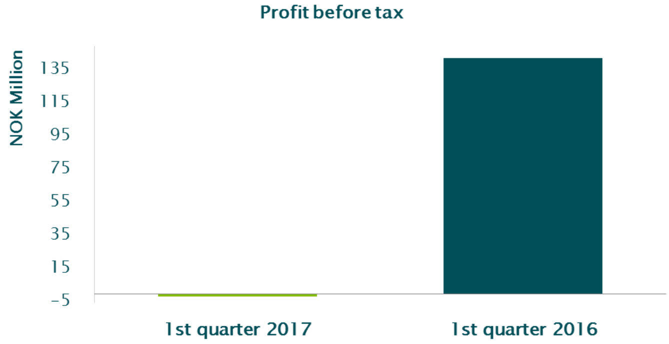
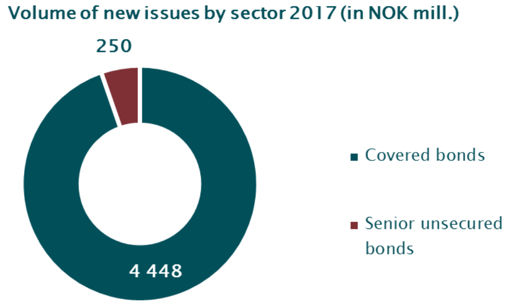
Eika Boligkreditt AS

Interim report for the first quarter of 2017

Unaudited

Highlights





First quarter 2017

- Pre-tax loss NOK 1.5 million (2016: profit of NOK 142.5 million)
- Pre-tax profit of NOK 70.7 million (2016: NOK 49.5 million) excluding NOK 72.2 million in negative value changes related to the price of basis swaps
- Financing of owner banks up by 2.7 per cent, corresponding to an annualised growth of 10.7 per cent
- Commissions to owner banks of NOK 81.9 million (2016: NOK 77 million)
- NOK 4.7 billion in bonds issued (2016: NOK 1.5 billion)

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

INTERIM REPORT FOR THE FIRST QUARTER OF 2017

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 31 March 2017, the owner banks had NOK 73.4 billion in total financing with Eika Boligkreditt and had thereby reduced the need for their own market and deposit financing 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 financing 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 fourth quarter and full year 2016

Pre-tax profit

Eika Boligkreditt showed a pre-tax loss of NOK 1.5 million for the first quarter, compared with a profit of NOK 142.5 million in the same period of 2016. The first-quarter loss included negative changes of NOK 72.2 million (2016: NOK positive 93 million) in the value of basis swaps, so that the pre-tax profit excluding changes in the value of basis swaps came to NOK 70.7 million (2016: NOK 49.5 million). This result included negative value changes of NOK 48.2 million in the fair value of financial instruments, compared with positive value changes of NOK 103.1 million for the first quarter of 2016.

Interest of NOK 5.7 million on tier 1 perpetual bonds in the first quarter is not presented as an interest expense in the income statement, but as a reduction in equity.

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 498 million in the first quarter, compared with NOK 462 million for the same period of 2016. Its net interest income for the period was NOK 140 million, compared with NOK 127 million for the first quarter of 2016.

The increase in the company's interest income reflected increased lending volumes and marginally higher interest rates on residential mortgages in the cover pool. The growth in net interest income reflected the rise in loan margins because interest rates on residential mortgages increased more than interest rates on borrowing.

Bonus scheme for employees terminated

Eika Boligkreditt decided in the first quarter of 2017 to terminate its bonus scheme for all staff with effect from 1 January 2017. At the same time, a remuneration model was chosen for the employees which accords with the corresponding termination in Eika Gruppen AS. The new arrangement will contribute to greater predictability for the company and the workforce, and is expected to mean some reduction in costs.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 81.9 million in the first quarter, compared with NOK 77 million for the same period of 2016.

Balance sheet and liquidity

Balance sheet

Assets under management by Eika Boligkreditt amounted to NOK 96 billion at 31 March 2017, unchanged from 1 January.

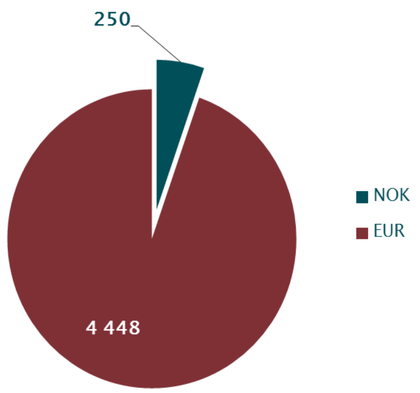
Lending

Eika Boligkreditt's residential mortgage portfolio had risen to NOK 73.4 billion at 31 March, representing a net increase of NOK 1.9 billion from 1 January. That represents a quarter-on-quarter growth of 2.7 per cent, corresponding to an annualised rate of 10.7 per cent. This reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

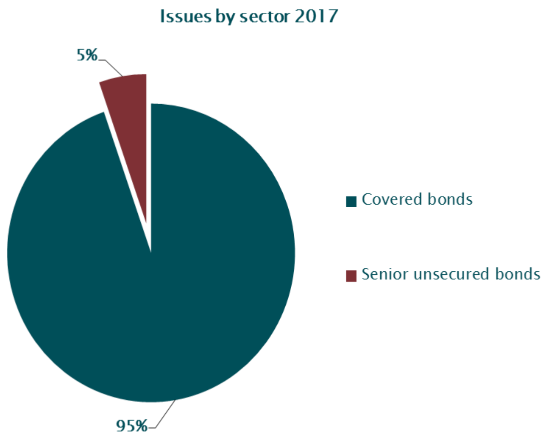
Borrowing

Eika Boligkreditt issued bonds with a nominal value of NOK 4.7 billion in the first quarter, compared with NOK 1.5 billion in the same period of 2016. Issues for the first quarter broke down between NOK 4.45 billion in covered bonds and NOK 250 million in senior unsecured bonds.

Issues by currency (in NOK mill) in 2017



Issues by sector (in %) in 2017



Of bond issues for the first quarter, 95 per cent were denominated in euro and five per cent in Norwegian kroner. Covered bonds accounted for 95 per cent of the issue volume.

The table below shows issues in 2017, the corresponding period of 2016 as well as the whole of 2016 and 2015.

