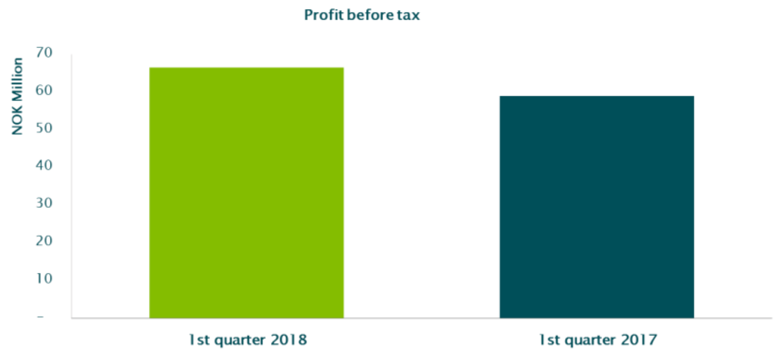
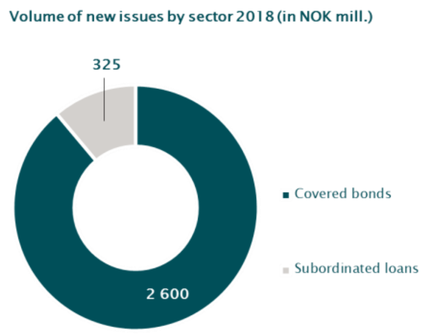
Eika Boligkreditt AS

Interim report for the first quarter of 2018

Unaudited

Highlights





First quarter 2018

- Pre-tax profit NOK 66.5 million (2017: profit of NOK 59 million)
- Financing of owner banks up by 2.1 per cent, corresponding to an annualised growth of 8.2 per cent
- Commissions to owner banks of NOK 139.2 million (2017: NOK 81.9 million)
- NOK 2.9 billion in bonds issued (2017: NOK 4.7 billion)

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

INTERIM REPORT FOR THE FIRST QUARTER OF 2018

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 2018, the owner banks had NOK 78.9 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 first quarter

Amount i NOK tusen	1st quarter 2018	1st quarter 2017
Total interest income	520 265	497 524
Net interest income	200 785	139 563
Commission costs	133 636	76 084
Total gain and losses on financial instruments at fair value	15 210	12 310
Profit before taxes	**66 520**	**58 968**

The rise in the company's interest income reflected increased lending volumes. The growth in net interest income reflected higher loan margins because interest rates on borrowing declined more than interest rates for residential mortgages. That was offset to a great extent by increased commission payments to the owner banks, so that pre-tax profit for the first quarter was up by NOK 7.6 million from the same period of last year after the gain on financial instruments at fair value is taken into account.

Interest on tier 1 perpetual bonds of NOK 6.8 million in the first quarter is not presented as an interest expense in the income statement, but as a reduction in equity.

