

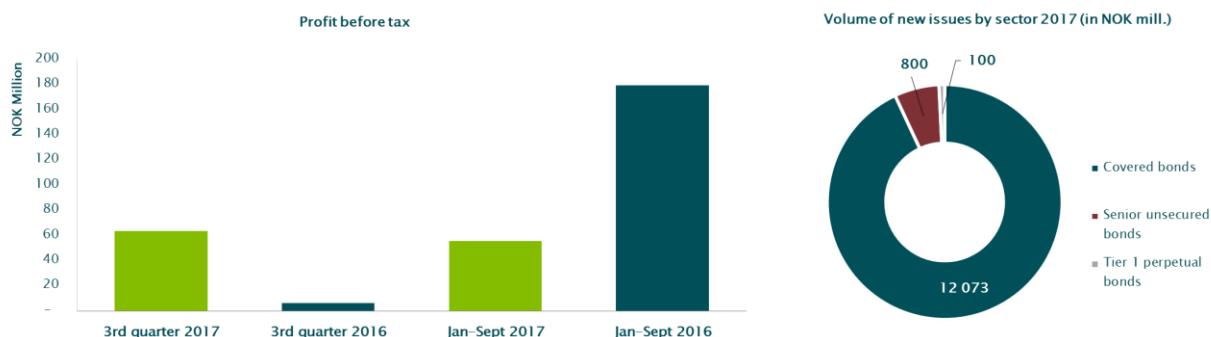
Eika Boligkreditt AS

Interim report for the third quarter of 2017

Unaudited



Highlights



Third quarter 2017

- Pre-tax profit NOK 63 million (2016: NOK 6 million)
- Pre-tax profit of NOK 58 million (2016: NOK 55 million) excluding NOK 5 million in positive value changes related to changes to the currency basis
- Financing of owner banks up by 1.3 per cent, corresponding to an annualised growth of 5.4 per cent
- Commissions to owner banks of NOK 119 million (2016: NOK 84 million)
- NOK 2 billion in bonds issued (2016: NOK 3.2 billion)

First nine months 2017

- Pre-tax profit NOK 56 million (2016: NOK 180 million)
- Pre-tax profit of NOK 188 million (2016: NOK 170 million) excluding NOK 131 million in negative value changes related to changes to the currency basis
- Financing of owner banks up by 6.1 per cent, corresponding to an annualised growth of 8.1 per cent
- Commissions to owner banks of NOK 296 million (2016: NOK 238 million)
- NOK 13 billion in bonds issued (2016: NOK 11.2 billion)
- The company's covered bonds were upgraded from Aa1 to Aaa

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

INTERIM REPORT FOR THE THIRD QUARTER AND FIRST NINE MONTHS 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 30 September 2017, the owner banks had NOK 75.9 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 third quarter and first nine months of 2017

Beløp i NOK tusen	3rd quarter 2017	3rd quarter 2016	Jan-Sept 2017	Jan-Sept 2016
Total interest income	517 605	458 946	1 528 834	1 382 190
Net interest income	183 062	119 184	480 754	375 941
Commission costs	114 350	78 918	278 407	222 540
Total gain and losses on financial instruments at fair value	10 269	(23 672)	(103 752)	60 764
Profit before taxes	63 469	6 167	55 920	179 669

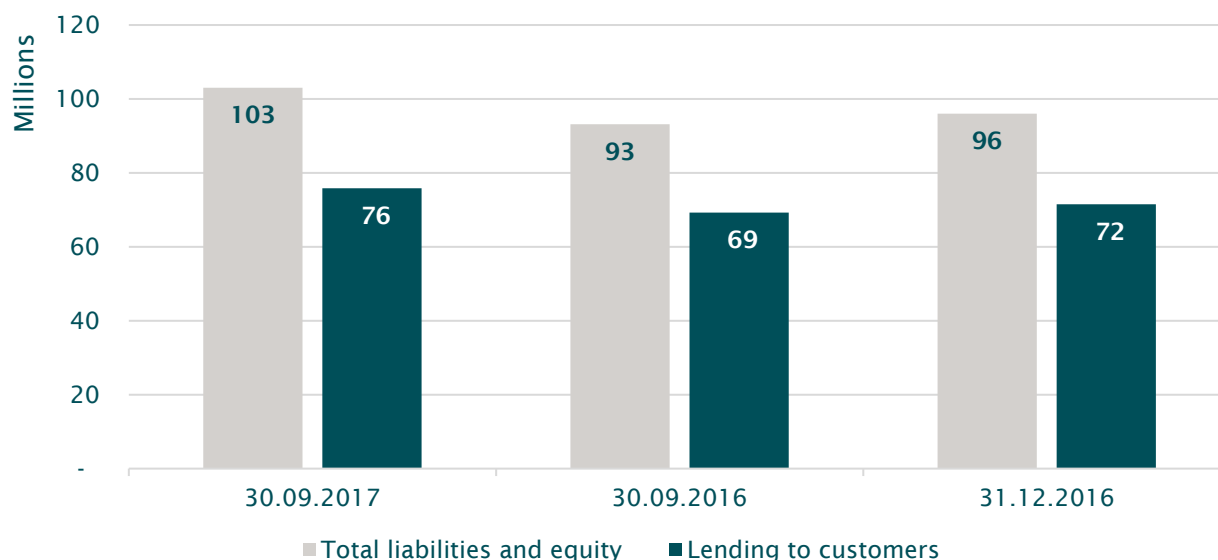
The increase in the company's interest income reflected increased lending volumes and marginally higher interest rates on residential mortgages in the cover pool. The growth in net interest income reflected the rise in loan margins because interest rates on residential mortgages increased more than interest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

The third-quarter profit included positive changes of NOK 5 million (2016: negative at NOK 48.7 million) in the value of basis swaps, so that the pre-tax profit excluding such changes came to NOK 58 million (2016: NOK 54.9 million). For the first nine months, negative changes in basis swaps amounted to NOK 131 million (2016: positive at NOK 9.8 million), so that the pre-tax profit excluding such value changes was NOK 188 million (NOK 170 million).

