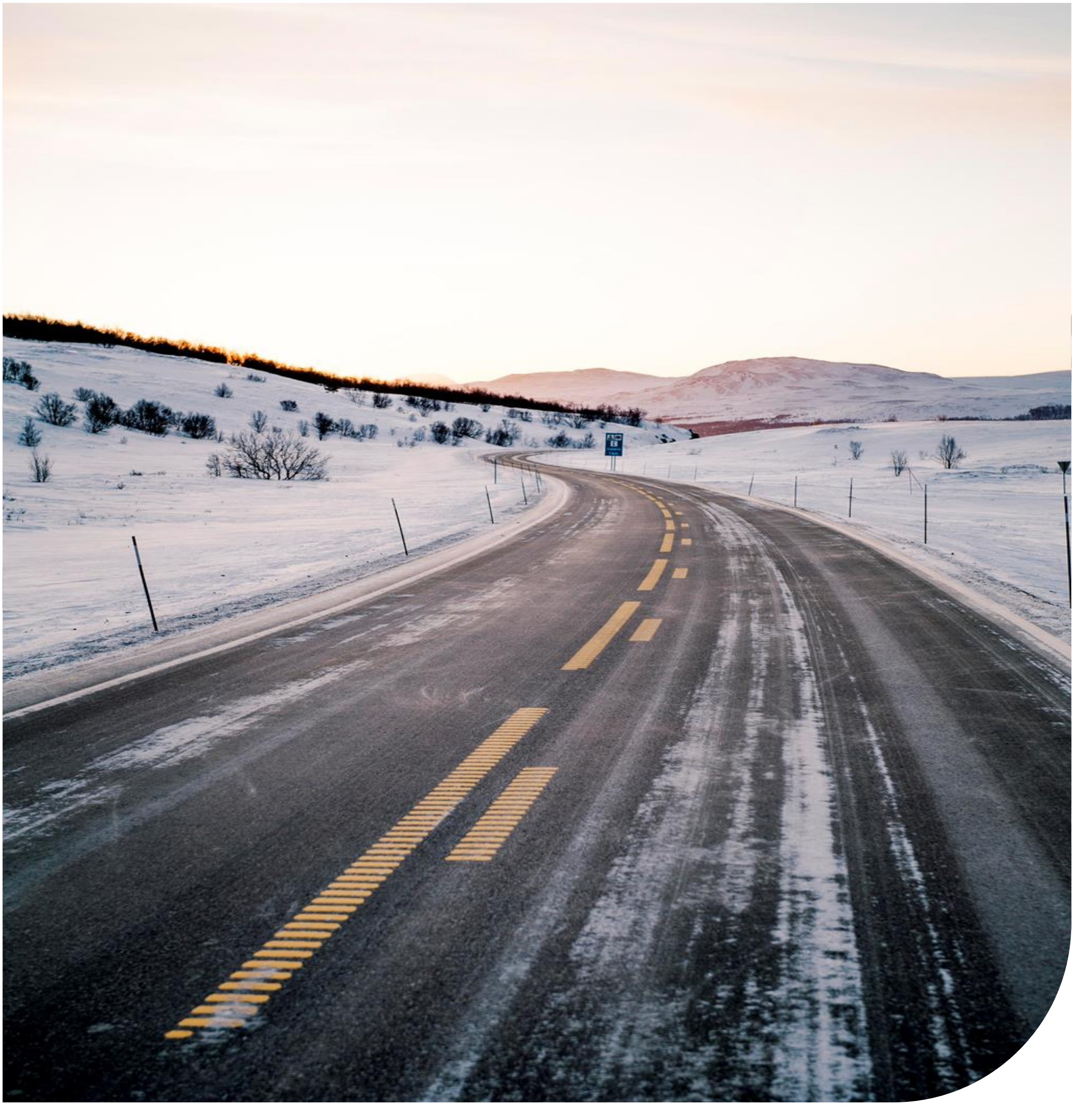
Eika Boligkreditt AS

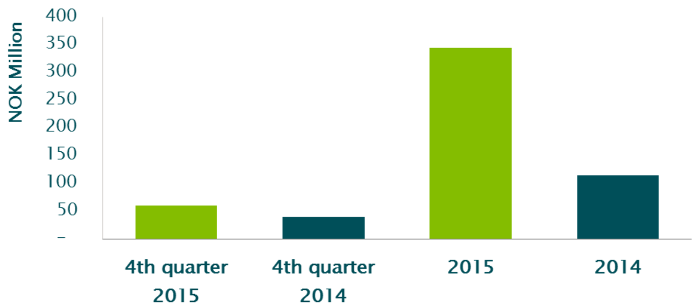
Interim report for the fourth quarter 2015

