The table below presents the development of the capital adequacy ratio.

Following the countercyclical capital buffer of one per cent which came into effect at 30 June 2015, the company has increased

DEVELOPMENT IN CAPITAL ADEQUACY

(Amounts in NOK million)	31 Dec 2015		31 Dec 2014	
Risk-weighted calculation basis	**27 510**		25 154	
Core tier 1 capital	**3 607**	13.1%	2 925	11.6%
Tier 1 capital	**4 055**	14.7%	3 374	13.4%
Total primary capital (tier 2 capital)	**4 505**	16.4%	3 623	14.4%

its internal capital targets. The board of Eika Boligkreditt set these as follows.

		(At 31 Dec)
Core tier 1 capital	11.0%	(13.1%)
Tier 1 capital	12.5%	(14.7%)
Primary capital (tier 2 capital)	14.5%	(16.4%)

These targets are adequate in relation to legal provisions and capital requirements based on the company's internal risk assessment. As shown in the table above, the prevailing buffer requirements were met at 31 December 2015 with a capital adequacy ratio of 16.4 per cent. To satisfy the expected increase in the countercyclical capital buffer from one to 1.5 per cent at 30 June 2016 and the growth in lending, the company will need to increase both its tier 1 and tier 2 capital. In addition to capital provided by the owner banks, Eika Boligkreditt will seek to use the financial market to satisfy its capital targets, primarily through raising subordinated loans. The company uses the standard method specified by the capital requirement regulations for calculating capital requirements for credit risk.

Risk exposure

Activities in Eika Boligkreditt AS are exposed to various forms of risk. The company gives great emphasis to good continuous management and control of all the risks to which it is exposed. The board has implemented a framework for risk management and control which builds on the Coso framework for coherent risk management. This defines the company's willingness to accept risk and the principles for managing risk and capital, which build on the Basel II regulations. The company's performance target is to achieve a competitive return on equity. Its risk management will contribute to the attainment of this target both through the exploitation of business opportunities and by limiting the risk of possible negative results. Strategies, routines and instructions have been developed in connection with risk reviews to ensure that the company handles various risk factors in a satisfactory manner. Periodic checks are conducted to ensure that risk management routines are complied with and functioning as intended. The company is primarily exposed to the following risks: strategic and business, credit and counterparty, market, liquidity and refinancing, and operational.

Strategic and business risk

Strategic and business risk is the risk of unexpected loss or income failure because of changes in external conditions, such as the market position or government regulations. It comprises rating, reputational and owner risk. The fact that the banks which transfer mortgages are also the company's shareholders reduces its strategic risk. Risk is further reduced because the costs of the company's distribution system depend directly on the size and quality of the portfolio. Agreements with non-shareholder banks will moderately increase the strategic risk. In addition to the company's own reputation, reputational risk is linked to a considerable extent to Eika as a brand.

Credit and counterparty risk

Eika Boligkreditt is exposed to credit risk from granting credit to its customers. This risk relates primarily to mortgage lending with real property as collateral. The granting of credit is managed through strategies for asset liability management, credit risk on loans and the credit manual, and through compliance with the administrative approval procedures and a well-developed set of rules for procedures and documentation which help to ensure adequate consideration. Portfolio risk is continuously monitored in order to expose possible defaults and to ensure rapid and adequate treatment of non-performing mortgages and advances. The risk of loss is further reduced through guarantees from the owner banks as distributors of the mortgages. The company had no losses on lending or guarantees in 2015. It maintains a conservative credit policy and expects no changes in future credit risk.

The company also has credit risk associated with the management of surplus liquidity, including bank deposits and the investment of surplus liquidity in interest-bearing instruments. In addition, the company has counterparty risk in established derivative contracts with other financial institutions and banks. Extensive frameworks have been established for managing counterparty risk, related both to capital management and derivatives. A credit support annex has also been established in association with ISDA agreements with all derivative counterparties, which limits Eika Boligkreditt's counterparty risk in that the counterparty unilaterally provides cash collateral in accordance with limits defined in relation to the counterparty's rating risk.

Market risk

The market risk included in the company's risk limits consists of interest-rate and credit risk related to securities. Eika Boligkreditt is exposed to interest-rate risk both through financial investments in interest-bearing securities and in relation to net interest income. Risk associated with net interest income arises from differences between interest terms for borrowing and lending, and from the company borrowing in different markets than those it lends to, so that the borrowing interest rate may change without the company being able to adjust the lending rate equally quickly. This risk is reduced by coordinating the interest terms for borrowing and lending. The company is also exposed to credit risk on its investment of surplus liquidity. Through strategies for asset liability management and capital management, exposure limits have been established for maximum and average duration in the balance sheet, maximum tenor on investments and maximum credit risk as part of the management of surplus liquidity.

Currency risk

The company is exposed to currency risk through its borrowings in foreign currencies. This risk is minimised through the use of financial derivatives in line with the company's asset liability management strategy.

Operational risk

This type of risk and source of loss relates to day-to-day operation, including failures in systems and routines, lack of competence or mistakes by suppliers, staff and so forth. Operational risk includes compliance and legal risk. The company has developed strategies for operational risk, descriptions of routines, formal approval procedures and so forth. Together with a clear and well-defined division of responsibility, these measures are designed to reduce operational risk. Relevant contingency plans for dealing with emergencies have also been put in place.

Liquidity and refinancing risk

A liquidity risk, including a refinancing risk, is associated with the company's business. This is the risk that the company will not be able to meet its liabilities when they fall due without incurring heavy costs in the form of expensive refinancing or facing the need to realise assets prematurely. Eika Boligkreditt has substantial external funding and expects continued growth in its mortgage portfolio. In order to keep liquidity risk at an acceptably low level, the company's financing strategy emphasises a good spread of financial instruments, markets and maturities for its borrowings and for investments made in managing surplus liquidity. As described above in the section covering agreements on liquidity and capital support, the company has an agreement with the owner banks on the purchase of covered bonds which reduces the liquidity and refinancing risk.

Internal control for financial reporting

Eika Boligkreditt has established frameworks for risk management and internal control related to its financial reporting process. These are considered by the board on an annual basis. The purpose of risk management and internal control is to reduce risk to an acceptable level. The company is organised with a financial manager responsible for the company's accounting function. In addition, the company purchases accounting services such as accountancy and financial reporting from Eika Gruppen AS. The company's accounting department is responsible for seeing to it that all financial reporting complies with applicable legislation, accounting standards and board guidelines. Furthermore, the department has established routines to ensure that financial reporting meets acceptable quality standards. All transactions are registered in the front office system and detailed reconciliation checks are conducted on a daily and monthly basis. These measures help to ensure that the company's reporting is accurate, valid and complete. Control measures such as reasonableness and probability tests have also been established.

Election and replacement of directors

Candidates for directorships are proposed by the company's nomination committee. This body is enshrined in the articles of association, and the general meeting has established guidelines for it. Fees for members of the nomination committee are determined by the general meeting. Pursuant to the company's articles, the composition of the nomination committee must represent the interests of the shareholders. It has not been the tradition to appoint members to the nomination committee from the company's board or executive management. The nomination committee recommends candidates to sit on the board and the nomination committee, as well as fees for the members of these bodies. The committee has traditionally explained its recommendations orally at the general meeting. The nomination committee consults the chair, the CEO and the regional council (the chairs of the five regional alliance networks) during the process, so that the regional structure functions as a channel for proposals to the committee without preventing shareholders contacting the committee directly should they so desire.

Corporate social responsibility at Eika Boligkreditt

Eika Boligkreditt's clear intentions is to be a positive contributor to society in general and to the many local communities where its owner banks are located in particular. The company's strategy makes it clear that Eika Boligkreditt's vision is to strengthen the local banks.

Strengthening local communities

Eika Boligkreditt is strongly entrenched in the respective local communities through its owner banks. Many of these have histories which reach back to the 19th century, and have been and remain an important contributor to the self-government, self-financing and development of their local communities. Their primary attention is directed at private customers, combined with local small-scale industries and the primary sector, and loans have been financed almost entirely through deposits.

Ever since the owner banks were established, they have made donations to philanthropic causes in their local communities, including culture, sports, clubs and societies. Increased market shares and high levels of customer satisfaction and loyalty confirm the important position and significance of the owner banks in their local communities.

Despite enormous social and structural changes since the first of the owner banks were established, it is not difficult to recognise the profile and role of these institutions today. As a result of such factors as the sharp increase in house prices over the past 20 years, the owner banks have become more dependent on external financing. For many of them, the growth in their lending and their overall loan portfolios have exceeded their total deposits. The establishment of Eika Boligkreditt is a direct consequence of this development.

Through long-term and competitive funding, Eika Boligkreditt enhances the competitiveness of its owner banks and helps to reduce their risk exposure. That makes it indirectly an important contributor to strengthening a great many local communities in Norway. Profits made by Eika Boligkreditt are also returned directly to these communities in the form of commission payments and dividends to the owner banks.

Professional and ethical perspective

Eika Boligkreditt has a clear goal of acting in a predictable manner and maintaining a high level of transparency in relation to processes and changes taking place within the applicable framework. This is achieved in part by good and clear communication and by a concentration on the needs and risk exposure of the owner banks. A high level of accessibility and a good correspondence between promises and deliveries are other crucial factors.

The company works actively to maintain a high score in the annual alliance survey, which measures the satisfaction of the owner banks with the quality of its products and services. Action is given priority when areas for improvement are identified. Eika Boligkreditt's goal for overall satisfaction by the owner banks is high, at 75 per cent or better. It scored 78 points in the most recent survey, which was in the autumn of 2015.

Eika Boligkreditt works actively to maintain a good internal working environment, and to ensure that employee rights are well maintained in accordance with Norwegian law. This is done in part through extensive efforts and information flow across departments where appropriate. An annual employee satisfaction survey is also conducted, where scores have been very high (79 per cent) and results are reviewed and evaluated with a view to further improvements. All financial institutions are required to comply with the provisions of the money laundering regulations, which are intended to prevent and expose transactions associated with the proceeds of crime or terrorist activities. Eika Boligkreditt's collaboration agreement with the owner banks contains provisions which ensure that identity checks are conducted when establishing mortgages or transferring them to the company. In addition, it has good routines for on-going checks of the mortgage portfolio aimed at exposing possible suspicious transactions pursuant to the money laundering rules. Eika Boligkreditt has established electronic monitoring of its mortgage portfolio, which regularly identifies suspicious transactions and then follows them up – initially with the bank concerned and subsequently by reporting if necessary to the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim). The company reported one case to Økokrim in 2015.

Human rights are not considered a particularly relevant issue for the company's own business but are incorporated in Eika Gruppen's procurement routines, which are transferrable to Eika Boligkreditt in most contexts. When selecting suppliers, Eika Gruppen has routines for choosing reputable companies with solid references and their own ethical guidelines. Eika Boligkreditt places its surplus liquidity in securities issued by the Norwegian government, county councils and local authorities, credit institutions and banks, and on deposit with banks which have an international rating of A-/A3 or better. These are all enterprises with a core business which, in the company's view, does not breach generally accepted principles for unethical behaviour or activity (such as breaches of human rights, corruption, serious harm to the climate or the environment, or the manufacture of landmines, cluster bombs, nuclear weapons or tobacco products).

Natural environment, working environment and equal opportunities

Eika Boligkreditt had 20 permanent employees at 31 December. It also has an agreement with Eika Gruppen concerning the purchase of services in a number of areas. Customers of the company are mainly serviced by the owner banks. The working environment is regarded as good, and there were no injuries or accidents involving employees at work in 2015. Overall sickness absence was 2.2 per cent of total working hours. The goal of Eika Boligkreditt is to be a workplace where full equality prevails between men and women. Its policy incorporates regulations related to equal opportunities, which aim to ensure that no gender-based discrimination occurs in such areas as pay, promotion or recruitment. Women made up 25 per cent of the workforce at 31 December and, all other conditions being equal, increasing this proportion when making new appointments will be desirable. The business in which Eika Boligkreditt is engaged causes no significant pollution, emissions or discharges which could harm the natural environment.

Environment- and climate-friendly operation

Eika BoligKreditt wants to have the smallest possible impact on the natural environment. It entered into an agreement in 2013 with CO_2focus, which has prepared a dedicated energy and climate accounting (environmental report) for the business.

Eika Gruppen, the company's landlord, has energy- and heat-saving installations which help to limit energy consumption. Hydropower has also been selected as the sole energy source, which has led to the company receiving a "Pure Hydropower" certificate. This certification helps to increase the commitment to environment-friendly energy. All premises also have round-the-clock energy-saving regulation of both temperature and light sources.

The owner banks are widely spread around Norway, which has helped to encourage Eika Boligkreditt to utilise video and web conferencing to a great and growing extent for training and information flow. That not only protects the environment but also reduces unnecessary travel time and stress in a busy life for everyone concerned.

Eika Boligkreditt has a conscious approach to the use of paper and electronic templates and documents, in addition to postage costs. It has a clear goal of reducing paper consumption to a necessary minimum.

The company commissioned an overview of its greenhouse gas emissions and energy consumption in 2013, 2014 and 2015. This analysis is based on direct and indirect energy consumption related to its activities.

A climate footprint provides a general overview of the company's greenhouse gas emissions converted to tonnes of carbon equivalent, and is based on information from both internal and external systems. This analysis has been conducted in accordance with the Greenhouse Gas (GHG) Protocol Initiative. Developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), this ranks today as the most important international standard for measuring greenhouse gas emissions from an enterprise. The GHG Protocol divides emissions into three main scopes, covering both direct and indirect sources, and takes the following greenhouse gases into account: carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons.