Eika Boligkreditt is an active issuer of bonds in foreign currencies, principally in euros but occasionally in others. All lending is in Norwegian kroner, which means that borrowing in foreign currencies is hedged to kroner in the derivative market through currency swaps. A pricing and risk component in these derivative contracts is the currency basis, which is a premium (or deduction) for swapping cash flow in one currency with cash flow in another. Value changes in basis swaps during 2017 relate almost wholly to changes in the currency basis. During the first nine months of the year, the volume-weighted currency basis from euros to Norwegian kroner for the derivative portfolio contracted by 8.6 basis points, from 32.2 to 23.6. A contraction in the currency basis premium has negative accrual effects on the company's profit and loss account. Over the term of the derivatives, the effect of such value changes will be zero. The accounting effects will thereby reverse until the derivatives mature. This means that changes in the value of the value basis only have accrual effects 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.

Interest on tier 1 perpetual bonds of NOK 6.6 million in the third quarter and NOK 18.2 million in the first nine months is not presented as an interest expense in the income statement, but as a reduction in equity.

Balance sheet and liquidity

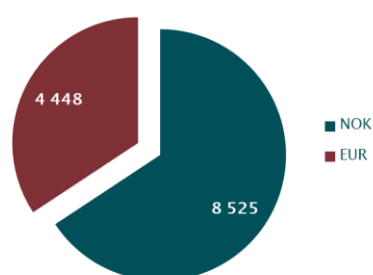


Assets under management by Eika Boligkreditt amounted to NOK 103.1 billion at 30 September 2017. Financing of the banks (residential mortgage lending to customers) came to NOK 75.9 billion at 30 September, representing a net increase of NOK 1 billion in the third quarter and NOK 4.3 billion from 1 January. That represents a net growth in lending of 6.1 per cent for the first nine months, corresponding to an annualised rate of 8.1 per cent. This reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

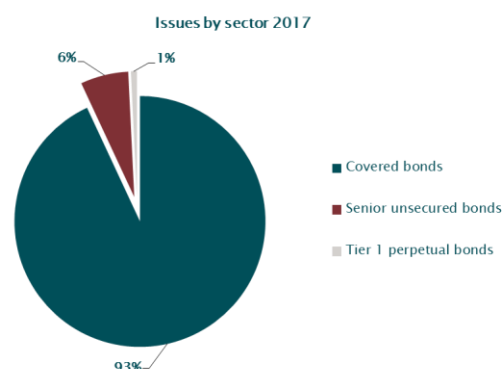
Borrowing

Eika Boligkreditt issued bonds with a nominal value of NOK 2 billion in the third quarter, compared with NOK 3.2 billion in the same period of 2016. Bonds with a nominal value of NOK 13 billion were issued in the first nine months compared with NOK 11.7 billion for the same period of last year. Issues for the first nine months broke down between NOK 12.1 billion in covered bonds, NOK 800 million in senior unsecured bonds and NOK 100 million in tier 1 perpetual bonds.

Issues by currency (in NOK mill) in 2017



Issues by sector (in %) in 2017



Of bond issues in 2017, 34 per cent were denominated in euros and 66 per cent in Norwegian kroner. Covered bonds accounted for 93 per cent of the issue volume.

The table below shows issues (excluding tier 1 perpetual bonds) in the first nine months of 2017, the corresponding period of 2016, and the full year in 2016 and 2015.

New issues (amounts in NOK million)	Jan-Sept 2017	Jan-Sept 2016	2016	2015
Covered bonds (issued in EUR)	4 448	4 650	4 650	4 636
Covered bonds (issued in NOK)	7 625	6 550	10 725	6 250
Senior unsecured bonds (issued in NOK)	800	300	950	450
Subordinated loans (issued in NOK)	-	150	150	200
Total issued	12 973	11 650	16 475	11 536

The average tenor for bonds issued in 2017 was 5.6 years. The average tenor for the company's borrowing portfolio at 30 September 2017 was 3.56 years, down 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	30 Sep 2017	30 Sep 2016	31 Dec 2016	31 Dec 2015
Covered bonds	90 832	80 632	84 109	76 950
Senior unsecured bonds	2 888	2 823	2 874	2 926
Subordinated loans	600	599	599	449
Total borrowing	94 320	84 055	87 582	80 325

The company's total borrowing at 30 September was NOK 94.3 billion, up by NOK 6.7 billion from 1 January.

Liquidity

At 30 September 2017, the company had a total liquidity portfolio of NOK 19 billion when account is taken of existing repo agreements recognised as other financial assets. This figure includes cash collateral of NOK 3.5 billion received from counterparties to derivative contracts. Cash collateral received is held as bank deposits, repo agreements and 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 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 5.3 billion at 30 September 2017, an increase of NOK 421 million since 1 January. This rise reflected additional equity raised through two private placements of shares with the company's owner banks of NOK 125 million and NOK 200 million in the first and third quarters respectively, as well as a new tier 1 perpetual bond of NOK 100 million issued in the second 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 30 September amounted to NOK 31.6 billion. This amount represents a quantification of the company's risk, and its primary capital is calculated as a proportion of this calculation base.

The table below presents developments in the capital adequacy ratio.