IFRS 9

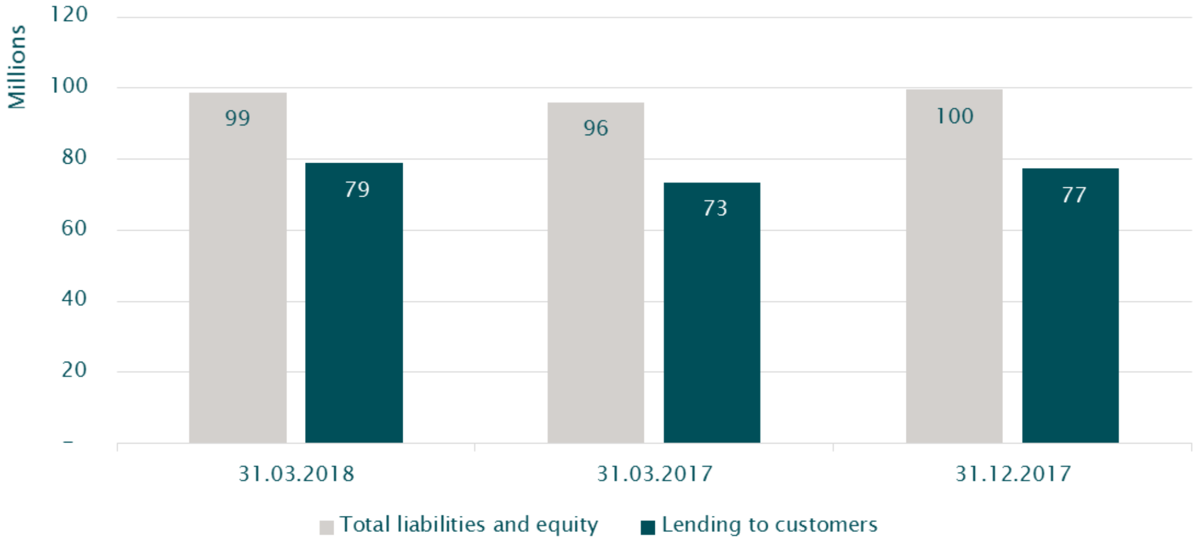
Eika Boligkreditt takes the view that implementing IFRS 9 from 1 January 2018 has only involved reclassification effects in the profit and loss account and equity. The new accounting standard provides a new model for impairment of financial assets. The combination of the low loan-to-value ratio for the residential mortgage portfolio and the credit guarantees provided by the owner banks means that implementing the standard has no significant effects on the company's profit or equity.

IFRS 9 makes it possible to separate value changes in currency-related basis swaps from a financial instrument and exclude them from designating of the financial instrument as a hedging instrument. The company has availed itself of this opportunity from 1 January 2018. This means that fair-value changes related to value changes in basis swaps have been incorporated in other comprehensive income rather than in the profit and loss item on "net gains and losses on fair-value hedging of debt securities issued", and will be accumulated in a separate component of equity. As a result, quarterly and cumulative comparative figures for 2017 have also been restated.

Overall profit for the first quarter includes negative changes of NOK 12.2 million (2017: NOK 72.2 million) in the value of basis swaps. 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 basis swaps 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.

Pursuant to IAS 39, Eika Boligkreditt has recognised bonds and certificates at fair value over profit and loss. The company has taken the view that IFRS 9 means the net gain and loss on bonds and certificates can be reclassified with effect from 1 January 2018 from recognition over profit and loss to other income and expenses. Quarterly and cumulative comparative figures for 2017 will also be restated here.

Balance sheet and liquidity

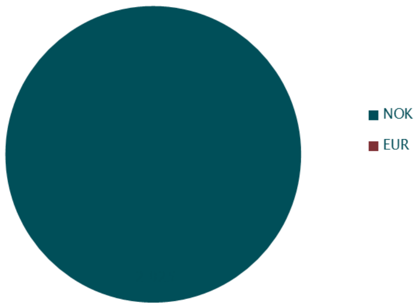


Assets under management by Eika Boligkreditt amounted to NOK 98.8 billion at 31 March 2018. Financing of the owner banks (residential mortgage lending to customers) came to NOK 78.9 billion at 31 March, representing a net increase of NOK 1.6 billion in the first quarter and NOK 5.5 billion for the past 12 months. That represents a net growth in lending of 7.4 per cent year on year. This reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

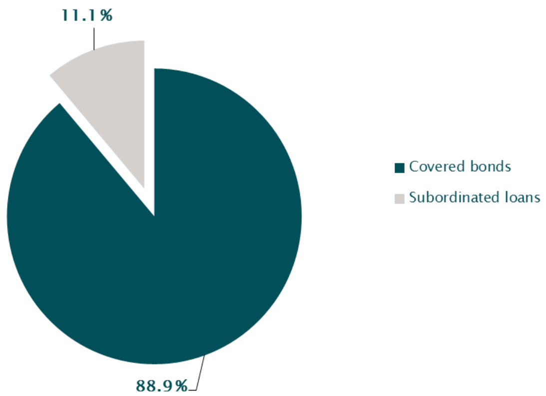
Borrowing

Eika Boligkreditt issued bonds with a nominal value of NOK 2.925 billion in the first quarter, compared with NOK 4.7 billion in the same period of 2017. Issues in the first quarter broke down between NOK 2.6 billion in covered bonds and NOK 325 million in subordinated loans.

