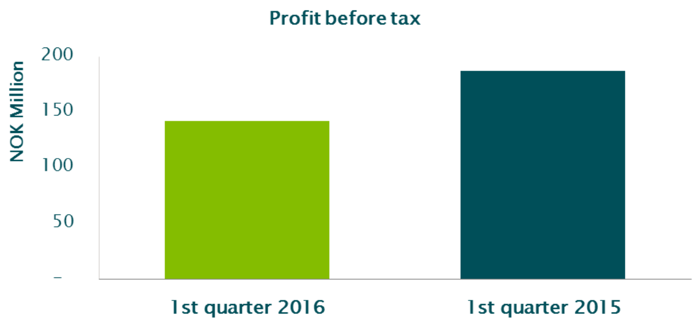
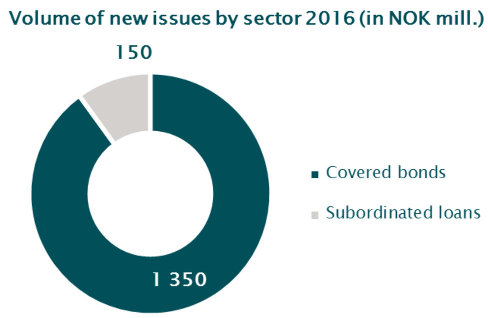
Eika Boligkreditt AS

Interim report for the first quarter 2016

Unaudited

Highlights





First quarter 2016

- Pre-tax profit NOK 142.5 million (2015: NOK 187 million)
- Pre-tax profit NOK 49.5 million (2015: NOK 41 million) excluding NOK 93 million in positive value changes related to the price of basis swaps
- Lending up by 2.6 per cent quarter on quarter (2015: 1.5 per cent)
- Commissions to owner banks of NOK 77 million (2015: NOK 137 million)
- NOK 1.5 billion in bonds issued (2015: NOK 1.75 billion)
- Assets under management of NOK 90.1 billion (NOK 78.5 billion)

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

INTERIM REPORT FOR THE FIRST 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 March 2016, the owner banks had transferred a total of NOK 66.2 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 these bond have become an important source of financing 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 first quarter

Pre-tax profit

Eika Boligkreditt showed a pre-tax profit of NOK 142.5 million for the first quarter, compared with NOK 187.4 million in the same period of 2015. First-quarter profit included positive changes of NOK 93 million (2015: NOK 146.1 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 49.5 million. Profit was otherwise affected by value changes to financial instruments of NOK 19.5 million in net gain on lending at fair value, NOK 13.9 million in net loss on financial derivatives, NOK 85.5 million in net gain on fair value hedging of debt securities (including value changes for basis swaps), and NOK 12 million in net gain on bonds and certificates. That accordingly gives a net gain of NOK 103.1 million in the fair value of financial instruments, compared with NOK 150.2 million for the first quarter of 2015.

NOK 5.7 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, the financial result for 2016 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 462 million in the first quarter, compared with NOK 555 million in the same period of 2015. Its net interest income for the period was NOK 127 million, compared with NOK 185 million for the first quarter of 2015.

These reductions in the company's interest and net interest incomes reflect lower interest rates and reduced margins on residential mortgages in Norway.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 77 million in the first quarter, compared with NOK 137 million for the same period of 2015.

The decline in distributor commissions 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 90.1 billion at 31 March, up by NOK 0.2 billion from 1 January.

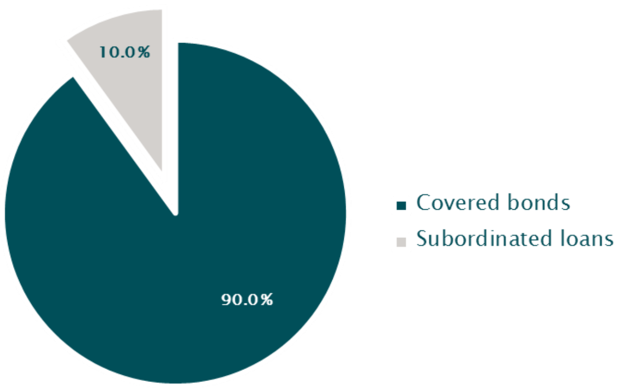
Lending

Eika Boligkreditt's residential mortgage portfolio at 31 March totalled NOK 66.2 billion. That was a net increase of NOK 1.7 billion from 1 January, corresponding to a growth of 10.4 per cent on an annualised basis. This rise reflected a general growth in lending by the owner banks, combined with the transfer of residential mortgages by the owner banks from their own balance sheets to Eika Boligkreditt on a continuous basis.

Borrowing

Eika Boligkreditt issued bonds with a nominal value of NOK 1.5 billion in the first quarter, including NOK 1.35 billion in covered bonds and NOK 150 million in subordinated loans.

Issues by sector (in %) in 2016



All the issues in the first quarter took the form of bonds denominated in Norwegian kroner. Covered bonds accounted for 90 per cent of the issue volume.