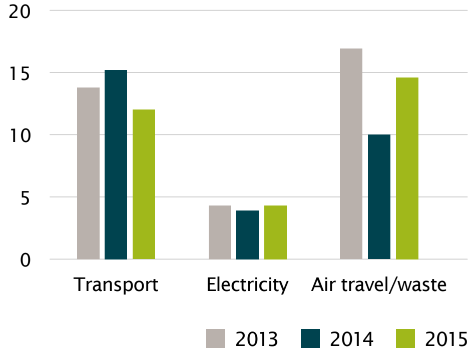
Comments on the annual financial statements

The financial statements for 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The board is of the opinion that the financial statements, including the balance sheet, give a true and fair view of the operations and financial position of the company at 31 December. The

ANNUAL GREENHOUSE GAS EMISSIONS

Tonnes of carbon equivalent

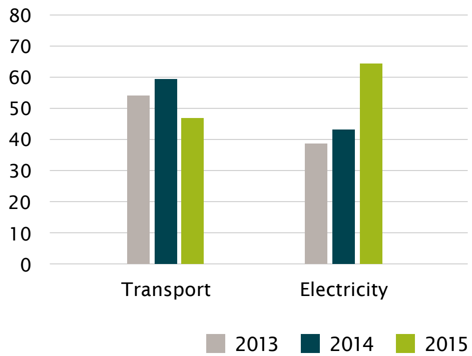
	2015	2014	2013
Transport	**12.0**	15.2	13.8
Electricity	**4.3**	3.9	4.3
Air travel/waste	**14.6**	10.0	16.9
Total	**30.9**	29.1	35.1



ANNUAL ENERGY CONSUMPTION

MWh

	2015	2014	2013
Transport	**46.9**	59.4	54.1
Electricity	**64.3**	43.2	38.6
Total	**111.1**	102.6	92.8



directors' report also gives a true and fair view of the development and results of operations and of the company's financial position. Interest income totalled NOK 2 067 million, interest charges NOK 1 431 million, net interest income NOK 635 million, and net interest charges after commission costs NOK 194 million in 2015. No losses were incurred in 2015 on loans or guarantees. The financial statements for 2015 show a net profit of NOK 279 041 000, compared with NOK 84 620 000 for 2014.

Going concern

Pursuant to section 3-3 of the Norwegian Accounting Act, the board confirms that the financial statements for the year have been compiled on the assumption that the company is a going concern. No significant events have occurred since the balance sheet date which are expected to affect the company's business.

Balance sheet, liquidity and capital adequacy ratio

The book value of equity was NOK 4 242 million at 31 December 2015. Eika Boligkreditt had a capital adequacy ratio of 16.4 per cent at that date. The capital adequacy ratio is calculated in accordance with the standard method specified by Basel II.

Allocation of net profit

Net profit for 2015 is NOK 279 041 000. In its assessment of the proposed dividend for 2015, the board has given emphasis to conducting a consistent dividend policy over time. The board has accordingly proposed to pay a dividend of NOK 168 806 000 to the owner banks for 2015. Moreover, NOK 24 462 000 of the total profit is allocated to the investors in tier 1 perpetual bonds. A provision of NOK 85 773 000 has also been made to the fund for unrealised gains related to changes in the fair value of financial instruments and shares classified as held for sale. Since this fund is regarded as nondistributable equity, the provision accordingly restricts the opportunity to pay dividend.

Furthermore, these allocations are considered to leave Eika Boligkreditt with an acceptable equity and liquidity. The dividend is also justified by the contractual capitalisation commitments which apply to the owner banks, and which are outlined in the section above concerning agreements on liquidity and capital support.

Outlook

The company's lending rose by NOK 3.6 billion in 2015, corresponding to a rise of six per cent on an annualised basis. That compared with a growth of NOK 3.2 billion the year before. The company expects lending to increase at the 2015 rate over the coming year. Statistics Norway's credit indicator showed a 12-monthly increase in Norwegian household debt of 6.2 per cent in November 2015.

The bond market was very challenging in 2015, with lower liquidity and substantially higher credit margins. The credit margin over three-month Nibor for covered bonds issued by the company in Norwegian kroner with a five-year tenor rose from 28 basis points at 31 May 2015 to 74 at 31 December. Similarly, the credit margin for senior unsecured bonds issued by an average Eika bank rose from 85 to 180 basis points for the same tenor over the same period. This sharp rise in Norwegian credit margins reflects increased credit margins in the eurozone, reduced position-taking in trading portfolios and lower liquidity.

Growth in Norwegian house prices slowed during 2015. Prices fell by 1.4 per cent during the fourth quarter, following increases of 0.5 per cent in the third quarter, 1.2 per cent in the second and a very strong 4.7 per cent in the first. During 2015, the national average for house prices rose by five per cent. However, the statistics show significant regional variations. Developments in the housing market, particularly in the first quarter, were clearly stronger than had been expected at 1 January. Where expectations for house price developments in 2016 are concerned, most analysts forecast a positive but somewhat slower rate of growth than was the case in 2015.

The lending survey from the Bank of Norway for the fourth quarter showed that demand for borrowing is in decline, and that the banks expect a further contraction in the time to come. The banks also report a rather stricter practice in granting credit to households, primarily as a result of a weaker economic outlook. However, no further tightening is expected. The banks have reported lower lending margins on loans to households during the fourth quarter, and expect a further decline in the first quarter of 2016. Eika Boligkreditt's mortgage margins have displayed the same trend as that described in the lending survey.

Economic growth in Norway is expected to recover somewhat in 2016. The negative impulses from the petroleum sector will be reduced, while mainland demand is set to rise during the year (Statistics Norway expects two per cent compared with 1.5 per cent in 2015). Unemployment is expected to rise somewhat (from very low levels). Since Norway has its own currency, the weakening of the krone – combined with an expected moderate rise in pay rates and improved Norwegian competitiveness – will help to simplify a restructuring of Norwegian industry towards sectors other than petroleum.

Although the international financial market, and particularly the eurozone and emerging economies, is likely to remain affected by unrest in the time to come, the board believes that interest in Norwegian covered bonds among Norwegian and international investors will be good. Norway's good macroeconomic position compared with other European countries, combined with a generally positive economic position for private households and companies, means that Norwegian issuers are in demand among domestic and international investors. The company therefore expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 16 March 2016
The board of directors for Eika Boligkreditt AS

Bjørn Riise *Chair*	Boddvar Kaale	Olav Sem Austmo	Tor Egil Lie	Terje Svendsen	Kjartan M Bremnes *CEO*

Declaration pursuant to section 5-5 of the Norwegian Securities Trading Act

We hereby confirm that the company's financial statements for the period from 1 January to 31 December 2015 have been prepared to the best of our knowledge in accordance with prevailing accounting standards, and that the information provided in the financial statements gives a true and fair view of the company's assets, liabilities, financial position and performance as a whole.

To the best of our knowledge, the annual report provides a true and fair view of important events during the accounting period and their influence on the financial statements, plus a description of the most important risk factors and uncertainties facing the company during the next accounting period.

Oslo, 16 March 2016
The board of directors for Eika Boligkreditt AS

Bjørn Riise *Chair*	Boddvar Kaale	Olav Sem Austmo	Tor Egil Lie	Terje Svendsen	Kjartan M Bremnes *CEO*

Statement of comprehensive income

Amounts in NOK 1 000	Notes	2015	2014
INTEREST INCOME			
Interest from loans to customers		**1 916 365**	2 242 552
Interest from loans and receivables on credit institutions		**33 630**	41 060
Interest from bonds, certificates and financial derivatives		**98 548**	159 174
Other interest income		**18 098**	18 772
Total interest income		**2 066 641**	2 461 558
INTEREST EXPENSES			
Interest on debt securities issued		**1 408 889**	1 661 167
Interest on subordinated loan capital		**15 357**	41 731
Other interest expenses		**7 062**	18 059
Total interest expenses		**1 431 309**	1 720 957
Net interest income		**635 332**	740 600
Commission costs	23	**441 604**	571 145
Net interest income after commissions costs		**193 729**	169 456
Dividend from shares classified as available for sale	11	**6 430**	4 769
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE			
Net gains and losses on bonds and certificates	11	**(30 331)**	10 073
Net gains and losses of fair value hedging on debt securities issued	8, 11	**232 913**	(20 653)
Net gains and losses on financial derivatives	11	**(7 755)**	(11 264)
Net gains and losses on loans at fair value	11	**7 830**	18 407
Total gains and losses on financial instruments at fair value		**202 656**	(3 437)
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES			
Salaries, fees and other personnel expenses	17, 18	**26 130**	24 855
Administrative expenses	24	**16 434**	15 571
Total salaries and administrative expenses		**42 565**	40 426
Depreciation	13	**1 983**	1 962
Other operating expenses	24	**13 225**	12 652
Losses on loans and guarantees	4	**-**	-
PROFIT BEFORE TAXES		**345 042**	115 748
Taxes	20	**81 677**	29 924
PROFIT FOR THE PERIOD		**263 365**	85 824
Other comprehensive income that will not be reclassified subsequently to P&L (pensions)		**1 301**	(1 650)
Other comprehensive income that may be reclassified subsequently to P&L (shares)	9, 14	**14 700**	-
Taxes on other other comprehensive income		**(325)**	445
COMPREHENSIVE INCOME FOR THE PERIOD		**279 041**	84 620

Of the total comprehensive income for the period above, NOK 168 806 thousand is attributable to the shareholders of the company, NOK 24 462 thousand to the hybrid capital investors and NOK 85 773 thousand to fund for unrealised gains..

Balance sheet

Assets

Amounts in NOK 1 000	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Lending to and receivables from credit institutions	4, 10, 12	**3 386 131**	3 708 022
Lending to customers	4, 9, 10, 12, 16	**64 527 405**	60 888 984
Other financial assets	4, 10, 21	**122 069**	119 841
Securities			
Bonds and certificates at fair value through profit or loss	4, 9	**11 553 507**	7 920 530
Financial derivatives	4, 8, 9	**10 309 668**	8 608 941
Shares classified as available for sale	9, 10, 14	**29 700**	15 000
Total securities		**21 892 875**	16 544 471
Other intangible assets			
Deferred tax assets	20	**-**	32 419
Intangible assets	13	**3 690**	4 609
Total other intangible assets		**3 690**	37 028
TOTAL ASSETS		**89 932 170**	81 298 346

Balance sheet
Liabilities and equity

Amounts in NOK 1 000	Notes	31 Dec 2015	31 Dec 2014
LIABILITIES AND EQUITY			
Loans from credit institutions	4, 5	**4 967 024**	4 260 484
Financial derivatives	5, 8, 9, 10	**66 236**	76 018
Debt securities issued	5, 6, 10, 12, 15	**79 876 051**	72 877 916
Other liabilities	4, 10, 22	**284 691**	355 539
Pension liabilities	19	**6 055**	6 683
Deferred tax	20	**40 128**	-
Subordinated loan capital	5, 10, 12, 15	**449 518**	697 976
TOTAL LIABILITIES		**85 689 703**	78 274 617
Called-up and fully paid capital			
Share capital	25	**856 674**	713 455
Share premium		**2 203 709**	1 746 928
Other paid-in equity		**477 728**	477 728
Total called-up and fully paid capital	25, 26	**3 538 111**	2 938 111
Retained earnings			
Fund for unrealised gains		**85 773**	-
Other equity		**169 808**	85 618
Total retained equity	25, 26	**255 581**	85 618
Hybrid capital			
Tier 1 perpetual bonds		**448 775**	-
Total hybrid capital	1, 26	**448 775**	-
TOTAL EQUITY		**4 242 467**	3 023 729
TOTAL LIABILITIES AND EQUITY		**89 932 170**	81 298 346

Oslo, 16 March 2016
The board of directors for Eika Boligkreditt AS

Bjørn Riise *Chair*	Boddvar Kaale	Olav Sem Austmo	Tor Egil Lie	Terje Svendsen	Kjartan M Bremnes *CEO*

Statement of changes in equity

Amounts in NOK 1 000	Share capital [1]	Share premium [1]	Other paid in equity [2]	Fund for unrealised gains [3]	Retained earnings: other equity [4]	Tier 1 perpetual bonds [5]	**Total equity**
Balance sheet as at 1 January 2013	**420 014**	**820 369**	**477 728**	**-**	**82 736**	**-**	**1 800 846**
Result for the period	-	-	-	-	20 092	-	**20 092**
Equity issue	172 069	547 931	-	-	-	-	**720 000**
Dividends for 2012	-	-	-	-	(81 738)	-	**(81 738)**
Balance sheet as at 31 December 2013	**592 082**	**1 368 300**	**477 728**	**-**	**21 088**	**-**	**2 459 198**
Result for the period	-	-	-	-	84 621	-	**84 621**
Equity issue	121 373	378 628	-	-	-	-	**500 000**
Dividends for 2013	-	-	-	-	(20 089)	-	**(20 089)**
Balance sheet as at 31 December 2014	**713 455**	**1 746 928**	**477 728**	**-**	**85 618**	**-**	**3 023 729**
Result for the period	-	-	-	85 773	168 806	24 462	**279 041**
Equity issue	143 218	456 782	-	-	-	-	**600 000**
Tier 1 capital classified as equity	-	-	-	-	-	448 775	**448 775**
Accrued unpaid interest tier1 capital	-	-	-	-	-	(24 462)	**(24 462)**
Dividends for 2013	-	-	-	-	(84 616)	-	**(84 616)**
Balance sheet as at 31 December 2015	**856 673**	**2 203 709**	**477 728**	**85 773**	**169 808**	**448 775**	**4 242 467**

The specification of equity comprises accounting items pursuant to the provisions in the Norwegian Private Limited Liability Companies Act:

1 Share capital and the share premium comprises paid-in capital

2 Other paid-in capital comprises paid-in capital which has earlier been taken from the share premium reserve

3 The fund for unrealised gains comprises gains from value adjustments to shares held for sale and unrealised gains on fair value hedging of debt securities.