New issues (amounts in NOK million)	Q1 2017	Q1 2016	2016	2015
Covered bonds (issued in EUR)	4 448	-	4 650	4 636
Covered bonds (issued in NOK)	-	1 350	10 725	6 250
Senior unsecured bonds (issued in NOK)	250	-	950	450
Subordinated loans (issued in NOK)	-	150	150	200
Totalt issued	**4 698**	**1 500**	**16 475**	**11 536**

The average tenor for bonds issued in 2017 was 6.9 years. The average tenor for the company's borrowing portfolio at 31 March 2017 was 3.87 years, up from 3.64 years at 1 January.

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

Carrying value in NOK million	31 Mar 2017	31 Mar 2016	31 Dec 2016	31 Dec 2015
Covered bonds	84 106	77 045	84 109	76 950
Senior unsecured bonds	3 024	2 926	2 874	2 926
Subordinated loans	599	599	599	449
Total borrowing	**87 729**	**80 570**	**87 582**	**80 325**

The company's total borrowing at 31 March was NOK 87.7 billion, up by NOK 0.1 billion from 1 January.

Liquidity

At 31 March 2017, the company had a total liquidity portfolio of NOK 15.2 billion. This figure includes cash collateral of NOK 3.1 billion received from counterparties to derivative contracts. Cash collateral is held in bank deposits, repurchase (repo) agreements 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 2.6 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

Agreement on OBOS-banken's distribution responsibility for

The board of Eika Boligkreditt resolved at its meeting of 9 February 2016 to cancel the distribution agreement with OBOS-banken with 12 month's notice. At the termination date of 9 February 2017, OBOS-banken ceased to have the right to transfer new residential mortgages to Eika Boligkreditt and thereby increase its financing. Pursuant to the provisions in the distribution agreement related to termination, OBOS-banken and Eika Boligkreditt entered into a new agreement in the autumn of 2016 to regulate the extension of OBOS-banken's distribution responsibility for financing established before February 2017, including rights and obligations pursuant to the guarantee, custody, commission and shareholder agreements and the agreement on the purchase of covered bonds.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 5 billion at 31 March 2017, an increase of NOK 123 million since 1 January. This rise resulted from NOK 125 million in additional equity raised through a private placement of shares with the company's owner banks during the first quarter.

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. The basis for calculating the capital adequacy ratio at 31 March amounted to NOK 30.5 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	31 Mar 2017	31 Dec 2016	31 Dec 2015
Risk-weighted assets	30 466	29 766	27 510
Total primary capital (tier 2 capital)	5 005	4 882	4 505
Capital adequacy ratio in per cent	16.4%	16.4%	16.4%

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 12.5 per cent (13.0 per cent at 31 March 2017)
- tier 1 capital ratio: 14.0 per cent (14.5 per cent at 31 March 2017)
- tier 2 capital ratio: 16.0 per cent (16.4 per cent at 31 March 2017)

These targets are adequate in relation to legal and capital requirements based on the company's internal risk assessment. As shown above, the applicable buffer requirements were fulfilled at 31 March 2017 with a core tier 1 capital adequacy of 13 per cent.

Outlook

The company's financing of the owner banks grew by a net NOK 1.9 billion in the first quarter and by NOK 7.2 billion over the past 12 months. This represents a 12-monthly growth of 10.9 per cent in financing over the year to 31 March. Statistics Norway's credit indicator for February 2017 showed a 12-monthly increase of 6.6 per cent in Norwegian household debt. The owner banks increased their financing over their own balance sheets by 15.4 per cent in 2016.

The lending survey from the Bank of Norway for the first quarter of 2017 showed no change in household demand for borrowing. In the survey, the banks reported somewhat higher lending margins on loans to households during the first quarter. The survey also showed that banks do not anticipate any changes in demand for borrowing during the second quarter. Margins on residential mortgages transferred by the owner banks to the company's cover pool in the first quarter of 2017 were somewhat above the average figure for 2016.

According to the house price report from Real Estate Norway for March 2017, average Norwegian house prices are 11.7 per cent higher than they were 12 months earlier. Seasonally adjusted prices rose by 1.5 per cent on a national basis during the first quarter, following increases of 3.4 per cent in the fourth quarter of 2016, 3.4 per cent in the third and 3.1 per cent in the second. Substantial regional differences exist. The 12-monthly growth to 31 March was 22.4 per cent in Oslo, compared with rises of 3.4 and 8.1 per cent in Bergen and Trondheim respectively and a decline of 1.4 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 trends.

The bond market was characterised in 2017 by good liquidity and contraction in credit margins. The credit margin (above three-month Nibor) paid by the company when issuing covered bonds in Norwegian kroner with a five-year tenor fell by eight basis points to 46 during the first quarter of 2017.

Reduced oil industry demand has contributed to a clear downturn in the Norwegian economy since the autumn of 2014. However, this recession appears to be bottoming out, and calculations by Statistics Norway indicate a cautious recovery during 2017. Growth is nevertheless unlikely to be strong over the next few years. Gross domestic product for mainland Norway increased by only 0.8 per cent in 2016, the weakest performance since the financial crisis of 2009. Annual GDP growth in 2015 was 1.1 per cent.

Unemployment appears to have topped out at 4.9 per cent in the summer of 2016. Statistics Norway expects employment to rise somewhat in 2017 and beyond. However, the economic upturn is also likely to have the effect of increasing the workforce, so that unemployment will show only a moderate decline.

Statistics Norway expects that government measures to restrict residential mortgage lending will curb the rise in debt to a limited extent, despite low real interest rates. Growth is estimated at about six per cent in 2017. Real disposable income for households will again increase only slightly in 2017, and Statistics Norway expects that this – combined with an increased supply of homes – will exert a clear moderating effect on house prices in the time to come.

