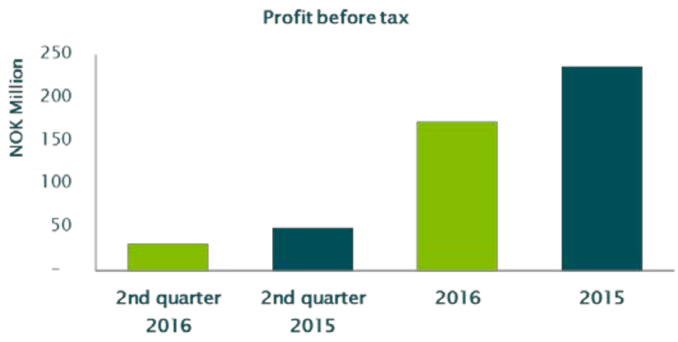
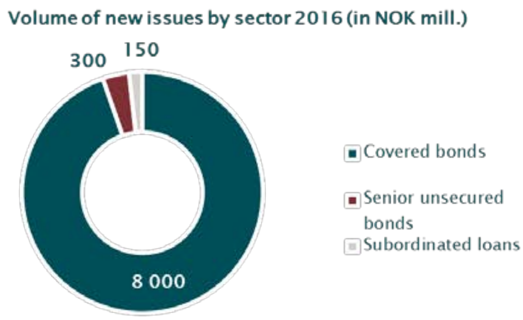
Eika Boligkreditt AS

Interim report for the second quarter and first half 2016

Unaudited

Highlights





Second quarter 2016

- **Pre-tax profit NOK 31 million (2015: NOK 50 million)**
- **Pre-tax profit NOK 65.5 million (2015: NOK 27 million) excluding NOK 34.5 million in negative value changes related to the price of basis swaps**
- **Lending up by 2.4 per cent quarter on quarter**
- **Commissions to owner banks of NOK 76.5 million (2015: NOK 114 million)**
- **NOK 6.5 billion in bonds issued (2015: NOK 4.1 billion)**

First half of 2016

- **Pre-tax profit NOK 174 million (2015: NOK 237 million)**
- **Pre-tax profit NOK 115 million (2015: NOK 68 million) excluding NOK 58.5 million in positive value changes related to the price of basis swaps**
- **Lending up by 7.8 per cent during the first half (annualised rate)**
- **Commissions to owner banks of NOK 153.7 million (2015: NOK 251 million)**
- **NOK 8.45 billion in bonds issued (2015: NOK 5.85 billion)**

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

INTERIM REPORT FOR THE SECOND QUARTER AND FIRST HALF OF 2016

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 time to maturity, their terms and the depth of access. The object of the company's business is to reduce risk for the owner banks. At 30 June 2016, the owner banks had transferred a total of NOK 67.8 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 this type of bond has 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 access to financing both in Norway and internationally.

Profit and loss account for the second quarter and first half of 2016

Pre-tax profit

Eika Boligkreditt showed a pre-tax profit of NOK 31 million for the second quarter, compared with NOK 50 million in the same period of 2015. Second-quarter profit included negative changes of NOK 34.5 million (2015: NOK 23 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 65.5 million (2015: NOK 27 million). Profit included a net loss of NOK 18.7 million in the fair value of financial instruments, compared with a net gain of NOK 15.7 million for the second quarter of 2015.

The company had a pre-tax profit of NOK 173.5 million for the first half, compared with NOK 237.4 million in the same period of 2015. First-half profit included positive changes of NOK 58.5 million (2015: NOK 169 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 115 million (2015: NOK 68 million). Profit included a net gain of NOK 84.5 million in the fair value of financial instruments, compared with a net gain of NOK 165.9 million for the first half of 2015.

Interest on tier 1 perpetual bonds of NOK 5.6 million in the second quarter and NOK 11.3 million for the first half is not presented as an interest expense in the income statement, but as a reduction in equity.

As reported above, the financial results were 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 461 million in the second quarter, compared with NOK 530 million for the same period of 2015. Its net interest income for the period was NOK 130 million, compared with NOK 153 million for the second quarter of 2015.

Interest income amounted to NOK 923 million in the first half, compared with NOK 1 085 million for the same period of 2015. Net interest income for the period was NOK 257 million, compared with NOK 338 million for the first half of last year.

The reduction in the company's interest and net interest incomes was primarily a result of lower interest rates on residential mortgages in the cover pool, and to some extent a reduction in loan margins.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 76.5 million in the second quarter, compared with NOK 114 million for the same period of 2015.

Where the first half is concerned, distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 153.7 million, compared with NOK 251 million for the same period of 2015. The reduction in distributor commissions reflected reduced loan margins for the owner banks on the residential mortgage portfolio in the company's cover pool.

Balance sheet and liquidity

Balance sheet

Assets under management by Eika Boligkreditt amounted to NOK 92.4 billion at 30 June, up by NOK 2.5 billion from 1 January.

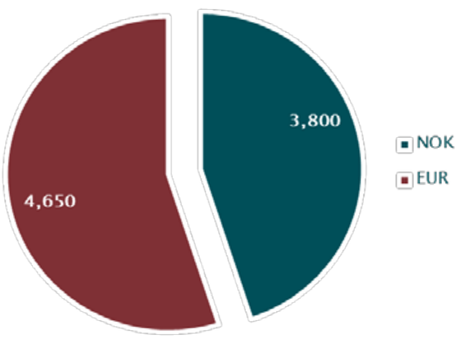
Lending

Eika Boligkreditt's residential mortgage portfolio had risen to NOK 67.8 billion at 30 June, a net increase of NOK 3.2 billion from 1 January. That represents a net growth of five per cent for the first half. This 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.

