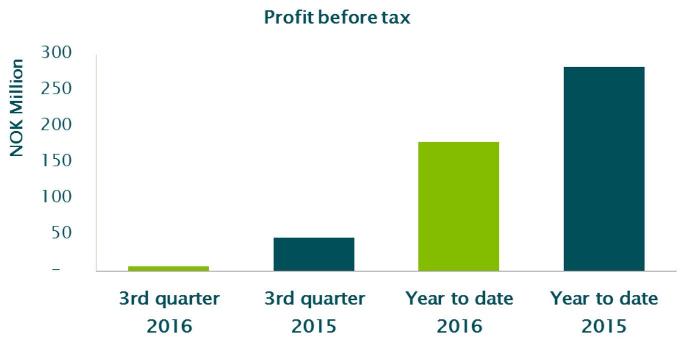
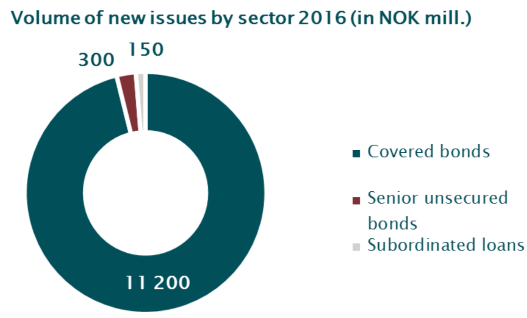
Eika Boligkreditt AS

Interim report for the third quarter 2016

Unaudited

Highlights





Third quarter 2016

- Pre-tax profit NOK 6.2 million (2015: NOK 46 million)
- Pre-tax profit NOK 54.9 million (2015: loss of NOK 5 million) excluding NOK 48.7 million in negative value changes related to the price of basis swaps
- Defined-benefit pension plan closed
- Financing of owner banks up by 2.2 per cent quarter on quarter
- Commissions to owner banks of NOK 84 million (2015: NOK 110 million)
- NOK 3.2 billion in bonds issued (2015: NOK 1.05 billion)

First nine months 2016

- Pre-tax profit NOK 179.7 million (2015: NOK 284 million)
- Pre-tax profit NOK 169.9 million (2015: NOK 64 million) excluding NOK 9.8 million in positive value changes related to the price of basis swaps
- Financing of owner banks up by 9.7 per cent (annualised rate)
- Commissions to owner banks of NOK 238 million (2015: NOK 362 million)
- NOK 11.2 billion in bonds issued (2015: NOK 6.9 billion)

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

INTERIM REPORT FOR THE THIRD QUARTER 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 the tenor 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 30 September 2016, the owner banks had transferred a total of NOK 69.2 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 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 third quarter and first nine months of 2016

Pre-tax profit

Eika Boligkreditt showed a pre-tax profit of NOK 6.2 million for the third quarter, compared with NOK 46.2 million in the same period of 2015. Third-quarter profit included negative changes of NOK 48.7 million (2015: NOK 51.2 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 54.9 million (2015: loss of NOK 5 million). Profit included a net loss of NOK 23.7 million in the fair value of financial instruments, compared with a net gain of NOK 22.9 million for the third quarter of 2015.

The company had a pre-tax profit of NOK 179.7 million for the first nine months, compared with NOK 283.7 million in the same period of 2015. Profit for the first nine months included positive changes of NOK 9.8 million (2015: NOK 220.4 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 169.9 million (2015: NOK 63.3 million). Profit included a net gain of NOK 60.8 million in the fair value of financial instruments, compared with a net gain of NOK 188.8 million for the first nine months of 2015.

Interest on tier 1 perpetual bonds of NOK 5.6 million in the third quarter and NOK 17.3 million for the first nine months 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 459 million in the third quarter, compared with NOK 512 million for the same period of 2015. Its net interest income for the period was NOK 119 million, compared with NOK 145 million for the third quarter of 2015.

Interest income amounted to NOK 1 382 million in the first nine months, compared with NOK 1 597 million for the same period of 2015. Net interest income for the period was NOK 376 million, compared with NOK 483 million for the first nine months of last year.

The reduction in the company's interest income reflected lower interest rates on residential mortgages in the cover pool. The reduction in net interest income reflected the reduction in loan margins because interest rates on residential mortgages fell more than interest rates on borrowing.

Defined-benefit pension plan closed

Eika Boligkreditt decided in the third quarter of 2016 to close its defined-benefit pension plan, which means that all employees are now covered by a defined-contribution scheme. The latter will contribute to greater predictability and reduce future pension commitments for the company. As part of the closure, the company recognised NOK 4.5 million in income as a one-off effect.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 84 million in the third quarter, compared with NOK 110 million for the same period of 2015.

Where the first nine months are concerned, distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 238 million, compared with NOK 362 million for the same period of 2015. The reduction in distributor commissions reflected reduced loan margins.