The table below shows issues in NOK million during 2016, the corresponding period of 2015, and the whole of 2015 and 2014.

New issues (amounts in NOK million)	Q1 2016	Q1 2015	2015	2014
Covered bonds (issued in EUR)	-	-	4 636	4 123
Covered bonds (issued in NOK)	1 350	1 300	6 250	3 750
Senior unsecured bonds (issued in NOK)	-	250	450	1 975
Subordinated loans (issued in NOK)	150	200	200	-
Tier 1 perpetual bonds (issued in NOK)	-	-	-	200
Totalt issued	**1 500**	**1 750**	**11 536**	**10 048**

The average tenor for bonds issued in the first quarter was 2.7 years. The average tenor for the company's borrowing portfolio at 31 March 2016 was 3.9 years, a reduction of 0.2 years from 1 January.

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

Carrying value in NOK million	31 Mar 2016	31 Mar 2015	31 Dec 2015	31 Dec 2014
Covered bonds	77 045	69 016	76 950	69 952
Senior unsecured bonds	2 926	2 926	2 926	2 926
Subordinated loans	599	449	449	250
Tier 1 perpetual bonds[1]	-	448	-	448
Total borrowing	**80 570**	**72 840**	**80 325**	**73 576**

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

The company's total borrowing at 31 March was NOK 80.6 billion, up by NOK 0.4 billion from 1 January.

Liquidity

At 31 March 2016, the company had a total liquidity portfolio of NOK 13.5 billion, including cash collateral of NOK 4.8 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 3.9 billion. The value of the bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

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 very likely that they will reach such an agreement, which means that OBOS-banken will maintain a substantial residential mortgage portfolio and financing in Eika Boligkreditt during coming years. At 31 March 2016, OBOS-banken had a residential mortgage portfolio and financing in Eika Boligkreditt totalling NOK 7.9 billion. Following a rebalancing of ownership on the basis of OBOS-banken's share of the overall residential mortgage portfolio at 31 December 2015, OBOS holds 11.7 per cent of the shares in Eika Boligkreditt.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 4 655 million at 31 March 2016, an increase of NOK 150 million since 1 January. This rise reflected a new subordinated loan of NOK 150 million in the first quarter.

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.

Eika Boligkreditt has 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. When the CVA risk, the growth in overall lending and an increase in the liquidity portfolio are taken into account, the basis for calculating the capital adequacy ratio is virtually unchanged from 31 December 2015 and amounted to NOK 27.5 billion at 31 March. 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 Mar 2016	31 Dec 2015	31 Dec 2014
Risk-weighted assets	27 541	27 510	25 154
Total primary capital (tier 2 capital)	4 655	4 505	3 623
Capital adequacy ratio in per cent	16.9%	16.4%	14.4%

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: 11.5 per cent (13.1 per cent at 31 March 2016)
- tier 1 capital ratio: 13.0 per cent (14.7 per cent at 31 March 2016)
- tier 2 capital ratio: 15.0 per cent. (16.9 per cent at 31 March 2016)

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 March 2016 with a core tier 1 capital adequacy of 13.1 per cent.

Outlook

The company's lending rose by NOK 1.7 billion in the first quarter, corresponding to a growth of 7.1 per cent over the previous 12 months. By comparison, the portfolio rose by NOK 3.6 billion in 2015. It is expected a slightly higher growth in 2016 than in 2015. Statistics Norway's credit indicator for February 2016 showed a 12-monthly increase of six per cent in Norwegian household debt.

The lending survey from the Bank of Norway for the first quarter showed that household demand for borrowing was in decline and lower than expected, and that the banks expect this to remain unchanged in the time to come. The banks reported lower lending margins on loans to households during the first quarter, and expect a further decline in the second. Eika Boligkreditt's mortgage margins have displayed the same trend as that outlined in the lending survey, but the transfer of residential mortgages by the banks has been stronger than the survey describes.

The bond market had substantially higher liquidity and more stable credit margins in the first quarter than in the autumn of 2015. The credit margin over three-month Nibor for covered bonds issued by the company in Norwegian kroner with a five-year tenor remained unchanged at 74 basis points during the quarter.

Average Norwegian house prices are 5.6 per cent higher than they were 12 months ago. Seasonally adjusted prices rose by 1.8 per cent on a national basis during the first quarter. Substantial regional differences exist. Coastal areas northwards from Aust-Agder had a weaker-than-normal start to the year, while eastern Norway got off to a stronger start than normal. Most analysts forecast a positive but somewhat slower rate of growth for the year as a whole than in 2015.