Norway's robust macroeconomic position compared with most 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, 9 May 2017

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	1Q 2017	1Q 2016	2016
INTEREST INCOME				
Interest from loans to customers		456 596	425 975	1 708 294
Interest from loans and receivables on credit institutions		5 894	7 600	33 192
Interest from bonds, certificates and financial derivatives		27 683	23 679	97 485
Other interest income		7 351	5 090	22 369
Total interest income		497 524	462 345	1 861 340
INTEREST EXPENSES				
Interest on debt securities issued		352 324	329 922	1 354 496
Interest on subordinated loan capital		5 244	3 945	19 780
Other interest expenses		393	1 813	5 099
Total interest expenses		357 961	335 681	1 379 375
Net interest income		139 563	126 664	481 965
Commission costs		76 084	72 944	299 523
Net interest income after commissions costs		63 479	53 720	182 442
Dividend from shares classified as available for sale		-	-	5 652
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE				
Net gains and losses on bonds and certificates	Note 3	11 719	12 006	32 245
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	(76 689)	85 556	(112 420)
Net gains and losses on financial derivatives	Note 3	(2 111)	(13 930)	40 704
Net gains and losses on loans at fair value	Note 3	18 921	19 506	(42 292)
Total gains and losses on financial instruments at fair value		(48 160)	103 138	(81 763)
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES				
Salaries, fees and other personnel expenses		7 444	6 119	22 594
Administrative expenses		4 764	4 339	17 100
Total salaries and administrative expenses		12 208	10 457	39 694
Depreciation		490	458	1 747
Other operating expenses		4 122	3 489	14 594
Losses on loans and guarantees		-	-	-
PROFIT/(LOSS) BEFORE TAXES		(1 502)	142 454	50 296
Taxes		(588)	35 616	11 370
PROFIT/(LOSS) FOR THE PERIOD		(914)	106 838	38 926
Other comprehensive income		-	-	-
COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(914)	106 838	38 926

The net loss of NOK 914 000 and NOK 5 715 000 in interest paid to the investors in tier 1 perpetual bonds have been covered from other equity.

Balance sheet

Amounts in NOK 1 000	Notes	31 March 2017	31 March 2016	31 Dec. 2016
ASSETS				
Lending to and receivables from credit institutions		**1 699 481**	2 375 497	2 215 466
Lending to customers	Note 4, 9	**73 420 473**	66 200 458	71 509 279
Other financial assets		**106 546**	112 567	786 862
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,9	**13 520 819**	11 129 554	13 671 888
Financial derivatives	Note 8,9	**7 232 288**	10 276 386	7 788 473
Shares classified as available for sale	Note 10, 11	**29 700**	29 700	29 700
Total securities		**20 782 806**	21 435 640	21 490 061
Other intangible assets				
Deferred tax assets		**11 913**	-	11 913
Intangible assets		**5 058**	3 333	3 448
Total other intangible assets		**16 972**	3 333	15 361
TOTAL ASSETS		**96 026 278**	90 127 495	96 017 030
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 13	**3 146 879**	4 795 512	3 394 213
Financial derivatives	Note 8,9	**302 532**	79 470	289 988
Debt securities issued	Note 6	**87 129 531**	79 970 503	86 982 995
Other liabilities		**329 966**	292 960	352 430
Pension liabilities		**2 259**	6 055	2 259
Deferred tax		-	40 128	-
Subordinated loan capital	Note 7	**599 480**	599 260	599 426
TOTAL LIABILITIES		**91 510 646**	85 783 887	91 621 311
Called-up and fully paid capital				
Share capital		**926 479**	856 674	926 479
Share premium		**2 433 904**	2 203 709	2 433 904
Paid-in, non-registered capital increase		**125 000**	-	-
Other paid-in equity		**477 728**	477 728	477 728
Total called-up and fully paid capital	Note 12	**3 963 111**	3 538 111	3 838 111
Retained earnings				
Fund for unrealised gains		**14 700**	149 940	14 700
Other equity		**88 472**	206 667	93 672
Total retained equity	Note 12	**103 172**	356 607	108 372
Hybrid capital				
Tier 1 capital		**449 349**	448 890	449 236
Total hybrid capital		**449 349**	448 890	449 236
TOTAL EQUITY		**4 515 632**	4 343 608	4 395 719
TOTAL LIABILITIES AND EQUITY		**96 026 278**	90 127 495	96 017 030

Statement of changes in equity

Amounts in NOK 1 000	Share capital [1]	Share premium [1]	Paid-in unregistered increase in capital comprises capital paid in but not registered [6]	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 2016	**856 673**	**2 203 709**	**-**	**477 728**	**85 773**	**169 808**	**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)**
Taxes on interest tier 1 capital	-	-	-	-	-	1 453	-	**1 453**
Balance sheet as at 31 March 2016	**856 673**	**2 203 709**	**-**	**477 728**	**149 940**	**208 120**	**448 890**	**4 345 061**
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)**
Taxes on interest tier 1 capital	-	-	-	-	-	1 425	-	**1 425**
Balance sheet as at 30 June 2016	**892 123**	**2 318 260**	**-**	**477 728**	**130 294**	**79 568**	**449 004**	**4 346 977**
Result for the period	-	-	-	-	(34 252)	32 289	5 759	**3 796**
Interest tier 1 capital	-	-	-	-	-	-	(5 643)	**(5 643)**
Taxes on interest tier 1 capital	-	-	-	-	-	1 440	-	**1 440**
Balance sheet as at 30 September 2016	**892 123**	**2 318 260**	**-**	**477 728**	**96 042**	**113 297**	**449 120**	**4 346 570**
Result for the period	-	-	-	-	(81 342)	(21 086)	5 844	**(96 584)**
Equity issue	34 356	115 644	-	-	-	-	-	**150 000**
Interest tier 1 capital	-	-	-	-	-	-	(5 728)	**(5 728)**
Taxes on interest tier 1 capital	-	-	-	-	-	1 461	-	**1 461**
Balance sheet as at 31 December 2016	**926 479**	**2 433 904**	**-**	**477 728**	**14 700**	**93 672**	**449 236**	**4 395 719**
Result for the period	-	-	-	-	-	(6 629)	5 715	**(914)**
Equity issue	-	-	125 000	125 000	-	-	-	**125 000**
Interest tier 1 capital	-	-	-	-	-	-	(5 601)	**(5 601)**
Taxes on interest tier 1 capital	-	-	-	-	-	1 429	-	**1 429**
Balance sheet as at 31 March 2017	**926 479**	**2 433 904**	**125 000**	**602 728**	**14 700**	**88 472**	**449 349**	**4 515 632**

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

[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.
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 of 2015:
- NOK 250 million of tier 1 perpetual bonds, issued 2013, with interest terms of three months Nibor plus 4.2 per cent. The loan provides for a call at 23 May 2018, and quarterly thereafter on each date interest payment falls due.
- NOK 200 million of tier 1 perpetual bonds, issued 2014, with interest terms of three months Nibor plus 3.5 per cent. The loan provides for a call at 5 March 2019, and quarterly thereafter on each date interest payment falls due.