Balance sheet and liquidity

Balance sheet

Assets under management by Eika Boligkreditt amounted to NOK 93.1 billion at 30 September, up by NOK 3.2 billion from 1 January.

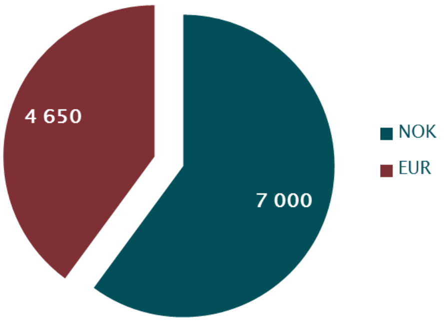
Lending

Eika Boligkreditt's residential mortgage portfolio had risen to NOK 69.2 billion at 30 September, a net increase of NOK 4.7 billion from 1 January. That represents a net growth of 7.3 per cent for the first nine months. 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.

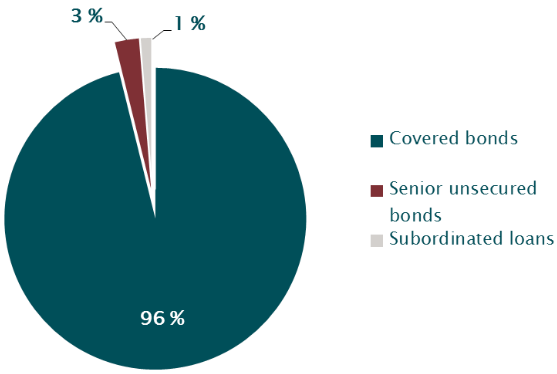
Borrowing

Eika Boligkreditt issued bonds with a nominal value of NOK 3.2 billion in the third quarter. Issues during the first nine months totalled NOK 11.65 billion, including NOK 11.2 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 nine months, 60 per cent were denominated in Norwegian kroner and 40 per cent in euros. Covered bonds accounted for 96 per cent of the issue volume.

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

New issues (amounts in NOK million)	Jan-Sept 2016	Jan-Sept 2015	2015	2014
Covered bonds (issued in EUR)	4 650	-	4 636	4 123
Covered bonds (issued in NOK)	6 550	6 250	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	**11 650**	**6 900**	**11 536**	**10 048**

The average tenor for bonds issued in the first nine months was 5.3 years. The average tenor for the company's borrowing portfolio at 30 September 2016 was 3.85 years, down by 4.08 years from 1 January.

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

Carrying value in NOK million	30 Sep 2016	30 Sep 2015	31 Dec 2015	31 Dec 2014
Covered bonds	80 632	71 857	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	**84 055**	**75 432**	**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 September was NOK 84 billion, up by NOK 32.7 billion from 1 January.

Liquidity

At 30 September 2016, the company had a total liquidity portfolio of NOK 15.8 billion, including cash collateral of NOK 4.2 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 3.1 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 September 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 third 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 September was up by NOK 1.3 billion from 1 January 2016 and amounted to NOK 28.8 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 Sep 2016	31 Dec 2015	31 Dec 2014
Risk-weighted assets	28 753	27 510	25 154
Total primary capital (tier 2 capital)	4 804	4 505	3 623
Capital adequacy ratio in per cent	16.7%	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 September 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 September 2016)
- tier 1 capital ratio: 13.5 per cent (14.6 per cent at 30 September 2016)
- tier 2 capital ratio: 15.5 per cent (16.7 per cent at 30 September 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 September 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 4.7 billion in the first nine months, corresponding to a growth of NOK 6.1 billion or 9.7 per cent in lending over the previous 12 months. That compared with a growth of NOK 3.6 billion for 2015 as a whole. Statistics Norway's credit indicator for September 2016 showed a 12-monthly increase of 6.1 per cent in Norwegian household debt.

The lending survey from the Bank of Norway for the third quarter of 2016 showed increased household demand for borrowing. In the survey, the banks reported lower lending margins on loans to households during the third quarter as a result of both increased costs and the competitive position. The rise in money market premiums over the summer has so far led to small changes in household interest costs. Some increase in interest rates on lending are expected by the banks during the fourth quarter. Demand from the owner banks for financing from Eika Boligkreditt has displayed the same trend as that outlined in the lending survey. Margins on residential mortgages in the company's cover pool flattened out during the third quarter after showing a declining trend since the second quarter of 2014.

According to the house price report from Real Estate Norway, average Norwegian house prices are 10 per cent higher than they were 12 months ago. Seasonally adjusted prices rose by 3.2 per cent on a national basis during the third quarter, following increases of 2.8 per cent in the second quarter and two per cent in the first. Substantial regional differences exist. The 12-month growth to 30 September was 18.5 per cent in Oslo, compared with 3.6 per cent in Bergen and 8.6 per cent in Trondheim, while the 12-month decline was 5.3 per cent in Stavanger. These differences demonstrate a continued tripartite division of the Norwegian housing market, with Oslo and Stavanger as the extremes while the rest of the country displays more moderate progress. Most forecasters have adjusted up their house price predictions for 2016 after the strong progress in the first nine months. Statistics Norway has revised its forecasts for average house price growth during 2016 from 4.4 per cent (economic analyses published at 1 June) to 7.1 per cent (economic analyses published in mid-September).