Unaudited

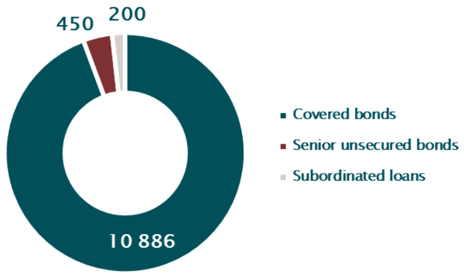


Highlights

Profit before tax



Volume of new issues by sector 2015 (in NOK mill.)



Fourth quarter 2015

- Pre-tax profit NOK 61 million (2014: NOK 41 million)
- Pre-tax profit NOK 53 million (2014: profit of NOK 25 million) excluding NOK 8 million in positive value changes related to the price of basis swaps
- Lending up by 2.3 per cent quarter on quarter (2014: 0.2 per cent)
- Commissions to owner banks of NOK 94 million (2014: NOK 143 million)
- NOK 4.6 billion in bonds issued (2014: NOK 0.2 billion)

Full year 2015

- Pre-tax profit NOK 345 million (2014: NOK 116 million)
- Pre-tax profit NOK 117 million (2014: NOK 131 million) excluding NOK 228 million in positive value changes related to the price of basis swaps
- Lending up by 6.0 per cent during 2015 (2014: 5.5 per cent)
- Commissions to owner banks of NOK 456 million (2014: NOK 582 million)
- NOK 11.5 billion in bonds issued (2014: NOK 10.1 billion)

No full or limited external auditing of the quarterly figures has been undertaken.

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INTERIM REPORT FOR THE FOURTH QUARTER

Introduction

Eika Boligkreditt'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. An important part of the company's business concept is to increase the competitiveness of the owner banks by improving their access to external funding in the Norwegian and international financial markets with regard to the length of loans, their terms and the depth of access. The object of the company's business is to reduce risk for the owner banks. At 31 December 2015, the owner banks had transferred a total of NOK 64.5 billion in residential mortgages and thereby reduced their own funding needs by a corresponding amount. Eika Boligkreditt is licensed as a credit institution and entitled to raise loans in the market through the issuance of covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and thereby established a new type of bond which has become an important source of financing within a few years for the lending activities of banks and credit institutions. By concentrating funding activities relating to covered bonds in Eika Boligkreditt, the owner banks have secured a player in the bond market with the necessary requirements for securing competitive terms and depth of liquidity both in Norway and internationally.

Profit and loss account for the fourth quarter and 2015

Pre-tax profit

Eika Boligkreditt showed a pre-tax profit of NOK 61.4 million for the fourth quarter, compared with NOK 40.6 million in the same period of 2014. Fourth-quarter profit included positive changes of NOK 7.9 million (2014: NOK 15.6 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 53.4 million. Profit was otherwise affected by value changes to financial instruments of NOK 7.8 million in net gain on lending at fair value, NOK 0.9 million in net gain on financial derivatives, NOK 12.3 million in net gain on fair value hedging of debt securities (including value changes for basis swaps), and NOK 7.2 million in net loss on bonds and certificates. That accordingly gives a net gain of NOK 13.8 million in the fair value of financial instruments, compared with NOK 16 million for the fourth quarter of 2014.

The company showed a pre-tax profit of NOK 345 million for the full year, compared with NOK 115.7 million in the same period of 2014. Profit for the year included positive changes of NOK 228.3 million (2014: negative at NOK 15.3 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 116.7 million. Profit was otherwise affected by value changes to financial instruments of NOK 7.8 million in net gain on lending at fair value, NOK 7.7 million in net loss on financial derivatives, NOK 232.9 million in net gain on fair value hedging of debt securities (including value changes for basis swaps), and NOK 30.3 million in net loss on bonds and certificates. That accordingly gives 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 the full year in 2014. Interest payments of NOK 24.5 million on tier 1 perpetual bonds are not presented as an interest expense in the profit and loss account, but as a reduction in equity.

As reported above, the financial result for 2015 was significantly affected by changes in the value of basis swaps related to 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 derivatives are intended to hedge foreign exchange and interest rate risks on borrowing. They accordingly serve as hedging instruments, and the effect of such value changes will be zero over the term of the instruments. 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.