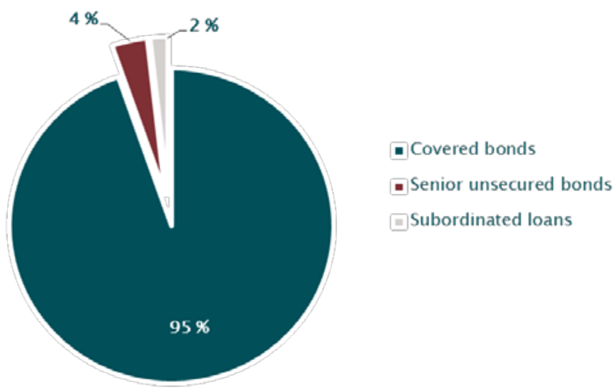
Borrowing

Eika Boligkreditt issued bonds with a nominal value of NOK 6.95 billion in the second quarter, including NOK 6.65 billion in covered bonds and NOK 300 million in senior unsecured bonds. Issues during the first half totalled NOK 8.45 billion, including NOK 8 billion in covered bonds, NOK 300 million in senior unsecured bonds and NOK 150 million in subordinated loans.

Issues by currency (in NOK) million in 2016



Issues by sector (in %) in 2016



Of bond issues in the first half, 45 per cent were denominated in Norwegian kroner and 55 per cent in euros. Covered bonds accounted for 95 per cent of the issue volume.

The table below shows issues in the first half of 2016, the corresponding period of 2015, and the whole of 2015 and 2014.

New issues (amounts in NOK million)	1st half 2016	1st half 2015	2015	2014
Covered bonds (issued in EUR)	4 650	-	4 636	4 123
Covered bonds (issued in NOK)	3 350	5 200	6 250	3 750
Senior unsecured bonds (issued in NOK)	300	450	450	1 975
Subordinated loans (issued in NOK)	150	200	200	-
Tier 1 perpetual bonds (issued in NOK)	-	-	-	200
Totalt issued	**8 450**	**5 850**	**11 536**	**10 048**

The average tenor for bonds issued in the first half was 5.7 years. The average tenor for the company's borrowing portfolio at 30 June 2016 was 4.1 years, unchanged from 1 January.

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

Carrying value in NOK million	30 Jun 2016	30 Jun 2015	31 Dec 2015	31 Dec 2014
Covered bonds	79 597	71 797	76 950	69 952
Senior unsecured bonds	2 823	3 126	2 926	2 926
Subordinated loans	599	449	449	250
Tier 1 perpetual bonds[1]	-	-	-	448
Total borrowing	**83 019**	**75 371**	**80 325**	**73 576**

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

The company's total borrowing at 30 June was NOK 83 billion, up by NOK 2.7 billion from 1 January.

Liquidity

At 30 June 2016, the company had a total liquidity portfolio of NOK 14.7 billion, including cash collateral of NOK 4.6 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.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 4 804 million at 30 June 2016, an increase of NOK 300 million since 1 January. This rise reflected a new subordinated loan of NOK 150 million in the first quarter and an equity issue of NOK 150 million during the second 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 calculates the risk of credit valuation adjustment (CVA) at counterparties. This represents a supplement to the capital requirement for credit risk related to counterparty risk for derivatives. When the increase in the CVA risk and the growth in overall lending are taken into account, the basis for calculating the capital adequacy ratio at 30 June was up by NOK 1.1 billion from 1 January 2015 and amounted to NOK 28.6

billion. This amount represents a quantification of the company's risk, and its primary capital is calculated as a proportion of this calculation base.

The table below presents developments in the capital adequacy ratio.

Amounts in NOK million	30 Jun 2016	31 Dec 2015	31 Dec 2014
Risk-weighted assets	28 575	27 510	25 154
Total primary capital (tier 2 capital)	4 804	4 505	3 623
Capital adequacy ratio in per cent	16,8%	16,4%	14,4%

On the basis of a rise in the countercyclical capital buffer requirement from one to 1.5 per cent at 30 June 2016, the company has increased its internal capital targets with effect from the same date. These are specified as follows:

- core tier 1 capital ratio: 12.0 per cent (13.1 per cent at 30 June 2016)
- tier 1 capital ratio: 13.5 per cent (14.7 per cent at 30 June 2016)
- tier 2 capital ratio: 15.5 per cent (16.8 per cent at 30 June 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 30 June 2016 with a core tier 1 capital adequacy of 13.1 per cent.

Outlook

The company's residential mortgage portfolio showed a net increase of NOK 3.2 billion in the first half, corresponding to a growth of NOK 4.9 billion or 7.1 per cent in lending over the previous 12 months. That compared with a growth of NOK 3.6 billion for 2015 as a whole. The company expects growth in lending for 2016 as a whole to be higher than in 2015. This increase reflects the fact that the owner banks transfer new residential mortgages as well as established residential mortgages from their own balance sheet to Eika Boligkreditt. Statistics Norway's credit indicator for May 2016 showed a 12-monthly increase of 5.8 per cent in Norwegian household debt.