Economic growth in Norway is expected to recover somewhat in 2016. The negative impulses from the petroleum sector are set to reduce over the year, while mainland demand will rise (Statistics Norway expects 1.4 per cent growth in GDP compared with one per cent in 2015). An expansive monetary policy and a very expansive financial policy go a long way towards explaining why the economic downturn has not been even stronger. 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 some unrest in the time to come, the board believes that interest in Norwegian covered bonds 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, 10 May 2016
The board of directors of Eika Boligkreditt AS

Bjørn Riise
Chair

Olav Sem Austmo

Jon Guste-Pedersen

Tor Egil Lie

Terje Svendsen

Kjartan M. Bremnes
CEO

Statement of comprehensive income

Amounts in NOK 1 000	Notes	1Q 2016	1Q 2015	2015
INTEREST INCOME				
Interest from loans to customers		**425 975**	519 304	1 916 365
Interest from loans and receivables on credit institutions		**7 600**	6 916	33 630
Interest from bonds, certificates and financial derivatives		**23 679**	24 905	98 548
Other interest income		**5 090**	3 801	18 098
Total interest income		**462 345**	554 926	2 066 641
INTEREST EXPENSES				
Interest on debt securities issued		**329 922**	356 889	1 408 889
Interest on subordinated loan capital		**3 945**	9 877	15 357
Other interest expenses		**1 813**	3 553	7 062
Total interest expenses		**335 681**	370 319	1 431 309
Net interest income		**126 664**	184 607	635 332
Commission costs		**72 944**	133 565	441 604
Net interest income after commissions costs		**53 720**	51 042	193 729
Dividend from shares classified as available for sale		**-**	-	6 430
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE				
Net gains and losses on bonds and certificates	Note 3	**12 006**	(6 531)	(30 331)
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**85 556**	156 586	232 913
Net gains and losses on financial derivatives	Note 3	**(13 930)**	6 877	(7 755)
Net gains and losses on loans at fair value	Note 3	**19 506**	(6 743)	7 830
Total gains and losses on financial instruments at fair value		**103 138**	150 189	202 656
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES				
Salaries, fees and other personnel expenses		**6 119**	6 104	26 130
Administrative expenses		**4 339**	4 245	16 434
Total salaries and administrative expenses		**10 457**	10 349	42 565
Depreciation		**458**	490	1 983
Other operating expenses		**3 489**	2 951	13 225
Losses on loans and guarantees		**-**	-	-
PROFIT BEFORE TAXES		**142 454**	187 441	345 042
Taxes		**35 616**	50 146	81 677
PROFIT FOR THE PERIOD		**106 838**	137 295	263 365
Other comprehensive income that will not be reclassified subsequently to P&L (pensions)		**-**	-	1 301
Other comprehensive income that may be reclassified subsequently to P&L (shares)		**-**	-	14 700
Taxes on other comprehensive income		**-**	-	(325)
COMPREHENSIVE INCOME FOR THE PERIOD		**106 838**	20 498	279 041

Of the total comprehensive income for the period above, NOK 36 859 thousand is attributable to the shareholders of the company, NOK 5 812 thousand to the hybrid capital investors and NOK 64 167 thousand to fund for unrealised gains.

Balance sheet

Amounts in NOK 1 000	Notes	31 March 2016	31 March 2015	31 Dec. 2015
ASSETS				
Lending to and receivables from credit institutions		**2 375 497**	2 007 474	3 386 131
Lending to customers	Note 4, 9	**66 200 458**	61 820 992	64 527 405
Other financial assets		**112 567**	120 382	122 069
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,9	**11 129 554**	7 292 402	11 553 507
Financial derivatives	Note 8,9	**10 276 386**	7 232 028	10 309 668
Shares classified as available for sale	Note 10	**29 700**	15 000	29 700
Total securities		**21 435 640**	14 539 430	21 892 875
Other intangible assets				
Deferred tax assets		-	32 419	-
Intangible assets		**3 333**	4 858	3 690
Total other intangible assets		**3 333**	37 277	3 690
TOTAL ASSETS		**90 127 495**	78 525 555	89 932 170
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 12	**4 795 512**	2 082 344	4 967 024
Financial derivatives	Note 8,9	**79 470**	63 787	66 236
Debt securities issued	Note 6	**79 970 503**	71 941 947	79 876 051
Other liabilities		**292 960**	371 944	284 691
Pension liabilities		**6 055**	6 683	6 055
Deferred tax		**40 128**	-	40 128
Subordinated loan capital	Note 7	**599 260**	897 826	449 518
TOTAL LIABILITIES		**85 783 887**	75 364 531	85 689 703
Called-up and fully paid capital				
Share capital		**856 674**	713 455	856 674
Share premium		**2 203 709**	1 746 928	2 203 709
Other paid-in equity		**477 728**	477 728	477 728
Total called-up and fully paid capital	Note 12	**3 538 111**	2 938 111	3 538 111
Retained earnings				
Fund for unrealised gains		**149 940**	-	85 773
Other equity		**206 667**	222 913	169 808
Total retained equity	Note 12	**356 607**	222 913	255 582
Hybrid capital				
Tier 1 capital		**448 890**	-	448 775
Total hybrid capital		**448 890**	-	448 775
TOTAL EQUITY		**4 343 608**	3 161 024	4 242 467
TOTAL LIABILITIES AND EQUITY		**90 127 495**	78 525 555	89 932 170

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 2015	**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**
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**
Result for the period	-	-	-	64 167	36 859	5 812	**106 838**
Interest tier 1 capital	-	-	-	-	-	(5 697)	**(5 697)**
Balance sheet as at 31 March 2016	**856 673**	**2 203 709**	**477 728**	**149 940**	**206 668**	**448 890**	**4 343 608**

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. Interest is not recognised as interest expense in the profit and loss account, but as a reduction to equity. 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.