Income

Eika Boligkreditt's interest income amounted to NOK 469 million in the fourth quarter, compared with NOK 604 million in the same period of 2014. Its net interest income for the period was NOK 152 million, compared with NOK 180 million for the fourth quarter of 2014.

The company's interest income amounted to NOK 2 067 million for the full year, compared with NOK 2 462 million in 2014. Its net interest income for the year was NOK 635 million, compared with NOK 741 million for the full year in 2014. The reductions in the company's interest and net interest incomes reflect lower interest rates and margins respectively on residential mortgages in Norway.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 94 million in the fourth quarter, compared with NOK 143 million for the same period of 2014.

NOK 456 million was paid to the owner banks in distributor commissions, including arrangement commissions, during the full year, compared with NOK 582 million for 2014. This fall reflected reduced margins for the owner banks on the company's residential mortgage portfolio.

Balance sheet and liquidity

Balance sheet

Assets under management by Eika Boligkreditt amounted to NOK 89.9 billion at 31 December, up by NOK 8.6 billion from 1 January.

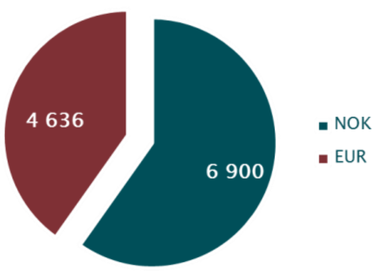
Lending

Eika Boligkreditt's residential mortgage portfolio at 31 December totalled NOK 64.5 billion, which represented a net increase of NOK 3.6 billion or six per cent from 1 January. This rise reflected a general growth in lending by the owner banks, combined with the fact that the owner banks transfer current residential mortgages from their own balance sheets to Eika Boligkreditt.

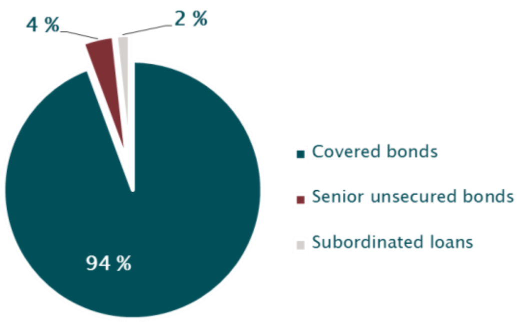
Borrowing

Eika Boligkreditt issued bonds with a nominal value of NOK 11.5 billion in 2015, including NOK 10.9 billion in covered bonds, NOK 450 million in senior unsecured bonds and NOK 200 million in subordinated loans.

Issues by currency (in NOK) million) in 2015



Issues by sector (in %) in 2015



Sixty per cent of issues in 2015 were issued as bonds denominated in Norwegian kroner, with the remaining 40 per cent denominated in euros. Covered bonds accounted for 94 per cent of the issue volume.

The table below shows issues for 2015 as a whole and for 2014 and 2013.

New issues (amounts in NOK million)	2015	2014	2013
Covered bonds (issued in SEK)	-	-	925
Covered bonds (issued in EUR)	4 636	4 123	7 409
Covered bonds (issued in NOK)	6 250	3 750	10 508
Senior unsecured bonds (issued in NOK)	450	1 975	2 300
Subordinated loans (issued in NOK)	200	-	250
Tier 1 perpetual bonds (issued in NOK)	-	200	250
Totalt issued	**11 536**	**10 048**	**21 642**

The average tenor for bonds issued in 2015 was 6.1 years. The average tenor for the company's borrowing portfolio at 31 December 2015 was 4.1 years, a reduction of 0.3 years from 1 January.

The table below shows the breakdown of the company's borrowing in various instruments.

Carrying value in NOK million	31 Dec 2015	31 Dec 2014	31 Dec 2013
Covered bonds	76 950	69 952	61 129
Senior unsecured bonds	2 926	2 926	2 410
Senior unsecured certificates	-	-	350
Subordinated loans	449	250	429
Tier 1 perpetual bonds[1]	-	448	249
Total borrowing	**80 325**	**73 576**	**64 567**

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

The company's total borrowing at 31 December was NOK 80.3 billion, up by NOK 7.2 billion from 1 January after taking account of the reclassification of tier 1 perpetual bonds.