Issues by currency (in NOK mill) in 2018



Issues by sector (in %) in 2018



All bond issues in the first quarter were denominated in Norwegian kroner. Covered bonds accounted for 88.9 per cent of the issue volume.

The table below shows issues (excluding tier 1 perpetual bonds) in 2018, 2017 and 2016.

New issues (amounts in NOK million)	Q1 2018	Q1 2017	2017	2016
Covered bonds (issued in EUR)	-	4 448	9 298	4 650
Covered bonds (issued in NOK)	2 600	-	7 625	10 725
Senior unsecured bonds (issued in NOK)	-	250	1 800	950
Subordinated loans (issued in NOK)	325	-	-	150
Totalt issued	**2 925**	**4 698**	**18 723**	**16 475**

The average tenor for covered bonds issued in 2018 was 11 years. The average tenor for the company's borrowing portfolio at 31 March 2018 was 3.89 years, up from 3.87 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 2018	31 Mar 2017	31 Dec 2017	31 Dec 2016
Covered bonds	86 513	84 106	87 203	84 109
Senior unsecured bonds	2 827	3 024	2 827	2 874
Subordinated loans	675	599	600	599
Total borrowing	**90 015**	**87 729**	**90 630**	**87 582**

The company's total borrowing at 31 March was NOK 90 billion, down by NOK 0.6 billion from 1 January.

Liquidity

At 31 March 2018, the company had a liquidity portfolio of NOK 13 billion when account is taken of existing repo agreements recognised as other financial assets. This figure includes cash collateral of NOK 2.94 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 1.85 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

Notice of termination of agreements with Eika Gruppen AS

A total of 11 banks gave notice on 9 January 2018 to terminate all their agreements with Eika Gruppen and its subsidiaries. The agreements terminate when the various periods of notice end, in most cases after three calendar years. The 11 departing banks are Askim og Spydeberg, Aasen, Drangedal, Klæbu, Harstad, Lofoten, Selbu, Sparebanken DIN, Stadsbygd, Tolga-Os and Ørland. Agreements between these banks and Eika Boligkreditt AS are not covered by these notices.

Changes to the Eika Boligkreditt board

Bjørn Riise, chair of Eika Boligkreditt AS, notified the nomination committee on 29 January 2018 that he was resigning from his post as chair with immediate effect. This resignation must be seen in relation to the termination issue, since Klæbu Sparebank is one of the 11 banks which has given notice to terminate its agreements with Eika Gruppen AS. To avoid problems with conflicts of interest, Riise opted to resign as chair. Deputy chair Tor Egil Lie acted as chair until the annual general meeting held on 18 April 2018, when he was elected as the new chair in accordance with the recommendation from the company's nomination committee.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 5.6 billion at 31 March 2018, a net increase of NOK 328 million since 1 January. This rise reflected NOK 175 million in additional equity from a private placement of shares with the company's owner banks, NOK 325 million from a new subordinated loan and NOK 200 million from a new tier 1 perpetual bond issued in the first quarter. Redeeming tier 1 perpetual bonds and subordinated loans amounting to NOK 123.2 million and 249 million respectively before their call dates correspondingly reduced total primary capital.

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 32 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 2018	31 Dec 2017	31 Dec 2016
Risk-weighted assets	32 037	31 447	29 766
Total primary capital (tier 2 capital)	5 633	5 305	4 882
Capital adequacy ratio in per cent	**17.6 %**	**16.9 %**	**16.4 %**

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 13.0 per cent (13.5 per cent at 31 March 2018)
- tier 1 capital ratio: 14.5 per cent (15.5 per cent at 31 March 2018)
- tier 2 capital ratio: 16.5 per cent (17.6 per cent at 31 March 2018)

These targets are adequate in relation to legal requirements, the company's Pillar 2 requirement of 0.5 per cent and capital requirements based on its internal risk assessment. As shown above, the applicable buffer requirements were fulfilled at 31 March 2018 with a core tier 1 capital adequacy of 13.5 per cent.