4 Other equity comprises earned and retained profits

5 Tier 1 perpetual bonds form part of tier 1 capital pursuant to section 3a of the Norwegian regulations concerning the calculation of regulatory capital. Eika Boligkreditt has the right to pay no interest to the investors. A regulatory right of redemption also exists. Should government regulations introduce changes which affect the extent to which the capital can be regarded as tier 1 capital, the bonds can be redeemed at a price equal to 100 per cent plus accrued interest. The company has reclassified the following tier 1 perpetual bonds from liabilities to equity with effect from the second quarter of 2015:

- NOK 250 million of tier 1 perpetual bonds, issued 2013, with interest terms of three months Nibor plus 4.2 per cent. The loan provides for a call at 23 May 2018, and quarterly thereafter on each date interest payment falls due.
- NOK 200 million of tier 1 perpetual bonds, issued 2014, with interest terms of three months Nibor plus 3.5 per cent. The loan provides for a call at 5 March 2019, and quarterly thereafter on each date interest payment falls due.

Eika Boligkreditt has the right to pay no interest to the investors. Interest is not recognised as interest expense in the profit and loss account, but as a reduction to equity.

Statement of cash flow

Amounts in NOK 1 000	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	**263 365**	85 824
Taxes	**81 677**	29 924
Income taxes paid	**(26 644)**	(37 455)
Ordinary depreciation	**1 983**	1 962
Non-cash pension costs	**673**	527
Change in lending to customers	**(3 638 421)**	(3 197 131)
Change in bonds and certificates	**(3 632 977)**	(2 553 903)
Change in financial derivatives and debt securities issued	**(199 353)**	52 343
Interest expenses	**1 431 309**	1 720 957
Paid interest	**(1 434 520)**	(1 741 973)
interest income	**2 048 543**	2 461 558
received interests	**(2 044 414)**	(2 437 420)
Changes in other financial assets	**(21 057)**	(48 985)
Changes in short-term liabilities and accruals	**(69 993)**	7 914
Net cash flow relating to operating activities	**(7 239 829)**	(5 655 858)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	**(1 064)**	(1 394)
Net cash flow relating to investing activities	**(1 064)**	(1 394)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	**11 273 811**	9 866 770
Gross payments of bonds and commercial paper	**(5 777 050)**	(6 317 480)
Gross receipts on issue of subordinated loan capital	**200 316**	199 632
Gross payments of subordinated loan capital	**-**	(179 653)
Gross receipts from issue of loan from credit institution	**706 540**	1 913 457
Payments of dividend	**(84 616)**	(20 089)
Paid-up new share capital	**600 000**	500 000
Net cash flow from financing activities	**6 919 001**	5 962 637
Net changes in lending to and receivables from credit institutions	**(321 892)**	305 385
Lending to and receivables from credit institutions at 1 January	**3 708 022**	3 402 638
Lending to and receivables from credit institutions at end of period	**3 386 130**	3 708 023

Notes to the accounts

NOTE 1: ACCOUNTING POLICIES

General

Eika Boligkreditt AS is licensed as a credit institution and entitled to issue covered bonds (CB). The company was established on 24 March 2003, and commenced its lending operations on 15 February 2005. The company exclusively offers residential mortgages up to 60 per cent of the collateral value (loan to value) at origination, and the loans are distributed via the local banks (the owner banks), hereafter called the distributors.

Residential mortgages also include mortgages for holiday homes. The company's main purpose is to ensure access for the local banks in the Eika Alliance (the owner banks) to long-term and competitive funding by issuing covered bonds, while reducing the future refinancing risks for the company's owner banks.

Eika Boligkreditt has prepared the accounts for 2015 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). The accounts have been prepared in accordance with the historical cost principle, with the exception of financial assets and financial liabilities at fair value through profit or loss, financial assets classified as available for sale, and fair value hedges, which have been recorded at fair value. Financial statements are prepared on the assumption that the entity is a going concern. The financial statements were approved by the board of directors and authorised for issue on 16 March 2016.

Reclassification of tier 1 perpetual bonds from debt to equity

Eika Boligkreditt reclassified tier 1 perpetual bonds in 2015 from liabilities to equity. Interest is not recognised as interest expense in the profit and loss account, but as a reduction to equity. Comparable figures have not been restated. See the statement of changes in equity for more information.

New and revised IFRSs in issue but not yet effective

IFRS 9 Financial instruments

The regulations in IFRS 9 will be effective for fiscal years beginning on 1 January 2018 or subsequent periods. Earlier adoption is permitted, provided that all completed sub-projects are implemented at the same time (if everything is not implemented). The standard cannot be adopted in Norway until it has been endorsed by the EU. Eika Boligkreditt will assess the impact of the new IFRS 9 for the future.

Foreign currency

Functional and presentation currency

The financial statements of Eika Boligkreditt are presented in NOK, which is also the company's functional currency.

Foreign currency translation

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Revenue recognition

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts or expenses of the financial asset or liability through the expected life to that asset or liability's net carrying amount on initial recognition. When calculating the effective interest, the cash flows are estimated and all fees and remunerations paid or received between the parties of the contract are included as an integrated part of the effective interest rate. Dividends on investments are recognized from the date the dividends were approved at the general meeting.

Financial instruments

Classification

Financial assets and liabilities are classified into one of the following categories:

- financial asset and liability at fair value through profit or loss:
  - held for trading
  - designated at fair value through profit or loss
- loans and receivables
- available for sale
- Other financial liabilities

Financial asset and liability at fair value through profit or loss

Apart from derivatives, Eika Boligkreditt does not have financial assets and liabilities classified as held for trading.

A financial asset is designated through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or 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, and information about the company is provided internally on that basis to the entity's key management personnel.

Fixed-rate loans to customers, bills and bonds are designated as at fair value through profit or loss.

The company does not classify any financial assets as held to maturity.

Loans and receivables

A financial asset is classified in the category loans and receivables if it is a non-derivative financial asset with payments that are fixed or determinable, and is not quoted in an active market, except if it is

- classified as held for trading,
- designated as at fair value through profit or loss, or
- designated as available for sale

For Eika Boligkreditt, this category includes lending to and receivables from credit institutions, floating rate lending to customers, interest revenues earned and other short-term claims.

Financial assets available for sale

A financial asset that is not a derivative and not classified as a loan and a receivable or as financial asset designated as at fair value through profit or loss, is classified as available for sale. Eika Boligkreditt has classified shares as available for sale.

Other financial liabilities

Financial liabilities are classified in the category other financial liabilities if the financial asset is a non-derivative financial liability and if it is not designated as at fair value through profit or loss. Eika Boligkreditt has classified loans from credit institutions, debt securities issued, subordinated loan capital, and other liabilities in this category.

Cash collateral

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt AS has been provided with such collateral in the form of cash in 2015. These cash sums are managed by Eika Boligkreditt AS for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost.

Recognition and derecognition

Financial assets and liabilities are recognised when Eika Boligkreditt becomes party to the contractual provisions of the instrument. Normal purchase or sale of a financial instrument is recognised at the trade date.

When a financial asset or financial liability is recognised initially, it is measured at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets are derecognised when the contractual rights to the cash flows from the investments have expired or when Eika Boligkreditt has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Subsequent measurement of financial assets and liabilities

Fair value

Financial assets classified as at fair value through profit or loss and financial assets classified as available for sale are measured at fair value on the balance-sheet date. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The fair value of bills and bonds traded in active markets is based on the current quoted bid price. For bills, bonds, shares and derivatives that are not traded in an active market, the fair value is determined by using valuation techniques. Valuation techniques include the use of comparable recent arm's length transactions between knowledgeable and willing parties, if available, reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. If there is a valuation method that is commonly used by market participants to price the instrument and this method has proven to provide reliable estimates of prices obtained in actual market transactions, this method is used.

Amortised cost

Subsequent to initial recognition, financial instruments classified as loans and receivables or financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is described under the "Revenue recognition" section.

Cash and cash equivalents

Cash and cash equivalents include lending to and receivables from credit institutions.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if Eika Boligkreditt

- has a legally enforceable right to offset the recognised amounts, and
- intends to settle on a net basis or to realise the asset and settle the liability simultaneously

Eika Boligkreditt does not have financial assets and liabilities that are offset.

Impairment of financial assets

Financial assets measured at amortised cost or classified as available for sale are assessed at each balance sheet date to determine whether any objective evidence exists that the financial asset or group of financial assets are impaired. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in statement of comprehensive income.

When a decline in the fair value of an available for-sale financial asset has been recognised in other comprehensive income and objective evidence exists that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income will be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

By the end of 2015, there is no objective evidence that impairment loss on financial assets carried at amortised cost has incurred.

Hedge accounting

Eika Boligkreditt AS use fair value hedging of fixed-rate financial liabilities, where the hedged item is the interest rate and the financial liability, excluding credit spreads. Gain or loss on the hedged item attributable to the hedged risk will adjust the carrying amount of the hedged item and be recognised in profit or loss. Gain or loss on the hedged item is presented under "Net gains and losses of fair value hedging on debt securities issued".

Intangible assets

Intangible assets consist of purchased software and are carried at cost less accumulated amortisation or impairment losses. Depreciation in the accounts is classified as ordinary depreciation under a depreciation schedule with a useful economic life on 5 years.

Commission costs

The owner banks are paid commissions for arranging and managing mortgages. Commissions are expensed on a current basis and presented in the line "commission costs" in the statement of comprehensive income. Accrued, unpaid costs to the owner banks at year-end are accrued and recognised as liabilities in the balance sheet.

Segment

The loans are made to private individuals and housing cooperatives. The company's business therefore consists solely of one segment.

Pensions

Defined contribution plans

Defined contribution plans are accounted for in accordance with the matching principle. Contributions to the pension plan are recorded as expenses.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. In accounting for defined benefit plans, the obligation is expensed over the service life in accordance with the plan benefit formula. The method of allocation corresponds to the plan benefit formula, unless the bulk of the service costs accrue towards the end of the service life. In such instances, the service cost is allocated on a straight-line basis. A straight-line allocation is therefore applied for post-employment benefit plans operated in accordance with the occupational pension legislation.

The discount rate is used to calculate the interest element, which must be calculated on the basis of net liabilities or net assets. The difference between the actual return on plan assets and the return calculated using the discount rate is treated as a change in estimates. Actuarial gains and losses are incorporated in other income and expenses. The effects of retrospective plan amendments that are not dependent on future service by the employee are recognised in the income statement immediately. Retrospective plan amendments that are dependent on future service are amortised on a straight-line basis until future service is no longer a condition.

The net post-employment benefit obligation is the difference between the present value of the pension obligations and the value of plan assets that are invested for the purpose of paying the postemployment benefits. Plan assets are recognised at fair value. A valuation of post-employment benefit obligations and plan assets is carried out at the balance sheet date. An accrual for social security costs is included in the figures, calculated on the basis of the net actual post-employment benefit deficit.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax, and is recognised in the statement of comprehensive income.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTE 2: USE OF ESTIMATES AND JUDGEMENT

In the application of the accounting policies described in note 1, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Lending, non-performing/doubtful loans and writedowns

If there are objective indications of an impairment loss having occurred, the loss is measured as the difference between the value of the asset recognised in the balance sheet and the present value of the estimated future cash flows, discounted at the original effective interest rate (ie., the effective interest rate calculated at initial recognition). In measuring future cash flows, guarantees furnished by the owner banks distributing the loans are taken into account. The value of the asset recognised in the balance sheet is reduced by means of a provision account. The amount of loss is recognised in the result for the year.

No loans were written down at 31 December 2015. For more information about lending, see note 4.

Fair value of financial instruments

The company applies various measurement methods to determine the fair value of financial instruments that are not traded in an active market. The chosen measurement methods are based on market conditions at the end of the reporting period. This means that, if observable market data are unavailable, the company will make assumptions and apply discretion as to what the market will base its evaluation of corresponding financial instruments on. More information about the financial instruments can be found in notes 4, 5, 8, 9, 10 and 11.

NOTE 3: FINANCIAL RISK

Eika Boligkreditt has established a framework for risk management and control in the company to define risk willingness and principles for managing risk and capital. This framework is based on the Basel II regulations. The company is obliged to review its risk pursuant to the regulations relating to capital requirement and the internal control regulations.

The company's key strategy is, through the issuance of covered bonds in the Norwegian and the international markets, to resolve a substantial part of the owner banks' funding requirements and to reduce their refinancing risk. The company's risk management is intended to help attain this objective through profitability and growth, funding and rating, cost efficiency and quality in all parts of the company's operations.

Routines and instructions have been established with the aim of ensuring that the company handles the various risk factors in a satisfactory manner. The company's cooperation with the owner banks contributes significantly to the management of risk through its customer selection processes. The owner banks operate in their local environment and are therefore close to their customers. The company is exposed to the following risks: credit and counterparty, market (including interest rate and currency), liquidity and operational risk, in addition to the company's overarching business risk, which entails strategic and reputational risk.

The company has implemented risk strategies based on the company's risk management of the balance sheet composition. The strategy for managing assets and liabilities forms the basis for ensuring that collateral for outstanding covered bonds is in compliance with regulatory requirements. Total risk limits have been established for managing the credit risk linked to lending, risk related to capital management, liquidity risk related to borrowing, and operational risk.

For additional description of risk, see notes 4, 5 and 6.