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

[6] Paid-in unregistered increase in capital comprises capital paid in but not registered at the end of the period.

Statement of cash flows

Amounts in NOK 1 000	1Q 2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	(914)	38 926
Taxes	(588)	11 370
Income taxes paid	(5 768)	(9 466)
Ordinary depreciation	490	1 747
Non-cash pension costs	-	(3 796)
Change in loans to customers	(1 911 194)	(6 981 874)
Change in bonds and certificates	151 070	(2 118 381)
Change in financial derivatives and debt securities issued	556 185	(124 494)
Interest expenses	357 961	1 379 374
Paid interest	(374 131)	(1 347 826)
interest income	490 173	1 838 971
received interests	(514 412)	(1 831 853)
Changes in other assets	680 316	(671 911)
Changes in short-term liabilities and accruals	(2 136)	211 777
Net cash flow relating to operating activities	**(572 948)**	**(9 607 436)**
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(2 100)	(1 505)
Net cash flow relating to investing activities	**(2 100)**	**(1 505)**
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	146 535	16 149 754
Gross payments of bonds and commercial paper	568 034	(6 397 120)
Gross receipts on issue of subordinated loan capital	-	149 908
Change in subordinated loan capital	54	-
Gross receipts from issue of loan from credit institution	(247 334)	(1 572 811)
Interest to the hybrid capital investors	(5 601)	(22 655)
Payments of dividend	-	(168 799)
Paid-up new share capital	125 000	300 000
Net cash flow from financing activities	**586 688**	**8 438 277**
Net changes in lending to and receivables from credit institutions	11 640	(1 170 664)
Lending to and receivables from credit institutions at 1 January	2 215 466	3 386 131
Lending to and receivables from credit institutions at end of period	**2 227 106**	**2 215 466**

Notes

Note 1 – Accounting policies

General

Eika Boligkreditt has prepared its accounts for 2017 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 2016 contains further details of accounting policies in accordance with the IFRS.

The financial statements for the first quarter of 2017 have been prepared in accordance with IAS 34, Interim financial reporting.

New and revised IFRSs in issue

IFRS 9 Financial instruments
The regulations in IFRS 9 will be effective for fiscal years beginning on 1 January 2018 or subsequent periods. Earlier adoption is permitted, provided that all completed sub-projects are implemented at the same time. The standard was endorsed by the EU on 22 November 2016. Given the combination of the loan-to-value ratio for the residential mortgage portfolio and the credit guarantees provided by the owner banks, EBK does not expect the standard to have a significant impact on results.

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 2016, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

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

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

Lending, non-performing/doubtful loans and writedowns

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

No loans were written down at 31 March 2017.

Fair value of financial instruments

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

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

Net gains and losses on financial instruments at fair value			
Amounts in NOK 1 000	**1st quarter 2017**	**1st quarter 2016**	**2016**
Net gains and losses on loans at fair value	18 921	19 506	(42 292)
Net gains and losses on bonds and certificates	11 477	12 006	32 245
Net gains and losses on financial debts, hedged[1]	472 132	119 978	2 645 689
Net gains and losses on interest swaps related to lending	(2 111)	(13 930)	40 704
Net gains and losses on interest swaps related to bonds and certificates	242	-	-
Net gains and losses on interest and currency swaps related to liabilities	(548 822)	(34 423)	(2 758 110)
Net gains and losses on financial instruments at fair value[2]	**(48 160)**	**103 138**	**(81 763)**

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

[2] First-quarter comprehensive loss includes negative changes of NOK 72.2 million in the value of basis swaps. In addition to value changes for basis swaps, first-quarter loss includes a profit of NOK 24.1 million in other changes to the value of financial instruments. That gives a total negative change of NOK 48.1 million in the value of financial instruments, compared with positive NOK 103.1 million for the same period of 2016.

Basis swaps are derivative contracts entered into in connection with long-term borrowing in foreign currency, whereby the foreign currency is converted to Norwegian kroner. These are hedging instruments, and the effect is zero over the term of the instrument. This means that changes in margins only have an accrual effect with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early, which would be unusual given the company's business.

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

Note 4 – Lending to customers

Amounts in NOK 1 000	31 Mar 2017	31 Mar 2016	31 Dec 2016
Installment loans - retail market	64 878 395	56 922 128	62 698 470
Installment loans - housing cooperatives	8 519 809	9 210 426	8 807 004
Adjustment fair value lending to customers [1]	22 267	67 903	3 804
Total lending before specific and general provisions for losses	**73 420 473**	**66 200 458**	**71 509 279**
Individual impairments	-	-	-
Unspecified group impairments	-	-	-
Total lending to and receivables from customers	**73 420 473**	**66 200 458**	**71 509 279**

All lending concerns residential mortgage loans with a loan-to-value ratio of up to 60 per cent at origination. The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 March 2017.

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

31 Mar 2017

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	69 728 781	69 728 781
Fixed rate loans	3 669 423	3 691 692
Toal lending	**73 398 204**	**73 420 473**

31 Mar 2016

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

31 Dec 2016

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	67 938 877	67 938 877
Fixed rate loans	3 566 598	3 570 403
Toal lending	**71 505 474**	**71 509 279**

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.

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

31 March 2017

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	4 239 260	4 240 519	4 241 576
Credit institutions	6 135 354	6 152 443	6 172 775
Government bonds	955 279	963 020	973 379
Treasury bills	2 120 203	2 121 823	2 133 089
Total bonds and certificates at fair value through profit or loss	**13 450 096**	**13 477 805**	**13 520 819**
Change in value charged to the profit and loss account			**43 014**

Average effective interest rate is 0.40 per cent annualised. The calculation is based on a weighted fair value of NOK 11.7 billion. The calculation takes account of a return of NOK 47.3 million on bank deposits, bonds and certificates.
The return on reinvested cash collateral received is excluded from the calculation.

31 March 2016

Amounts in NOK 1 000

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

Average effective interest rate is 0.52 per cent annualised. The calculation is based on a weighted fair value of NOK 7.9 billion. The calculation takes account of a return of NOK 41.8 million on bank deposits, bonds and certificates.
The return on reinvested cash collateral received is excluded from the calculation.