Outlook

The company's financing of the owner banks grew by a net NOK 5.5 billion over the past 12 months, representing a 12-monthly growth of 7.4 per cent. Statistics Norway's credit indicator for February 2018 showed a 12-monthly increase of six per cent in Norwegian household debt. The owner banks increased their lending – including the volume transferred to Eika Boligkreditt – by 7.1 per cent in 2017. Expanding lending faster than the market rate means an increase in Norwegian market share for the local banks.

The lending survey from the Bank of Norway for the first quarter showed no change in household demand for residential mortgages or in credit practice. Interest rates for mortgages to households declined somewhat, despite higher financing costs, which reduced margins for the banks on such lending. Demand for fixed-interest mortgages increased slightly. Where the second quarter of 2018 is concerned, the survey shows that the banks expect slightly stronger mortgage demand by households and no change in credit practice. Furthermore, the banks expect that margins on mortgages could again decline slightly in the next quarter. The restrictions in the banks' credit practice towards households in the first nine months of 2017 seem to be a thing of the past.

According to the house price report from Real Estate Norway for March 2018, average Norwegian house prices were 3.6 per cent higher than at 1 January and down by 2.2 per cent from 31 March 2017. Seasonally adjusted prices rose by 0.2 per cent during the first quarter after falling for nine months. Price developments in March confirmed the trend seen so far this year, whereby the decline in house prices which characterised the market in 2017 has ceased in much of the country. Price growth so far this year has been moderate with the exception of the capital, where the first quarter witnessed a sharp price rise. Many parts of Norway still have negative 12-monthly price growth. The weakest performance over the past 12 months was seen in Oslo, with a decline of 6.6 per cent, while Hamar had the strongest with an increase of 5.6 per cent. Despite several signs of improvement in the Norwegian housing market compared with the weak trend in 2017, only the capital can show a marked change of trend. Normally, an increase in the number of homes for sale in the second quarter would moderate price growth in the first three months, and that is likely to happen again this year.

The bond market has been characterised so far in 2018 by a high level of activity and a slight decline 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 five basis points to 31 during the first quarter. The outlook for credit margins is uncertain. The European Central Bank (ECB) expects to reduce its bond purchases towards the end of the year. For the moment, it has signalled that it will buy bonds for EUR 30 billion each month up to and including September 2018. Covered bonds are part of the ECB's bond purchase programme, and it has subscribed for up to half the issues from issuers domiciled in the eurozone. The ECB has recently reduced its orders from 50 per cent of issues to 40 and then 30 per cent. During the IMN conference on covered bonds in London, it emerged that 90 per cent of respondents expected higher credit margins by 31 December, and just over 60 per cent predicted a rise of 10-20 basis points or more.

GDP in Norway's mainland economy grew by 1.8 per cent during 2017, reflecting a clear economic recovery from 2016. Very expansive financial and monetary policies, a weak krone and a sharp expansion in housebuilding moderated 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 marginally negative in 2017. Growth over the next few years is expected to somewhat higher than the trend figure (Statistics Norway estimates trend growth at just under two per cent on an annualised rate).

Norway's robust macroeconomic position and good results for Norwegian financial institutions are expected to mean good demand for covered bonds from Norwegian issuers in 2018. The bond market is also affected positively by substantial redemptions of bonds and by the fact that the ECB remains an active buyer of covered bonds from banks in the eurozone. Nevertheless, some uncertainty exists about how the run-down of this quantitative easing programme will affect bond markets and credit margins in the time to come. Liquidity is good in both Norwegian and international financial markets. Eika Boligkreditt expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 9 May 2018

The board of directors of Eika Boligkreditt AS

Tor Egil Lie
Chair
(Sign)

Dag Olav Løseth
(Sign)

Terje Svendsen
(Sign)

Olav Sem Austmo
(Sign)

Rune Iversen
(Sign)

Torleif Lilløy
(Sign)

Kjartan M Bremnes
CEO
(Sign)