The bond market has been characterised in 2016 by a substantial increase in liquidity and contraction in credit margins. The credit margin over the money market rate (three-month Nibor) for covered bonds issued by the company in Norwegian kroner with a five-year tenor fell by 20 basis points to 54 during the first nine months. The contraction in credit margins was distributed evenly between the second and third quarters of 2016.

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 1.1 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.

Following the Brexit 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 during the autumn.

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, 8 November 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	3Q 2016	3Q 2015	Jan-sept 2016	Jan-sept 2015	2015
INTEREST INCOME						
Interest from loans to customers		**423 015**	474 947	**1 274 484**	1 481 782	1 916 365
Interest from loans and receivables on credit institutions		**7 716**	9 003	**23 733**	26 419	33 630
Interest from bonds, certificates and financial derivatives		**22 061**	23 851	**67 468**	75 280	98 548
Other interest income		**6 155**	4 591	**16 505**	13 714	18 098
Total interest income		**458 946**	512 392	**1 382 190**	1 597 196	2 066 641
INTEREST EXPENSES						
Interest on debt securities issued		**333 315**	358 430	**987 295**	1 079 670	1 408 889
Interest on subordinated loan capital		**5 264**	8 070	**14 411**	28 112	15 357
Other interest expenses		**1 183**	851	**4 543**	6 283	7 062
Total interest expenses		**339 762**	367 352	**1 006 249**	1 114 064	1 431 309
Net interest income		**119 184**	145 040	**375 941**	483 131	635 332
Commission costs		**78 918**	107 784	**222 540**	352 040	441 604
Net interest income after commission costs		**40 267**	37 256	**153 401**	131 092	193 729
Dividend from shares classified as available for sale		-	-	**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	**15 595**	(16 150)	**37 378**	(23 143)	(30 331)
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**(45 669)**	50 138	**13 692**	220 581	232 913
Net gains and losses on financial derivatives	Note 3	**26 443**	(33 238)	**18 412**	(8 625)	(7 755)
Net gains and losses on loans at fair value	Note 3	**(20 042)**	22 200	**(8 717)**	31	7 830
Total gains and losses on financial instruments at fair value		**(23 672)**	22 949	**60 764**	188 843	202 656
PAY AND GENERAL ADMINISTRATIVE EXPENSES						
Pay, fees and other personnel expenses		**2 260**	6 623	**14 899**	19 329	26 130
Administrative expenses		**4 370**	3 961	**12 987**	12 892	16 434
Total pay and administrative expenses		**6 630**	10 583	**27 886**	32 221	42 565
Depreciation		**403**	503	**1 284**	1 493	1 983
Other operating expenses		**3 395**	2 896	**10 978**	8 991	13 225
Losses on loans and guarantees		-	-	-	-	-
PROFIT BEFORE TAX		**6 167**	46 222	**179 669**	283 659	345 042
Taxes on other comprehensive income		**2 371**	12 228	**44 159**	73 818	81 677
PROFIT FOR THE PERIOD		**3 795**	33 995	**135 510**	209 841	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		**3 795**	33 995	**135 510**	209 841	279 041

Of the total comprehensive income for the period above, NOK 107 970 thousand is attributable to the shareholders of the company, NOK 17 271 thousand to the hybrid capital investors and NOK 10 269 thousand to fund for unrealised gains.

Balance sheet

Amounts in NOK 1 000	Notes	30. sep. 2016	30. sep. 2015	31 Dec 2015
ASSETS				
Lending to and receivable from credit institutions		**2 011 470**	2 191 611	3 386 131
Lending to customers	Note 4, 9	**69 239 680**	63 100 777	64 527 405
Other financial assets		**110 802**	90 395	122 069
Securities		-	-	-
Bonds and certificates at fair value through profit or loss	Note 5,9	**13 780 392**	7 705 158	11 553 507
Financial derivatives	Note 8,9	**7 959 396**	9 829 541	10 309 668
Shares classified as available for sale	Note 10, 11	**29 700**	15 000	29 700
Total securities		**21 769 488**	17 549 699	21 892 875
Other intangible assets				
Deferred tax assets		-	32 419	-
Intangible assets		**2 674**	3 926	3 690
Total other intangible assets		**2 674**	36 345	3 690
TOTAL ASSETS		**93 134 114**	82 968 828	89 932 170
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 12	**4 197 655**	3 113 580	4 967 024
Financial derivatives	Note 8,9	**182 460**	67 914	66 236
Debt securities issued	Note 6	**83 455 481**	74 982 395	79 876 051
Other liabilities		**315 188**	353 208	284 691
Pension liabilities		**1 581**	6 683	6 055
Deferred tax		**40 128**	-	40 128
Subordinated loan capital	Note 7	**599 370**	449 477	449 518
TOTAL LIABILITIES		**88 791 863**	78 973 257	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		**96 042**	-	85 773
Other equity		**108 979**	210 843	169 808
Total retained equity	Note 12	**205 021**	210 843	255 582
Hybrid capital				
Tier 1 capital		**449 120**	446 617	448 775
Total hybrid capital		**449 120**	446 617	448 775
TOTAL EQUITY		**4 342 251**	3 995 571	4 242 467
TOTAL LIABILITIES AND EQUITY		**93 134 114**	82 968 828	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**
Result for the period	**-**	**-**	**-**	**(34 252)**	**32 289**	**5 759**	**3 796**
Interest tier 1 capital	**-**	**-**	**-**	**-**	**-**	**(5 643)**	**(5 643)**
Balance sheet as at 30 September 2016	**892 123**	**2 318 260**	**477 728**	**96 042**	**108 980**	**449 120**	**4 342 251**