Liquidity

At 31 December 2015, the company had a total liquidity portfolio of NOK 14.9 billion, including cash collateral of NOK 5 billion received from counterparties to derivative contracts. Cash collateral is held in bank deposits and in various high-quality securities. In addition to cash collateral, the company has received collateral in the form of high-quality bonds corresponding in value to NOK 3.6 billion. The value of the bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

Revised distributor agreement

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 has been 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. Should the owner bank's share of the residential mortgage portfolio in Eika Boligkreditt fall 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, where the most important material change is 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 the 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 the OBOS Bank

Eika Boligkreditt has been aware for some time that the OBOS Bank has been considering whether to establish its own wholly-owned residential mortgage company for the issue of covered bonds. On 11 January 2016, the OBOS Bank 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 the OBOS Bank. 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, the OBOS Bank will cease to have the right to transfer new residential mortgages to Eika Boligkreditt.

The distributor agreement also provides that the OBOS Bank and Eika Boligkreditt will seek to reach agreement before the expiry date on the continuation of the OBOS Bank's distributor responsibility for the existing residential mortgage portfolio. The parties consider it very likely that they will reach such an agreement, which means that the OBOS bank will retain a substantial residential mortgage portfolio and financing with Eika Boligkreditt in coming years. At 31 January 2016, the OBOS Bank has a residential mortgage portfolio and financing in Eika Boligkreditt totalling NOK 7.7 billion. Following a rebalancing of ownership on the basis of OBOS Bank's share of the overall residential mortgage portfolio at 31 December 2015, the OBOS will hold 11.7 per cent of the shares in Eika Boligkreditt.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 4 505 million at 31 December 2015, an increase of NOK 882 million since 1 January. Primary capital rose as a result of a new subordinated loan of NOK 200 million in the first quarter and through two share issue of NOK 400 million and NOK 200 million to existing shareholders in the second and fourth quarters respectively. A provision of NOK 86 million 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 treated as non-distributable equity, the provision reduces the opportunity to pay dividend.

Under internal rules, the loan-to-value ratio of residential mortgages in Eika Boligkreditt's cover pool may not exceed 60 per cent of the mortgaged property at origination. Capital adequacy is calculated in accordance with the standard method specified in the regulations on capital requirements.

Since the third quarter of 2014, Eika Boligkreditt had taken account of the risk of credit valuation adjustment (CVA) at 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. In line with the growth in overall lending and an increase in the liquidity portfolio, the basis for calculating the capital adequacy ratio has increased correspondingly and amounted to NOK 27.5 billion at 31 December. This amount represents a quantification of the company's risk, and its primary capital is calculated as a value in relation to this calculation base.

The table below presents developments in the capital adequacy ratio.

Amounts in NOK million	31 Dec 2015	31 Dec 2014	31 Dec 2013
Risk-weighted assets	27 510	25 154	21 445
Total primary capital (tier 2 capital)	4 505	3 623	3 077
Capital adequacy ratio in per cent	16.4%	14.4%	14.3%

In view of a countercyclical capital buffer requirement of one per cent since 30 June 2015, which is due to rise further to 1.5 per cent from 30 June 2016, the company has increased its internal capital targets. These are specified as follows:

- core tier 1 capital ratio: 11 per cent (13.1 per cent at 31 December 2015)
- tier 1 capital ratio: 12.5 per cent (14.7 per cent at 31 December 2015)
- tier 2 capital ratio: 14.5 per cent. (16.4 per cent at 31 December 2015)

These targets are adequate in relation to legal and capital requirements based on the company's internal risk assessment. As shown above, the applicable buffer requirements were fulfilled at 31 December 2015 with a core tier 1 capital adequacy of 13.1 per cent.

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 rose 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.