31 December 2016

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair value
Municipalities	4 620 489	4 621 591	4 621 136
Credit institutions	6 366 221	6 384 798	6 383 348
Government bonds	366 474	371 413	372 740
Treasury bills	2 292 228	2 294 460	2 294 664
Total bonds and certificates at fair value through profit or loss	**13 645 413**	**13 672 261**	**13 671 888**
Change in value charged to the profit and loss account			**(373)**

Average effective interest rate is 1.51 per cent. The calculation is based on a weighted fair value of NOK 10.8 billion. The calculation takes account of a return of NOK 162.2 million on bank deposits, bonds and certificates.
The return on reinvested cash collateral received is excluded from the calculation

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Average term to maturity	**1.2**	**1.2**	**1.0**
Average duration	**0.1**	**0.1**	**0.1**

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

Note 6 – Debt securities issued

Covered bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Mar 2017	31 Mar 2016	31 Dec 2016
NO0010502149	1 200 000	NOK	Floating	3M Nibor + 0.70%	2009	2019	1 205 738	1 208 675	1 206 462
NO0010561103	1 948 000	NOK	Fixed	5.00%	2009	2019	1 981 139	1 993 362	1 984 153
NO0010572373	2 977 000	NOK	Floating	3M Nibor + 0.53%	2010	2016	-	2 976 940	-
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	703 376	706 222	704 078
NO0010612039	5 500 000	NOK	Floating	3M Nibor + 0.55%	2011	2018	5 507 814	4 006 142	5 509 438
NO0010625346	1 500 000	NOK	Fixed	4.60%	2011	2026	1 500 867	1 500 958	1 500 890
NO0010631336	658 000	NOK	Fixed	3.75%	2011	2016	-	658 100	-
XS0736417642	500 000	EUR	Fixed	2.25%	2012	2017	-	4 714 169	4 537 917
NO0010648892	579 000	NOK	Floating	3M Nibor + 0.74%	2012	2017	579 123	1 400 515	654 282
XS0794570944	650 000	EUR	Fixed	2.00%	2012	2019	5 949 645	6 111 612	5 882 331
XS0851683473	1 000 000	EUR	Fixed	1.25%	2012	2017	9 172 484	9 424 292	9 069 572
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	5 234 417	5 239 809	5 235 747
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53%	2012	2018	1 000 535	1 000 855	1 000 614
NO0010663743	1 000 000	NOK	Fixed	3.25%	2012	2019	1 004 595	1 006 313	1 005 019
NO0010669922	1 000 000	NOK	Fixed	4.00%	2013	2028	996 695	996 389	996 619
XS0881369770	1 000 000	EUR	Fixed	2.125%	2013	2023	9 145 236	9 399 791	9 043 001
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54%	2013	2020	5 146 196	5 026 362	5 147 604
NO0010685704	550 000	NOK	Fixed	3.50%	2013	2020	551 665	552 113	551 775
NO0010687023	150 000	NOK	Fixed	4.10%	2013	2028	150 000	150 000	150 000
NO0010697204	300 000	SEK	Fixed	2.38%	2013	2018	288 497	306 622	284 920
NO0010697212	700 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	673 554	716 090	665 268
XS1044766191	500 000	EUR	Fixed	1.50%	2014	2021	4 567 185	4 691 766	4 515 402
NO0010732258	4 375 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	4 347 490	3 161 061	4 346 095
NO0010733694	1 150 000	NOK	Fixed	1.75%	2015	2021	1 144 208	1 142 923	1 143 891
XS1312011684	500 000	EUR	Fixed	0.625%	2015	2021	4 565 733	4 690 748	4 514 057
NO0010763022	850 000	NOK	Fixed	2.250%	2016	2031	842 403	-	842 270
XS1397054245	500 000	EUR	Fixed	0.375%	2016	2023	4 552 063	-	4 500 133
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0.40%	2016	2020	4 998 563	-	4 998 448
NO0010780687	700 000	NOK	Fixed	2.60%	2016	2027	699 320	-	699 304
XS1566992415	500 000	EUR	Fixed	0.375%	2017	2024	4 557 760	-	-
Value adjustments							2 039 584	3 263 173	2 419 717
Total covered bonds[1]							**84 105 884**	**77 045 003**	**84 109 007**

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

Senior unsecured bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Mar 2017	31 Mar 2016	31 Dec 2016
NO0010697733	600 000	NOK	Floating	3M Nibor + 0.90%	2013	2016	-	600 006	-
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 897	199 837	199 883
NO0010705593	600 000	NOK	Floating	3M Nibor + 0.65 %	2014	2017	600 179	600 578	600 277
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 365	425 511	425 401
NO0010711716	400 000	NOK	Floating	3M Nibor + 0.36%	2014	2016	-	399 989	-
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	249 895	249 848	249 884
NO0010732886	150 000	NOK	Floating	3m Nibor + 0.30%	2015	2017	149 997	249 889	249 969
NO0010739287	300 000	NOK	Floating	3m Nibor + 0.70%	2015	2020	298 295	199 841	298 163
NO0010764160	350 000	NOK	Floating	3m Nibor + 0.95%	2016	2019	350 615	-	350 688
NO0010776099	500 000	NOK	Floating	3m Nibor + 0.92%	2016	2020	499 742	-	499 724
NO0010782048	250 000	NOK	Floating	3m Nibor + 0.95%	2017	2022	249 660	-	-
Total senior unsecured bonds							**3 023 647**	**2 925 500**	**2 873 989**

Total debt securities issued	**87 129 531**	**79 970 503**	**86 982 996**

Note 7 – Subordinated loan capital

Subordinated loan capital - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Mar 2017	31 Mar 2016	31 Dec 2016
NO0010679632	250 000	NOK	Floating	3M Nibor + 2.20% [1]	2013	2023	249 886	249 786	249 861
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85% [2]	2015	2025	199 832	199 772	199 817
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% [3]	2016	2026	149 762	149 702	149 748
Total subordinated loan capital							**599 480**	**599 260**	**599 426**

[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	**31 Mar 2017**	**31 Mar 2016**	**31 Dec 2016**
Lending to customers [1]	72 145 393	65 331 462	70 256 756
Substitute assets and derivatives:			
Financial derivatives (net)	6 929 756	10 196 916	7 498 485
Substitute assets [2]	9 359 970	8 706 537	10 652 823
Total	**88 435 119**	**84 234 915**	**88 408 063**
The cover pool's overcollateralisation [3]	105.00%	109.28%	105.00%

Covered bonds issued

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Covered bonds	84 105 884	77 045 003	84 109 007
Premium/discount	118 039	34 864	89 149
Total covered bonds	**84 223 923**	**77 079 867**	**84 198 156**

[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 and repo agreements.