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	3Q 2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	135 510	263 365
Taxes	44 159	81 677
Income taxes paid	(10 212)	(26 644)
Ordinary depreciation	1 284	1 983
Non-cash pension costs	-	673
Change in loans to customers	(4 712 275)	(3 638 421)
Change in bonds and certificates	(2 226 885)	(3 632 977)
Change in financial derivatives and debt securities issued	(126 173)	(199 353)
Interest expenses	1 006 249	1 431 309
Paid interest	(997 019)	(1 434 520)
interest income	1 365 685	2 048 543
received interests	(1 378 124)	(2 044 414)
Changes in other assets	23 706	(21 057)
Changes in short-term liabilities and accruals	99 070	(69 993)
Net cash flow relating to operating activities	**(6 775 026)**	**(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	11 487 636	11 273 811
Gross payments of bonds and commercial paper	(5 431 761)	(5 777 050)
Gross receipts on issue of subordinated loan capital	149 853	200 316
Gross receipts from issue of loan from credit institution	-	706 540
Gross payments of loans from credit institution	(769 369)	-
Interest to the hybrid capital investors	(16 926)	-
Payments of dividend	(168 799)	(84 616)
Paid-up new share capital	150 000	600 000
Net cash flow from financing activities	**5 400 634**	**6 919 001**
Net changes in lending to and receivables from credit institutions	(1 374 659)	(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	**2 011 470**	**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 third 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 September 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	3rd quarter 2016	3rd quarter 2015	Jan-Sept 2016	Jan-Sept 2015	2015
Net gains and losses on loans at fair value	(20 042)	22 200	(8 717)	31	7 830
Net gains and losses on bonds and certificates	15 595	(16 150)	37 378	(23 143)	(30 331)
Net gains and losses on financial debts, hedged[1]	1 925 679	(2 968 077)	2 476 445	(1 015 947)	(1 501 374)
Net gains and losses on interest swaps related to lending	26 443	(33 238)	18 412	(8 625)	(7 755)
Net gains and losses on interest and currency swaps related to liabilities	(1 971 348)	3 018 214	(2 462 754)	1 236 527	1 734 286
Net gains and losses on financial instruments at fair value[2]	**(23 672)**	**22 949**	**60 764**	**188 843**	**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] Third-quarter profit includes negative changes of NOK 48.7 million in the value of basis swaps. In addition to value changes for basis swaps, third-quarter profit includes a profit of NOK 25 million in other changes to the value of financial instruments. That gives a total negative change of NOK 23.7 million in the value of financial instruments, compared with positive NOK 22.9 million for the same period of 2015.

In addition to the NOK 9.8 million in positive value changes for basis swaps, value changes to financial instruments for 2016 included NOK 8.7 million in net loss on lending at fair value, a net gain of NOK 18.4 million on financial derivatives, a gain of NOK 3.9 million in fair value hedging on debt securities issued, and a net gain of NOK 37.4 million on bonds and certificates. Profit for the first six months of 2016 accordingly includes positive changes of NOK 60.8 million in the value of financial instruments, as against a positive NOK 188.8 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 Sep 2016	30 Sep 2015	31 Dec 2015
Installment loans - retail market	60 208 080	54 375 185	55 609 560
Installment loans - housing cooperatives	8 993 640	8 676 196	8 868 801
Adjustment fair value lending to customers [1]	37 959	49 395	49 042
Total lending before specific and general provisions for losses	**69 239 680**	**63 100 777**	**64 527 405**
Individual impairments	-	-	-
Unspecified group impairments	-	-	-
Total lending to and receivables from customers	**69 239 680**	**63 100 777**	**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 September 2016.