Statement of cash flows

Amounts in NOK 1 000	1Q 2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	106 838	263 365
Taxes	35 616	81 677
Income taxes paid	(4 604)	(26 644)
Ordinary depreciation	458	1 983
Non-cash pension costs	-	673
Change in loans to customers	(1 673 053)	(3 638 421)
Change in bonds and certificates	423 953	(3 632 977)
Change in financial derivatives and debt securities issued	(86 696)	(199 353)
Interest expenses	335 681	1 431 309
Paid interest	(339 403)	(1 434 520)
interest income	457 254	2 048 543
received interests	(468 788)	(2 044 414)
Changes in other assets	21 035	(21 057)
Changes in short-term liabilities and accruals	(5 787)	(69 993)
Net cash flow relating to operating activities	**(1 197 496)**	**(7 239 829)**
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(100)	(1 064)
Net cash flow relating to investing activities	**(100)**	**(1 064)**
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	1 352 677	11 273 811
Gross payments of bonds and commercial paper	(1 138 247)	(5 777 050)
Gross receipts on issue of subordinated loan capital	149 742	200 316
Gross receipts from issue of loan from credit institution	(171 512)	706 540
Interest to the hybrid capital investors	(5 697)	-
Payments of dividend	-	(84 616)
Paid-up new share capital	-	600 000
Net cash flow from financing activities	**186 963**	**6 919 001**
Net changes in lending to and receivables from credit institutions	(1 010 634)	(321 892)
Lending to and receivables from credit institutions at 1 January	3 386 130	3 708 022
Lending to and receivables from credit institutions at end of period	**2 375 496**	**3 386 130**

Notes

Note 1 – Accounting policies

General

Eika Boligkreditt has prepared its accounts for 2016 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 2015 contains further details of accounting policies in accordance with the IFRS.

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

The financial statements for the first quarter of 2016 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 2015, 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 March 2016.

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	1st quarter 2016	1st quarter 2015	2015
Net gains and losses on loans at fair value	19 506	(6 743)	7 830
Net gains and losses on bonds and certificates	12 006	(6 531)	(30 331)
Net gains and losses on financial debts, hedged[1]	119 978	1 529 526	(1 501 374)
Net gains and losses on interest swaps related to lending	(13 930)	6 877	(7 755)
Net gains and losses on interest and currency swaps related to liabilities	(34 423)	(1 372 940)	1 734 286
Net gains and losses on financial instruments at fair value[2]	**103 138**	**150 189**	**202 656**

[1] The company utilises hedge accounting for long-term borrowing in foreign currency, where the cash flows are matched 1:1 through derivative contracts versus the corresponding hedging object.

[2] First-quarter profit includes positive changes of NOK 93.0 million in the value of basis swaps. In addition to value changes for basis swaps, first-quarter profit includes a profit of NOK 10.3 million in other changes to the value of financial instruments. That gives a total positive change of NOK 103.1million in the value of financial instruments, compared with positive NOK 150.2 million for the same period of 2015.

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 Mar 2016	31 Mar 2015	31 Dec 2015
Installment loans - retail market	56 922 128	53 236 077	55 609 560
Installment loans - housing cooperatives	9 210 426	8 542 294	8 868 801
Adjustment fair value lending to customers [1]	67 903	42 622	49 042
Total lending before specific and general provisions for losses	**66 200 458**	**61 820 992**	**64 527 405**
Individual impairments	-	-	-
Unspecified group impairments	-	-	-
Total lending to and receivables from customers	**66 200 458**	**61 820 992**	**64 527 405**

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 March 2016.

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

31 Mar 2016

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	63 121 984	63 121 984
Fixed rate loans	3 010 570	3 078 474
Toal lending	**66 132 554**	**66 200 458**

31 Mar 2015

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	59 773 135	59 773 135
Fixed rate loans	2 005 236	2 047 858
Toal lending	**61 778 371**	**61 820 992**

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**

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.

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

31 March 2016

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	2 390 667	2 390 556	2 391 557
Credit institutions	4 963 131	4 989 052	4 981 042
Government bonds	761 212	766 904	760 261
Treasury bills	2 995 318	2 996 693	2 996 694
Total bonds and certificates at fair value through profit or loss	**11 110 328**	**11 143 205**	**11 129 554**
Change in value charged to the profit and loss account			**(13 651)**

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

31 March 2015

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	558 950	558 905	558 955
Credit institutions	5 124 916	5 158 216	5 142 636
Government bonds	726 612	731 180	721 429
Treasury bills	905 661	905 745	869 382
Total bonds and certificates at fair value through profit or loss	**7 316 139**	**7 354 046**	**7 292 402**
Change in value charged to the profit and loss account			**(61 644)**

Average effective interest rate is 1.18 per cent annualised. The calculation is based on a weighted fair value.