Oslo, 9 February 2016
The board of directors of Eika Boligkreditt AS

Bjørn Riise
Chair

Olav Sem Austmo

Boddvar Kaale

Tor Egil Lie

Terje Svendsen

Kjartan M. Bremnes
CEO

Statement of comprehensive income

Amounts in NOK 1 000	Notes	4Q 2015	4Q 2014	2015	2014
INTEREST INCOME					
Interest from loans to customers		**434 583**	553 574	**1 916 365**	2 242 552
Interest from loans and receivables on credit institutions		**7 211**	10 328	**33 630**	41 060
Interest from bonds, certificates and financial derivatives		**23 267**	34 599	**98 548**	159 174
Other interest income		**4 384**	5 233	**18 098**	18 772
Total interest income		**469 445**	603 733	**2 066 641**	2 461 558
INTEREST EXPENSES					
Interest on debt securities issued		**329 219**	408 776	**1 408 889**	1 661 167
Interest on subordinated loan capital		**(12 754)**	10 769	**15 357**	41 731
Other interest expenses		**780**	4 249	**7 062**	18 059
Total interest expenses		**317 245**	423 794	**1 431 309**	1 720 957
Net interest income		**152 201**	179 939	**635 332**	740 600
Commission costs		**89 564**	140 331	**441 604**	571 145
Net interest income after commissions costs		**62 637**	39 608	**193 729**	169 456
Dividend from shares classified as available for sale		-	-	**6 430**	4 769
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE					
Net gains and losses on bonds and certificates	Note 3	**(7 187)**	(64)	**(30 331)**	10 073
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**12 332**	14 432	**232 913**	(20 653)
Net gains and losses on financial derivatives	Note 3	**870**	(12 916)	**(7 755)**	(11 264)
Net gains and losses on loans at fair value	Note 3	**7 799**	14 546	**7 830**	18 407
Total gains and losses on financial instruments at fair value		**13 813**	15 998	**202 656**	(3 437)
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES					
Salaries, fees and other personnel expenses		**6 802**	6 685	**26 130**	24 855
Administrative expenses		**3 542**	4 578	**16 434**	15 571
Total salaries and administrative expenses		**10 344**	11 263	**42 565**	40 426
Depreciation		**490**	434	**1 983**	1 962
Other operating expenses		**4 234**	3 271	**13 225**	12 652
Losses on loans and guarantees		-	-	-	-
PROFIT BEFORE TAXES		**61 382**	40 638	**345 042**	115 748
Taxes		**7 859**	11 337	**81 677**	29 924
PROFIT FOR THE PERIOD		**53 524**	29 301	**263 365**	85 824
Other comprehensive income that will not be reclassified subsequently to P&L (pensions)		**1 301**	(1 650)	**1 301**	(1 650)
Other comprehensive income that may be reclassified subsequently to P&L (shares)		**14 700**	-	**14 700**	-
Taxes on other comprehensive income		**(325)**	445	**(325)**	445
COMPREHENSIVE INCOME FOR THE PERIOD		**69 200**	28 097	**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 and NOK 24 462 thousand to the hybrid capital investors.

Balance sheet

Amounts in NOK 1 000	Notes	31 Dec. 2015	31 Dec. 2014
ASSETS			
Lending to and receivables from credit institutions		**3 386 131**	3 708 022
Lending to customers	Note 4, 9	**64 527 405**	60 888 984
Other financial assets		**122 069**	119 841
Securities			
Bonds and certificates at fair value through profit or loss	Note 5,9	**11 553 507**	7 920 530
Financial derivatives	Note 8,9	**10 309 668**	8 608 941
Shares classified as available for sale	Note 10.11	**29 700**	15 000
Total securities		**21 892 875**	16 544 471
Other intangible assets			
Deferred tax assets		**-**	32 419
Fixed intangible assets		**3 690**	4 609
Total other intangible assets		**3 690**	37 028
TOTAL ASSETS		**89 932 170**	81 298 346
LIABILITIES AND EQUITY			
Loans from credit institutions	Note 13	**4 967 024**	4 260 484
Financial derivatives	Note 8,9	**66 236**	76 018
Debt securities issued	Note 6	**79 876 051**	72 877 916
Other liabilities		**284 691**	355 539
Pension liabilities		**6 055**	6 683
Deferred tax		**40 128**	-
Subordinated loan capital	Note 7	**449 518**	697 976
TOTAL LIABILITIES		**85 689 703**	78 274 617
Called-up and fully paid capital			
Share capital		**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	Note 12	**3 538 111**	2 938 111
Retained earnings			
Fund for unrealised gains		**85 773**	-
Other equity		**169 808**	85 618
Total retained equity	Note 12	**255 582**	85 618
Hybrid capital			
Tier 1 capital		**448 775**	-
Total hybrid capital		**448 775**	-
TOTAL EQUITY		**4 242 467**	3 023 729
TOTAL LIABILITIES AND EQUITY		**89 932 170**	81 298 345