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

30 Sep 2016

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	65 937 005	65 937 005
Fixed rate loans	3 264 715	3 302 675
Toal lending	**69 201 720**	**69 239 680**

30 Sep 2015

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	60 200 286	60 200 286
Fixed rate loans	2 851 095	2 900 491
Toal lending	**63 051 381**	**63 100 777**

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 September 2016

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	3 713 460	3 713 830	3 714 171
Credit institutions	6 284 181	6 306 233	6 289 310
Government bonds	425 000	430 823	430 745
Treasury bills	3 340 967	3 345 435	3 346 166
Total bonds and certificates at fair value through profit or loss	**13 763 607**	**13 796 322**	**13 780 392**
Change in value charged to the profit and loss account			**(15 930)**

Average effective interest rate is 1.69 per cent annualised. The calculation is based on a weighted fair value.

30 September 2015

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	215 000	215 004	214 936
Credit institutions	4 916 306	4 949 124	4 947 788
Treasury bills	2 542 277	2 468 500	2 542 433
Total bonds and certificates at fair value through profit or loss	**7 673 583**	**7 632 628**	**7 705 158**
Change in value charged to the profit and loss account			**72 530**

Average effective interest rate is 1.01 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 Sep 2016	30 Sep 2015	31 Dec 2015
Average term to maturity	**1.1**	**1.9**	**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 Sep 2016	30 Sep 2015	31 Dec 2015
NO0010502149	1 200 000	NOK	Floating	3M Nibor + 0.70%	2009	2019	1 207 202	1 210 148	1 209 407
NO0010561103	1 948 000	NOK	Fixed	5.00%	2009	2019	1 987 234	1 999 490	1 996 409
NO0010572373	2 977 000	NOK	Floating	3M Nibor + 0.53%	2010	2016	-	4 036 435	4 036 677
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	704 795	707 649	706 932
NO0010612039	5 500 000	NOK	Floating	3M Nibor + 0.55%	2011	2018	5 511 098	2 703 059	2 702 772
NO0010625346	1 500 000	NOK	Fixed	4.60%	2011	2026	1 500 913	1 501 004	1 500 981
NO0010631336	658 000	NOK	Fixed	3.75%	2011	2016	-	738 324	738 211
XS0736417642	500 000	EUR	Fixed	2.25%	2012	2017	4 477 881	4 753 214	4 794 878
NO0010648892	1 178 000	NOK	Floating	3M Nibor + 0.74%	2012	2017	1 178 342	1 400 734	1 400 624
XS0794570944	650 000	EUR	Fixed	2.00%	2012	2019	5 804 335	6 162 475	6 216 586
XS0851683473	1 000 000	EUR	Fixed	1.25%	2012	2017	8 950 241	9 503 858	9 586 444
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	5 237 106	5 242 512	5 241 153
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53%	2012	2018	1 000 695	1 001 015	1 000 934
NO0010663743	1 000 000	NOK	Fixed	3.25%	2012	2019	1 005 452	1 007 175	1 006 742
NO0010669922	1 000 000	NOK	Fixed	4.00%	2013	2028	996 542	996 235	996 313
XS0881369770	1 000 000	EUR	Fixed	2.125%	2013	2023	8 924 363	9 480 736	9 562 629
NO0010685480	5 000 000	NOK	Floating	3M Nibor + 0.54%	2013	2020	5 023 557	5 029 166	5 027 756
NO0010685704	550 000	NOK	Fixed	3.50%	2013	2020	551 888	552 338	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	279 068	303 478	313 957
NO0010697212	700 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	651 677	708 877	733 266
XS1044766191	500 000	EUR	Fixed	1.50%	2014	2021	4 455 404	4 730 887	4 772 513
NO0010732258	4 375 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	4 344 670	3 111 208	3 111 754
NO0010733694	1 150 000	NOK	Fixed	1.75%	2015	2021	1 143 567	1 142 278	1 142 602
XS1312011684	500 000	EUR	Fixed	0.625%	2015	2021	4 454 168	-	4 771 603
NO0010763022	500 000	NOK	Fixed	2.250%	2016	2031	500 000	-	-
XS1397054245	500 000	EUR	Fixed	0.375%	2016	2023	4 439 983	-	-
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0.40%	2016	2020	1 998 404	-	-
Value adjustments							3 153 576	2 684 492	2 677 130
Total covered bonds[1]							**80 632 160**	**71 856 786**	**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 Sep 2016	30 Sep 2015	31 Dec 2015
NO0010691991	200 000	NOK	Floating	3M Nibor + 0.69%	2013	2015	-	199 998	-
NO0010697733	600 000	NOK	Floating	3M Nibor + 0.90%	2013	2016	600 002	600 011	600 009
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 867	199 807	199 822
NO0010705593	600 000	NOK	Floating	3M Nibor + 0.65 %	2014	2017	600 378	600 778	600 677
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 438	425 584	425 547
NO0010711716	400 000	NOK	Floating	3M Nibor + 0.36%	2014	2016	-	399 949	399 969
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	249 872	249 824	249 836
NO0010732886	250 000	NOK	Floating	3m Nibor + 0.30%	2015	2017	249 942	249 836	249 863
NO0010739287	300 000	NOK	Floating	3m Nibor + 0.70%	2015	2020	298 028	199 822	199 832
NO0010764160	200 000	NOK	Floating	3m Nibor + 0.95%	2016	2019	199 794	-	-
Total senior unsecured bonds							**2 823 321**	**3 125 609**	**2 925 555**