Statement of comprehensive income

Amounts in NOK 1 000	Notes	**1Q 2018**	1Q 2017	2017
INTEREST INCOME				
Interest from loans to customers		**487 512**	456 596	1 884 450
Interest from loans and receivables on credit institutions		**5 456**	5 894	32 163
Interest from bonds, certificates and financial derivatives		**19 711**	27 683	103 950
Other interest income		**7 586**	7 351	28 727
Total interest income		**520 265**	497 524	2 049 291
INTEREST EXPENSES				
Interest on debt securities issued		**314 130**	352 324	1 342 770
Interest on subordinated loan capital		**4 915**	5 244	20 395
Other interest expenses		**436**	393	2 636
Total interest expenses		**319 480**	357 961	1 365 801
Net interest income		**200 785**	139 563	683 490
Commission costs		**133 636**	76 084	410 449
Net interest income after commissions costs		**67 148**	63 479	273 040
Dividend from shares classified as available for sale		**-**	-	6 006
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE				
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**5 874**	(4 500)	(8 202)
Net gains and losses on financial derivatives	Note 3	**25 743**	(2 111)	3 749
Net gains and losses on loans at fair value	Note 3	**(16 408)**	18 921	17 276
Total gains and losses on financial instruments at fair value		**15 210**	12 310	12 823
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES				
Salaries, fees and other personnel expenses		**7 533**	7 444	29 296
Administrative expenses		**4 382**	4 764	18 267
Total salaries and administrative expenses		**11 915**	12 208	47 563
Depreciation		**481**	490	1 900
Other operating expenses		**3 442**	4 122	16 422
Losses on loans and guarantees		**-**	-	-
PROFIT BEFORE TAXES		**66 520**	58 968	225 985
Taxes		**15 016**	14 530	55 053
PROFIT FOR THE PERIOD		**51 504**	44 438	170 932
Net gains and losses on bonds and certificates	Note 3	**1 096**	11 719	15 972
Net gains and losses on basis swaps	Note 3	**(12 202)**	(72 190)	(164 107)
Taxes on other comprehensive income		**2 777**	15 118	37 034
COMPREHENSIVE INCOME FOR THE PERIOD		**43 174**	(914)	59 831

Of the total comprehensive income for the period above, NOK 36 363 thousand is attributable to the shareholders of the company and NOK 6 811 thousand to the hybrid capital investors.

Balance sheet

Amounts in NOK 1 000	Notes	**31 March 2018**	31 March 2017	31 Dec. 2017
ASSETS				
Lending to and receivables from credit institutions		**1 761 154**	1 699 481	1 735 677
Lending to customers	Note 4, 9	**78 876 990**	73 420 473	77 285 950
Other financial assets		**118 804**	106 546	357 761
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,9	**11 271 350**	13 520 819	12 712 300
Financial derivatives	Note 8,9	**6 713 851**	7 232 288	7 452 520
Shares classified as available for sale	Note 10	**32 200**	29 700	32 200
Total securities		**18 017 401**	20 782 806	20 197 020
Other intangible assets				
Deferred tax assets		**20 578**	11 913	20 578
Intangible assets		**6 476**	5 058	5 989
Total other intangible assets		**27 053**	16 972	26 566
TOTAL ASSETS		**98 801 403**	96 026 278	99 602 975
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 13	**2 939 461**	3 146 879	3 791 533
Financial derivatives	Note 8,9	**187 517**	302 532	76 779
Debt securities issued	Note 6	**89 339 913**	87 129 531	90 030 259
Other liabilities		**597 348**	329 966	332 106
Pension liabilities		**3 005**	2 259	3 005
Deferred tax		-	-	-
Subordinated loan capital	Note 7	**675 085**	599 480	599 646
TOTAL LIABILITIES		**93 742 328**	91 510 646	94 833 328
Called-up and fully paid capital				
Share capital		**1 045 700**	926 479	1 003 932
Share premium		**2 814 683**	2 433 904	2 681 451
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	**4 338 111**	3 963 111	4 163 111
Retained earnings				
Fund for unrealised gains		**14 700**	14 700	14 700
Other equity		**80 362**	88 472	42 297
Total retained equity	Note 12	**95 062**	103 172	56 997
Hybrid capital				
Tier 1 capital		**625 902**	449 349	549 540
Total hybrid capital		**625 902**	449 349	549 540
TOTAL EQUITY		**5 059 075**	4 515 632	4 769 647
TOTAL LIABILITIES AND EQUITY		**98 801 403**	96 026 278	99 602 975