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 2014	**592 082**	**1 368 300**	**477 728**	**-**	**21 088**	**-**	**2 459 198**
Result for the period	-	-	-	-	(929)	-	**(929)**
Equity issue	-	-	-	-	-	-	**-**
Balance sheet as at 31 March 2014	**592 082**	**1 368 300**	**477 728**	**-**	**20 159**	**-**	**2 458 269**
Result for the period	-	-	-	-	21 007	-	**21 007**
Equity issue	121 373	378 628	-	-	-	-	**500 000**
Disbursed dividends for 2013	-	-	-	-	(20 089)	-	**(20 089)**
Balance sheet as at 30 June 2014	**713 455**	**1 746 928**	**477 728**	**-**	**21 077**	**-**	**2 959 187**
Result for the period	-	-	-	-	36 446	-	**36 446**
Equity issue	-	-	-	-	-	-	**-**
Balance sheet as at 30 September 2014	**713 455**	**1 746 928**	**477 728**	**-**	**57 522**	**-**	**2 995 632**
Result for the period	-	-	-	-	28 097	-	**28 097**
Equity issue	-	-	-	-	-	-	**-**
Balance sheet as at 31 December 2014	**713 455**	**1 746 928**	**477 728**	**-**	**85 619**	**-**	**3 023 729**
Result for the period	-	-	-	-	137 295	-	**137 295**
Equity issue	-	-	-	-	-	-	**-**
Balance sheet as at 31 March 2015	**713 455**	**1 746 928**	**477 728**	**-**	**222 914**	**-**	**3 161 024**
Result for the period	-	-	-	-	38 551	-	**38 551**
Equity issue	97 098	302 902	-	-	-	-	**400 000**
Tier 1 capital classified as equity	-	-	-	-	-	448 543	**448 543**
Disbursed dividends for 2014	-	-	-	-	(84 616)	-	**(84 616)**
Balance sheet as at 30 June 2015	**810 553**	**2 049 830**	**477 728**	**-**	**176 849**	**448 543**	**3 963 502**
Result for the period	-	-	-	-	33 995	-	**33 995**
Accrued unpaid interest tier 1 capital	-	-	-	-	-	(1 926)	**(1 926)**
Balance sheet as at 30 September 2015	**810 553**	**2 049 830**	**477 728**	**-**	**210 844**	**446 617**	**3 995 571**
Result for the period	-	-	-	85 773	(41 035)	24 462	**69 200**
Equity issue	46 120	153 880	-	-	-	-	**200 000**
Accrued unpaid interest tier 1 capital	-	-	-	-	-	(22 304)	**(22 304)**
Balance sheet as at 31 December 2015	**856 673**	**2 203 709**	**477 728**	**85 773**	**169 809**	**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 flows

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

Note 1 – Accounting policies

General

Eika Boligkreditt has prepared its 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 historic 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 financial assets and liabilities that are part of fair value hedges, which have been recorded at fair value. Note 1 of the annual report for 2014 contains further details of accounting policies in accordance with the IFRS.

Eika Boligkreditt reclassified tier 1 perpetual bonds during the second quarter 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.

The financial statements for the fourth quarter of 2015 have been prepared in accordance with IAS 34, Interim financial reporting.

Note 2 – Use of estimates and discretion

In the application of the accounting policies, which are described in note 1 of the annual report for 2014, management is required to make judgments, 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 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 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.

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, 9 and 10.

Note 3 – Net gain and loss on financial instruments at fair value

Net gains and losses on financial instruments at fair value

Amounts in NOK 1 000	4th quarter 2015	4th quarter 2014	2015	2014
Net gains and losses on loans at fair value	7 799	14 546	7 830	18 407
Net gains and losses on bonds and certificates	(7 187)	(64)	(30 331)	10 073
Net gains and losses on financial debts, hedged[1]	(485 427)	(4 779 972)	(1 501 374)	(5 439 933)
Net gains and losses on interest swaps related to lending	870	(12 916)	(7 755)	(11 264)
Net gains and losses on interest and currency swaps related to liabilities	497 759	4 794 404	1 734 286	5 419 280
Net gains and losses on financial instruments at fair value[2]	**13 813**	**15 998**	**202 656**	**(3 437)**

[2] Fourth-quarter profit includes positive changes of NOK 7.9 million in the value of basis swaps. In addition to value changes for basis swaps, fourth-quarter profit includes a profit of NOK 5.9 million in other changes to the value of financial instruments. That gives a total positive change of NOK 13.8 million in the value of financial instruments, compared with positive NOK 16 million for the same period of 2014.