[3]In line with updated liquidity coverage ratio (LCR) guidance from the Financial Supervisory Authority of Norway of 21 December 2016, the company's LCR reporting for December 2016 only includes liquidity in the cover pool which exceeds the committed overcollateralisation. This liquidity is not included in the valuation of the cover pool at 31 March 2017. Were liquidity which exceeds the overcollateralisation also taken into account in the valuation of the cover pool, it would give an overcollateralisation of 108.22 per cent.

Note 9 – Derivatives and hedging

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

	31 Mar 2017		31 Dec 2016	
Assets				
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	882 500	7 260	1 072 500	9 018
Interest rate and currency swap[2]	36 731 063	7 225 028	37 683 563	7 779 455
Total financial derivative assets	**37 613 563**	**7 232 288**	**38 756 063**	**7 788 473**
Liabilities				
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	2 678 800	33 544	2 393 500	33 192
Interest rate and currency swap[2]	12 387 150	267 663	10 836 750	256 797
Interest swap placement	-	1 324	-	-
Total financial derivative liabilities	**15 065 950**	**302 532**	**13 230 250**	**289 988**

[1]The hedging instruments related to the lending portfolio with fixed interest rate are rebalanced when necessary.

[2]The nominal amount is converted to the historical currency exchange rate.

Fair value hedging

Eika Boligkreditt applies fair value hedging on fixed-rate financial liabilities. The hedge object is the swap interest element of the financial liabilities. Interest and currency swaps are used as hedging instruments.

	31 Mar 2017		31 Dec 2016	
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]	24 343 913	6 957 365	26 846 813	7 522 658
Hedged items: financial commitments incl foreign exchange[2]	24 343 913	(7 131 711)	26 846 813	(7 603 843)
Net value recognised in balance sheet	-	**(174 346)**	-	**(81 185)**

[1]The nominal amount is converted to historical currency exchange rate.

[2]The book value of the hedging instruments is its net market value. The book value of the hedged objects is the cumulative change in value associated with the hedged risk and is an adjustment of financial liabilities at amortised cost.

Gains/losses on fair value hedging			
Amounts in NOK 1 000	1st quarter 2017	1st quarter 2016	2016
Hedging instruments	(548 822)	(34 423)	(2 758 110)
Hedged items	472 132	119 978	2 645 689
Net gains/losses (inefffectiveness)[3]	**(76 689)**	**85 556**	**(112 420)**

[3]The negative change in value for financial instruments in 2017 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 31 March 2017. Valuation of shares classified as available for sale are based on discounted cash flows.

31 March 2017

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 691 706
Bonds and certificates at fair value through profit or loss	3 106 468	10 414 351	-
Financial derivatives	-	7 232 288	-
Shares classified as available for sale	-	-	29 700
Total financial assets	**3 106 468**	**17 646 638**	**3 721 406**
Financial liabilities			
Financial derivatives	-	302 532	-
Total financial liabilities	**-**	**302 532**	**-**

No significant transactions between the different levels have taken place in 2017.

31 December 2016

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 570 403
Bonds and certificates at fair value through profit or loss	2 667 404	11 004 484	-
Financial derivatives	-	7 788 473	-
Shares classified as available for sale	-	-	29 700
Total financial assets	**2 667 404**	**18 792 957**	**3 600 103**
Financial liabilities			
Financial derivatives	-	289 988	-
Total financial liabilities	**-**	**289 988**	**-**

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

Detailed statement of assets classified as level 3

2017 Amounts in NOK 1 000	**01 Jan 2017**	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2017	Other comprehensive income	**31 Mar 2017**
Lending to customers (fixed-rate loans)	3 570 403	204 167	(101 784)	-	18 921	-	3 691 706
Shares available for sale	29 700	-	-	-	-	-	29 700
Total	**3 600 103**	**204 167**	**(101 784)**	**-**	**18 921**	**-**	**3 721 406**

2016 Amounts in NOK 1 000	**01 Jan 2016**	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2016	Other comprehensive income	**31 Dec 2016**
Lending to customers (fixed-rate loans)	2 979 081	1 094 416	(460 803)	-	(42 292)	-	3 570 403
Shares available for sale	29 700	-	-	-	-	-	29 700
Total	**3 008 781**	**1 094 416**	**(460 803)**	**-**	**(42 292)**	**-**	**3 600 103**

Interest rate sensitivity of assets classified as Level 3 at 31 December 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 117 million. The effect of a decrease in interest rates would be an increase of NOK 117 million in the value of fixed-rate loans at fair value. The amounts are calculated by duration, which is the remaining portion of the fixed interest period.

Changes in fair value of fixed-rate loans attributable to a change in credit risk
Since the company's fixed-rate lending at fair value has an unchanged credit spread, no change in fair value is attributable to a change in the credit risk. That applies both for 31 March 2017 and cumulatively.

Detailed statement changes in debt related to currency changes

2017 Amounts in NOK 1 000	**01 Jan 2017**	Purchases/ issues	Disposals/ settlements	**31 Mar 2017**
Change in debt securities issued [1]	43 156 438	572 900	(91 999)	43 637 339
Total	**43 156 438**	**572 900**	**(91 999)**	**43 637 339**

Detailed statement changes in debt related to currency changes

2016 Amounts in NOK 1 000	**01 Jan 2016**	Purchases/ issues	Disposals/ settlements	**31 Dec 2016**
Change in debt securities issued [1]	40 894 715	4 650 000	(2 388 277)	43 156 438
Total	**40 894 715**	**4 650 000**	**(2 388 277)**	**43 156 438**

[1]The table shows currency changes related to bonds issued in foreign currencies. Currency changes related to liabilities with credit institututions are not shown.