Total debt securities issued	**83 455 481**	**74 982 395**	**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 Sep 2016	30 Sep 2015	31 Dec 2015
NO0010679632	250 000	NOK	Floating	3M Nibor + 2.20% [1]	2013	2023	249 836	-	249 761
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85% [2]	2015	2025	199 802	249 736	199 757
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% [3]	2016	2026	149 733	199 742	-
Total subordinated loan capital							**599 370**	**449 477**	**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 Sep 2016**	**30 Sep 2015**	**31 Dec 2015**
Lending to customers [1]	68 078 229	63 100 777	64 527 405
Substitute assets and derivatives:			
Financial derivatives (net)	7 776 937	9 761 627	10 243 432
Substitute assets [2]	11 592 195	6 781 611	9 970 307
Total	**87 447 361**	**79 644 016**	**84 741 144**
The cover pool's overcollateralisation	108.34%	110.82%	110.07%

Covered bonds issued

	30 Sep 2016	30 Sep 2015	31 Dec 2015
Covered bonds	80 632 160	71 856 786	76 950 496
Premium/discount	84 239	10 882	39 349
Total covered bonds	**80 716 400**	**71 867 668**	**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.

	30 Sep 2016		31 Dec 2015	
Assets				
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Interest rate swap lending[1]	507 000	1 922	33 500	25
Interest rate and currency swap[2]	37 683 563	7 957 474	43 170 312	10 309 644
Total financial derivative assets	**38 190 563**	**7 959 396**	**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]	2 636 000	48 388	2 788 500	64 902
Interest rate and currency swap[2]	9 786 750	134 072	112 000	1 335
Total financial derivative liabilities	**12 422 750**	**182 460**	**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 Sep 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]	27 896 813	7 823 402	43 058 312	10 308 309
Hedged items: financial commitments incl foreign exchange[2]	27 896 813	(7 773 087)	43 058 312	(10 249 533)
Net value recognised in balance sheet	-	**50 315**	-	**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	**3rd quarter 2016**	**3rd quarter 2015**	**Jan-Sept 2016**	**Jan-Sept 2015**	**2015**
Hedging instruments	(1 971 348)	3 018 214	(2 462 754)	1 236 527	1 734 286
Hedged items	1 925 679	(2 968 077)	2 476 445	(1 015 947)	(1 501 374)
Net gains/losses (inefffectiveness)[3]	**(45 669)**	**50 138**	**13 692**	**220 581**	**232 913**

[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 September 2016. Valuation of shares classified as available for sale are based on discounted cash flows.

30 September 2016

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 302 675
Bonds and certificates at fair value through profit or loss	3 776 911	10 003 481	-
Financial derivatives	-	7 959 396	-
Shares classified as available for sale	-	-	29 700
Total financial assets	**3 776 911**	**17 962 877**	**3 332 375**
Financial liabilities			
Financial derivatives	-	182 460	-
Total financial liabilities	**-**	**182 460**	**-**

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 Sep 2016**
Lending to customers (fixed-rate loans)	2 979 081	645 760	(313 448)	-	(8 717)	-	3 302 675
Shares available for sale	29 700	-	-	-	-	-	29 700
Total	**3 008 781**	**645 760**	**(313 448)**	**-**	**(8 717)**	**-**	**3 332 375**

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 September 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 108 million. The effect of a decrease in interest rates would be an increase of NOK 108 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 September 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 Sep 2016	30 Sep 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	(2 674)	(3 926)	(3 690)
Prudent valuation adjustments of fair valued positions	(17 184)	(10 608)	(14 656)
Total core tier 1 capital	**3 755 035**	**3 324 579**	**3 606 540**

Core capital adequacy ratio (core tier 1 capital)	30 Sep 2016	30 Sep 2015	31 Dec 2015
Weighted calculation basis	28 753 251	25 798 734	27 509 998
Core tier 1 capital	3 755 035	3 324 579	3 606 540
Core tier 1 capital ratio	**13.1%**	**12.9%**	**13.1%**
Total core tier 1 capital	3 755 035	3 324 579	3 606 540
Tier 1 perpetual bonds	449 120	448 659	448 775
Total tier 1 capital	**4 204 155**	**3 773 238**	**4 055 315**