In addition to the NOK 228.3 million in positive value changes for basis swaps, value changes to financial instruments for 2015 included NOK 7.8 million in net gain on lending at fair value, a net loss of NOK 7.7 million on financial derivatives, a gain of NOK 4.5 million in fair value hedging on debt securities issued, and a net loss of NOK 30.3 million on bonds and certificates. Profit for 2015 accordingly includes positive changes of NOK 202.6 million in the value of financial instruments, as against a negative NOK 3.4 million for 2014.

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. 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 currencies 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. Derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting.

Note 4 – 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 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 fair value of loans: 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.

The company revised its current distributor agreement in a dialogue with the owner banks during the fourth quarter of 2015, where the most important material change is 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 the 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.

Note 5 – Bonds and certificates at fair value through profit or loss

31 December 2015

Amounts in NOK 1 000

Bonds broken down by issuer sector	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 December 2014

Amounts in NOK 1 000

Bonds broken down by issuer sector	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 6 – Debt securities issued

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**

Note 7 – Subordinated loan capital

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 8 – Coverpool

	Fair value	
Amounts in NOK 1 000	**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

	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 9 – Derivatives and hedging

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 from lending at a fixed interest rate.

	31 Dec 2015		31 Dec 2014	
Assets				
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
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**

Liabilities				
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
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. The hedge object is the swap interest element of the financial liabilities. Interest and currency swaps are used as hedging instruments.

	31 Dec 2015		31 Dec 2014	
Amounts in NOK 1 000	**Nominal amount**	**Value recognised in balance sheet**	**Nominal amount**	**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)**

[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.

Gains/losses on fair value hedging				
Amounts in NOK 1 000	**4th quarter 2015**	**4th quarter 2014**	**2015**	**2014**
Hedging instruments	497 759	4 794 404	1 734 286	5 419 280
Hedged items	(485 427)	(4 779 972)	(1 501 374)	(5 439 933)
Net gains/losses (inefffectiveness)[3]	**12 332**	**14 432**	**232 913**	**(20 653)**

[3]The positive change in value for financial instruments in the fourth quarter of 2015 relate almost entirely to changes in basis swaps. See note 3 for more information.

Note 10 – 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. The company's investments in Treasury bills 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 value 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 are obtained from an acknowledged 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 applicable offered fixed rate at 31 December 2015. Valuation of shares classified as available for sale are based on discounted cash flows.

31 December 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 have taken place in 2015.

31 December 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 has 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 11 – Shares classified as available for sale

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**	**18.79 %**

Note 12 – 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
Total comprehensive income for the period	-	-
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.

31 December 2015

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 standardised 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 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.

The company has a shareholder agreement which commits the owner banks, under given circumstances, to provide it with necessary capital. More information on the shareholder agreement can be found in note 26 to the annual financial statements for 2014.

Note 13 – Loans from credit institutions

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkreditt 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. At 31 December 2015, Eika Boligkreditt had received cash collateral of NOK 5 billion posted by counterparties to derivative contracts. In addition to cash collateral, the company had also received NOK 3.6 billion in bonds as collateral from counterparties to derivative agreements. The value of the bonds provided as collateral is not recognised in the company's balance sheet.

Note 14 – Contingency and overdraft facilities

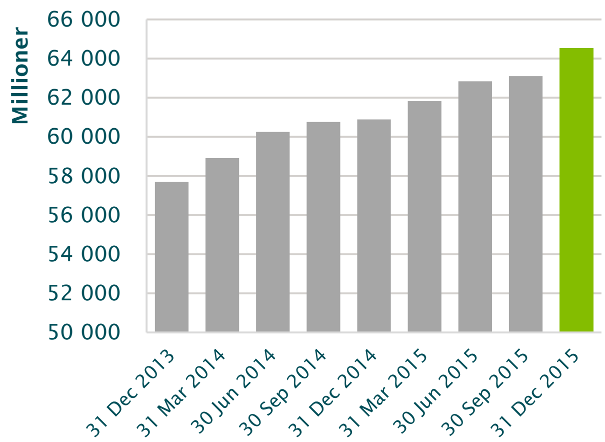
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2014 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby the owner banks and OBOS have accepted a liquidity obligation towards Eika Boligkreditt. More information on the note purchase agreement can be found in note 15 to the annual financial statements for 2014.