The lending survey from the Bank of Norway for the second quarter of 2016 showed increased household demand for borrowing, and particularly for ordinary residential mortgages. In the survey, the banks reported lower lending margins on loans to households during the second quarter and expected a further decline in the third. The development of mortgage margins and residential mortgages in Eika Boligkreditt's cover pool have displayed the same trend as that outlined in the lending survey.

The bond market had substantially higher liquidity and more stable credit margins in the first half 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 fell by nine basis points to 65 during the half-year. All the contraction in credit margins occurred in the second quarter.

According to the housing price report from Real Estate Norway, average Norwegian house prices are 7.3 per cent higher than they were 12 months ago. Seasonally adjusted prices rose by 2.8 per cent on a national basis during the second quarter, following a two-per-cent increase in 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 forecasters have adjusted up their housing price predictions for 2016 after stronger progress in the first half. Real Estate Norway has revised its forecasts for average housing price growth during 2016 from three-five per cent to seven-eight per cent.

Economic growth in Norway is expected to be moderate in 2016. The negative impulses from the petroleum sector are declining, while mainland demand is rising. Statistics Norway expects 0.9 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 top out at 4.7 per cent. 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.

The Brexit vote in the UK has had a fairly substantial impact on share prices and interest rates. The latter have declined to record low levels, with German government bonds providing an example. The 10-year interest rate on these has fallen by 30 basis points to -0.19 percentage points. Share prices for banks domiciled in European Monetary Union countries are down by 23 per cent measured against a market-weighted index post-Brexit. Following the UK referendum, the solvency of European banks has attracted greater attention. New stress tests have exposed the need for substantial capital increases in certain banks. The increased attention being paid to Brexit effects and the lack of solvency in parts of the European banking system could mean more turbulence in the international financial market, and particularly the euro zone, during the autumn.

Credit margins for Norwegian covered bonds have been unaffected so far by the rising instability. Norway's sound macroeconomic position compared with other European countries, combined with a generally positive economic position for private households and companies not affected by the oil slowdown, 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, 12 August 2016
The board of directors of Eika Boligkreditt AS

Bjørn Riise Chair	Tor Egil Lie
Jon Gunnar Guste-Pedersen	Olav Sem Austmo
Terje Svendsen	Kjartan M Bremnes CEO

DECLARATION PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

We hereby confirm that, to the best of our knowledge, the company's interim financial statements for the period from 1 January to 30 June 2016 have been prepared in accordance with applicable accounting standards, and that the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the business.

To the best of our knowledge, the directors' half-year report provides a true and fair overview of important events in the accounting period and their influence on the financial statements, and a description of the most important risk factors and uncertainties facing the business in the next accounting period

Oslo, 12 August 2016

The board of directors of Eika Boligkreditt AS

Bjørn Riise Chair	Tor Egil Lie
Jon Guste-Pedersen	Olav Sem Austmo
Terje Svendsen	Kjartan M. Bremnes CEO

Statement of comprehensive income

Amounts in NOK 1 000	Notes	2Q 2016	2Q 2015	1st half 2016	1 st half 2015	2015
INTEREST INCOME						
Interest from loans to customers		**425 494**	487 531	**851 469**	1 006 835	1 916 365
Interest from loans and receivables on credit institutions		**8 418**	10 500	**16 018**	17 416	33 630
Interest from bonds, certificates and financial derivatives		**21 729**	26 524	**45 408**	51 429	98 548
Other interest income		**5 259**	5 322	**10 350**	9 123	18 098
Total interest income		**460 899**	529 878	**923 244**	1 084 804	2 066 641
INTEREST EXPENSES						
Interest on debt securities issued		**324 058**	364 350	**653 980**	721 239	1 408 889
Interest on subordinated loan capital		**5 202**	10 164	**9 147**	20 041	15 357
Other interest expenses		**1 547**	1 878	**3 360**	5 432	7 062
Total interest expenses		**330 807**	376 393	**666 487**	746 712	1 431 309
Net interest income		**130 093**	153 485	**256 757**	338 091	635 332
Commission costs		**70 678**	110 691	**143 622**	244 255	441 604
Net interest income after commission costs		**59 415**	42 794	**113 135**	93 836	193 729
Dividend from shares classified as available for sale		**5 652**	6 429	**5 652**	6 429	6 430
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE						
Net gains and losses on bonds and certificates	Note 3	**9 777**	(462)	**21 782**	(6 993)	(30 331)
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**(26 195)**	13 857	**59 361**	170 443	232 913
Net gains and losses on financial derivatives	Note 3	**5 898**	17 736	**(8 032)**	24 613	(7 755)
Net gains and losses on loans at fair value	Note 3	**(8 182)**	(15 426)	**11 324**	(22 170)	7 830
Total gains and losses on financial instruments at fair value		**(18 701)**	15 704	**84 436**	165 894	202 656
PAY AND GENERAL ADMINISTRATIVE EXPENSES						
Pay, fees and other personnel expenses		**6 520**	6 602	**12 639**	12 706	26 130
Administrative expenses		**4 278**	4 686	**8 617**	8 931	16 434
Total pay and administrative expenses		**10 798**	11 288	**21 256**	21 637	42 565
Depreciation		**424**	500	**881**	990	1 983
Other operating expenses		**4 095**	3 144	**7 584**	6 095	13 225
Losses on loans and guarantees		-	-	-	-	-
PROFIT BEFORE TAX		**31 049**	49 995	**173 502**	237 437	345 042
Taxes on other comprehensive income		**6 173**	11 445	**41 788**	61 590	81 677
PROFIT FOR THE PERIOD		**24 876**	38 551	**131 714**	175 846	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		**24 876**	38 551	**131 714**	175 846	279 041

Of the total comprehensive income for the period above, NOK 75 681 thousand is attributable to the shareholders of the company, NOK 11 512 thousand to the hybrid capital investors and NOK 44 521 thousand to fund for unrealised gains.