Capital adequacy ratio (tier 1 capital)	30 Sep 2016	30 Sep 2015	31 Dec 2015
Weighted calculation basis	28 753 251	25 798 734	27 509 998
Tier 1 capital	4 204 155	3 773 238	4 055 315
Tier 1 capital ratio	**14.6%**	**14.6%**	**14.7%**
Total tier 1 capital	4 204 155	3 773 238	4 055 315
Subordinated loans	599 370	449 477	449 518
Total primary capital (tier 2 capital)	**4 803 526**	**4 222 715**	**4 504 832**

Capital adequacy ratio (tier 2 capital)	30 Sep 2016	30 Sep 2015	31 Dec 2015
Weighted calculation basis	28 753 251	25 798 734	27 509 998
Total primary capital (tier 2 capital)	4 803 526	4 222 715	4 504 832
Capital adequacy ratio	**16.7%**	**16.4%**	**16.4%**
Required capital corresponding to eight per cent of calculation basis	2 300 260	2 063 899	2 200 800
Surplus equity and subordinated capital	2 503 266	2 158 816	2 304 032

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

30 September 2016

Calculation basis	**Weighted calculation basis**	**Capital requirement**
Credit risk	26 769 632	2 141 571
Operational risk	336 653	26 932
CVA risk[1]	1 646 966	131 757
Total	**28 753 251**	**2 300 260**

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

[2]At 30 September, 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 September 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 September 2016, Eika Boligkreditt had received cash collateral of NOK 4.2 billion posted by counterparties to derivative contracts. In addition to cash collateral, the company had also received NOK 3.1 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.

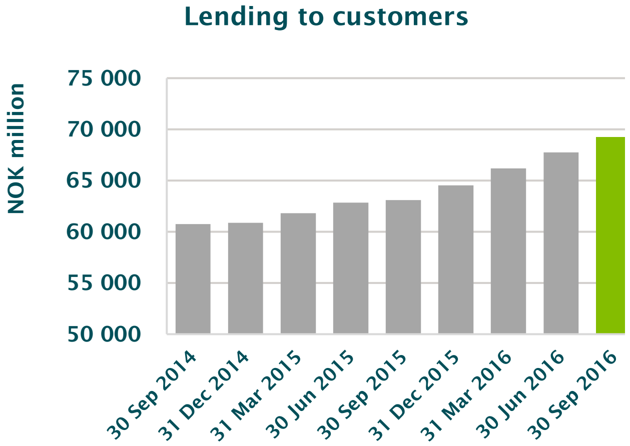
Note 15 – Risk management

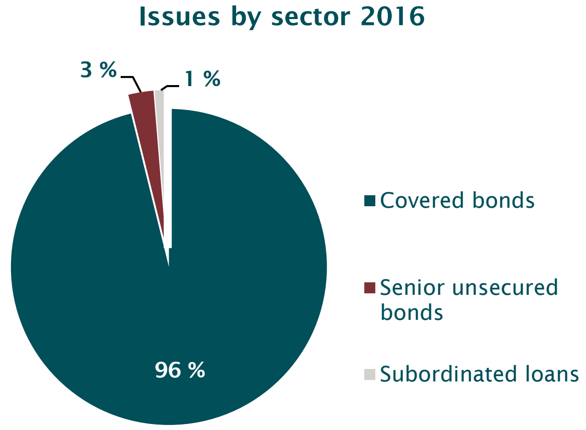
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual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

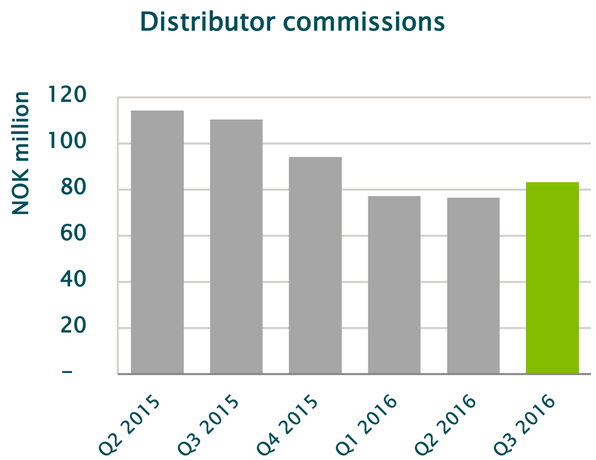
Note 16 – Defined-benefit pension plan closed

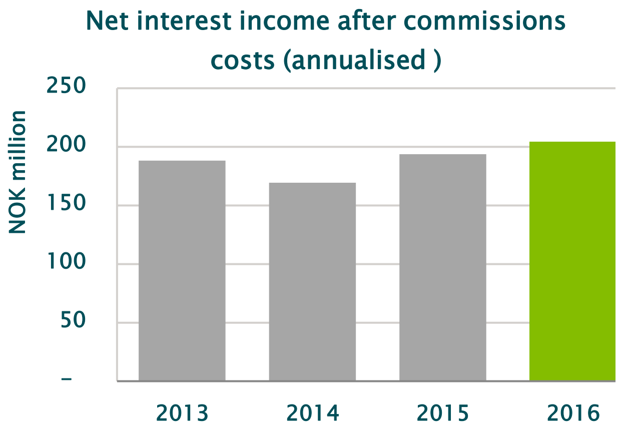
Eika Boligkreditt decided in the third quarter of 2016 to close its defined-benefit pension plan, which means that all employees are now covered by a defined-contribution scheme. The latter will contribute to greater predictability and reduce future pension commitments for the company. As part of the closure, the company recognised NOK 4.5 million in income as a one-off effect.