Amounts in NOK million	30 Sep 2017	31 Dec 2016	31 Dec 2015
Risk-weighted assets	31 557	29 766	27 510
Total primary capital (tier 2 capital)	5 303	4 882	4 505
Capital adequacy ratio in per cent	16.8 %	16.4 %	16.4 %

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 12.5 per cent (13.2 per cent at 30 September 2017)
- tier 1 capital ratio: 14.0 per cent (14.9 per cent at 30 September 2017)
- tier 2 capital ratio: 16.0 per cent (16.8 per cent at 30 September 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 30 September 2017 with a core tier 1 capital adequacy of 13.2 per cent.

Outlook

The company's financing of the owner banks grew by a net NOK 4.3 billion in the first nine months and by NOK 6.6 billion over the past 12 months. This represents a 12-monthly growth of 9.6 per cent in financing. Statistics Norway's credit indicator for August 2017 showed a 12-monthly increase of 6.6 per cent in Norwegian household debt. The owner banks increased their lending – including the volume transferred to Eika Boligkreditt – by 10 per cent for the 12 months to 30 June 2017, compared with 4.4 per cent growth for the market overall. Expanding lending faster than the market means an increase in market share for the Eika banks.

The lending survey from the Bank of Norway for the third quarter of 2017 showed some fall in household demand for borrowing, an increase in lending margins because financing costs declined, and virtually no change in credit practice. Where the fourth quarter is concerned, the banks expect no change in credit practice, loan terms, interest rates on loans or lending margins for householders, while demand for borrowing is expected to continue declining. In this report, the banks were asked to report the relative significance of the various restrictions introduced to the regulations on lending for residential mortgages in January 2017. Of the four measures adopted, the income ceiling on borrowing was considered to have had the biggest dampening effect. The second most important was the reduction in the loan-to-value ratio for secondary homes in Oslo.

According to the house price report from Real Estate Norway for September 2017, average Norwegian house prices were 1.5 per cent higher than they were 12 months earlier. Seasonally adjusted prices fell by 1.1 per cent on a national basis during the third quarter. This was the second quarter period with a negative trend, after prices declined by 1.5 per cent in April-June compared with rises of 1.1 per cent and 3.2 per cent in the first quarter and the fourth quarter of 2016 respectively. The fall in prices was strongest in Oslo. The big regional differences in house price developments seen over the past couple of years have now narrowed significantly. A clear change of pace has occurred in the housing market over the past six months. Uncertainty over trends in this sector is now greater than it has been for a long time. The change must be seen in relation to the alterations to the residential mortgage regulations, the record level of housebuilding in recent years and reduced labour immigration.

The bond market has been characterised in 2017 by good liquidity and contraction in credit margins. The credit margin (measured as an interest-rate premium on three-month Nibor) paid by the company when issuing covered bonds with a five-year tenor in Norwegian kroner fell by 16 basis points to 38 during the first nine months of 2017.

Preliminary seasonally adjusted figures from the quarterly national accounts show a clear upturn in economic growth during the first half of 2017, with the economy expanding faster than the trend rate (Statistics Norway calculates a trend growth of just under two per cent at an annualised rate) in the first two quarters. Very expansive financial and monetary policies, a weak krone and a sharp expansion in housebuilding have softened the downturn and contributed to the upturn in the business cycle. In addition, impulses from petroleum investment reversed from being sharply negative in 2014-16 to weakly positive in the first half of 2017.

Norway's robust macroeconomic position, combined with a net negative supply of covered bonds denominated in euros for investors, means good demand for covered bonds from Norwegian issuers. Liquidity is good in both Norwegian and international financial markets. With good liquidity in the markets and good demand for the company's financing from the owner banks, Eika Boligkreditt expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 13 November 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	3Q 2017	3Q 2016	Jan-sept 2017	Jan-sept 2016	2016
INTEREST INCOME						
Interest from loans to customers		475 853	423 015	1 402 731	1 274 484	1 708 294
Interest from loans and receivables on credit institutions		7 694	7 716	20 902	23 733	33 192
Interest from bonds, certificates and financial derivatives		27 303	22 061	83 920	67 468	97 485
Other interest income		6 756	6 155	21 281	16 505	22 369
Total interest income		517 605	458 946	1 528 834	1 382 190	1 861 340
INTEREST EXPENSES						
Interest on debt securities issued		329 023	333 315	1 031 248	987 295	1 354 496
Interest on subordinated loan capital		5 049	5 264	15 443	14 411	19 780
Other interest expenses		471	1 183	1 389	4 543	5 099
Total interest expenses		334 543	339 762	1 048 080	1 006 249	1 379 375
Net interest income		183 062	119 184	480 754	375 941	481 965
Commission costs		114 350	78 918	278 407	222 540	299 523
Net interest income after commission costs		68 713	40 267	202 348	153 401	182 442
Dividend from shares classified as available for sale		-	-	6 006	5 652	5 652
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE						
Net gains and losses on bonds and certificates	Note 3	637	15 595	18 058	37 378	32 245
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	9 600	(45 669)	(135 216)	13 692	(112 420)
Net gains and losses on financial derivatives	Note 3	(851)	26 443	(740)	18 412	40 704
Net gains and losses on loans at fair value	Note 3	883	(20 042)	14 146	(8 717)	(42 292)
Total gains and losses on financial instruments at fair value		10 269	(23 672)	(103 752)	60 764	(81 763)
PAY AND GENERAL ADMINISTRATIVE EXPENSES						
Pay, fees and other personnel expenses		7 336	2 260	21 237	14 899	22 594
Administrative expenses		3 859	4 370	13 549	12 987	17 100
Total pay and administrative expenses		11 195	6 630	34 786	27 886	39 694
Depreciation		432	403	1 460	1 284	1 747
Other operating expenses		3 886	3 395	12 435	10 978	14 594
Losses on loans and guarantees		-	-	-	-	-
PROFIT BEFORE TAX		63 469	6 167	55 920	179 669	50 296
Taxes on other comprehensive income		15 577	2 371	11 648	44 159	11 370
PROFIT FOR THE PERIOD		47 892	3 795	44 273	135 510	38 926
Other comprehensive income		-	-	-	-	-
COMPREHENSIVE INCOME FOR THE PERIOD		47 892	3 795	44 273	135 510	38 926

Of the total comprehensive income for the period above, NOK 26 080 thousand is attributable to the shareholders of the company and NOK 18 193 thousand to the hybrid capital investors.