Balance sheet

Amounts in NOK 1 000	Notes	30 June 2016	30 June 2015	31 Dec 2015
ASSETS				
Lending to and receivable from credit institutions		1 936 312	3 378 776	3 386 131
Lending to customers	Note 4, 9	67 766 376	62 847 303	64 527 405
Other financial assets		115 626	130 272	122 069
Securities		-	-	-
Bonds and certificates at fair value through profit or loss	Note 5,9	12 765 036	8 226 994	11 553 507
Financial derivatives	Note 8,9	9 791 727	6 860 912	10 309 668
Shares classified as available for sale	Note 10, 11	29 700	15 000	29 700
Total securities		22 586 463	15 102 906	21 892 875
Other intangible assets				
Deferred tax assets		-	32 419	-
Fixed intangible assets		3 077	4 357	3 690
Total other intangible assets		3 077	36 776	3 690
TOTAL ASSETS		92 407 854	81 496 033	89 932 170
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 12	4 626 839	1 707 215	4 967 024
Financial derivatives	Note 8,9	72 924	87 440	66 236
Debt securities issued	Note 6	82 420 085	74 922 261	79 876 051
Other liabilities		298 407	359 494	284 691
Pension liabilities		6 055	6 683	6 055
Deferred tax		40 128	-	40 128
Subordinated loan capital	Note 7	599 318	449 437	449 518
				-
TOTAL LIABILITIES		88 063 755	77 532 530	85 689 703
Called-up and fully paid capital				
Share capital		892 123	810 553	856 674
Share premium		2 318 260	2 049 830	2 203 709
Other paid-in equity		477 728	477 728	477 728
Total called-up and fully paid capital	Note 12	3 688 111	3 338 111	3 538 111
Retained earnings				
Fund for unrealised gains		130 294	-	85 773
Other equity		76 690	176 849	169 808
Total retained equity	Note 12	206 984	176 849	255 582
Hybrid capital				
Tier 1 capital		449 004	448 543	448 775
Total hybrid capital		449 004	448 543	448 775
TOTAL EQUITY		4 344 099	3 963 503	4 242 467
TOTAL LIABILITIES AND EQUITY		92 407 854	81 496 033	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**
Result for the period	-	-	-	(19 646)	38 822	5 700	**24 876**
Equity issue	35 450	114 550	-	-	-	-	**150 000**
Disbursed dividends for 2015	-	-	-	-	(168 799)	-	**(168 799)**
Interest tier 1 capital	-	-	-	-	-	(5 586)	**(5 586)**
Balance sheet as at 30 June 2016	**892 123**	**2 318 260**	**477 728**	**130 294**	**76 691**	**449 004**	**4 344 099**

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	2Q 2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	131 714	263 365
Taxes	41 788	81 677
Income taxes paid	(9 329)	(26 644)
Ordinary depreciation	881	1 983
Non-cash pension costs	-	673
Change in loans to customers	(3 238 971)	(3 638 421)
Change in bonds and certificates	(1 211 529)	(3 632 977)
Change in financial derivatives and debt securities issued	(32 825)	(199 353)
Interest expenses	666 487	1 431 309
Paid interest	(666 693)	(1 434 520)
interest income	912 894	2 048 543
received interests	(920 412)	(2 044 414)
Changes in other assets	13 960	(21 057)
Changes in short-term liabilities and accruals	(11 849)	(69 993)
Net cash flow relating to operating activities	**(4 323 883)**	**(7 239 829)**
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(268)	(1 064)
Net cash flow relating to investing activities	**(268)**	**(1 064)**
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	8 269 114	11 273 811
Gross payments of bonds and commercial paper	(5 174 312)	(5 777 050)
Gross receipts on issue of subordinated loan capital	149 800	200 316
Gross receipts from issue of loan from credit institution	-	706 540
Gross payments of loans from credit institution	(340 185)	-
Interest to the hybrid capital investors	(11 283)	-
Payments of dividend	(168 799)	(84 616)
Paid-up new share capital	150 000	600 000
Net cash flow from financing activities	**2 874 334**	**6 919 001**
Net changes in lending to and receivables from credit institutions	(1 449 817)	(321 892)
Lending to and receivables from credit institutions at 1 January	3 386 131	3 708 022
Lending to and receivables from credit institutions at end of period	**1 936 312**	**3 386 131**

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.