NOTE 4: CREDIT AND COUNTERPARTY RISK

Credit risk is the risk of loss posed by customers or counterparties failing to meet their payment obligations. Credit risk affects all claims on customers/counterparties, lending, and counterparty risk that arises through derivatives and foreign exchange contracts. The credit risk related to lending must be low, and the same applies to counterparty risk. Credit risk is managed through the company's strategy for credit risk on lending. A credit manual and other routines have been prepared and implemented, including preparation of documentation requirements and clarification of the ability of customers who have been granted loans to service their loan, and requirements for collateral for residential mortgage loans of up to 60 percent of the value of the property at origination. Established requirements to be satisfied by customers and mortgaged objects are considered to entail low risk. In addition, the owner banks have ceded a case guarantee, loss guarantee and a pro rata framework guarantee. This contributes to reducing Eika Boligkreditt's credit risk. See note 4.2 related to lending to customers.

The company is also exposed to credit risk through its investments in bonds and certificates, bank deposits and counterparties to derivative contracts.

When investing in bonds and certificates, the company is subject to laws and regulations related to the types of investments that may be included in the company's cover pool as substitute assets. The company has also established counterparty limits to reduce counterparty risk related to the issuers to which the company desires to be exposed. The counterparty risk related to all counterparties in derivative contracts is reduced through the Credit Support Annex to the Schedule to the ISDA Master Agreement. Eika Boligkreditt manages counterparty risk through its investment strategy.

Note 4.1 Maximum exposure to credit risk

Amounts in NOK 1 000	31 Dec 2015	31 Dec 2014
Financial assets recognised in balance sheet		
Lending to and receivables on credit institutions [1]	**3 386 131**	3 708 022
Lending to customers	**64 527 405**	60 888 984
Others financial assets	**122 069**	119 841
Bonds and certificates at fair value through profit or loss	**11 553 507**	7 920 530
Financial derivatives	**10 309 668**	8 608 941
Total credit risk exposure	**89 898 780**	81 246 318
Off-balance sheet financial assets		
Overdraft facility	**50 000**	50 000
Drawing-rights, limit [2]	**-**	1 000 000
Note Purchase Agreement [3]	**-**	-
Granted, but undisbursed loans	**1 303 965**	1 083 944

[1] Restricted funds for tax withholdings were NOK 921 thousand in 2015 and NOK 919 thousand in 2014. Restricted funds for pension liabilities were NOK 1 388 thousand in 2015 and NOK 964 thousand in 2014.
[2] The contingency facility through the ability to issue listed covered bonds up to a limit of NOK 1 billion set by DNB has not been renewed in 2015. Consequently, the company no longer has a contingency facility set by DNB.
[3] The owner banks have accepted a liquidity obligation (Note Purchase Agreement) towards Eika BoligKreditt, see note 15 for more information. The amount per 31 December 2015 in the table above is NOK 0,- as the company's own liquidity is deducted at the time of measurement.

Note 4.2 Lending to customers

Amounts in NOK 1 000	31 Dec 2015	31 Dec 2014
Installment loans - retail market	**55 609 560**	52 047 723
Installment loans - housing cooperatives	**8 868 801**	8 791 895
Adjustment fair value lending to customers [1]	**49 042**	49 365
Total lending before specific and general provisions for losses	**64 527 405**	60 888 984
Individual impairments	**-**	-
Unspecified group impairments	**-**	-
Total lending to and receivables from customers	**64 527 405**	60 888 984

All lending concerns residential mortgage loans with a loan-to-value ratio of up to 60 per cent at origination. The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 December 2015.

[1] The table below shows fair value lending to customers

31 Dec 2015

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	61 548 324	61 548 324
Fixed rate loans	2 930 037	2 979 081
Toal lending	**64 478 361**	**64 527 405**

31 Dec 2014

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	59 818 358	59 818 358
Fixed rate loans	1 021 261	1 070 626
Toal lending	**60 839 619**	**60 888 984**

Calculation of the fair value of loans to customers: The margin on the loans is considered to be on market terms. The market value of variable-rate loans is therefore measured as equal to amortised cost. The market value of fixed rate loans is correspondingly measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the applicable offered fixed rate at the balance sheet date.

Guarantees and provision of cover

All lending involves residential mortgages with a loan-to-value ratio of up to 60 per cent at origination. Guarantees furnished by the company's distributors (owner banks) reduce the risk for Eika Boligkreditt (EBK). Upon transfer to EBK, the distributors assume mandatory guarantees for the mortgages they have transferred.

Eika Boligkreditt implemented a major revision of the distributor agreement in dialogue with the distributors during the fourth quarter of 2015. The most important changes are related to loss guarantees and the right to offset losses against commission payments. The main features of these guarantees are as follows.

a) Case guarantee

The distributor guarantees the entire amount of the mortgage over the period from payment until the mortgage's collateral has been perfected (legally registered). The case guarantee is limited to a maximum of the whole principal of the loan plus interest charges and costs.

b) Loss guarantee

The distributor guarantees to cover every loss suffered by Eika Boligkreditt as a result of non-performing loans, subject to the restrictions specified below. "Loss" means the residual claim against the mortgagee related to the relevant mortgage after all associated collateral has been realised, and it is to be regarded as recognised at the point when all collateral associated with a non-performing loan has been realised and paid to Eika Boligkreditt. The distributor's loss guarantee covers up to 80 per cent of the loss recognised on each loan. The total loss guarantee is limited to one per cent of the distributor's overall mortgage portfolio in Eika Boligkreditt at any given time, but nevertheless such that the loss guarantee is (i) equal to the value of the mortgage portfolio for portfolios up to NOK 5 million and (ii) amounts to a minimum of NOK 5 million for mortgage portfolios which exceed NOK 5 million, calculated in all cases over the previous four quarters on a rolling basis.

This means that, if the distributor's total share of the recognised losses for each mortgage exceeds the above-mentioned limit, Eika Boligkreditt will cover the excess. As a result, the distributor's share of the loss covered by the loss guarantee cannot exceed 80 per cent but, if the overall recognised loss exceeds the framework, the share of total will be lower than 80 per cent.

c) Right to offset against commission due to the bank

The distributor's liability for the case and loss guarantees obligates the bank to pay on demand, but Eika Boligkreditt can also choose to offset its claim against the distributor's future and due but not paid commissions pursuant to the commission agreement. This offsetting right applies for a period of up to four quarters from the date when the loss was recognised.

d) Right to offset losses against commissions payable to the distributor and all authorised distributors

The distributor is jointly liable with all other banks for offsetting losses on mortgages not covered by the loss guarantee - in other words, that part of the loss which exceeds the distributor's share. This offsetting right is limited to the bank's pro rata share of the credit loss in Eika Boligkreditt over and above the amount covered by the loss guarantee, up to a maximum of four quarter's commission from the date the loss was recognised. The bank's pro rata share corresponds to the bank's proportionate share of the total residential mortgage portfolio in Eika Boligkreditt transferred by all the distributors at the date the loss was realised.

The new distributor agreement replaces earlier distributor agreements, and came into force on 1 October 2015.

Defaults

Pursuant to section 10-1, paragraph one of the capital requirement regulations, an engagement is to be regarded as being in default if a claim has fallen due more than 90 days earlier and the amount is not insignificant. Doubtful loans are not necessarily in default, but the customer's financial position and the value of the collateral indicate a risk of loss.

The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 December 2015.

Should an instalment due on a mortgage be four weeks in arrears, Eika Boligkreditt has the right to request the bank in writing to take over the mortgage. Should the mortgage not be repaid or taken over by the distributor within eight weeks of going into default, the mortgage will be transferred for normal enforcement of payment via a debt recovery service, and the distributor could become liable pursuant to the case and loss guarantees as well as the offsetting right as specified above. Should the distributor meet the loss guarantee in full, its recourse claim will be on an equal footing with Eika Boligkreditt's residual claim for restitution.

Distributor's net interest rate

A new supplement to the distribution agreement with the banks was entered into in January 2015. This incorporates regulations which mean that the net interest rate for the distributor – in other words, the price it pays for financing through Eika Boligkreditt – will be influenced by the market price for new borrowing in the covered bond market and by whether the distributor increases or reduces its financing through Eika Boligkreditt. In this way, the terms achieved by the distributor as a result of securing finance through Eika Boligkreditt will be influenced by the distributor's own use of Eika Boligkreditt, and only affected to a limited extent by the increase in or reduction of financing by other distributors in Eika Boligkreditt.

The distributor is committed to maintaining an overall financing in Eika Boligkreditt which accords with the maturity profile for the distributor's financing in Eika Boligkreditt. The distributor's financing in Eika Boligkreditt is the overall value of the distributor's share of the mortgage portfolio in Eika Boligkreditt. If the overall value of the distributor's share of the mortgage portfolio in Eika Boligkreditt falls at any time below 75 per cent of the distributor's commitment pursuant to the supplementary agreement, the distributor is obliged – after a written warning – to pay Eika Boligkreditt the present value of the company's estimated costs for a corresponding redemption of its borrowing in the market.

If the distributor's overall financing in Eika Boligkreditt is reduced in a way which means that Eika Boligkreditt must conduct an overall repurchase of its borrowing in the market during a calendar year which corresponds to five per cent or more of the mortgage portfolio, the distributor's obligation to pay costs pursuant to the agreement can be triggered by a shortfall smaller than the level of 75 per cent of the distributor's commitment. This means that the lower limit is moved up. A claim against the distributor pursuant to the agreement can be offset by Eika Boligkreditt against commission payments due to the distributor.

Past due loans not subject to impairment

The table below shows overdue amounts on loans that are not due to delays in payment transfers from Eika BoligKreditt. Past due loans are subject to continual monitoring.

Amounts in NOK 1 000	**31 Dec 2015**	31 Dec 2014
1 - 29 days	**184 916**	220 600
30 - 60 days	**36 198**	41 521
60 - 90 days	-	-
> 90 days	-	-
Total past due loans not subject to impairment (principal)	**221 114**	262 120

Note 4.2.1 Lending by geographical area[1]

Amounts in NOK 1 000		Lending 31 Dec 2015	Lending 31 Dec 2014	Lending as a % 2015
NO01	Østfold county	4 104 468	4 083 300	6.37%
NO02	Akershus county	9 287 510	9 093 775	14.40%
NO03	Oslo	12 170 164	12 188 651	18.87%
NO04	Hedmark county	1 570 362	1 357 455	2.44%
NO05	Oppland county	1 041 326	889 186	1.62%
NO06	Buskerud county	2 534 652	2 438 034	3.93%
NO07	Vestfold county	2 324 663	2 182 287	3.61%
NO08	Telemark county	3 347 882	3 197 987	5.19%
NO09	Aust-Agder county	1 823 974	1 675 649	2.83%
NO10	Vest-Agder county	1 631 341	1 471 543	2.53%
NO11	Rogaland county	5 680 063	5 212 903	8.81%
NO12	Hordaland county	1 709 637	1 400 595	2.65%
NO14	Sogn og Fjordane county	349 904	291 852	0.54%
NO15	Møre og Romsdal county	2 526 704	2 305 694	3.92%
NO16	Sør-Trøndelag county	8 804 170	8 013 841	13.65%
NO17	Nord-Trøndelag county	2 647 684	2 432 202	4.11%
NO18	Nordland county	2 138 966	1 925 900	3.32%
NO19	Troms county	745 347	650 479	1.16%
NO20	Finnmark county	39 545	28 284	0.06%
Total		**64 478 361**	**60 839 619**	**100%**

[1] The geographical distribution is based on the portfolio at amortised cost.

Note 4.3 Derivatives

Counterparty exposure related to derivative contracts

Assets	31 Dec 2015		31 Dec 2014	
Amounts in NOK 1 000	Book value	Net value [1]	Book value	Net value [1]
Financial derivatives	**10 309 668**	**10 243 432**	8 608 941	8 532 923
Received collateral	**4 967 024**	**8 558 868**	4 260 484	7 567 198
Net exposure	**5 342 644**	**1 684 564**	**4 348 457**	**965 725**

Liability	31 Dec 2015		31 Dec 2014	
Amounts in NOK 1 000	Book value	Net value [1]	Book value	Net value [1]
Financial derivatives	**66 236**	-	76 018	-
Received collateral	-	-	-	-
Net exposure	**66 236**	-	**76 018**	-

[1] Net value is the book value of the financial assets less the financial liabilities related to the same counterparty. Counterparties to hedging contracts provided the company with NOK 5 billion in cash collateral during 2015, compared to NOK 4.3 billion in 2014. Cash collateral is held as bank deposits and as various high quality securities. In addition to cash collateral, the company received collateral in the form of securities (high-quality bonds) with a value corresponding to NOK 3.6 billion. The value of the securities provided as collateral is not recognised in the company's balance sheet.

Note 4.4 Bonds and certificates at fair value through profit or loss

Bonds broken down by issuer sector

31 Dec 2015	Amounts in NOK 1 000	Nominal value	Cost price	Fair Value
Municipalities		2 847 632	2 847 512	2 846 055
Credit institutions		5 826 589	5 855 141	5 855 077
Government bonds		743 324	747 456	772 046
Treasury bills		2 060 543	2 060 662	2 080 330
Total bonds and certificates at fair value through profit or loss		**11 478 088**	**11 510 770**	**11 553 507**
Change in value charged to the profit and loss account				**42 737**

Average effective interest rate is 1.08 per cent in 2015. The calculation is based on a weighted fair value.