Statement of changes in equity

Amounts in NOK 1 000	Share capital [1]	Share premium [1]	Innbetalt ikke registrert kapital- forhøyelse [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 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
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**	**477 728**	**14 700**	**88 473**	**449 349**	**4 515 632**
Result for the period	-	-	-	-	-	(8 540)	5 833	(2 707)
Equity issue	29 345	95 655	-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	-	-	-	-	-	1 458	-	1 458,29
Balance sheet as at 30 June 2017	**955 824**	**2 529 559**	**-**	**477 728**	**14 700**	**(11 266)**	**549 291**	**4 515 835**
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	-	-	-	-	-	1 661	-	1 661,23
Balance sheet as at 30 September 2017	**1 003 932**	**2 681 451**	**-**	**477 728**	**14 700**	**31 642**	**549 415**	**4 758 868**
Result for the period	-	-	-	-	-	9 020	6 539	15 559
Equity issue	-	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	-	(6 414)	(6 414)
Hybrid capital	-	-	-	-	-	-	-	-
Taxes on interest tier 1 capital	-	-	-	-	-	1 635	-	1 635
Balance sheet as at 31 December 2017	**1 003 932**	**2 681 452**	**-**	**477 728**	**14 700**	**42 297**	**549 540**	**4 769 647**
Result for the period	-	-	-	-	-	36 363	6 811	43 174
Equity issue	41 768	133 231	-	-	-	-	-	175 000
Interest tier 1 capital	-	-	-	-	-	-	(7 249)	(7 249)
Hybrid capital	-	-	-	-	-	-	76 800	76 800
Taxes on interest tier 1 capital	-	-	-	-	-	1 703	-	1 703
Balance sheet as at 31 March 2018	**1 045 700**	**2 814 683**	**-**	**477 728**	**14 700**	**80 363**	**625 902**	**5 059 075**

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. Eika Boligkreditt redeemed the equivalent of NOK 123.3 million before the call date during the first quarter of 2018
- 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.
- NOK 200 million of tier 1 perpetual bonds, issued 2018, with interest terms of three months Nibor plus 3.15 per cent. The loan provides for a call at 2 February 2023, 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.

Statement of cash flows

Amounts in NOK 1 000	1Q 2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	43 174	59 831
Taxes	12 239	18 019
Income taxes paid	(19 680)	(57 541)
Gains on bonds and certificates	-	-
Ordinary depreciation	481	1 900
Non-cash pension costs	-	746
Change in loans to customers	(1 591 040)	(5 776 671)
Change in bonds and certificates	1 440 950	959 588
Change in financial derivatives and debt securities issued	1 878 986	419 391
Interest expenses	319 480	1 365 801
Paid interest	(45 841)	(1 405 130)
interest income	(512 679)	(2 020 563)
received interests	502 644	2 042 140
Changes in other assets	248 992	407 524
Changes in short-term liabilities and accruals	111 485	(157 163)
Net cash flow relating to operating activities	**2 389 191**	(4 142 128)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(968)	(4 440)
Payments from shares classified as available for sale	-	-
Net cash flow relating to investing activities	**(968)**	(4 440)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	2 593 002	18 706 482
Gross payments of bonds and commercial paper	(4 423 665)	(15 745 156)
Gross receipts on issue of subordinated loan capital	75 439	220
Gross receipts from issue of loan from credit institution	(852 072)	397 320
Gross payments from loan from credit institution	-	-
Gross receipts from issuing tier 1 perpetual bonds	76 362	100 000
Gross payments from issuing tier 1 perpetual bonds	-	-
Interest to the hybrid capital investors	(6 811)	(24 428)
Payments of dividend	-	(92 658)
Paid-up new share capital	175 000	325 000
Net cash flow from financing activities	**(2 362 745)**	3 666 780
Net changes in lending to and receivables from credit institutions	25 478	(479 788)
Lending to and receivables from credit institutions at 1 January	1 735 677	2 215 466
Lending to and receivables from credit institutions at end of period	**1 761 154**	1 735 677

Notes

Note 1 – Accounting policies

General

Eika Boligkreditt will prepare financial statements for 2018 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). The financial statements are prepared in accordance with the historical 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 financial liabilities which form part of fair value hedges. Note 1 to the annual financial statements for 2017 provides more details about accounting principles pursuant to the IFRS.