The financial statements for the second 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 30 June 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	2nd quarter 2016	2nd quarter 2015	1st half 2016	1st half 2015	2015
Net gains and losses on loans at fair value	(8 182)	(15 426)	11 324	(22 170)	7 830
Net gains and losses on bonds and certificates	9 777	(462)	21 782	(6 993)	(30 331)
Net gains and losses on financial debts, hedged[1]	430 788	422 604	550 766	1 952 130	(1 501 374)
Net gains and losses on interest swaps related to lending	5 898	17 736	(8 032)	24 613	(7 755)
Net gains and losses on interest and currency swaps related to liabilities	(456 983)	(408 747)	(491 405)	(1 781 687)	1 734 286
Net gains and losses on financial instruments at fair value[2]	**(18 701)**	**15 704**	**84 436**	**165 894**	**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] Second-quarter profit includes negative changes of NOK 34.5 million in the value of basis swaps. In addition to value changes for basis swaps, second-quarter profit includes a loss of NOK 15.8 million in other changes to the value of financial instruments. That gives a total negative change of NOK 18.7 million in the value of financial instruments, compared with positive NOK 15.7 million for the same period of 2015.

In addition to the NOK 58.5 million in positive value changes for basis swaps, value changes to financial instruments for 2016 included NOK 11.3 million in net gain on lending at fair value, a net loss of NOK 8.0 million on financial derivatives, a gain of NOK 0.9 million in fair value hedging on debt securities issued, and a net gain of NOK 21.8 million on bonds and certificates. Profit for the first six months of 2016 accordingly includes positive changes of NOK 84.5 million in the value of financial instruments, as against a positive NOK 165.9 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	30 Jun 2016	30 Jun 2015	31 Dec 2015
Installment loans - retail market	58 662 962	54 110 676	55 609 560
Installment loans - housing cooperatives	9 044 503	8 709 432	8 868 801
Adjustment fair value lending to customers[1]	58 911	27 195	49 042
Total lending before specific and general provisions for losses	**67 766 376**	**62 847 303**	**64 527 405**
Individual impairments	-	-	-
Unspecified group impairments	-	-	-
Total lending to and receivables from customers	**67 766 376**	**62 847 303**	**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 30 June 2016.

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

30 Jun 2016

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	64 539 746	64 539 746
Fixed rate loans	3 167 719	3 226 631
Toal lending	**67 707 465**	**67 766 376**

30 Jun 2015

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	60 094 818	60 094 818
Fixed rate loans	2 725 290	2 752 485
Toal lending	**62 820 108**	**62 847 303**

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

30 June 2016

Amounts in NOK 1 000

Bonds broken down by issuer sector	**Nominal value**	**Cost price**	**Fair Value**
Municipalities	3 538 702	3 539 374	3 539 537
Credit institutions	5 526 295	5 553 121	5 547 808
Government bonds	774 352	782 671	773 264
Treasury bills	2 901 981	2 904 132	2 904 427
Total bonds and certificates at fair value through profit or loss	**12 741 330**	**12 779 298**	**12 765 036**
Change in value charged to the profit and loss account			**(14 262)**

Average effective interest rate is 1.65 per cent annualised. The calculation is based on a weighted fair value.

30 June 2015

Amounts in NOK 1 000

Bonds broken down by issuer sector	**Nominal value**	**Cost price**	**Fair Value**
Municipalities	1 471 915	1 471 934	1 471 982
Credit institutions	5 211 655	5 245 232	5 245 457
Government bonds	226 612	226 922	219 751
Treasury bills	1 287 086	1 286 288	1 289 804
Total bonds and certificates at fair value through profit or loss	**8 197 268**	**8 230 377**	**8 226 994**
Change in value charged to the profit and loss account			**(3 383)**

Average effective interest rate is 1.38 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.