31 Dec 2014	Amounts in NOK 1 000	Nominal value	Cost price	Fair Value
Municipalities		1 225 524	1 225 549	1 225 999
Credit institutions		4 800 416	4 824 927	4 825 490
Government bonds		726 612	737 758	737 367
Treasury bills		1 132 273	1 132 699	1 131 674
Total bonds and certificates at fair value through profit or loss		**7 884 824**	**7 920 933**	**7 920 530**
Change in value charged to the profit and loss account				**(403)**

Average effective interest rate is 1.92 per cent in 2014. The calculation is based on a weighted fair value.

	31 Dec 2015	31 Dec 2014
Average term to maturity	**1.4**	1.4
Average duration	**0.1**	0.1

All the bonds are rated AA-/Aa3 or better if the maturity exceeds 100 days, and A-/A3 if the maturity is 100 days or fewer. The rating is performed by an internationally recognised rating agency.

Note 4.5 Lending to and receivables from credit institutions

When assessing the rating, only ratings from Standard & Poor's, Moody's, Fitch and DBRS are utilised. If a counterparty is rated by at least three of the agencies, the credit quality step is determined on the basis of the two highest ratings. If these two ratings differ, the lowest of these is used to assess the credit quality step. If the counterparty is rated by two agencies, the lowest is applied, and if there is only one rating from an accredited agency, it is applied.

Of the company's lending to and receivables from credit institutions, 52 per cent are deposited in banks with Aa3/AA- rating, 23 per cent in banks with A1/A+ rating, 25 per cent in banks with A2/A rating.

NOTE 5: LIQUIDITY RISK

Liquidity risk is the risk of the company failing to meet its commitments at the due date without major costs arising in the form of refinancing or the need for premature realisation of assets. In the worst case, liquidity risk is the risk of the company being unable to obtain sufficient refinancing to meet its commitments on the due date. The company has loans maturing in 2016 of NOK 5.7 billion net when the currency hedge is taken into account. At 31 December 2015, the company had liquid funds in the form of bank deposits amounting to NOK 3.4 billion, a securities portfolio of NOK 11.5 billion and overdraft facility of NOK 50 million. These assets can be sold to cover the company's liabilities. A note purchase agreement has also been entered into with the owners on buying the company's bonds.

More information and conditions related to the Note Purchase Agreement are provided in note 15. The liquidity risk is managed through set limits for funding structures, requirements for spreads on securities, tenors and markets, and the establishment of contingency facilities.

Liquidity risk

The tables show the undiscounted contractual cash flows of the financial liabilities.

Financial liabilities as at 31 December 2015 Amounts in NOK 1 000	Book value 31 Dec 2015	Without predetermined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Financial liabilities								
Debt securities issued	79 876 051	-	355 026	182 049	6 686 264	48 504 320	28 792 523	**84 520 183**
Subordinated loan capital	449 518	-	1 518	2 153	10 269	481 044	-	**494 984**
Financial derivatives (net)	(10 243 432)	-	(235 470)	31 895	(73 842)	(5 371 634)	(3 314 627)	**(8 963 678)**
Loans from credit institutions[1]	4 967 024	4 967 024	-	-	-	-	-	**4 967 024**
Other debt with remaining term to maturity[2]	284 691	-	96 978	2 588	17 326	-	-	**116 891**
Total financial liabilities	**75 333 852**	**4 967 024**	**218 051**	**218 685**	**6 640 017**	**43 613 730**	**25 477 896**	**81 135 404**

Amounts in NOK 1 000	Without predetermined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Derivatives							
Financial derivatives (gross)							
Incoming flow	-	(116 591)	(112 126)	(585 863)	(19 502 857)	(17 471 345)	**(37 788 782)**
Outgoing flow	-	352 061	80 231	659 705	24 874 491	20 785 972	**46 752 460**
Financial derivatives (net)	**-**	**235 470**	**(31 895)**	**73 842**	**5 371 634**	**3 314 627**	**8 963 678**

Ordinary maturity is used as the basis for classification

Financial liabilities as at 31 December 2014 Amounts in NOK 1 000	Book value 31 Dec 2014	Without predetermined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Financial liabilities								
Debt securities issued	72 877 916	-	339 671	978 883	5 899 866	47 985 948	22 806 428	**78 010 795**
Subordinated loan capital	697 976	-	(199 700)	8 725	28 852	813 087	201 872	**852 836**
Financial derivatives (net)	(8 532 923)	-	(221 601)	46 976	(598 450)	(4 181 066)	(2 375 126)	**(7 329 267)**
Loans from credit institutions[1]	4 260 484	4 260 484	-	-	-	-	-	**4 260 484**
Other debt with remaining term to maturity[2]	355 539	-	148 110	2 536	33 883	-	-	**184 528**
Total financial liabilities	**69 658 992**	**4 260 484**	**66 479**	**1 037 119**	**5 364 150**	**44 617 970**	**20 633 174**	**75 979 377**

Amounts in NOK 1 000	Without predetermined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Derivatives							
Financial derivatives (gross)							
Incoming flow	-	(112 563)	(182 342)	(4 735 966)	(19 638 749)	(13 131 987)	**(37 801 606)**
Outgoing flow	-	334 163	135 366	5 334 416	23 819 815	15 507 113	**45 130 873**
Financial derivatives (net)	**-**	**221 601**	**(46 976)**	**598 450**	**4 181 066**	**2 375 126**	**7 329 267**

Ordinary maturity is used as the basis for classification

[1] Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt AS has been provided with such collateral in the form of cash in 2015. These cash sums are managed by Eika Boligkreditt AS for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost.

[2] Accrued interest related to debt established through the issue of securities, subordinated loan capital and financial derivatives is included under the respective items.

NOTE 6: MARKET RISK

Market risk arises through the company's exposure in the interest and foreign exchange market.

Note 6.1 Interest rate risk

Interest rate risk

The company is also exposed to interest-rate risk related to net interest loss. Eika Boligkreditt finances its loan portfolio through external funding in the form of covered bonds and senior financing. Varying fixed interest rates and benchmark rates of interest on lending and borrowing affect the company's net interest income. The interest-rate risk is reduced to a great extent by adapting borrowing and lending to the same interest terms.

Interest sensitivity

Changes in the level of interest rates will have an effect on profits as a result of changes in both fair value and net interest income.

Effect on profit of a change in fair value

A one percentage point increase in all interest rates, calculated over a period of 12 months on the basis of the portfolio at 31 December 2015, would reduce the value of the company's assets at 31 December by NOK 33.1 million, while the value of liabilities would be cut by NOK 55.4 million. The net effect on pre-tax profit would consequently have been an increase of NOK 22.2 million. The effect of a decrease in interest rates would be an increase of NOK 33.1 million of the value of assets, an increase of NOK 55.4 million in the value of liabilities and a reduction in pre-tax profit of NOK 22.2 million. These amounts are calculated on the basis of duration – in other words, the remainder of the fixed interest period – for both assets and liabilities. The corresponding interest-rate hedge is taken into account when calculating duration. The valuation comprises the fair value of fixed-interest mortgages, bonds and certificates at fair value through profit and loss, derivatives and debt established through the issue of fixed-interest securities, which are financial instruments not measured at amortised cost.

Effect on profit of change in net interest income

The effect of a one percentage point increase in all interest rates would be to increase interest income at 31 December by NOK 792 million, while interest expense would be increased by NOK 700 million. The effect on net interest income would accordingly have been an increase of NOK 91.6 million. A reduction in interest rates would decrease interest income by NOK 792 million and interest expenses by NOK 700 million. That would yield a reduction of NOK 91.6 million in net interest income. When calculating the profit effect on net interest income, the change in interest rates comprises the company's portfolio with floating interest rates and the fair value of fixed-interest mortgages, loans to and receivables from credit institutions, derivatives, bonds and certificates at fair value through profit and loss, debt securities issued and subordinated loans.

Overall effect on profit of changes in fair value and net interest income

A one percentage point increase in all interest rates would produce an overall change through fair value and net interest income of NOK 114 million in pre-tax profit. A reduction of one percentage point in all interest rates would produce an overall negative change through fair value and net interest income of NOK 114 million in pre-tax profit. It is assumed in the calculation that the distributor commissions are not affected by this change.

Note 6.2 Currency risk

The company has debts through covered bonds issued in euros and Swedish kroner. These debts are hedged through currency derivatives. This means that the company has no currency risk. An overview of the book value of financial instruments in foreign currencies is provided below. The table is stated in NOK. Fair value adjustments related to the interest element and changes in basis swap in the currency hedge on debt securities issued are not included in the statement.

Currency risk as at 31 December 2015

Amounts in NOK 1 000	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Debt securities issued in EUR	-	-	-	20 597 907	19 106 744	39 704 651
Debt securities issued in SEK	-	-	-	1 047 223	-	1 047 223
Currency derivatives in EUR	-	-	-	(20 597 907)	(19 106 744)	(39 704 651)
Currency derivatives in SEK	-	-	-	(1 047 223)	-	(1 047 223)
Net currency exposure	-	-	-	-	-	-

Currency risk as at 31 December 2014

Amounts in NOK 1 000	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Debt securities issued in EUR	-	-	4 404 735	19 392 848	13 498 031	37 295 613
Debt securities issued in SEK	-	-	-	959 877	-	959 877
Currency derivatives in EUR	-	-	(4 404 735)	(19 392 848)	(13 498 031)	(37 295 613)
Currency derivatives in SEK	-	-	-	(959 877)	-	(959 877)
Net currency exposure	-	-	-	-	-	-

NOTE 7: OTHER RISK

Risk relating to capital management

Issuance of covered bonds causes the company to have surplus liquidity during the periods after the loan is raised.

The need for liquid funds increases as a result of balance sheet growth. This means there is a need to increase the number of lines to place liquidity with solvent counterparties pursuant to the regulations governing covered bonds. The company is exposed to risk linked to capital management through securities in Norway, including government securities, municipal bonds, and Norwegian covered bonds. A framework for managing surplus liquidity has been established to limit the interest and credit spread risk on the investments. The management is subject to the reporting and position framework determined by the company's board of directors. This framework is reviewed once a year. The company's total market risk is assessed on the basis of stress scenarios prepared in line with the recommendations of Norway's Financial Supervisory Authority and the Basel Committee. See note 4.4 relating to certificates, bonds and other securities with fixed yield.

NOTE 8: FINANCIAL DERIVATIVES

The purpose of all derivative transactions in Eika Boligkreditt is to reduce the interest rate and currency risk. Interest rate swaps, where Eika Boligkreditt receives a fixed interest rate and pays a floating interest rate are, entered into to convert issues of bonds and certificates from a fixed interest rate to a floating interest rate exposure. Financing at a floating interest rate would reduce the risk for the company, since most lending is done at a floating interest rate. Interest rate swaps where Eika Boligkreditt receives a floating interest rate and pays a fixed interest rate are entered into to hedge the interest rate margin of lending at a fixed interest rate.

Financial derivatives

Amounts in NOK 1 000	31 Dec 2015 Nominal amount	31 Dec 2015 Fair value	31 Dec 2014 Nominal amount	31 Dec 2014 Fair value
Assets				
Interest rate swap lending[1]	**33 500**	**25**	-	-
Interest rate and currency swap[2]	**43 170 312**	**10 309 644**	43 050 563	8 608 941
Total financial derivative assets	**43 203 812**	**10 309 668**	43 050 563	8 608 941

Amounts in NOK 1 000	31 Dec 2015 Nominal amount	31 Dec 2015 Fair value	31 Dec 2014 Nominal amount	31 Dec 2014 Fair value
Liabilities				
Interest rate swap lending[1]	**2 788 500**	**64 902**	1 000 352	61 429
Interest rate and currency swap[2]	**112 000**	**1 335**	487 865	14 589
Total financial derivative liabilities	**2 900 500**	**66 236**	1 488 217	76 018

1 The hedging instruments related to the lending portfolio with fixed interest rate are rebalanced when necessary.
2 The nominal amount is converted to the historical currency exchange rate.

Fair value hedging

Eika Boligkreditt applies fair value hedging on fixed-rate financial liabilities, with the exception of loans related to the swap arrangement with the Norwegian government. The hedge object is the swap interest element of the financial liabilities. Interest and currency swaps are used as hedging instruments.

Amounts in NOK 1 000	31 Dec 2015 Nominal amount	31 Dec 2015 Value recognised in balance sheet	31 Dec 2014 Nominal amount	31 Dec 2014 Value recognised in balance sheet
Hedging instruments: interest rate and currency swaps[1,2]	**43 058 312**	**10 308 309**	42 562 698	8 594 352
Hedged items: financial commitments incl foreign exchange[2]	**43 058 312**	**(10 249 533)**	42 562 698	(8 748 159)
Net value recognised in balance sheet	**-**	**58 776**	-	(153 807)

Gains/losses on fair value hedging

Amounts in NOK 1 000	2015	2014
Hedging instruments	**1 734 286**	5 419 280
Hedged items	**(1 501 374)**	(5 439 933)
Net gains/losses (inefffectiveness)[3]	**232 913**	(20 653)

1 The nominal amount is converted to historical currency exchange rate.
2 The book value of the hedging instruments is its net market value. The book value of the hedged objects is the cumulative change in value associated with the hedged risk and is an adjustment of financial liabilities at amortised cost.
3 The positive change in value for financial instruments relate almost entirely to positive changes in basis swaps totalling NOK 228 million. This is described further below.

The positive change in the value of financial instruments related almost entirely to NOK 228 million in positive change to basis swaps. Basis swaps are derivative contracts entered into in connection with long-term borrowing in foreign currency, whereby the foreign currency is converted to Norwegian kroner. These are hedging instruments, and the effect is zero over the term of the instrument. The accounting effects will thereby reverse over time, so that the unrealised gain at 31 December 2015 will be reversed until the derivatives mature. This means that changes in margins only have an accrual effect with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early, which would be unusual given the company's business.