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 1.01 per cent in 2015. The calculation is based on a weighted fair value.

	31 Mar 2016	31 Mar 2015	31 Dec 2015
Average term to maturity	**1.2**	**1.9**	**1.4**
Average duration	**0.1**	**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 Mar 2016	31 Mar 2015	31 Dec 2015
NO0010502149	1 200 000	NOK	Floating	3M Nibor + 0.70%	2009	2019	1 208 675	1 211 620	1 209 407
NO0010536089	200 000	NOK	Floating	3M Nibor + 0.40%	2009	2015	-	-	-
NO0010561103	1 948 000	NOK	Fixed	5.00%	2009	2019	1 993 362	2 005 618	1 996 409
NO0010565211	327 000	NOK	Fixed	4.40%	2010	2015	-	-	-
NO0010572373	2 977 000	NOK	Floating	3M Nibor + 0.53%	2010	2016	2 976 940	4 608 798	4 036 677
XS0537088899	487 133	EUR	Fixed	2.13%	2010	2015	-	4 230 655	-
NO0010605587	1 000 000	NOK	Fixed	5.20%	2011	2021	1 000 000	1 000 000	1 000 000
NO0010612179	700 000	NOK	Fixed	4.65%	2011	2018	706 222	709 076	706 932
NO0010612039	4 000 000	NOK	Floating	3M Nibor + 0.55%	2011	2018	4 006 142	2 703 630	2 702 772
NO0010625346	1 500 000	NOK	Fixed	4.60%	2011	2026	1 500 958	1 501 050	1 500 981
NO0010631336	658 000	NOK	Fixed	3.75%	2011	2016	658 100	850 547	738 211
XS0736417642	500 000	EUR	Fixed	2.25%	2012	2017	4 714 169	4 335 808	4 794 878
NO0010648884	308 000	NOK	Floating	3M Nibor + 0.42%	2012	2015	-	119 994	-
NO0010648892	1 400 000	NOK	Floating	3M Nibor + 0.74%	2012	2017	1 400 515	1 400 953	1 400 624
XS0794570944	650 000	EUR	Fixed	2.00%	2012	2019	6 111 612	5 619 950	6 216 586
XS0851683473	1 000 000	EUR	Fixed	1.25%	2012	2017	9 424 292	8 670 521	9 586 444
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	5 239 809	5 245 216	5 241 153
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53%	2012	2018	1 000 855	1 001 175	1 000 934
NO0010663743	1 000 000	NOK	Fixed	3.25%	2012	2019	1 006 313	1 008 036	1 006 742
NO0010669922	1 000 000	NOK	Fixed	4.00%	2013	2028	996 389	996 082	996 313
XS0881369770	1 000 000	EUR	Fixed	2.125%	2013	2023	9 399 791	8 648 761	9 562 629
NO0010685480	5 000 000	NOK	Floating	3M Nibor + 0.54%	2013	2020	5 026 362	3 537 855	5 027 756
NO0010685704	550 000	NOK	Fixed	3.50%	2013	2020	552 113	552 563	552 225
NO0010687023	150 000	NOK	Fixed	4.10%	2013	2028	150 000	150 000	150 000
NO0010697204	300 000	SEK	Fixed	2.38%	2013	2018	306 622	280 396	313 957
NO0010697212	700 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	716 090	655 142	733 266
XS1044766191	500 000	EUR	Fixed	1.50%	2014	2021	4 691 766	4 313 556	4 772 513
NO0010732258	3 175 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	3 161 061	798 800	3 111 754
NO0010733694	1 150 000	NOK	Fixed	1.75%	2015	2021	1 142 923	-	1 142 602
XS1312011684	500 000	EUR	Fixed	0.625%	2015	2021	4 690 748	-	4 771 603
Value adjustments							3 263 173	2 860 292	2 677 130
Total covered bonds [1]							**77 045 003**	**69 016 060**	**76 950 496**

[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 Mar 2016	31 Mar 2015	31 Dec 2015
NO0010673106	250 000	NOK	Floating	3M Nibor + 0.80%	2013	2015	-	-	-
NO0010691991	200 000	NOK	Floating	3M Nibor + 0.69%	2013	2015	-	199 967	-
NO0010697733	600 000	NOK	Floating	3M Nibor + 0.90%	2013	2016	600 006	600 016	600 009
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 837	199 777	199 822
NO0010705593	600 000	NOK	Floating	3M Nibor + 0.65 %	2014	2017	600 578	600 978	600 677
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 511	425 657	425 547
NO0010711716	400 000	NOK	Floating	3M Nibor + 0.36%	2014	2016	399 989	399 909	399 969
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	249 848	249 801	249 836
NO0010732886	250 000	NOK	Floating	3m Nibor + 0.30%	2015	2017	249 889	249 783	249 863
NO0010739287	200 000	NOK	Floating	3m Nibor + 0.70%	2015	2020	199 841	-	199 832
Total senior unsecured bonds							**2 925 500**	**2 925 888**	**2 925 555**