	30 Jun 2016	**30 Jun 2015**	**31 Dec 2015**
Average term to maturity	**1.3**	**1.6**	**1.4**
Average duration	**0.2**	**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	30 Jun 2016	30 Jun 2015	31 Dec 2015
NO0010502149	1 200 000	NOK	Floating	3M Nibor + 0.70%	2009	2019	1 207 943	1 210 888	1 209 407
NO0010561103	1 948 000	NOK	Fixed	5.00%	2009	2019	1 990 314	2 002 570	1 996 409
NO0010572373	2 977 000	NOK	Floating	3M Nibor + 0.53%	2010	2016	-	4 136 172	4 036 677
XS0537088899	487 133	EUR	Fixed	2.13%	2010	2015	-	4 274 459	-
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	705 513	708 366	706 932
NO0010612039	5 500 000	NOK	Floating	3M Nibor + 0.55%	2011	2018	5 512 758	2 703 346	2 702 772
NO0010625346	1 500 000	NOK	Fixed	4.60%	2011	2026	1 500 936	1 501 027	1 500 981
NO0010631336	658 000	NOK	Fixed	3.75%	2011	2016	-	738 436	738 211
XS0736417642	500 000	EUR	Fixed	2.25%	2012	2017	4 649 404	4 381 362	4 794 878
NO0010648892	1 400 000	NOK	Floating	3M Nibor + 0.74%	2012	2017	1 400 407	1 400 844	1 400 624
XS0794570944	650 000	EUR	Fixed	2.00%	2012	2019	6 027 368	5 679 118	6 216 586
XS0851683473	1 000 000	EUR	Fixed	1.25%	2012	2017	9 294 030	8 760 895	9 586 444
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	5 238 465	5 243 871	5 241 153
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53%	2012	2018	1 000 775	1 001 096	1 000 934
NO0010663743	1 000 000	NOK	Fixed	3.25%	2012	2019	1 005 885	1 007 608	1 006 742
NO0010669922	1 000 000	NOK	Fixed	4.00%	2013	2028	996 465	996 158	996 313
XS0881369770	1 000 000	EUR	Fixed	2.125%	2013	2023	9 268 844	8 738 450	9 562 629
NO0010685480	5 000 000	NOK	Floating	3M Nibor + 0.54%	2013	2020	5 024 967	5 030 576	5 027 756
NO0010685704	550 000	NOK	Fixed	3.50%	2013	2020	552 001	552 451	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	295 806	285 037	313 957
NO0010697212	700 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	690 792	665 910	733 266
XS1044766191	500 000	EUR	Fixed	1.50%	2014	2021	4 626 965	4 359 072	4 772 513
NO0010732258	3 175 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	3 161 653	2 217 257	3 111 754
NO0010733694	1 150 000	NOK	Fixed	1.75%	2015	2021	1 143 243	994 698	1 142 602
XS1312011684	500 000	EUR	Fixed	0.625%	2015	2021	4 625 839	-	4 771 603
NO0010763022	500 000	NOK	Fixed	2.250%	2016	2031	500 000	-	-
XS1397054245	500 000	EUR	Fixed	0.375%	2016	2023	4 611 393	-	-
Value adjustments							3 415 069	2 056 942	2 677 130
Total covered bonds[1]							**79 596 834**	**71 796 611**	**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	30 Jun 2016	30 Jun 2015	31 Dec 2015
NO0010691991	200 000	NOK	Floating	3M Nibor + 0.69%	2013	2015	-	199 982	-
NO0010697733	600 000	NOK	Floating	3M Nibor + 0.90%	2013	2016	600 004	600 014	600 009
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 852	199 792	199 822
NO0010705593	600 000	NOK	Floating	3M Nibor + 0.65 %	2014	2017	600 478	600 878	600 677
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 475	425 621	425 547
NO0010711716	400 000	NOK	Floating	3M Nibor + 0.36%	2014	2016	-	399 928	399 969
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	249 860	249 812	249 836
NO0010732886	250 000	NOK	Floating	3m Nibor + 0.30%	2015	2017	249 915	249 809	249 863
NO0010739287	300 000	NOK	Floating	3m Nibor + 0.70%	2015	2020	297 893	199 813	199 832
NO0010764160	200 000	NOK	Floating	3m Nibor + 0.95%	2016	2019	199 774	-	-
Total senior unsecured bonds							**2 823 251**	**3 125 650**	**2 925 555**

Total debt securities issued		**82 420 085**	**74 922 261**	**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	30 Jun 2016	30 Jun 2015	31 Dec 2015
NO0010679632	250 000	NOK	Floating	3M Nibor + 2.20%[1]	2013	2023	249 811	249 711	249 761
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85%[2]	2015	2025	199 787	199 726	199 757
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40%[3]	2016	2026	149 717	-	-
Total subordinated loan capital							**599 318**	**449 437**	**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.

Note 8 – Coverpool

	Fair value		
Amounts in NOK 1 000	**30 Jun 2016**	**30 Jun 2015**	**31 Dec 2015**
Lending to customers [1]	66 639 856	62 847 303	64 527 405
Substitute assets and derivatives:			
Financial derivatives (net)	9 718 803	6 773 472	10 243 432
Substitute assets [2]	10 072 115	9 896 729	9 970 307
Total	**86 430 775**	**79 517 504**	**84 741 144**
The cover pool's overcollateralisation	108,49%	110,75%	110,07%

Covered bonds issued

	30 Jun 2016	30 Jun 2015	31 Dec 2015
Covered bonds	79 596 834	71 796 611	76 950 496
Premium/discount	67 245	5 115	39 349
Total covered bonds	**79 664 079**	**71 801 726**	**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.

Assets

	30 Jun 2016		31 Dec 2015	
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	30 000	15	33 500	25
Interest rate and currency swap[2]	47 470 313	9 791 712	43 170 312	10 309 644
Total financial derivative assets	**47 500 313**	**9 791 727**	**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]	3 059 500	72 924	2 788 500	64 902
Interest rate and currency swap[2]	-	-	112 000	1 335
Total financial derivative liabilities	**3 059 500**	**72 924**	**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.

	30 Jun 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]	47 470 313	9 791 712	43 058 312	10 308 309
Hedged items: financial commitments incl foreign exchange[2]	47 470 313	(9 698 766)	43 058 312	(10 249 533)
Net value recognised in balance sheet	-	**92 946**	-	**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	2st quarter 2016	2st quarter 2015	1st half 2016	1st half 2015	2015
Hedging instruments	(456 983)	(408 747)	(491 405)	(1 781 687)	1 734 286
Hedged items	430 788	422 604	550 766	1 952 130	(1 501 374)
Net gains/losses (inefffectiveness)[3]	**(26 195)**	**13 857**	**59 361**	**170 443**	**232 912**

[3]The positive change in value for financial instruments in 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 and Bloomberg. 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 30 June 2016. Valuation of shares classified as available for sale are based on discounted cash flows.