The financial statements for the first quarter of 2018 have been prepared in accordance with IAS 34 Interim financial reporting.

IFRS 9 Financial instruments

IFRS 9 comes into effect for accounting years beginning on 1 January 2018 or later. EBK expects that the implementation of IFRS 9 will have only reclassification effects in the profit and loss account and equity.

Impairment of financial assets

The new accounting standard provides a new model for impairment of financial assets. The combination of the low loan-to-value ratio for the residential mortgage portfolio and the credit guarantees provided by the owner banks means that implementing the standard will have no significant effects on EBK's profit or equity. See note 4.2.2 to the annual financial statements for 2017 for further information.

Hedge accounting

IFRS 9 makes it possible to separate the value changes on basis swaps in foreign currency from a financial instrument and exclude this from designating of the financial instrument as a hedging instrument. EBK has utilised this opportunity when implementing IFRS 9 with effect from 1 January 2018. That means changes in fair value which relate to value changes in basis swaps have been recognised in other comprehensive income rather than in the item on "net gains and losses of fair-value hedging on debt securities issued" and will be accumulated in a separate component of equity. As a result, a negative NOK 164.1 million will be reclassified from "net gains and losses of fair-value hedging on debt securities issued" to "net gain and losses on basis swaps" under other comprehensive income for 2017. The corresponding amounts for the first, second, third and fourth quarters of 2017 are a negative NOK 72.2 million, negative NOK 64.3 million, positive NOK 5.1 million and negative NOK 32.7 million respectively. The corresponding cumulative effects at 30 June, 30 September and 31 December 2017 are all negative at NOK 136.5, 131.4 and 164.1 million respectively. These amounts have also been reclassified to a separate component of equity.

Classification of financial assets

Pursuant to IFRS 9, an enterprise must classify financial assets as measured at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income. The classification is to be made on the basis of an assessment of both

a. the enterprise's enterprise model for administering financial assets
b. the characteristics of the financial asset's contractually regulated cash flow.

Pursuant to IAS 39, EBK has used the fair value option for bonds and certificates, which are accordingly recognised at fair value through profit and loss. EBK has assessed that the above-mentioned criteria in IFRS 9 mean that bonds and certificates are classified at fair value through other comprehensive income when implementing the standard with effect from 1 January 2018. Implementing IFRS 9 does not affect recognition and measurement of the other financial assets or financial derivatives.

As a result of this, NOK 16 million has been reclassified from "net gains and losses on bonds and certificates" in the statement of comprehensive income to "net gains and losses on bonds" under other comprehensive income for 2017. The corresponding amounts for the first, second, third and fourth quarters of 2017 are a positive NOK 11.7, 5.7 and 0.6 million and a negative NOK 2 million respectively. The corresponding cumulative effects amounts at 30 June, 30 September and 31 December 2017 are positive at NOK 17.4, 18 and 16 million respectively.

Note 2 – Use of estimates and discretion

In the application of the accounting policies described in note 1 to the annual financial statements for 2017, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which are 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, which 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

Pursuant to IFRS 9, provisions for losses will be recognised on the basis of expected credit losses in the light of relevant information available at the reporting date. The combination of the low loan-to-value ratio for the residential mortgage portfolio and the credit guarantees provided by the owner banks means that the company does not expect significant effects on EBK's profit or equity. See note 4.2.2 to the annual financial statements for 2017 for further information.

No loans were written down at 31 March 2018.

Fair value of financial instruments

The company applies various measurement methods to determine the fair value of financial instruments which 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 and.