Total debt securities issued	**79 970 503**	**71 941 947**	**79 876 051**

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 Mar 2016	31 Mar 2015	31 Dec 2015
NO0010679632	250 000	NOK	Floating	3M Nibor + 2.20% [1]	2013	2023	249 786	249 686	249 761
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85% [2]	2015	2025	199 772	199 712	199 757
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% [3]	2016	2026	149 702	-	-
Total subordinated loans							**599 260**	**449 397**	**449 518**
Total tier 1 perpetual bonds [4]							-	**448 429**	-
Total subordinated loan capital							**599 260**	**897 826**	**449 518**

[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] Subordinated loan of NOK 150 million maturing on 17 March 2026, with a redemption right (call) on 17 March 2021 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.

[4] 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 Mar 2016	31 Mar 2015	31 Dec 2015
Lending to customers [1]	65 331 462	61 820 992	64 527 405
Substitute assets and derivatives:			
Financial derivatives (net)	10 196 916	7 168 241	10 243 432
Substitute assets [2]	8 706 537	7 217 727	9 970 307
Total	**84 234 915**	**76 206 961**	**84 741 144**
The cover pool's overcollateralisation	109.28%	110.40%	110.07%

Covered bonds issued

	31 Mar 2016	31 Mar 2015	31 Dec 2015
Covered bonds	77 045 003	69 016 060	76 950 496
Premium/discount	34 864	13 270	39 349
Total covered bonds	**77 079 867**	**69 029 330**	**76 989 845**

[1]Loans, which have collateral without legal protection, are excluded.

[2]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 Mar 2016		31 Dec 2015	
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	10 276 386	43 170 312	10 309 644
Total financial derivative assets	**43 170 312**	**10 276 386**	**43 203 812**	**10 309 668**

Liabilities				
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Interest rate swap lending[1]	2 867 500	78 807	2 788 500	64 902
Interest rate and currency swap[2]	112 000	663	112 000	1 335
Total financial derivative liabilities	**2 979 500**	**79 470**	**2 900 500**	**66 236**

[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 Mar 2016		31 Dec 2015	
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	10 275 723	43 058 312	10 308 309
Hedged items: financial commitments incl foreign exchange[2]	43 058 312	(10 129 554)	43 058 312	(10 249 533)
Net value recognised in balance sheet	-	**146 169**	-	**58 776**

[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	**1st quarter 2016**	**1st quarter 2015**	**2015**
Hedging instruments	(34 423)	(1 372 940)	1 734 286
Hedged items	119 978	1 529 526	(1 501 374)
Net gains/losses (inefffectiveness)[3]	**85 556**	**156 586**	**232 912**

[3]The positive change in value for financial instruments in the first quarter of 2016 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 March 2016. Valuation of shares classified as available for sale are based on discounted cash flows.

31 March 2016

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 078 474
Bonds and certificates at fair value through profit or loss	3 756 955	7 372 599	-
Financial derivatives	-	10 276 386	-
Shares classified as available for sale	-	-	29 700
Total financial assets	**3 756 955**	**17 648 986**	**3 108 174**
Financial liabilities			
Financial derivatives	-	79 470	-
Total financial liabilities	**-**	**79 470**	**-**

No significant transactions between the different levels have taken place in 2016.

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**	**-**

Detailed statement of assets classified as level 3

2016 Amounts in NOK 1 000	01 Jan 2016	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2016	Other comprehensive income	31 Mar 2016
Lending to customers (fixed-rate loans)	2 979 081	171 309	(91 422)	-	19 506	-	3 078 474
Shares available for sale	29 700	-	-	-	-	-	29 700
Total	**3 008 781**	**171 309**	**(91 422)**	**-**	**19 506**	**-**	**3 108 174**

2015 Amounts in NOK 1 000	01 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**	**14 699.91**	**3 008 781**

Interest rate sensitivity of assets classified as Level 3 at 31 March 2016
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 92 million. The effect of a decrease in interest rates would be an increase of NOK 92 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 March 2016 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	**353 269**	**15 000**	**29 700**	**18.79 %**

Note 12 – Capital adequacy ratio

Amounts in NOK 1 000	31 Mar 2016	31 Mar 2015	31 Dec 2015
Share capital	856 674	713 455	856 674
Share premium	2 203 709	1 746 928	2 203 709
Other paid-in equity	477 728	477 728	477 728
Total comprehensive income for the period	-	-	-
Other equity	1 002	999	1 003
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**3 539 113**	**2 939 109**	**3 539 113**
Fund for unrealised gains	85 773	-	85 773
Intangible assets	(3 333)	(4 858)	(3 690)
Deferred tax assets[1]	-	-	-
Prudent valuation adjustments of fair valued positions	(14 433)	(9 391)	(14 656)
Total core tier 1 capital	**3 607 120**	**2 924 861**	**3 606 540**