Eika Boligkreditt utilises interest rate and currency swaps in order to convert borrowing in foreign currency to Norwegian kroner. A typical example is when a loan raised in euros is converted to Norwegian kroner through an interest rate and currency swap which includes a basis swap. In this case, Eika Boligkreditt would pay a Norwegian interest rate with a margin of three months Nibor in the swap and receive a euro interest rate in the swap which corresponds to the coupon it pays on the loan in euros. The derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting.

NOTE 9: FAIR VALUE HIERARCHY

Eika Boligkreditt AS measures financial instruments at fair value, and classifies the related fair value at three different levels, which are based on the market conditions at the balance sheet date.

Level 1: Financial instruments where the measurement is based on quoted prices in an active market

Included in Level 1 are financial instruments where the measurement is based on quoted prices in active markets for identical assets. Quoted prices are obtained from the Oslo Stock Exchange and Bloomberg. The company's investments in Treasury bills and bonds in Euros are included in this category.

Level 2: Financial instruments where the measurement is based on observable market data

Level 2 comprises financial instruments that are measured using market information not consisting of quoted prices but which may be either directly or indirectly observable. Indirectly observable market data entail that the price is derived from corresponding financial instruments and commitments on which the market has based its valuation. This category consists of the fair values of interest and currency swaps based on swap curves and investments in certificates and bonds not issued by a national state. Discounted cash flow is used in the valuation. Market data is obtained from an acknowledge provider of market data.

Level 3: Financial instruments where the measurement is based on information other than observable market data

Level 3 comprises loans at fixed interest rates and shares available for sale. The fair value of fixed-rate loans is measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the corresponding interest rate at 31 of December.

31 Dec 2015

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	2 979 081
Bonds and certificates at fair value through profit or loss	2 852 376	8 701 132	-
Financial derivatives	-	10 309 668	-
Shares classified as available for sale	-	-	29 700
Total financial assets	**2 852 376**	**19 010 800**	**3 008 781**
Financial liabilities			
Financial derivatives	-	66 236	-
Total financial liabilities	**-**	**66 236**	**-**

No significant transactions between the different levels took place in 2015.

31 Dec 2014

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1 070 626
Bonds and certificates at fair value through profit or loss	1 869 041	6 051 489	-
Financial derivatives	-	8 608 941	-
Shares classified as available for sale	-	-	15 000
Total financial assets	**1 869 041**	**14 660 430**	**1 085 626**
Financial liabilities			
Financial derivatives	-	76 018	-
Total financial liabilities	**-**	**76 018**	**-**

No significant transactions between the different levels took place in 2014.

Detailed statement of assets classified as level 3

2015

Amounts in NOK 1 000	1 Jan 2015	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2015	Other comprehensive income	31 Dec 2015
Lending to customers (fixed-rate loans)	1 070 626	2 145 706	(245 080)	-	7 830	-	2 979 081
Shares available for sale	15 000	-	-	-	-	14 700	29 700
Total	**1 085 626**	**2 145 706**	**(245 080)**	**-**	**7 830**	**14 700**	**3 008 781**

2014

Amounts in NOK 1 000	1 Jan 2014	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2014	Other comprehensive income	31 Dec 2014
Lending to customers (fixed-rate loans)	1 401 495	241 122	(590 398)	-	18 407	-	1 070 626
Shares available for sale	15 000	-	-	-	-	-	15 000
Total	**1 416 495**	**241 122**	**(590 398)**	**-**	**18 407**	**-**	**1 085 626**

Interest rate sensitivity of assets classified as Level 3 at 31 December 2015

A one percentage point increase in all interest rates would reduce the value of the company's fixed-rate loans at fair value at 31 December by NOK 95 million. The effect of a decrease in interest rates would be an increase of NOK 95 million in the value of fixed-rate loans at fair value. The amounts are calculated by duration, which is the remaining portion of the fixed interest period.

Changes in fair value of fixed rate loans attributable to a change in credit risk

Since the company's fixed-rate lending at fair value is considered to have an unchanged credit spread, no change in fair value is attributable to a change in the credit risk. That applies both for 31 December 2015 and cumulatively.

NOTE 10: CLASSIFICATION OF FINANCIAL INSTRUMENTS

31 Dec 2015	Financial instruments at fair value through profit or loss				Financial instruments at amortised cost		
Amounts in NOK 1 000	Held for trading	Fair value option	Derivatives for hedging	Available for sale	Financial assets and liabilities	Held to maturity	Total
Financial assets							
Lending to and receivables from credit institutions	-	-	-	-	3 386 131	-	3 386 131
Lending to customers	-	2 979 081	-	-	61 548 324	-	64 527 405
Bonds and certificates at fair value through profit or loss	-	11 553 507	-	-	-	-	11 553 507
Financial derivatives	-	-	10 309 668	-	-	-	10 309 668
Shares classified as available for sale	-	-	-	29 700	-	-	29 700
Other financial assets	-	-	-	-	122 069	-	122 069
Total financial assets	**-**	**14 532 588**	**10 309 668**	**29 700**	**65 056 524**	**-**	**89 928 480**
Financial liabilities							
Financial derivatives	64 902	-	1 335	-	-	-	66 236
Debt securities issued	-	-	-	-	79 876 051	-	79 876 051
Loans from credit institutions	-	-	-	-	4 967 024	-	4 967 024
Other liabilities	-	-	-	-	284 691	-	284 691
Subordinated loan capital	-	-	-	-	449 518	-	449 518
Total financial liabilities	**64 902**	**-**	**1 335**	**-**	**85 577 284**	**-**	**85 643 520**

31 Dec 2014	Financial instruments at fair value through profit or loss				Financial instruments at amortised cost		
Amounts in NOK 1 000	Held for trading	Fair value option	Derivatives for hedging	Available for sale	Financial assets and liabilities	Held to maturity	Total
Financial assets							
Lending to and receivables from credit institutions	-	-	-	-	3 708 022	-	3 708 022
Lending to customers	-	1 070 626	-	-	59 818 358	-	60 888 984
Bonds and certificates at fair value through profit or loss	-	7 920 530	-	-	-	-	7 920 530
Financial derivatives	-	-	8 608 941	-	-	-	8 608 941
Shares classified as available for sale	-	-	-	15 000	-	-	15 000
Other financial assets	-	-	-	-	119 841	-	119 841
Total financial assets	**-**	**8 991 156**	**8 608 941**	**15 000**	**63 646 221**	**-**	**81 261 318**
Financial liabilities							
Financial derivatives	61 429	-	14 589	-	-	-	76 018
Debt securities issued	-	-	-	-	72 877 916	-	72 877 916
Loans from credit institutions	-	-	-	-	4 260 484	-	4 260 484
Other liabilities	-	-	-	-	355 539	-	355 539
Subordinated loan capital	-	-	-	-	697 976	-	697 976
Total financial liabilities	**61 429**	**-**	**14 589**	**-**	**78 191 915**	**-**	**78 267 933**

NOTE 11: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE

Full year 2015

Amounts in NOK 1 000	Held for trading	Fair value option	Hedging accounting	Available for sale	Total	Of which realised	Of which unrealised
Lending to customers (fixed income)	-	7 830	-	-	7 830	8 152	(322)
Bonds and certificates at fair value through profit or loss	-	(30 331)	-	-	(30 331)	2 379	(32 709)
Shares available for sale	-	-	-	6 430	6 429	6 429	-
Debts from issuance of securities	-	-	(1 501 374)	-	(1 501 374)	-	(1 501 374)
Financial derivatives	(7 755)	-	1 734 286	-	1 726 531	3 844	1 722 687
Total	**(7 755)**	**(22 501)**	**232 912**	**6 430**	**209 085**	**20 804**	**188 282**

Full year 2014

Amounts in NOK 1 000	Held for trading	Fair value option	Hedging accounting	Available for sale	Total	Of which realised	Of which unrealised
Lending to customers (fixed income)	-	18 407	-	-	18 407	-	18 407
Bonds and certificates at fair value through profit or loss	-	10 073	-	-	10 073	2 380	7 693
Shares available for sale	-	-	-	4 769	4 769	4 769	-
Debts from issuance of securities	-	-	(5 439 933)	-	(5 439 933)	-	(5 439 933)
Financial derivatives	(11 264)	-	5 419 280	-	5 408 016	-	5 408 016
Total	**(11 264)**	**28 480**	**(20 653)**	**4 769**	**1 333**	**7 149**	**(5 816)**

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST

	31 Dec 2015		31 Dec 2014	
Amounts in NOK 1 000	**Book value**	**Fair value**	Book value	Fair value
Financial assets				
Loans to and deposits with credit institutions	**3 386 131**	**3 386 131**	3 708 022	3 708 022
Lending to customers	**64 527 405**	**64 527 405**	60 888 984	60 888 984
Total financial assets	**67 913 536**	**67 913 536**	**64 597 006**	**64 597 006**
Financial liabilities				
Debt securities in issue	**79 876 051**	**82 684 106**	72 877 916	73 790 175
Subordinated loan capital	**449 518**	**465 216**	697 976	684 556
Total financial liabilities	**80 325 569**	**83 149 322**	**73 575 892**	**74 474 731**

The fair value of lending to customers with floating interest rates and of lending to and receivables from credit institutions is considered to be equal to book value, and is considered to be equal to amortised cost. The fair value of fixed-rate loans is measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the interest rate at the balance sheet date. The share of fixed and floating rate loans is presented in note 4.2. The fair value of Norwegian debt securities in issue and subordinated loan capital are based on tax-related prices published by the Norwegian Securities Dealers Association (Norsk Fondsmeglerforbund). The fair value of foreign debt securities in issue is based on quoted prices provided by Bloomberg.

NOTE 13: INTANGIBLE ASSETS

Amounts in NOK 1 000	Software	Total
Original cost 1 January	18 582	18 582
Additions	1 064	1 064
Disposals	-	-
Original cost 31 December	**19 646**	**19 646**
Accumulated depreciation 1 January	13 973	13 973
Accumulated depreciation 31 December	15 956	15 956
Book value 31 December	**3 690**	**3 690**
Depreciation charge for the year	1 983	1 983
Useful economic life	5 år	
Depreciation schedule	Lineær	
Off-balance-sheet annual rent on fixed tangible assets and rent on premises	2 635	

NOTE 14: SHARES CLASSIFIED AS AVAILABLE FOR SALE

Amounts in NOK 1 000	Number of shares	Cost price	Book value	Owner share
Eiendomsverdi AS	353 269	15 000	29 700	18.79%
Total	-	**15 000**	**29 700**	-

NOTE 15: LIABILITIES

Eika Boligkreditt has an overdraft facility with DNB Bank ASA (DNB). Amounting to NOK 50 million, this facility was undrawn at 31 December 2015 and 31 December 2013. Equity conditions apply to the overdraft facility.

Liquidity support from the owner banks is regulated by an agreement dated 10 May 2012 on the purchase of covered bonds. The main features of this agreement are that the owner banks, for as long as they have residential mortgage portfolios in the company and under given circumstances, are committed to provide Eika Boligkreditt with liquidity. This liquidity obligation is limited to the maturity of the company's covered bonds issued under the Euro Medium Term Covered Note Programme (EMTCN Programme) and associated swap agreements over the coming 12 months. To the extent that covered bonds have been purchased by the owner banks under the liquidity agreement and have not been redeemed, these are deducted from the calculation of each owner bank's outstanding liquidity obligation. Each owner bank's liquidity obligation is primarily limited to its pro rata share of the issued amount, which is calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their liquidity obligation pursuant to the agreement, the liquidity obligation of the other owner banks can be increased up to a limit of twice their original pro rata share.

The agreement on purchasing covered bonds can be terminated under certain conditions.

Conditions also apply to the lender concerning overcollateralisation. For CBs ascribed to the company's cover pool, requirements relating to overcollateralisation of 105 per cent apply to loans included in the EMTCN-Programme. This means that the company must at all times have assets in its cover pool that constitute at least 105 per cent of total outstanding covered bonds.

At 31 December 2015, the company had bonds and certificates in issue with a nominal value of NOK 69 665 313 thousand.