Note 15 – Risk management

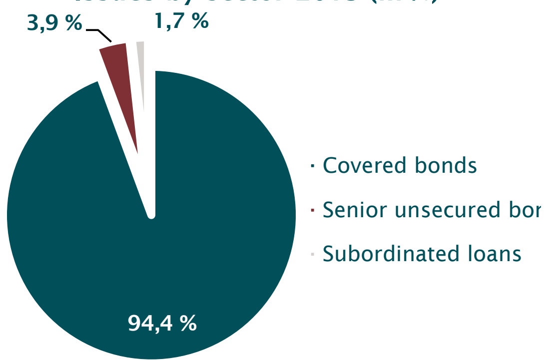
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts for 2014 describes the company's financial risk, which also applies to financial risk in 2015.

Key figures – Development

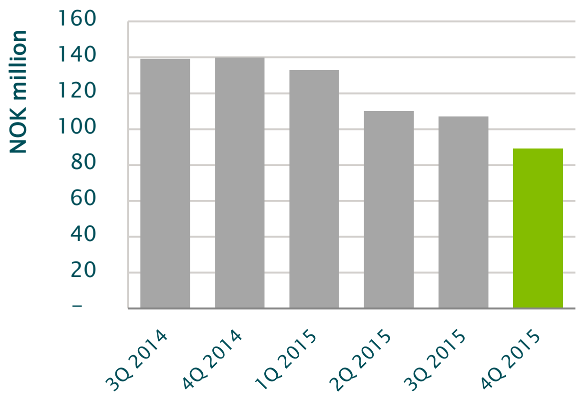
Lending to customers



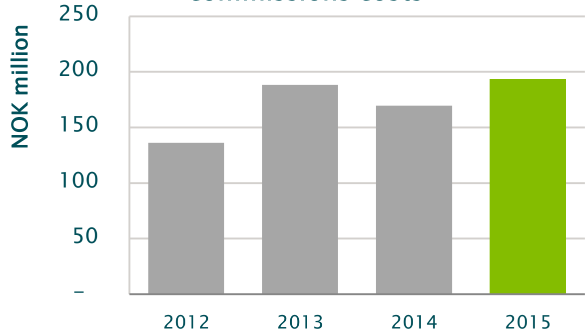
Issues by sector 2015 (in %)



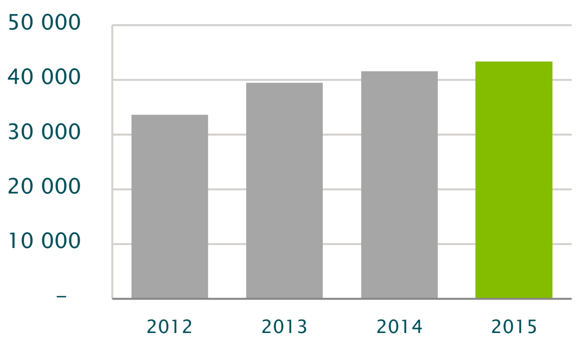
Distributor commissions



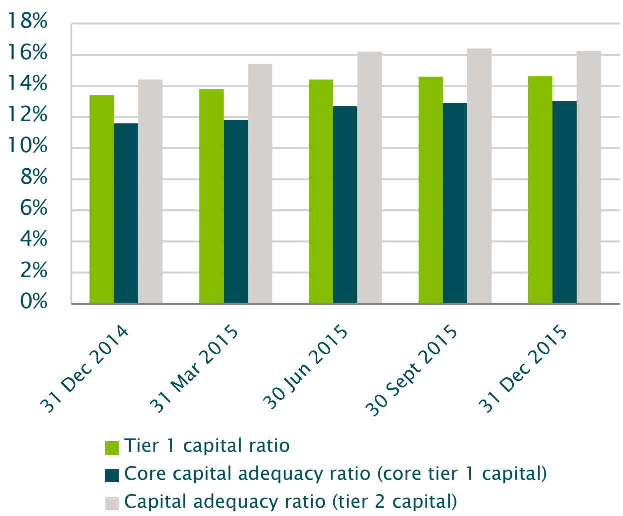
Net interest income after commissions costs



Number of loans



Capital adequacy ratio



Key figures – Unaudited

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 June 2016	30 Sept 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 tax, in % of average equity (return on equity).
[2] Total operating expenses in % of net interest income after commissions costs.
[3] Leverage ratio is calculated in accordance with the CRR/CRD IV regulatory. The calculation of the leverage ratio is described in articles 416 and 417 of the regulations.
[4] Liquidity indicator I:

$$\frac{\text{Funding with remaining time to maturity exceeding 12 months}}{\text{Illiquid assets}}$$

[5] Liquidity indicator II:

$$\frac{\text{Funding with remaining time to maturity exceeding one month}}{\text{Illiquid assets}}$$

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