30 June 2016

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 226 631
Bonds and certificates at fair value through profit or loss	3 677 691	9 087 345	-
Financial derivatives	-	9 791 727	-
Shares classified as available for sale	-	-	29 700
Total financial assets	**3 677 691**	**18 879 072**	**3 256 331**
Financial liabilities			
Financial derivatives	-	72 924	-
Total financial liabilities	**-**	**72 924**	**-**

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**	**-**

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

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	30 Jun 2016
Lending to customers (fixed-rate loans)	2 979 081	-	236 225	-	11 324	-	3 226 631
Shares available for sale	29 700	-	-	-	-	-	29 700
Total	**3 008 781**	**-**	**236 225**	**-**	**11 324**	**-**	**3 256 331**

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**	**14 700**	**3 008 781**

Interest rate sensitivity of assets classified as Level 3 at 30 June 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 by NOK 104 million. The effect of a decrease in interest rates would be an increase of NOK 104 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 30 June 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	30 Jun 2016	30 Jun 2015	31 Dec 2015
Share capital	892 123	810 553	856 674
Share premium	2 318 260	2 049 830	2 203 709
Other paid-in equity	477 728	477 728	477 728
Total comprehensive income for the period	-	-	-
Other equity	1 009	1 003	1 003
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**3 689 120**	**3 339 113**	**3 539 113**
Fund for unrealised gains	85 773	-	85 773
Intangible assets	(3 077)	(4 357)	(3 690)
Deferred tax assets[1]	-	-	-
Prudent valuation adjustments of fair valued positions	(16 158)	(11 002)	(14 656)
Total core tier 1 capital	**3 755 659**	**3 323 755**	**3 606 540**

Core capital adequacy ratio (core tier 1 capital)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Weighted calculation basis	28 575 480	26 121 952	27 509 998
Core tier 1 capital	3 755 659	3 323 754	3 606 540
Core tier 1 capital ratio	**13,1%**	**12,7%**	**13,1%**
Total core tier 1 capital	3 755 659	3 323 754	3 606 540
Tier 1 perpetual bonds	449 004	448 543	448 775
Total tier 1 capital	**4 204 663**	**3 772 297**	**4 055 315**

Capital adequacy ratio (tier 1 capital)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Weighted calculation basis	28 575 480	26 121 952	27 509 998
Tier 1 capital	4 204 663	3 772 297	4 055 315
Tier 1 capital ratio	**14,7%**	**14,4%**	**14,7%**
Total tier 1 capital	4 204 663	3 772 297	4 055 315
Subordinated loans	599 318	449 437	449 518
Total primary capital (tier 2 capital)	**4 803 981**	**4 221 734**	**4 504 832**

Capital adequacy ratio (tier 2 capital)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Weighted calculation basis	28 575 480	26 121 952	27 509 998
Total primary capital (tier 2 capital)	4 803 981	4 221 734	4 504 832
Capital adequacy ratio	**16,8%**	**16,2%**	**16,4%**
Required capital corresponding to eight per cent of calculation basis	2 286 038	2 089 756	2 200 800
Surplus equity and subordinated capital	2 517 942	2 131 978	2 304 032

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

30 June 2016

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	26 233 739	2 098 699
Operational risk	336 653	26 932
CVA risk[2]	2 005 088	160 407
Total	**28 575 480**	**2 286 038**

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 30 June, 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. On the basis of a rise in the countercyclical capital buffer requirement from one to 1.5 per cent at 30 June 2016, the company has increased its internal capital targets with effect from the same date. These are specified as follows, 12 per cent core tier 1, 13.5 per cent tier 1 and 15.5 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 shown above, the applicable buffer requirements were fulfilled at 30 June 2016 with a core tier 1 capital 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 30 June 2016, Eika Boligkreditt had received cash collateral of NOK 4.6 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.

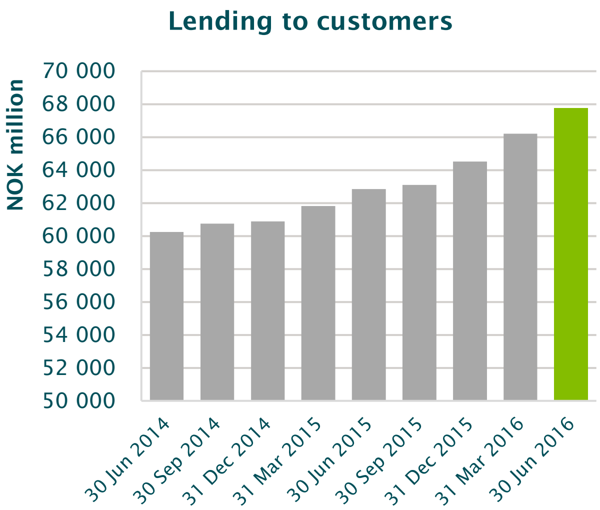
Note 14 – Contingency and overdraft facilities

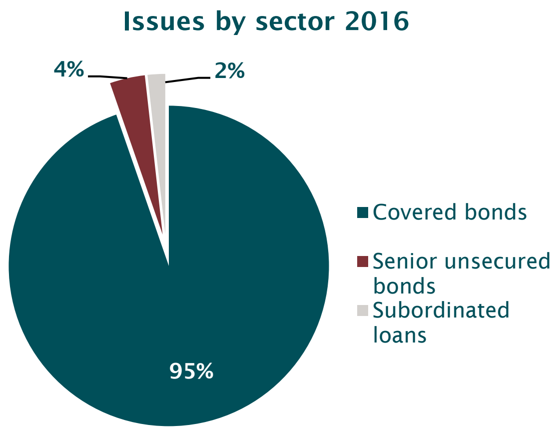
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2015 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby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