Note 11 – Shares classified as available for sale

Shares classified as available for sale

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

Note 12 – Capital adequacy ratio

Amounts in NOK 1 000	31 Mar 2017	31 Mar 2016	31 Dec 2016
Share capital	926 479	856 674	926 479
Share premium	2 433 904	2 203 709	2 433 904
Paid, but not registered, share capital	125 000	-	-
Other paid-in equity	477 728	477 728	477 728
Total comprehensive income for the period	(914)	-	-
Other equity	1 009	1 002	1 009
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**3 963 206**	**3 539 113**	**3 839 120**
Fund for unrealised gains	14 700	85 773	14 700
Intangible assets	(5 058)	(3 333)	(3 448)
Deferred tax assets[1]	-	-	-
Prudent valuation adjustments of fair valued positions	(17 428)	(14 433)	(17 366)
Total core tier 1 capital	**3 955 420**	**3 607 120**	**3 833 006**

Core capital adequacy ratio (core tier 1 capital)	31 Mar 2017	31 Mar 2016	31 Dec 2016
Weighted calculation basis	30 445 918	27 541 743	29 766 452
Core tier 1 capital	3 955 420	3 607 120	3 833 006
Core tier 1 capital ratio	**13.0%**	**13.1%**	**12.9%**
Total core tier 1 capital	3 955 420	3 607 120	3 833 006
Tier 1 perpetual bonds	449 349	448 890	449 236
Total tier 1 capital	**4 404 769**	**4 056 010**	**4 282 242**

Capital adequacy ratio (tier 1 capital)	31 Mar 2017	31 Mar 2016	31 Dec 2016
Weighted calculation basis	30 445 918	27 541 743	29 766 452
Tier 1 capital	4 405 686	4 056 010	4 282 242
Tier 1 capital ratio	**14.5%**	**14.7%**	**14.4%**
Total tier 1 capital	4 404 769	4 056 010	4 282 242
Subordinated loans	599 480	599 260	599 426
Total primary capital (tier 2 capital)	**5 004 249**	**4 655 270**	**4 881 667**

Capital adequacy ratio (tier 2 capital)	31 Mar 2017	31 Mar 2016	31 Dec 2016
Weighted calculation basis	30 445 918	27 541 743	29 766 452
Total primary capital (tier 2 capital)	5 004 249	4 655 270	4 881 667
Capital adequacy ratio	**16.4%**	**16.9%**	**16.4%**
Required capital corresponding to eight per cent of calculation basis	2 435 673	2 203 339	2 381 316
Surplus equity and subordinated capital	2 568 576	2 451 931	2 500 351

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

31 March 2017

Calculation basis	**Weighted calculation basis**	**Capital requirement**
Credit risk	28 311 125	2 264 890
Operational risk	354 879	28 390
CVA risk[2]	1 779 913	142 393
Total	**30 445 918**	**2 435 673**

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

[1]Deferred tax assets attributable to temporary differences and amounting to less than 10 per cent of core tier 1 capital are not deducted from core tier 1 capital, but risk-weighted by 250 per cent. See the changes to the calculation regulations which came into force on 30 September 2014.

[2]At 31 March, Eika Boligkreditt had taken account of the risk of credit valuation adjustment (CVA) when calculating capital requirements for credit risk. This represents a supplement to the capital requirement for credit risk related to counterparty risk for derivatives.

The calculation basis comprised NOK 30.5 billion at 31 March. This amount represented a quantification of the company's risk. After account has been taken of the growth in overall lending, changes to the company's liquidity portfolio and the increase in the calculation basis for CVA risk, the calculation basis for capital adequacy at 31 March was NOK 0.7 billion higher than at 1 January.

At all times, the company must have a buffer in relation to the minimum capital adequacy requirement of eight per cent. This buffer must be sufficient to cover relevant risks which could affect the company. The company's internal capital adequacy assessment process (ICAAP) is pursued to ensure that it has an adequate buffer in relation to the minimum requirement. The company plans to capitalise continued growth in the residential mortgage portfolio. The company's capital targets are a core tier 1 capital ratio of 12.5 per cent, a tier 1 capital ratio of 14 per cent and a tier 2 capital ratio of 16 per cent. These targets are adequate in relation to the legal requirements and capital requirements based on the company's internal assessment of risk. As can be seen above, the applicable buffer requirement was met at 31 March 2017 with a core tier 1 capital ratio of 13 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 2016.

Note 13 – Loans from credit institutions

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkreditt for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost. At 31 December 2016, Eika Boligkreditt had received cash collateral of NOK 3.1 billion posted by counterparties to derivative contracts. Cash collateral is held in bank deposits, repo agreements and in various high-quality bonds. In addition to cash collateral, the company had also received NOK 2.6 billion in bonds as collateral from counterparties to derivative agreements. The value of the bonds provided as collateral is not recognised in the company's balance sheet.

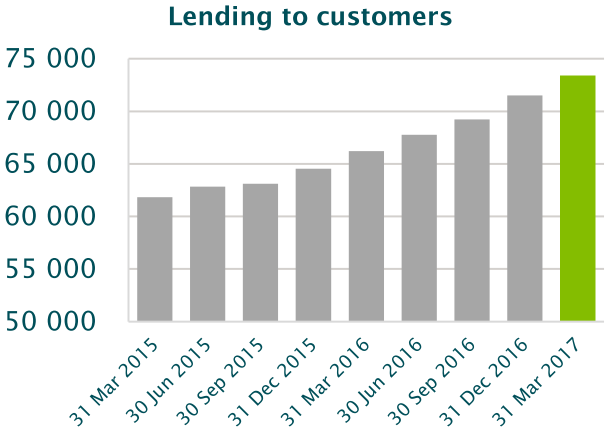
Note 14 – Contingency and overdraft facilities

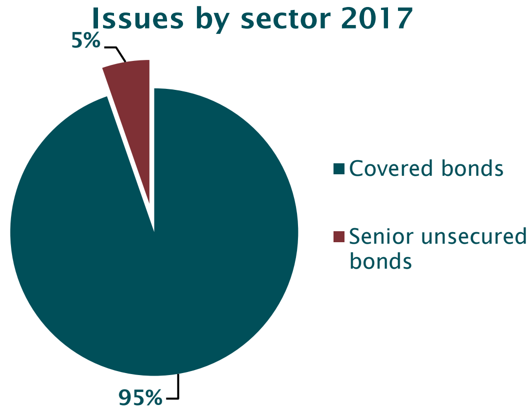
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2016 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby 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 2016.