Core capital adequacy ratio (core tier 1 capital)	**31 Mar 2016**	**31 Mar 2015**	**31 Dec 2015**
Weighted calculation basis	27 541 743	24 832 964	27 509 998
Core tier 1 capital	3 607 120	2 924 861	3 606 540
Core tier 1 capital ratio	**13.1%**	**11.8%**	**13.1%**
Total core tier 1 capital	3 607 120	2 924 861	3 606 540
Tier 1 perpetual bonds	448 890	448 429	448 775
Total tier 1 capital	**4 056 010**	**3 373 289**	**4 055 315**

Capital adequacy ratio (tier 1 capital)	**31 Mar 2016**	**31 Mar 2015**	**31 Dec 2015**
Weighted calculation basis	27 541 743	24 832 964	27 509 998
Tier 1 capital	4 056 010	3 373 289	4 055 315
Tier 1 capital ratio	**14.7%**	**13.6%**	**14.7%**
Total tier 1 capital	4 056 010	3 373 289	4 055 315
Subordinated loans	599 260	449 397	449 518
Total primary capital (tier 2 capital)	**4 655 270**	**3 822 687**	**4 504 832**

Capital adequacy ratio (tier 2 capital)	**31 Mar 2016**	**31 Mar 2015**	**31 Dec 2015**
Weighted calculation basis	27 541 743	24 832 964	27 509 998
Total primary capital (tier 2 capital)	4 655 270	3 822 687	4 504 832
Capital adequacy ratio	**16.9%**	**15.4%**	**16.4%**
Required capital corresponding to eight per cent of calculation basis	2 203 339	1 986 637	2 200 800
Surplus equity and subordinated capital	2 451 931	1 836 050	2 304 032

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

31 March 2016

Calculation basis	**Weighted calculation basis**	**Capital requirement**
Credit risk	25 467 621	2 037 410
Operational risk	336 653	26 932
CVA risk[2]	1 737 468	138 997
Total	**27 541 743**	**2 203 339**

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 March, 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 has increased its capital targets. These are now specified as follows, 11.5 per cent core tier 1, 13 per cent tier 1 and 15 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 2015.

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 March 2016, Eika Boligkreditt had received cash collateral of NOK 4.8 billion posted by counterparties to derivative contracts. In addition to cash collateral, the company had also received NOK 3.9 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.

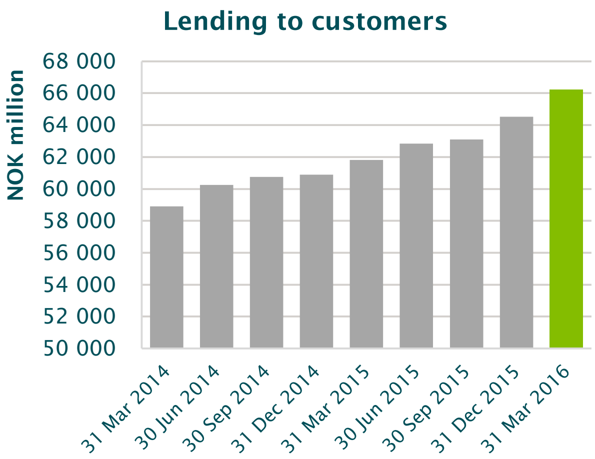
Note 14 – Contingency and overdraft facilities

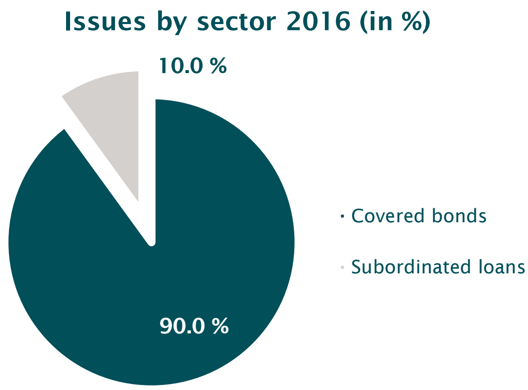
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2015 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby 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 2015.