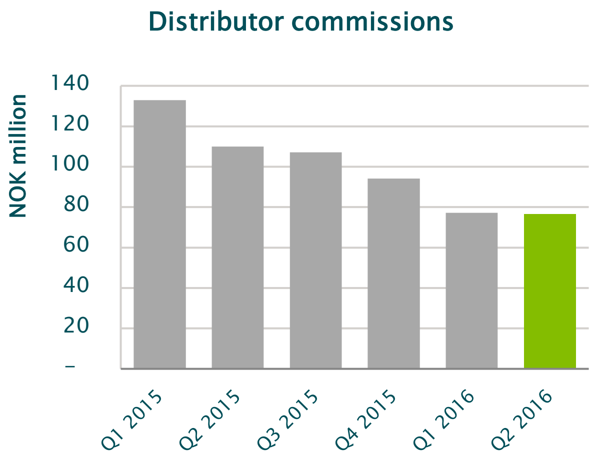
Note 15 – Risk management

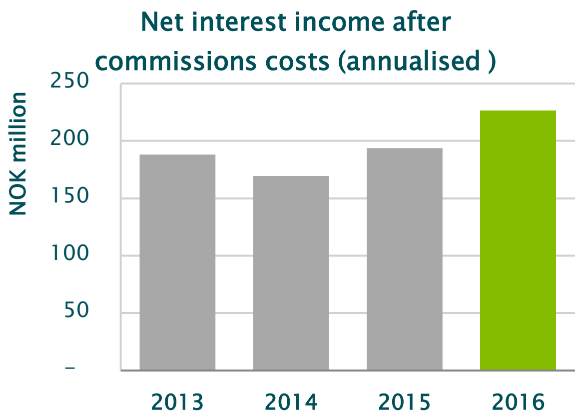
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual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

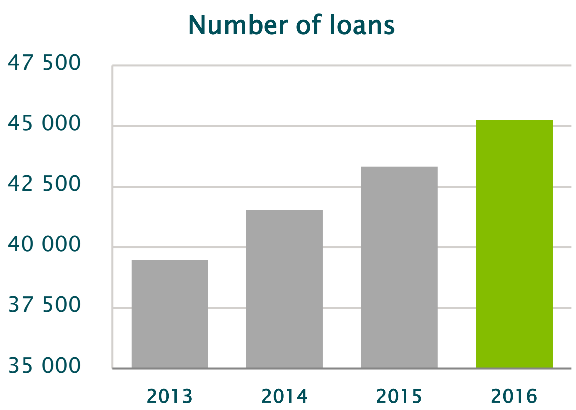
Key figures – Development

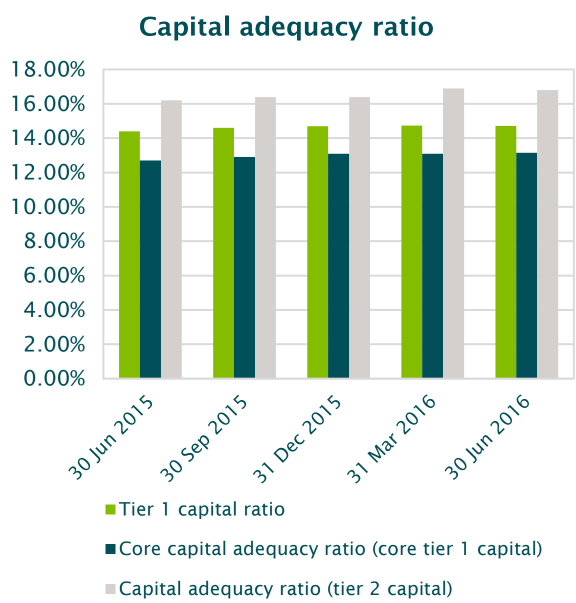












Key figures – Unaudited

Amounts in NOK 1 000	30 Jun 2016	30 Jun 2015	31 Dec 2015
Balance sheet development			
Lending to customers	67 766 376	62 847 303	64 527 405
Debt securities issued	82 420 085	74 922 261	79 876 051
Subordinated loan capital	599 318	449 437	449 518
Equity	4 344 099	3 963 503	4 242 467
Equity in % of total assets	4,7	4,9	4,7
Average total assets	90 822 507	80 439 978	82 844 186
Total assets	92 407 854	81 496 033	89 932 170
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0,3	0,6	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]	9,7	15,5	10,7
Total assets per full-time position	4 667 063	4 115 961	4 542 029
Cost/income ratio (%)[2]	27,2	30,6	29,8
Financial strength			
Core tier 1 capital	3 755 659	3 323 754	3 606 540
Tier 1 capital	4 204 663	3 772 297	4 055 315
Total primary capital (tier 2 capital)	4 803 981	4 221 734	4 504 832
Calculation basis capital adequacy ratio	28 575 480	26 121 952	27 509 998
Core tier 1 capital ratio (%)	13,1	12,7	13,1
Tier 1 capital ratio (%)	14,7	14,4	14,7
Capital adequacy ratio % (tier 2 capital)	16,8	16,2	16,4
Leverage ratio (%)[3]	4,4	4,4	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	**30 Jun 2016**	**30 Sep 2016**	**31 Dec 2016**	**31 Mar 2017**	**30 Jun 2017**
Liquidity Indicator I [4]	105%	108%	102%	105%	100%
Liquidity Indicator II [5]	114%	118%	116%	118%	121%
Average of indicators	**110%**	**113%**	**109%**	**111%**	**111%**

[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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