Balance sheet

Amounts in NOK 1 000	Notes	30. sep. 2017	30. sep. 2016	31 Dec 2016
ASSETS				
Lending to and receivable from credit institutions		2 849 441	2 011 470	2 215 466
Lending to customers	Note 4, 9	75 867 568	69 239 680	71 509 279
Other financial assets		1 494 258	110 802	786 862
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,9	14 839 542	13 780 392	13 671 888
Financial derivatives	Note 8,9	7 949 436	7 959 396	7 788 473
Shares classified as available for sale	Note 10, 11	32 200	29 700	29 700
Total securities		22 821 178	21 769 488	21 490 061
Other intangible assets				
Deferred tax assets		11 913	-	11 913
Intangible assets		6 429	2 674	3 448
Total other intangible assets		18 342	2 674	15 361
TOTAL ASSETS		103 050 788	93 134 114	96 017 030
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 13	3 509 786	4 197 655	3 394 213
Financial derivatives	Note 8,9	151 692	182 460	289 988
Debt securities issued	Note 6	93 720 419	83 455 481	86 982 995
Other liabilities		311 293	315 188	352 430
Pension liabilities		2 259	1 581	2 259
Deferred tax		-	40 128	-
Subordinated loan capital	Note 7	599 590	599 370	599 426
TOTAL LIABILITIES		98 295 039	88 791 863	91 621 311
Called-up and fully paid capital				
Share capital		1 003 932	892 123	926 479
Share premium		2 681 451	2 318 260	2 433 904
Other paid-in equity		477 728	477 728	477 728
Total called-up and fully paid capital	Note 12	4 163 111	3 688 111	3 838 111
Retained earnings				
Fund for unrealised gains		14 700	96 042	14 700
Other equity		28 523	108 979	93 672
Total retained equity	Note 12	43 223	205 021	108 372
Hybrid capital				
Tier 1 capital		549 415	449 120	449 236
Total hybrid capital		549 415	449 120	449 236
TOTAL EQUITY		4 755 749	4 342 251	4 395 719
TOTAL LIABILITIES AND EQUITY		103 050 788	93 134 114	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 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	169 809	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)
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	208 121	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	79 569	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	113 298	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	93 673	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	88 473	449 349	4 515 632
Result for the period	-	-	-	-	-	(8 540)	5 833	(2 706)
Equity issue	29 345	95 655	-125 000	-125 000	-	-	-	-
Disbursed dividends for 2016	-	-	-	-	-	(92 658)	-	(92 658)
Interest tier 1 capital	-	-	-	-	-	-	(5 716)	(5 716)
Hybrid capital	-	-	-	-	-	-	99 825	99 825
Taxes on interest tier 1 capital	-	-	-	-	-	-	-	-
Balance sheet as at 30 June 2017	955 824	2 529 559	-	477 728	14 700	(12 724)	549 291	4 514 377
Result for the period	-	-	-	-	-	41 247	6 645	47 892
Equity issue	48 108	151 892	-	-	-	-	-	200 000
Interest tier 1 capital	-	-	-	-	-	-	(6 521)	(6 521)
Hybrid capital	-	-	-	-	-	-	-	-
Taxes on interest tier 1 capital	-	-	-	-	-	-	-	-
Balance sheet as at 30 September 2017	1 003 932	2 681 451	-	477 728	14 700	28 523	549 415	4 755 749

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 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.

- NOK 100 million of tier 1 perpetual bonds, issued 2017, with interest terms of three months Nibor plus 3.25 per cent. The loan provides for a call at 16 June 2022, 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 paid in but not registered at the end of the period.

Statement of cash flows

Amounts in NOK 1 000	3Q 2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	44 273	38 926
Taxes	11 648	11 370
Income taxes paid	(57 541)	(9 466)
Ordinary depreciation	1 460	1 747
Non-cash pension costs	-	(3 796)
Change in loans to customers	(4 358 289)	(6 981 874)
Change in bonds and certificates	(1 167 654)	(2 118 381)
Change in financial derivatives and debt securities issued	292 555	(124 494)
Interest expenses	1 048 080	1 379 374
Paid interest	(1 074 742)	(1 347 826)
interest income	(1 507 553)	1 838 971
received interests	1 502 083	(1 831 853)
Changes in other assets	(701 926)	(671 911)
Changes in short-term liabilities and accruals	(105 449)	211 777
Net cash flow relating to operating activities	(6 073 055)	(9 607 436)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(4 440)	(1 505)
Net cash flow relating to investing activities	(4 440)	(1 505)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	13 093 179	16 149 754
Gross payments of bonds and commercial paper	(6 811 774)	(6 397 120)
Gross receipts on issue of subordinated loan capital	164	149 908
Gross receipts from issue of loan from credit institution	115 573	-
Gross receipts from issuing tier 1 perpetual bonds	100 000	-
Interest to the hybrid capital investors	(18 014)	(22 655)
Payments of dividend	(92 658)	(168 799)
Paid-up new share capital	325 000	300 000
Net cash flow from financing activities	6 711 470	8 438 277
Net changes in lending to and receivables from credit institutions	633 976	(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	2 849 441	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 third quarter of 2017 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 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 30 September 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	3rd quarter 2017	3rd quarter 2016	Jan-Sept 2017	Jan-Sept 2016	2016
Net gains and losses on loans at fair value	883	(20 042)	14 146	(8 717)	(42 292)
Net gains and losses on bonds and certificates	574	15 595	17 951	37 378	32 245
Net gains and losses on financial debts, hedged ¹	847 895	1 925 679	(448 997)	2 476 445	2 645 689
Net gains and losses on interest swaps related to lending	(851)	26 443	(740)	18 412	40 704
Net gains and losses on interest swaps related to bonds and certificates	63	-	106	-	-
Net gains and losses on interest and currency swaps related to liabilities	(838 295)	(1 971 348)	313 781	(2 462 754)	(2 758 110)
Net gains and losses on financial instruments at fair value²	10 269	(23 672)	(103 752)	60 764	(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 Third-quarter comprehensive profit includes positive changes of NOK 5 million in the value of basis swaps. In addition to value changes for basis swaps, third-quarter profit includes a profit of NOK 5.3 million in other changes to the value of financial instruments. That gives a total positive change of NOK 10.3 million in the value of financial instruments, compared with negative NOK 23.7 million for the same period of 2016.