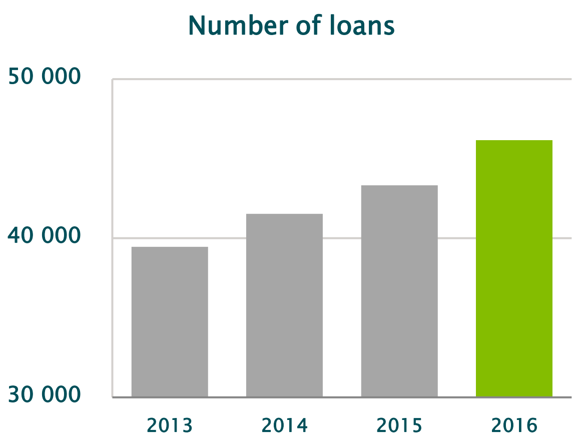
Key figures – Development

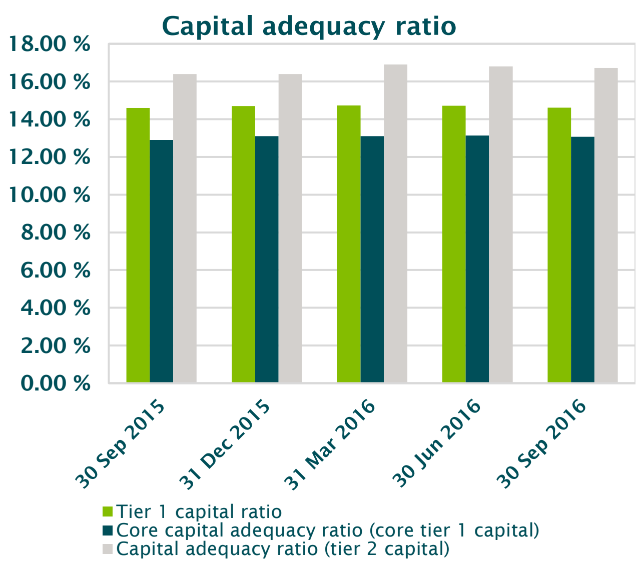












Key figures – Unaudited

Amounts in NOK 1 000	30 Sep 2016	30 Sep 2015	31 Dec 2015
Balance sheet development			
Lending to customers	69 239 680	63 100 777	64 527 405
Debt securities issued	83 455 481	74 982 395	79 876 051
Subordinated loan capital	599 370	449 477	449 518
Equity	4 342 251	3 995 571	4 242 467
Equity in % of total assets	4.7	4.8	4.7
Average total assets [1]	90 822 507	81 072 190	82 844 186
Total assets	93 134 114	82 968 828	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 (%) [2]	6.7	12.1	10.7
Total assets per full-time position	4 703 743	4 190 345	4 542 029
Cost/income ratio (%) [3]	19.0	32.6	29.8
Financial strength			
Core tier 1 capital	3 755 035	3 324 579	3 606 540
Tier 1 capital	4 204 155	3 773 238	4 055 315
Total primary capital (tier 2 capital)	4 803 526	4 222 715	4 504 832
Calculation basis capital adequacy ratio	28 753 251	25 798 734	27 509 998
Core tier 1 capital ratio (%)	13.1	12.9	13.1
Tier 1 capital ratio (%)	14.6	14.6	14.7
Capital adequacy ratio % (tier 2 capital)	16.7	16.4	16.4
Leverage ratio (%) [4]	4.3	4.3	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 Sep 2016**	**31 Dec 2016**	**31 Mar 2017**	**30 Jun 2017**	**30 Sep 2017**
Liquidity Indicator I [5]	107%	100%	105%	100%	101%
Liquidity Indicator II [6]	116%	114%	118%	120%	120%
Average of indicators	**112%**	**107%**	**112%**	**110%**	**111%**

[1] Total assets are calculated as a quarterly average for the last period.
[2] Profit before tax as a percentage of average equity on a quarterly basis (return on equity).
[3] Total operating expenses in % of net interest income after commissions costs.
[4] 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.
[5] Liquidity indicator I:

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

[6] Liquidity indicator II:

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

Tel: +47 22 87 81 00
E-mail: boligkreditt@eika.no
Parkveien 61
PO Box 2349 Solli
0201 Oslo

www.eikabk.no