Amounts in NOK 1 000	**31 Dec 2015**	31 Dec 2014
Nominal value of certificates	-	-
Difference in fair value	-	-
Nominal value of bonds	**69 665 313**	64 150 698
Difference in fair value	**10 210 739**	8 727 219
Nominal value of subordinated loan capital	**450 000**	700 000
Difference in fair value	**(482)**	(2 024)
Total	**80 325 569**	73 575 894

Note 15.1 Debts from issuance of securities

Covered bonds

Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	**31 Dec 2015**	31 Dec 2014
NO0010502149	1 200 000	NOK	Floating	3M Nibor + 0.70%	2009	2019	**1 209 407**	1 212 344
NO0010536089	200 000	NOK	Floating	3M Nibor + 0.40%	2009	2015	**-**	199 948
NO0010561103	1 948 000	NOK	Fixed	5.00%	2009	2019	**1 996 409**	2 008 631
NO0010565211	327 000	NOK	Fixed	4.40%	2010	2015	**-**	327 116
NO0010572373	4 037 000	NOK	Floating	3M Nibor + 0.53%	2010	2016	**4 036 677**	4 608 526
XS0537088899	487 133	EUR	Fixed	2.13%	2010	2015	**-**	4 404 735
NO0010605587	1 000 000	NOK	Fixed	5.20%	2011	2021	**1 000 000**	1 000 000
NO0010612179	700 000	NOK	Fixed	4.65%	2011	2018	**706 932**	709 778
NO0010612039	2 700 000	NOK	Floating	3M Nibor + 0.55%	2011	2018	**2 702 772**	2 703 910
NO0010625346	1 500 000	NOK	Fixed	4.60%	2011	2026	**1 500 981**	1 501 072
NO0010631336	738 000	NOK	Fixed	3.75%	2011	2016	**738 211**	850 657
XS0736417642	500 000	EUR	Fixed	2.25%	2012	2017	**4 794 878**	4 513 900
NO0010648884	308 000	NOK	Floating	3M Nibor + 0.42%	2012	2015	**-**	307 961
NO0010648892	1 400 000	NOK	Floating	3M Nibor + 0.74%	2012	2017	**1 400 624**	1 401 061
XS0794570944	650 000	EUR	Fixed	2.00%	2012	2019	**6 216 586**	5 851 519
XS0851683473	1 000 000	EUR	Fixed	1.25%	2012	2017	**9 586 444**	9 027 429
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	**5 241 153**	5 246 545
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53%	2012	2018	**1 000 934**	1 001 254
NO0010663743	1 000 000	NOK	Fixed	3.25%	2012	2019	**1 006 742**	1 008 460
NO0010669922	1 000 000	NOK	Fixed	4.00%	2013	2028	**996 313**	996 007
XS0881369770	1 000 000	EUR	Fixed	2.125%	2013	2023	**9 562 629**	9 006 347
NO0010685480	5 000 000	NOK	Floating	3M Nibor + 0.54%	2013	2020	**5 027 756**	3 029 766
NO0010685704	550 000	NOK	Fixed	3.50%	2013	2020	**552 225**	552 673
NO0010687023	150 000	NOK	Fixed	4.10%	2013	2028	**150 000**	150 000
NO0010697204	300 000	SEK	Fixed	2.38%	2013	2018	**313 957**	287 680
NO0010697212	700 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	**733 266**	672 197
XS1044766191	500 000	EUR	Fixed	1.50%	2014	2021	**4 772 513**	4 491 684
NO0010732258	3 125 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	**3 111 754**	-
NO0010733694	1 150 000	NOK	Fixed	1.75%	2015	2021	**1 142 602**	-
XS1312011684	500 000	EUR	Fixed	0.625%	2015	2021	**4 771 603**	-
Value adjustments							**2 677 130**	2 880 442
Total covered bonds[1]							**76 950 496**	69 951 642

[1] For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of five per cent applies. This means that the company must at all times have assets in its cover pool which exceed at least 105 per cent of the total outstanding covered bonds.

Senior unsecured bonds
Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	**31 Dec 2015**	31 Dec 2014
NO0010673106	250 000	NOK	Floating	3M Nibor + 0.80%	2013	2015	-	250 095
NO0010691991	200 000	NOK	Floating	3M Nibor + 0.69%	2013	2015	-	199 953
NO0010697733	600 000	NOK	Floating	3M Nibor + 0.90%	2013	2016	**600 009**	600 018
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	**199 822**	199 762
NO0010705593	600 000	NOK	Floating	3M Nibor + 0.65%	2014	2017	**600 677**	601 076
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	**425 547**	425 693
NO0010711716	400 000	NOK	Floating	3M Nibor + 0.36%	2014	2016	**399 969**	399 889
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	**249 836**	249 789
NO0010732886	250 000	NOK	Floating	3m Nibor + 0.30%	2015	2017	**249 863**	-
NO0010739287	200 000	NOK	Floating	3m Nibor + 0.70%	2015	2020	**199 832**	-
Total senior unsecured bonds							**2 925 555**	2 926 275

Total debt securities issued	**79 876 051**	**72 877 916**

Subordinated loan capital
Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	**31 Dec 2015**	31 Dec 2014
NO0010679632	250 000	NOK	Floating	3M Nibor + 2.20%[1]	2013	2023	**249 761**	249 661
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85%[2]	2015	2025	**199 757**	-
Total subordinated loans							**449 518**	249 661
Total tier 1 perpetual bonds[3]							-	448 315
Total subordinated loan capital							**449 518**	697 976

[1] Subordinated loan of NOK 250 million maturing on 23 May 2023, with a redemption right (call) on 23 May 2018 and thereafter quarterly at each interest date. A regulatory call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.
[2] Subordinated loan of NOK 200 million maturing on 21 January 2025, with a redemption right (call) on 21 January 2020 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.
[3] Tier 1 perpetual bonds have been reclassified as equity as of 30 June 2015. See the statement of changes in equity for more information. Comparative figures have not been restated.

NOTE 16: COVER POOL

Cover Pool

Amounts in NOK 1 000	Fair value 31 Dec 2015	31 Dec 2014
Lending to customers	**64 527 405**	60 888 984
Substitute assets and derivatives:		
Financial derivatives (net)	**10 243 432**	8 532 923
Substitute assets [1]	**9 970 307**	7 366 271
Total	**84 741 145**	**76 788 178**
The cover pool's overcollateralisation	**110.07%**	**109.74%**

Covered bonds issued

Amounts in NOK 1 000	31 Dec 2015	31 Dec 2014
Covered bonds	**76 950 496**	69 951 642
Premium/discount	**39 349**	22 215
Total covered bonds	**76 989 845**	**69 973 856**

[1] Substitute assets include lending to and receivables from credit institutions,bond and certificates at fair value through profit or loss.

NOTE 17: PAYROLL COSTS

Amounts in NOK 1 000	2015	2014
Pay, fees, etc	**19 371**	18 680
National insurance contributions	**3 203**	3 048
Pension costs	**2 147**	1 899
Other personnel costs	**1 409**	1 228
Total	**26 130**	**24 855**
Average number of employees (full-time equivalent)	**19.8**	19.8

NOTE 18: REMUNERATION OF SENIOR EXECUTIVES, GOVERNING BODIES, AUDITORS, ETC

Amounts in NOK 1 000		Pay [1]	Other [2]	Bonus [3]	Pension costs ordinary scheme	Pension costs additional scheme
Kjartan M Bremnes	CEO	2 136	267	450	246	415

The company has implemented guidelines for variable remuneration in order to ensure compliance with the remuneration regulations for financial institutions. The CEO is included in the company's bonus scheme. Bonuses are calculated on the basis of a number of criteria, including the company's pre-tax profit, cost developments and development of the mortgage portfolio. Fifty per cent of the bonus awarded is paid as a lump sum in March of the year of award. The remaining 50 per cent is retained by the company and paid in equal annual instalments over a three-year period. Interest at the three-month Nibor rate is paid on bonuses awarded but not paid. All amounts in the bonus bank remain the company's property until payment takes place.

The CEO is included in the company's ordinary pension scheme. In addition, an agreement has been entered into on an additional defined-contribution pension based on a fixed supplement to the company pension. This supplement comprises a contribution of 18 per cent of pay above 12 times the national insurance base rate (G) for a retirement pension between the ages of 67 and 77, as well as a calculated supplement to an early retirement pension from the ages of 63 to 67 which will provide a pension on retirement at the age of 63 of almost 66 per cent pay from the ages of 63 to 67. The pension shown in the table above presents the expense for the year.

The CEO has no agreement on pay after termination of his employment.

[1] Includes pay and holiday pay for 2015 exclusive bonus accrued in 2014.
[2] Fringe benefits and other benefits.
[3] 50 per cent of the bonus earned for 2015 will, in accordance with the guidelines mentioned above, be paid in 2016.

Directors

Amounts in NOK 1 000	Fees
Martin Mæland	150
Odd Inge Løfald	100
Bjørn Arne Riise	100
Terje Svendsen	100
Tor Egil Lie	100
Total directors' fee	**550**

Control committee

Amounts in NOK 1 000	Fees
Atle Degre	16
Hans Petter Gjeterud	8
Rune Iversen	8
Total control committee	**32**

Supervisory board

Amounts in NOK 1 000	Fees
Jon Håvard Solum	8
Bjørg Storengen	2
Odd Nordli	4
Arne Gravdal	2
Per Olav Nærestad	4
Per Arne Hansen	2
Ole Andreas Kvilesjø	2
John Sigurd Bjørknes [1]	-
Total supervisory board	**24**

[1] Fees relating Jon Sigurd Bjørknes participation in the Supervisory board is paid to his employer, Høland og Setskog Sparebank.

Auditor

Remuneration to Deloitte AS and their associates is as follows:

Amounts in NOK 1 000	**2015**	2014
Statutory audit	**697**	782
Other assurance services	**328**	323
Tax advise	**27**	20
Other services unrelated to audit	**-**	-
Total	**1 052**	1 125

The figures above exclude VAT.

NOTE 19: PENSION COST

The company is required to have an occupational pension scheme in accordance with Norwegian legislation on defined contribution pensions ("lov om innskuddspensjon"). The company has arrangements that comply with the statutory requirements. The company's defined benefit scheme was closed with effect from 1 January 2005, and a defined contribution scheme covering all employees was established instead. Those who were employed before the defined benefit scheme was closed had the opportunity to switch voluntarily to the defined contribution scheme.

Defined contribution scheme

This scheme is based on an agreement that the company has to provide a contribution of five per cent of pay rates from one to six times the national insurance base rate (G) and eight per cent of pay from the six to 12 G. In addition, the company provides risk insurance that includes disability and children's pensions for those included in the defined contribution scheme.

Defined benefit scheme

This arrangement gives the right to defined future benefits based on years of service, salary at retirement and payments from the national insurance systems. The obligations are wholly guaranteed by contract with an insurance company.

Unfunded scheme

The company has an unfunded pension plan for the chief executive. In connection with this plan, a secured loan agreement provides that an amount corresponding to the pension obligation is deposited in an escrow account

Pension costs and pension liabilities include employer's national insurance contributions.

Financial assumptions:

	2015	2014
Discount rate	**2.50%**	3.00%
Expected increase in salaries	**2.50%**	3.25%
Expected increase in the NI base rate	**2.25%**	3.00%
Expected increase in pensions	**2.25%**	3.00%
Expected return on pension plan assets	**2.50%**	3.00%

Acturial assumptions:

Actuarial assumptions for demographic factors and retirement are based on assumptions commonly used in insurance.

	2015	2014
Number of employees in the defined benefit pension scheme	**3**	3
Number of employees in the unfunded scheme	**1**	1
Number of employees in the defined contribution pension scheme	**17**	17

Pension expenses Amounts in NOK 1 000	**Unfunded scheme 2015**	Unfunded scheme 2014	**Funded scheme 2015**	Funded scheme 2014
Net present value of pension entitlements	**466**	441	**870**	719
Interest expenses on pension commitments	**17**	14	**298**	302
Anticipated return on pension funds	**-**	-	**(115)**	(128)
Amortisation of changes in estimates not recorded in the accounts	**-**	-	**-**	-
Total defined benfit pension schemes	**483**	455	**1 053**	893
Defined contribution pension schemes	**-**	-	**888**	808
Net pension expenses	**483**	455	**1 941**	**1 701**

Pension commitments Amounts in NOK 1 000	**31 Dec 2015**	31 Dec 2014	**31 Dec 2015**	31 Dec 2014
Accrued pension commitments	**1 385**	962	**8 977**	9 190
Value of pension funds	**-**	-	**5 055**	4 295
Net pension commitments	**1 385**	962	**3 922**	**4 895**
Employer's contributions	**195**	136	**553**	690
Net pension liability	**1 580**	1 098	**4 475**	**5 585**

Distribution of pension funds	**31 Dec 2015**	31 Dec 2014
Equity	**6%**	7%
Bonds	**71%**	65%
Real property	**12%**	11%
Money market	**8%**	12%
Other	**3%**	5%
Total	**100%**	**100%**

NOTE 20: TAXES

Amounts in NOK 1 000	**2015**	2014
Total tax		
Income tax payable for the year	**9 457**	26 954
Change in deferred tax	**72 222**	3 071
Change in tax from previous years	**(2)**	(102)
Taxes	**81 677**	29 924
Reconciliation of expected and actual tax		
Profit before taxes	**345 042**	115 748
Expected tax on income at nominal tax rate (27%)	**93 161**	31 252
Reversal of earlier provisions for taxes	**(2)**	(102)
Tax effect of permanent differences	**(8 298)**	(1 226)
Deffered tax for change in tax rate	**(3 184)**	-
Taxes	**81 677**	29 924
Effective tax rate	**23.7%**	25.9%
Deferred taxes in other comprehensive income relates to the following temporary differences		
Pension liabilities	**351**	(445)
Effect of changes to tax rate on deffered tax	**(26)**	-
Taxes	**325**	(445)
Deferred taxes in the income statement affect the following temporary differences		
Fixed assets	**(24)**	(34)
Pensions	**(170)**	588
Financial instruments	**(75 717)**	(3 438)
Other temporary differences	**154**	259
Effect of changes to tax rate on deffered tax	**3 210**	-
Total change in deferred tax	**(72 547)**	(2 626)

Deferred tax asset and deferred tax in the balance relate to the following temporary differences Amounts in NOK 1 000	**31 Dec 2015**	31 Dec 2014
Fixed assets	**207**	296
Net pension commitments	**6 055**	6 683
Financial instruments	**(172 152)**	108 283
Other temporary differences	**5 378**	4 807
Total temporary differences	**(160 512)**	**120 069**
Deferred taxes before change in tax rate	**(43 338)**	32 419
Change in tax rate from 27% to 25%	**3 210**	-
Deferred tax assets	**(40 128)**	**32 419**

NOTE 21: OTHER FINANCIAL ASSETS

Amounts in NOK 1 000	**31 Dec 2015**	31 Dec 2014
Prepaid expenses	**749**	2 650
Accrued interests	**121 320**	117 191
Short-term receivables	**1**	-
Total other financial assets	**122 069**	**119 841**

NOTE 22: OTHER LIABILITIES

Amounts in NOK 1 000	**31 Dec 2015**	31 Dec 2014
Accrued costs		
Commissions on bank lending	**96 443**	145 855
Accrued interest	**167 800**	171 010
Accrued employer's national insurance contributions	**1 576**	1 636
Deferred directors' fees	**624**	648
Accrued holiday pay	**1 987**	1 851
Deferred bonus	**5 379**	4 808
Other accrued costs	**271**	1 003
Total accrued costs	**274 080**	**326 810**
Other debt		
Debt to companies in the same group	-	-
Accounts payable	**265**	**1 253**
Unpaid withholding tax	**892**	**889**
Unpaid VAT	**118**	**11**
Tax payable	**9 336**	**26 576**
Total	**10 611**	**28 729**
Total other liabilities	**284 691**	**355 539**

NOTE 23: COMMISSION COSTS

Amounts in NOK 1 000	**2015**	2014
Portfolio commission[1]	**436 841**	566 404
Underwriter's commission	**2 299**	2 956
Banking services	**2 464**	1 785
Total commission costs	**441 604**	571 145

[1] The company’s distributors have the right to a portfolio commission for mortgages included in the mortgage portfolio. This commission equals the lending interest rate on the individual mortgage less a specified net interest rate. Distributors qualify for commission on the basis of the same calculation principles applied when calculating the mortgage interest rate to be paid by the mortgagee.