In addition to the NOK 131 million in negative value changes for basis swaps, value changes to financial instruments for the third quarter of 2017 included NOK 14.1 million in net profit on lending at fair value, a net loss of NOK 0.6 million on financial derivatives, a loss of NOK 4.1 million in fair value hedging on debt securities issued, and a net gain of NOK 17.9 million on bonds and certificates. Profit for the first nine months of 2017 accordingly includes negative changes of NOK 103.7 million in the value of financial instruments, as against a positive NOK 60.8 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	30 Sep 2017	30 Sep 2016	31 Dec 2016
Installment loans - retail market	67 880 359	60 208 080	62 698 470
Installment loans - housing cooperatives	7 969 571	8 993 640	8 807 004
Adjustment fair value lending to customers ¹	17 637	37 959	3 804
Total lending before specific and general provisions for losses	75 867 568	69 239 680	71 509 279
Individual impairments	-	-	-
Unspecified group impairments	-	-	-
Total lending to and receivables from customers	75 867 568	69 239 680	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 30 September 2017.

¹The table below shows fair value lending to customers.

30 Sep 2017		
Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	72 150 521	72 150 521
Fixed rate loans	3 699 409	3 717 047
Toal lending	75 849 930	75 867 568

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

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.

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

30 September 2017

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	4 987 038	4 987 971	4 989 621
Credit institutions	6 264 962	6 277 326	6 305 823
Government bonds	339 123	341 109	359 530
Treasury bills	3 195 487	3 198 035	3 184 568
Total bonds and certificates at fair value through profit or loss	14 786 611	14 804 440	14 839 542

Change in value charged to the profit and loss account 35 102

Average effective interest rate is 1.38 per cent annualised. The calculation is based on a weighted fair value of NOK 11.1 billion. The calculation takes account of a return of NOK 115.3 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

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 1.68 per cent annualised. The calculation is based on a weighted fair value of NOK 9.9 billion. The calculation takes account of a return of NOK 125.7 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

	30 Sep 2017	30 Jun 2016	31 Dec 2016
Average term to maturity	0.8	1.3	1.0
Average duration	0.2	0.2	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 amount s	Local currency	Interest rate		Establishment	Maturity	30.09.2017	30.09.2016	31.12.2016
			terms	Interest rate					
NO0010502149	1 200 000	NOK	Floating	3M Nibor + 0.70%	2009	2019	1 204 265	1 207 202	1 206 462
NO0010561103	1 948 000	NOK	Fixed	5.00 %	2009	2019	1 975 000	1 987 234	1 984 153
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000	1 000 000
NO0010612179	473 500	NOK	Fixed	4.65 %	2011	2018	475 454	704 795	704 078
NO0010612039	5 500 000	NOK	Floating	3M Nibor + 0.55%	2011	2018	5 504 511	5 511 098	5 509 438
NO0010625346	1 500 000	NOK	Fixed	4.60 %	2011	2026	1 500 825	1 500 913	1 500 890
XS0736417642	-	EUR	Fixed	2.25 %	2012	2017	-	4 477 881	4 537 917
NO0010648892	-	NOK	Floating	3M Nibor + 0.74%	2012	2017	-	1 178 342	654 282
XS0794570944	650 000	EUR	Fixed	2.00 %	2012	2019	6 101 799	5 804 335	5 882 331
XS0851683473	1 000 000	EUR	Fixed	1.25 %	2012	2017	9 409 755	8 950 241	9 069 572
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	5 231 714	5 237 106	5 235 747
NO0010664428	65 000	NOK	Floating	3M Nibor + 0.53%	2012	2018	65 034	1 000 695	1 000 614
NO0010663743	1 000 000	NOK	Fixed	3.25 %	2012	2019	1 003 736	1 005 452	1 005 019
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	996 848	996 542	996 619
XS0881369770	1 000 000	EUR	Fixed	2.13 %	2013	2023	9 373 522	8 924 363	9 043 001
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54%	2013	2020	5 143 333	5 023 557	5 147 604
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	551 439	551 888	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	293 422	279 068	284 920
NO0010697212	700 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	684 950	651 677	665 268
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	4 683 963	4 455 404	4 515 402
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	7 953 750	4 344 670	4 346 095
NO0010733694	1 150 000	NOK	Fixed	1.75 %	2015	2021	1 144 850	1 143 567	1 143 891
XS1312011684	500 000	EUR	Fixed	0.63 %	2015	2021	4 684 702	4 454 168	4 514 057
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	842 675	500 000	842 270
XS1397054245	500 000	EUR	Fixed	0.38 %	2016	2023	4 671 294	4 439 983	4 500 133
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0.40%	2016	2020	4 998 798	1 998 404	4 998 448
NO0010780687	1 000 000	NOK	Fixed	2.60 %	2016	2027	699 354	-	699 304
XS1566992415	500 000	EUR	Fixed	0.38 %	2017	2024	4 675 044	-	-
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43%	2017	2022	4 006 853	-	-
Value adjustments							1 866 354	3 153 576	2 419 717
Total covered bonds¹							90 893 245	80 632 160	84 109 007