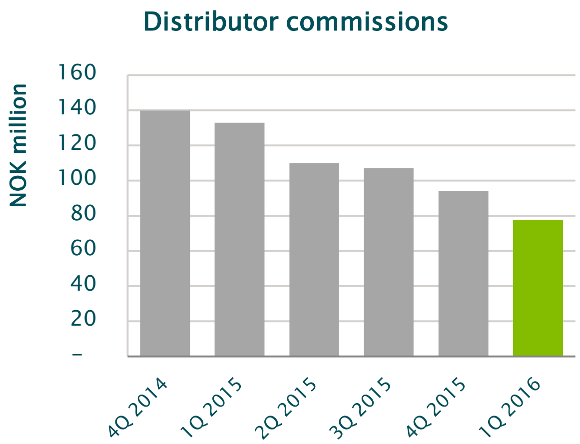
Note 15 – Risk management

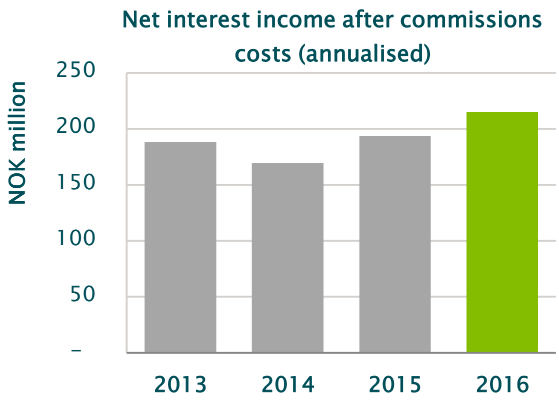
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts for 2015 describes the company's financial risk, which also applies to financial risk in 2016.

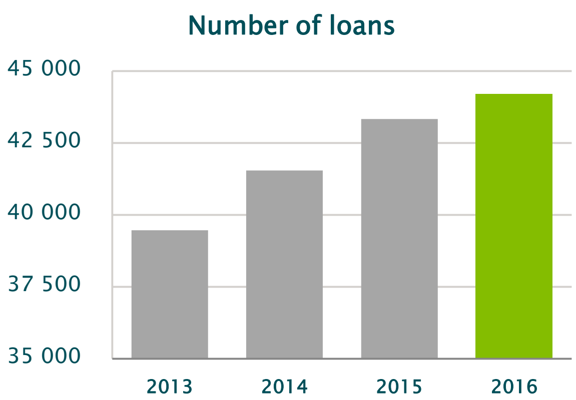
Key figures – Development

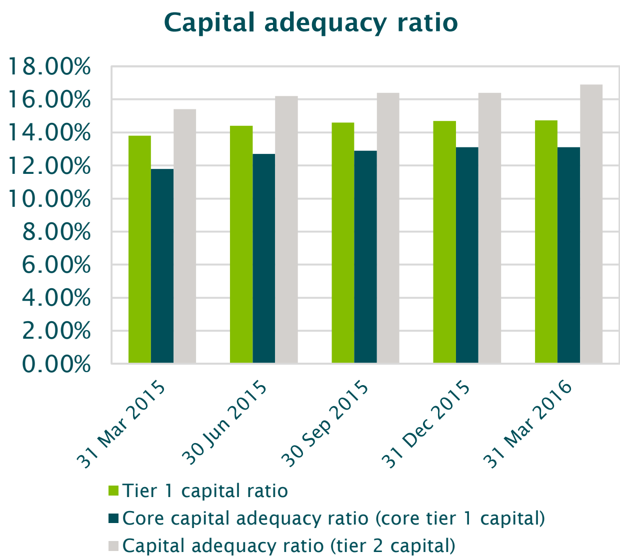












Key figures – Unaudited

Amounts in NOK 1 000	31 Mar 2016	31 Mar 2015	31 Dec 2015
Balance sheet development			
Lending to customers	66 200 458	61 820 992	64 527 405
Debt securities issued	79 970 503	71 941 947	79 876 051
Subordinated loan capital	599 260	897 826	449 518
Equity	4 343 608	3 161 024	4 242 467
Equity in % of total assets	4.8	4.0	4.7
Average total assets	90 029 833	79 911 951	82 844 186
Total assets	90 127 495	78 525 555	89 932 170
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.3	0.7	0.5
Staff and general administration expenses in relation to average total assets, annualised (%)	0.0	0.1	0.1
Return on equity before tax, annualised (%)[1]	16.1	25.5	10.7
Total assets per full-time position	4 551 894	3 965 937	4 542 029
Cost/income ratio (%)[2]	26.8	27.0	29.8
Financial strength			
Core tier 1 capital	3 607 120	2 924 861	3 606 540
Tier 1 capital	4 056 010	3 373 289	4 055 315
Total primary capital (tier 2 capital)	4 655 270	3 822 687	4 504 832
Calculation basis capital adequacy ratio	27 541 743	24 832 964	27 509 998
Core tier 1 capital ratio (%)	13.1	11.8	13.1
Tier 1 capital ratio (%)	14.7	13.6	14.7
Capital adequacy ratio % (tier 2 capital)	16.9	15.4	16.4
Leverage ratio (%)[3]	4.3	4.1	4.3
Defaults in % of gross loans	-	-	-
Loss in % of gross loans	-	-	-
Staff			
Number of full-time positions at end of period	19.8	19.8	19.8

Overview of liquidity indicators and prognosis

	Actual	Prognosis			
As of	**31 Mar 2016**	**30 Jun 2016**	**30 Sep 2016**	**31 Dec 2016**	**31 Mar 2017**
Liquidity Indicator I [4]	100%	105%	108%	100%	100%
Liquidity Indicator II [5]	113%	114%	118%	114%	114%
Average of indicators	**106%**	**110%**	**113%**	**107%**	**107%**

[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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