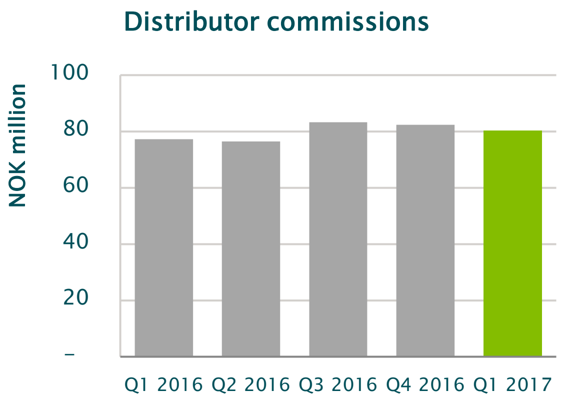
Note 15 – Risk management

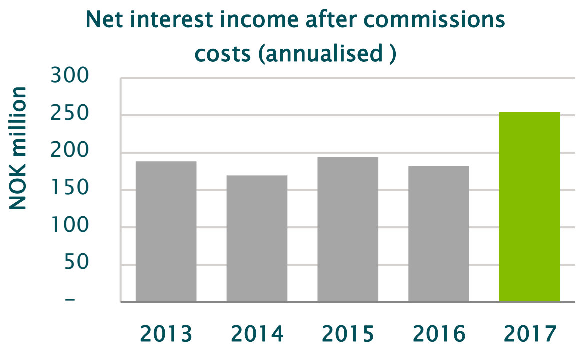
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual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

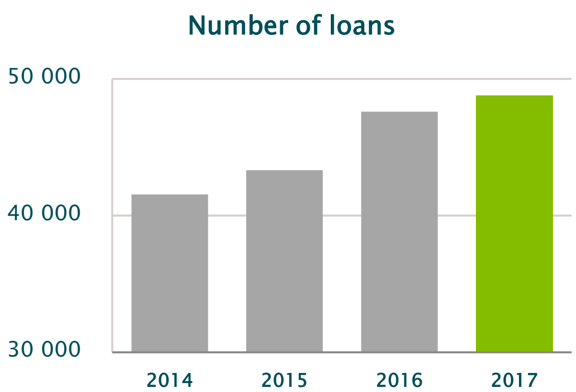
Key figures – Development

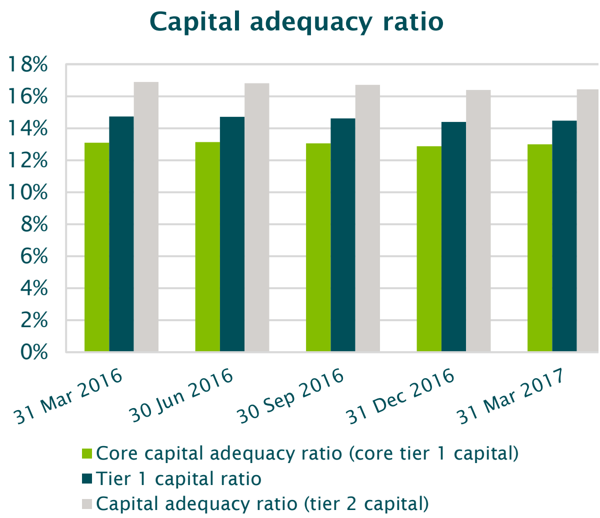












Key figures – Unaudited

Amounts in NOK 1 000	31 Mar 2017	31 Mar 2016	31 Dec 2016
Balance sheet development			
Lending to customers	73 420 473	66 200 458	71 509 279
Debt securities issued	87 129 531	79 970 503	86 982 995
Subordinated loan capital	599 480	599 260	599 426
Equity	4 515 632	4 343 608	4 395 719
Equity in % of total assets	4.7	4.8	4.6
Average total assets[1]	96 021 654	90 029 833	92 323 733
Total assets	96 017 030	90 127 495	96 017 030
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.3	0.3	0.3
Staff and general administration expenses in relation to average total assets, annualised (%)	0.1	0.0	0.0
Return on equity before tax, annualised (%) [2]	-0.0	16.1	1.4
Total assets per full-time position	4 849 345	4 551 894	4 849 345
Cost/income ratio (%) [3]	26.5	26.8	30.7
Financial strength			
Core tier 1 capital	3 955 420	3 607 120	3 833 006
Tier 1 capital	4 404 769	4 056 010	4 282 242
Total primary capital (tier 2 capital)	5 004 249	4 655 270	4 881 667
Calculation basis capital adequacy ratio	30 445 918	27 541 743	29 766 452
Core tier 1 capital ratio (%)	13.0	13.1	12.9
Tier 1 capital ratio (%)	14.5	14.7	14.4
Capital adequacy ratio % (tier 2 capital)	16.4	16.9	16.4
Leverage ratio (%) [4]	4.4	4.3	4.4
LCR indicator in NOK (%) [7]	217	269	45
LCR indicator in EUR (%) [7]	98	99	98
LCR totalindicator (%) [7]	130	279	67
Defaults in % of gross loans	-	-	-
Loss in % of gross loans	-	-	-
Staff			
Number of full-time positions at end of period	19.8	19.8	19.8

Overview of liquidity indicators and prognosis

	Actual	Prognosis			
As of	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018
Liquidity Indicator I [5]	104%	99%	101%	99%	106%
Liquidity Indicator II [6]	116%	119%	119%	111%	119%
Average of indicators	**110%**	**109%**	**110%**	**105%**	**113%**

[1] Total assets are calculated as a quarterly average for the last period.
[2] Annualised 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:

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

[7] LCR totalindicator: As a consequence of the updated Norwegian guidelines of 21 December 2016 on the liquidity cover ratio (LCR), liquid assets in the cover pool related to the issue of covered bonds are regarded as encumbered and excluded from the LCR. Combined with a EUR 500 million maturation during the resporting period, this means that Eika Boligkreditt has reported a lower total indicator at 31 December 2016. IN anticipation of a clarfication realting to the treatment of liquid assets in the cover pool, the company will report the LCR indicator in accordance with the updated LCR guidelines.

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