¹ For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of 5 per cent applies in accordance with the company's borrowing programme (Euro Medium Term Covered Note Programme) and 5 per cent in accordance with Moody's Investro Service. 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 amount s	Local currency	Interest rate		Establishment	Maturity	30.09.2017	30.09.2016	31.12.2016
			terms	Interest rate					
NO0010697733	-	NOK	Floating	3M Nibor + 0.90%	2013	2016	-	600 002	-
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 927	199 867	199 883
NO0010705593	-	NOK	Floating	3M Nibor + 0.65 %	2014	2017	-	600 378	600 277
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 292	425 438	425 401
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	249 919	249 872	249 884
NO0010732886	-	NOK	Floating	3m Nibor + 0.30%	2015	2017	-	249 942	249 969
NO0010739287	600 000	NOK	Floating	3m Nibor + 0.70%	2015	2020	599 619	298 028	298 163
NO0010764160	350 000	NOK	Floating	3m Nibor + 0.95%	2016	2019	350 467	199 794	350 688
NO0010776099	500 000	NOK	Floating	3m Nibor + 0.92%	2016	2020	499 779	-	499 724
NO0010782048	500 000	NOK	Floating	3m Nibor + 0.95%	2017	2022	502 171	-	-
Total senior unsecured bonds							2 827 174	2 823 321	2 873 989

Total debt securities issued

93 720 419 83 455 481 86 982 995

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 2017	30 Sep 2016	31 Dec 2016
NO0010679632	250 000	NOK	Floating	3M Nibor + 2.20% ¹	2013	2023	249 936	249 836	249 861
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85% ²	2015	2025	199 862	199 802	199 817
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% ³	2016	2026	149 792	149 733	149 748
Total subordinated loan capital							599 590	599 370	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

Amounts in NOK 1 000	Fair value		
	30 Sep 2017	30 Jun 2016	31 Dec 2016
Lending to customers ¹	74 798 420	66 639 856	70 256 756
Substitute assets and derivatives:			
Financial derivatives lending (net)	(25 825)	(72 908)	-24 173
Financial derivatives borrowing (net)	-	9 791 712	7 522 658
Substitute assets ²	15 542 271	10 072 115	13 146 778
Total	90 314 867	86 430 775	90 902 019
The cover pool's overcollateralisation ³	108.53%	108.49%	107.96%

Covered bonds issued

	30 Sep 2017	30 Jun 2016	31 Dec 2016
Covered bonds	90 893 245	79 596 834	84 109 007
Premium/discount	143 329	67 245	89 149
Financial derivatives (net)	(7 823 569)	-	-
Total covered bonds	83 213 005	79 664 079	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 The company's overcollateralisation at 30 September 2017 is estimated to be 8.53 per cent. Liquid assets free of encumbrances are considered to account for 3.53 percentage points of this when calculating the liquidity coverage ratio (LCR) in accordance with the LCR guidelines issued by the Financial Supervisory Authority of Norway on 21 December 2016.

Note 9 – Derivatives and hedging

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

Assets	30 Sep 2017		31 Dec 2016	
	Nominal amount	Fair value	Nominal amount	Fair value
Amounts in NOK 1 000				
Interest rate swap lending ¹	723 020	5 579	1 072 500	9 018
Interest rate and currency swap ²	43 366 713	7 943 857	37 683 563	7 779 455
Total financial derivative assets	44 089 733	7 949 436	38 756 063	7 788 473
Liabilities				
Amounts in NOK 1 000				
Interest rate swap lending ¹	2 757 649	30 492	2 393 500	33 192
Interest rate and currency swap ²	5 500 000	120 287	10 836 750	256 797
Interest swap placement	235 270	912	-	-
Total financial derivative liabilities	8 492 919	151 692	13 230 250	289 988

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

²The 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.

Amounts in NOK 1 000	30 Sep 2017		31 Dec 2016	
	Nominal amount	Value recognised in balance sheet	Nominal amount	Value recognised in balance sheet
Hedging instruments: interest rate and currency swaps ^{1,2}	37 866 713	7 823 569	26 846 813	7 522 658
Hedged items: financial commitments incl foreign exchange ²	37 866 713	(8 059 861)	26 846 813	(7 603 843)
Net value recognised in balance sheet	-	(236 292)	-	(81 185)

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

²The 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	3rd quarter 2017	3rd quarter 2016	Jan-Sept 2017	Jan-Sept 2016	2016
Amounts in NOK 1 000					
Hedging instruments	(838 295)	(1 971 348)	313 781	(2 462 754)	(2 758 110)
Hedged items	847 895	1 925 679	(448 997)	2 476 445	2 645 689
Net gains/losses (ineffectiveness)³	9 600	(45 669)	(135 216)	13 692	(112 420)

³The 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 30 September 2017. Valuation of shares classified as available for sale are based on discounted cash flows.