NOTE 24: ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Amounts in NOK 1 000	**2015**	2014
IT costs	**6 276**	5 701
Phone, postage, etc	**767**	791
Accessories and equipment	**527**	328
Marketing	**417**	374
Other administrative expenses	**8 447**	8 377
Total administrative expenses	**16 434**	15 571
External services	**9 187**	8 613
Operating expenses on rented premises	**2 127**	2 113
Insurance cost	**356**	357
Other operating expenses	**1 555**	1 569
Total other operating expenses	**13 225**	12 652

NOTE 25: SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital consists of 856 673 540 shares, each with a nominal value of NOK 1.00.
All shares were authorised, issued and fully paid at 31 December 2015.

List of shareholders at 31 December 2015	Number of shares	Ownership share
OBOS BBL	105 920 469	12.36%
Jernbanepersonalets Sparebank	58 191 876	6.79%
Jæren Sparebank	54 748 865	6.39%
Askim og Spydeberg Sparebank	33 012 660	3.85%
Sparebanken Narvik	24 206 686	2.83%
Aurskog Sparebank	23 795 097	2.78%
Lillestrøm Sparebank	19 640 622	2.29%
Totens Sparebank	18 913 808	2.21%
Rørosbanken Røros Sparebank	17 115 323	2.00%
Melhus Sparebank	17 102 181	2.00%
Larvikbanken Brunlanes Sparebank	16 083 800	1.88%
Bamble Sparebank	15 665 234	1.83%
Selbu Sparebank	15 652 346	1.83%
Surnadal Sparebank	15 397 530	1.80%
Hjartdal og Gransherad Sparebank	14 109 561	1.65%
Eidsberg Sparebank	13 872 832	1.62%
Kragerø Sparebank	13 755 255	1.61%
Grong Sparebank	13 545 034	1.58%
Aasen Sparebank	13 193 867	1.54%
Indre Sogn Sparebank	13 130 891	1.53%
Skue Sparebank	12 647 220	1.48%
Drangedal Sparebank	12 387 576	1.45%
Kvinesdal Sparebank	12 254 295	1.43%
Orkdal Sparebank	11 632 428	1.36%
Bud,Fræna og Hustad Sparebank	11 458 436	1.34%
Berg Sparebank	11 408 790	1.33%
Stadsbygd Sparebank	11 238 845	1.31%
Bien Sparebank AS	11 137 467	1.30%
Marker Sparebank	10 903 127	1.27%
Odal Sparebank	10 818 544	1.26%
Trøgstad Sparebank	10 186 765	1.19%
Strømmen Sparebank	9 971 219	1.16%
Hegra Sparebank	9 934 391	1.16%
Andebu Sparebank	9 918 585	1.16%
Tinn Sparebank	9 638 537	1.13%
Høland og Setskog Sparebank	9 235 026	1.08%
Blaker Sparebank	9 008 093	1.05%

List of shareholders at 31 December 2015	Number of shares	Ownership share
Meldal Sparebank	8 950 295	1.04%
Sunndal Sparebank	8 841 424	1.03%
Klæbu Sparebank	8 562 213	1.00%
Fornebu Sparebank	8 060 427	0.94%
Ørland Sparebank	7 892 480	0.92%
Hønefoss Sparebank	7 871 736	0.92%
Tolga-Os Sparebank	7 309 822	0.85%
Hjelmeland Sparebank	7 309 325	0.85%
Birkenes Sparebank	6 365 606	0.74%
Harstad Sparebank	6 102 375	0.71%
Sparebanken Hemne	6 097 828	0.71%
Ofoten Sparebank	5 710 762	0.67%
Sparebanken Din	5 532 888	0.65%
Valle Sparebank	5 480 924	0.64%
Arendal og Omegns Sparekasse	5 366 738	0.63%
Opdals Sparebank	5 266 810	0.61%
Gjerstad Sparebank	5 068 188	0.59%
Vegårshei Sparebank	4 264 778	0.50%
Haltdalen Sparebank	4 073 585	0.48%
Åfjord Sparebank	3 734 590	0.44%
Evje og Hornnes Sparebank	3 642 685	0.43%
Nesset Sparebank	3 426 913	0.40%
Ørskog Sparebank	3 359 755	0.39%
Soknedal Sparebank	3 164 806	0.37%
Grue Sparebank	2 738 356	0.32%
Tysnes Sparebank	2 654 006	0.31%
Voss Veksel- og Landmandsbank ASA	2 379 767	0.28%
Vik Sparebank	1 656 457	0.19%
Vestre Slidre Sparebank	1 398 118	0.16%
Rindal Sparebank	1 397 413	0.16%
Vang Sparebank	789 624	0.09%
Lofoten Sparebank	522 683	0.06%
Gildeskål Sparebank	498 862	0.06%
Aurland Sparebank	333 971	0.04%
Etnedal Sparebank	14 048	0.00%
Bjugn Sparebank	1	0.00%
Total	**856 673 540**	**100%**

The shares have full voting rights pursuant to the company's articles of association.

NOTE 26: CAPITAL ADEQUACY RATIO

Amounts in NOK 1 000	31 Dec 2015	31 Dec 2014
Share capital	**856 674**	713 455
Share premium	**2 203 709**	1 746 928
Other paid-in equity	**477 728**	477 728
Other equity	**1 003**	**999**
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**3 539 113**	2 939 109
Fund for unrealised gains	**85 773**	-
Intangible assets	**(3 690)**	**(4 609)**
Deferred tax assets[1]	-	-
Prudent valuation adjustments of fair valued positions	**(14 656)**	**(9 206)**
Total core tier 1 capital	**3 606 540**	2 925 294

Core capital adequacy ratio (core tier 1 capital)	31 Dec 2015	31 Dec 2014
Weighted calculation basis	**27 509 998**	25 154 656
Core tier 1 capital	**3 606 540**	**2 925 294**
Core tier 1 capital ratio	**13.1%**	11.6%
Total core tier 1 capital	**3 606 540**	2 925 294
Tier 1 perpetual bonds	**448 775**	**448 315**
Total tier 1 capital	**4 055 315**	3 373 609

Capital adequacy ratio (tier 1 capital)	31 Dec 2015	31 Dec 2014
Weighted calculation basis	**27 509 998**	25 154 656
Tier 1 capital	**4 055 315**	3 373 609
Tier 1 capital ratio	**14.7%**	13.4%
Total tier 1 capital	**4 055 315**	3 373 609
Subordinated loans	**449 518**	249 661
Total primary capital (tier 2 capital)	**4 504 832**	3 623 270

Capital adequacy ratio (tier 2 capital)	31 Dec 2015	31 Dec 2014
Weighted calculation basis	**27 509 998**	25 154 656
Total primary capital (tier 2 capital)	**4 504 832**	3 623 270
Capital adequacy ratio	**16.4%**	14.4%
Required capital corresponding to eight per cent of calculation basis	**2 200 800**	2 012 372
Surplus equity and subordinated capital	**2 304 032**	1 610 897

The capital adequacy ratio is calculated using the standard method in Basel II.

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	25 243 451	2 019 476
Operational risk	336 653	26 932
CVA risk[2]	1 929 894	154 392
Total	**27 509 998**	**2 200 800**

The company employs the standardized approach for calculating credit risk and the basic indicator approach for calculating operational risk.

[1] Deferred tax assets attributable to temporary differences and amounting to less than 10 per cent of core tier 1 capital are not deducted from core tier 1 capital, but risk-weighted by 250 per cent. See the changes to the calculation regulations which came into force on 30 September 2014.
[2] At 31 December Eika Boligkreditt had taken account of the risk of credit valuation adjustment (CVA) when calculating capital requirements for credit risk. This represents a supplement to the existing capital requirement for credit risk related to counterparty risk for derivatives.

The company will maintain a buffer at all times in relation to the minimum requirement of eight per cent capital adequacy. This buffer will be sufficient to cope with relevant risks the company may face. The company's internal capital adequacy assessment process (ICAAP) is pursued to ensure that it has a sufficient buffer in relation to the minimum requirements. The company is planning to capitalise continued strong growth in the residential mortgage portfolio. Because of the rise in the countercyclical capital buffer requirement from zero to one per cent with effect from 30 June 2015 (a further rise to 1.5 per cent has been approved from 30 June 2016), the company increased its capital targets to 11 per cent core tier 1, 12.5 per cent tier 1 and 14.5 per cent tier 2 capital. These targets are adequate in relation to legal and capital requirements based on the company's internal risk assessment. As presented in the table above, the applicable buffer requirements were fulfilled at 31 December 2015 with a core capital 1 adequacy of 13.1 per cent.

Capital support from the owner banks is regulated by a shareholder agreement dated 10 May 2012. This includes a commitment by the owner banks that, under given circumstances, they will have to provide the company with the capital required to maintain the company's applicable targets at any given time for tier 1 capital and total primary capital ratios, or higher tier 1 capital and/or total primary capital ratios as required or recommended by the Financial Supervisory Authority of Norway. The individual owner bank's capitalisation obligation is primarily limited to its pro rata share of capital issues, calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their capitalisation obligation pursuant to the agreement, the capitalisation obligation of the remaining owner banks can be raised to a limit of twice their original pro rata share. The agreement on purchasing covered bonds and the shareholder agreement can be terminated under certain conditions.

NOTE 27: OWNERSHIP

Eika Boligkreditt was demerged from Eika Gruppen AS with effect from 18 May 2012. Following the demerger, the company is owned directly by 72 Norwegian banks and OBOS (the owner banks). In conjunction with the owner banks becoming the shareholders of Eika Boligkreditt, a shareholder agreement was entered into which stipulates in part that the ownership of the company is to be rebalanced on an annual basis. This will ensure an annual adjustment so that the holding of each owner bank corresponds to its share of the company's residential mortgage portfolio.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Eika Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Eika Boligkreditt AS, which comprise the balance sheet as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Eika Boligkreditt AS as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, March 16, 2016
Deloitte AS

Roger Furholm
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

Key figures

Amounts in NOK 1 000	31 Dec 2015	31 Dec 2014
Balance sheet development		
Lending to customers	**64 527 405**	60 888 984
Debt securities issued	**79 876 051**	72 877 916
Subordinated loan capital	**449 518**	697 976
Equity	**4 242 467**	3 023 729
Equity in % of total assets	**4.7**	3.7
Average total assets	**82 844 186**	76 845 438
Total assets	**89 932 170**	81 298 346
Rate of return/profitability		
Fee and commission income in relation to average total assets, annualised (%)	**0.5**	0.7
Staff and general administration expenses in relation to average total assets, annualised (%)	**0.1**	0.1
Return on equity before tax, annualised (%)[1]	**10.7**	4.2
Total assets per full-time position	**4 542 029**	4 105 977
Cost/income ratio (%)[2]	**29.8**	32.5
Financial strength		
Core tier 1 capital	**3 606 540**	2 925 294
Tier 1 capital	**4 055 315**	3 373 609
Total primary capital (tier 2 capital)	**4 504 832**	3 623 270
Calculation basis capital adequacy ratio	**27 509 998**	25 154 656
Core tier 1 capital ratio (%)	**13.1**	11.6
Tier 1 capital ratio (%)	**14.7**	13.4
Capital adequacy ratio % (tier 2 capital)	**16.4**	14.4
Leverage ratio (%)[3]	**4.3**	4.0
Defaults in % of gross loans	**-**	-
Loss in % of gross loans	**-**	-
Staff		
Number of full-time positions at end of period	**19.8**	19.8

Overview of liquidity indicators and prognosis

	Actual	Prognosis			
As of	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016	31 Dec 2016
Liquidity Indicator I[4]	106%	100%	105%	108%	101%
Liquidity Indicator II[5]	115%	115%	115%	118%	115%
Average of indicators	**111%**	**108%**	**110%**	**113%**	**108%**

[1] Profit/loss before taxes, in % of average equity (return on equity).
[2] Total operating expences in % of net interest income after commissions costs.
[3] Leverage ratio is calculated in accordance to the CRR/CRD IV regulatory. The calculation of the leverage ratio is described in the regulations article 416 and 417.
[4] Liquidity Indicator I: $\frac{\text{Funding with remaining time to maturity exceeding 12 months}}{\text{Illiquid assets}}$
[5] Liquidity Indicator II: $\frac{\text{Funding with remaining time to maturity exceeding 1 month}}{\text{Illiquid assets}}$