30 September 2017

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 717 047
Bonds and certificates at fair value through profit or loss	3 544 098	11 295 444	-
Financial derivatives	-	7 949 436	-
Shares classified as available for sale	-	-	32 200
Total financial assets	3 544 098	19 244 880	3 749 247
Financial liabilities			
Financial derivatives	-	151 692	-
Total financial liabilities	-	151 692	-

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	-

Detailed statement of assets classified as level 3

2017		Purchases/	Disposals/	Transfers in/out	Allocated to	Other	
Amounts in NOK 1 000	01 Jan 2017	issues	settlements	of level 3	profit or loss	comprehensive	30 Sep 2017
Lending to customers (fixed-rate loans)	3 570 403	471 677	(339 179)	-	14 146	-	3 717 047
Shares available for sale	29 700	-	-	-	-	2 500	32 200
Total	3 600 103	471 677	(339 179)	-	14 146	2 500	3 749 247

2016		Purchases/	Disposals/	Transfers in/out	Allocated to	Other	
Amounts in NOK 1 000	01 Jan 2016	issues	settlements	of level 3	profit or loss	comprehensive	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 30 September 2017

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 107 million. The effect of a decrease in interest rates would be an increase of NOK 107 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 2017 and cumulatively.

Detailed statement changes in debt related to currency changes

2017		Purchases/	Disposals/	
Amounts in NOK 1 000	01 Jan 2017	issues	settlements	30 Sep 2017
Change in debt securities issued ¹	43 156 438	572 900	1 009 382	44 738 720
Total	43 156 438	572 900	1 009 382	44 738 720

2016		Purchases/	Disposals/	
Amounts in NOK 1 000	01 Jan 2016	issues	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

¹The table shows currency changes related to bonds issued in foreign currencies. Currency changes related to liabilities with credit institutions 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 %
Nordic Credit Rating	10 000	2 500	2 500	4.99 %
Total	363 269	17 500	32 200	

Note 12 – Capital adequacy ratio

Amounts in NOK 1 000	30 Sep 2017	30 Sep 2016	31 Dec 2016
Share capital	1 003 932	892 123	926 479
Share premium	2 681 451	2 318 260	2 433 904
Other paid-in equity	477 728	477 728	477 728
Other equity	1 014	1 009	1 009
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	4 164 125	3 689 120	3 839 120
Fund for unrealised gains	14 700	85 773	14 700
Intangible assets	(6 429)	(2 674)	(3 448)
Deferred tax assets ¹	-	-	-
Prudent valuation adjustments of fair valued positions	(18 830)	(17 184)	(17 366)
Total core tier 1 capital	4 153 566	3 755 035	3 833 006

Core capital adequacy ratio (core tier 1 capital)	30 Sep 2017	30 Sep 2016	31 Dec 2016
Weighted calculation basis	31 557 095	28 753 251	29 766 452
Core tier 1 capital	4 153 566	3 755 035	3 833 006
Core tier 1 capital ratio	13.2%	13.1%	12.9%

Total core tier 1 capital	4 153 566	3 755 035	3 833 006
Tier 1 perpetual bonds	549 415	449 120	449 236
Total tier 1 capital	4 702 981	4 204 155	4 282 242

Capital adequacy ratio (tier 1 capital)	30 Sep 2017	30 Sep 2016	31 Dec 2016
Weighted calculation basis	31 557 095	28 753 251	29 766 452
Tier 1 capital	4 702 981	4 204 155	4 282 242
Tier 1 capital ratio	14.9%	14.6%	14.4%

Total tier 1 capital	4 702 981	4 204 155	4 282 242
Subordinated loans	599 590	599 370	599 426
Total primary capital (tier 2 capital)	5 302 572	4 803 526	4 881 667

Capital adequacy ratio (tier 2 capital)	30 Sep 2017	30 Sep 2016	31 Dec 2016
Weighted calculation basis	31 557 095	28 753 251	29 766 452
Total primary capital (tier 2 capital)	5 302 572	4 803 526	4 881 667
Capital adequacy ratio	16.8%	16.7%	16.4%

Required capital corresponding to eight per cent of calculation basis	2 524 568	2 300 260	2 381 316
Surplus equity and subordinated capital	2 778 004	2 503 266	2 500 351

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

30 September 2017	Weighted calculation basis	Capital requirement
Calculation basis		
Credit risk	29 577 174	2 366 174
Operational risk	354 879	28 390
CVA risk ²	1 625 041	130 003
Total	31 557 095	2 524 568

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

¹Deferred 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.

²At 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 calculation basis comprised NOK 31.6 billion at 30 September. This amount represented a quantification of the company's risk. After account has been taken of the growth in overall lending, and in changes to the company's liquidity portfolio, the calculation basis for capital adequacy at 30 September was NOK 1.8 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 30 September 2017 with a core tier 1 capital ratio of 13.2 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 30 September 2017, Eika Boligkreditt had received cash collateral of NOK 3.5 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 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

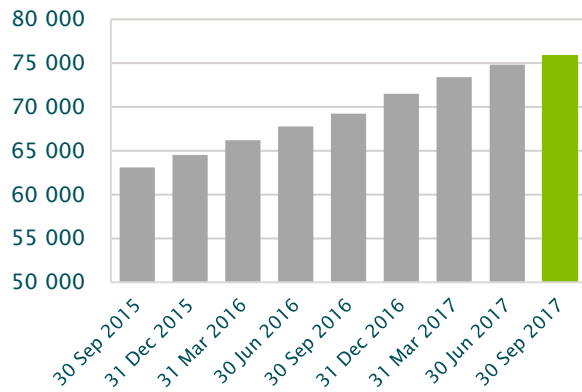
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2016 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby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

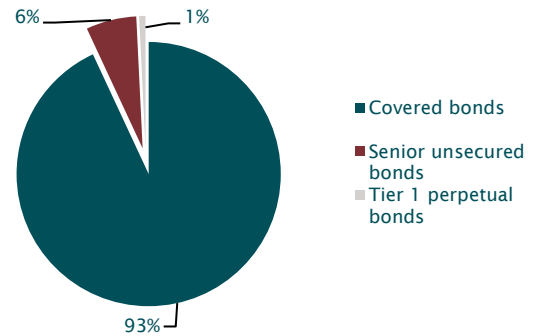
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual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

Key figures – Development

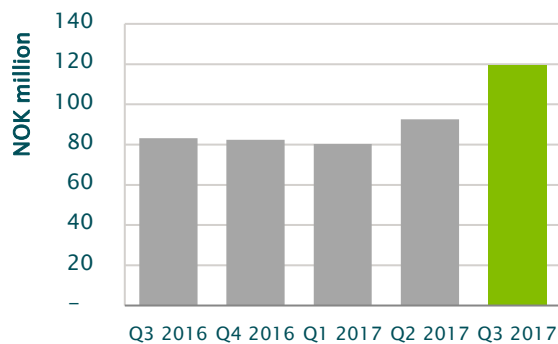
Lending to customers



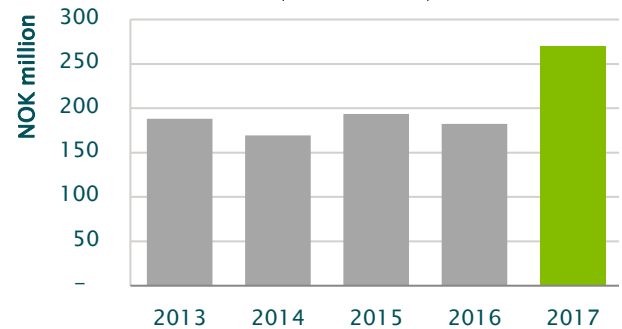
Issues by sector 2017



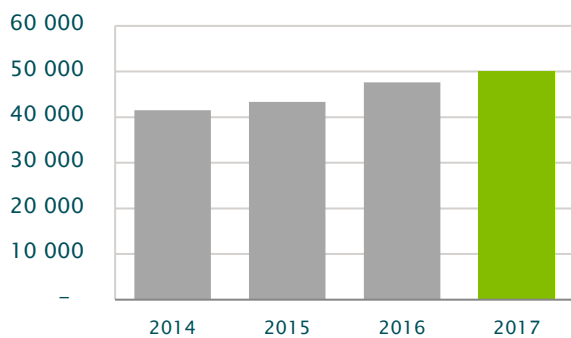
Distributor commissions



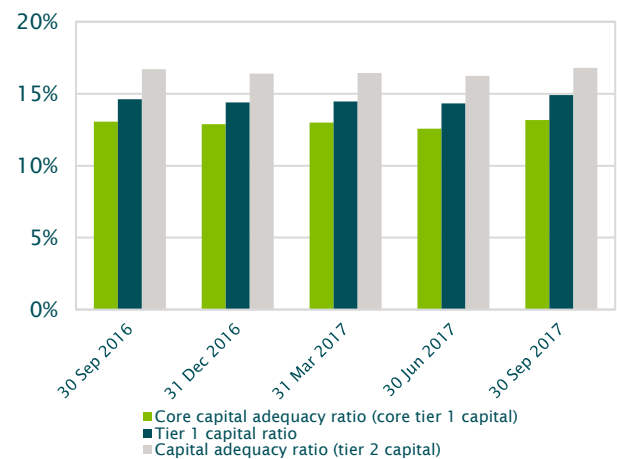
Net interest income after commissions costs (annualised)



Number of loans



Capital adequacy ratio



Key figures – Unaudited

Amounts in NOK 1 000	30 Sep 2017	30 Sep 2016	31 Dec 2016
Balance sheet development			
Lending to customers	75 867 568	69 239 680	71 509 279
Debt securities issued	93 720 419	83 455 481	86 982 995
Subordinated loan capital	599 590	599 370	599 426
Equity	4 757 410	4 342 251	4 395 719
Equity in % of total assets	4.6	4.7	4.6
Average total assets ¹	99 431 483	91 400 408	92 323 733
Total assets	103 050 788	93 134 114	96 017 030
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.4	0.3	0.3
Staff and general administration expenses in relation to average total assets, annualised (%)	0.05	0.04	0.04
Return on equity before tax, annualised (%) ²	1.4	6.6	1.4
Total assets per full-time position	5 204 585	4 703 743	4 849 345
Cost/income ratio (%) ³	24.1	26.2	30.7
Financial strength			
Core tier 1 capital	4 153 566	3 755 035	3 833 006
Tier 1 capital	4 702 981	4 204 155	4 282 242
Total primary capital (tier 2 capital)	5 302 572	4 803 526	4 881 667
Calculation basis capital adequacy ratio	31 557 095	28 753 251	29 766 452
Core tier 1 capital ratio (%)	13.2	13.1	12.9
Tier 1 capital ratio (%)	14.9	14.6	14.4
Capital adequacy ratio % (tier 2 capital)	16.8	16.7	16.4
Leverage ratio (%) ⁴	4.4	4.3	4.4
LCR indicator in NOK (%) ⁷	159	653	45
LCR indicator in EUR (%) ⁷	547	98	98
LCR total indicator (%) ⁷	316	369	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

As of	Actual		Prognosis		
	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 Jun 2018	30 Sep 2018
Liquidity Indicator I ⁵	102%	101%	108%	102%	107%
Liquidity Indicator II ⁶	120%	111%	119%	113%	118%
Average of indicators	111%	106%	113%	107%	112%

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:

Funding with remaining time to maturity exceeding 12 months
Illiquid assets

⁶ Liquidity indicator II:

Funding with remaining time to maturity exceeding one month
Illiquid assets

⁷ LCR total indicator: 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 reporting period, this means that Eika Boligkreditt has reported a lower total indicator at 31 December 2016.

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