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

Net gains and losses on financial instruments at fair value recognised through profit and loss

Amounts in NOK 1 000	1st quarter 2018	1st quarter 2017	2017
Net gains and losses on loans at fair value	(16 408)	18 921	17 276
Net gains and losses on financial debts, hedged[1]	1 152 519	472 132	(78 916)
Net gains and losses on interest swaps related to lending	25 743	(2 111)	3 749
Net gains and losses on interest and currency swaps related to liabilities	(1 138 571)	(476 632)	70 714
Net gains and losses from redemption of debt	(8 073)	-	-
Net gains and losses on financial instruments at fair value	**15 210**	**12 310**	**12 823**

[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.

Net gains and losses on financial instruments at fair value recognised over other comprehensive income

Beløp i tusen kroner	1st quarter 2018	1st quarter 2017	2017
Net gains and losses on bonds and certificates	1 155	11 477	15 944
Net gains and losses on interest-rate swaps related to bonds and certificates	(59)	242	29
Net gains and losses on basis swaps [1]	12 202	(72 190)	(164 107)
Net gains and losses on financial instruments at fair value	**13 298**	**(60 471)**	**(148 135)**

[1] First-quarter comprehensive profit includes negative changes of NOK 12.2 million in the value of basis swaps.

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 2018	31 Mar 2017	31 Dec 2017
Installment loans - retail market	71 595 691	64 878 395	69 819 610
Installment loans - housing cooperatives	7 279 060	8 519 809	7 447 505
Adjustment fair value lending to customers [1]	2 238	22 267	18 834
Total lending before specific and general provisions for losses	**78 876 990**	**73 420 473**	**77 285 950**
Impairments on lending to customers	-	-	-
Total lending to and receivables from customers	**78 876 990**	**73 420 473**	**77 285 950**

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 2018.

IFRS 9

IFRS 9, which came into force on 1 January 2018, replaces the IAS 39 model for impairment of financial assets. According to IAS 39, impairment for loss should only be performed when objective evidence exists that a loss event has occurred after initial recognition. Under the new IFRS 9 accounting standard, provision for losses must be recognised on the basis of the expected credit loss indicated by relevant information available at the reporting date. The combination of the residential mortgage portfolio's loan-to-value ratio and the credit guarantees provided by the owner banks means that implementation of the standard has not had significant effects on EBK's profits or equity.

See note 4.2.2 to the annual financial statements for 2017 for further information.

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

31 Mar 2018

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	75 147 706	75 147 706
Fixed rate loans	3 727 045	3 729 284
Toal lending	**78 874 751**	**78 876 990**

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 Dec 2017

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	73 638 073	73 638 073
Fixed rate loans	3 629 042	3 647 877
Toal lending	**77 267 115**	**77 285 950**

Calculation of fair value of loans: The margin on the loans is considered to be on market terms. The market value of variable rate loans is therefore measured as equal to amortised cost. The market value of fixed-rate loans is correspondingly measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the applicable offered fixed rate at the balance sheet date.

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

31 March 2018

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	3 465 319	3 467 433	3 495 947
Credit institutions	5 110 000	5 126 113	5 144 742
Government bonds	-	-	-
Treasury bills	2 647 392	2 648 926	2 630 661
Total bonds and certificates at fair value through profit or loss	**11 222 711**	**11 242 473**	**11 271 350**
Change in value charged to the profit and loss account			**28 878**

Average effective interest rate is 1.08 per cent annualised. The calculation is based on a weighted fair value of NOK 10.8 billion. The calculation takes account of a return of NOK 29.1 million on bank deposits, bonds and certificates.
The return on reinvested cash collateral received is excluded from the calculation.

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 1.62 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 December 2017

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair value
Municipalities	4 123 584	4 124 866	4 125 736
Credit institutions	4 774 000	4 786 832	4 804 532
Government bonds	339 123	340 668	375 930
Treasury bills	3 327 321	3 331 032	3 406 102
Total bonds and certificates at fair value through profit or loss	**12 564 028**	**12 583 399**	**12 712 300**
Change in value charged to the profit and loss account			**128 902**

Average effective interest rate is 1.21 per cent. The calculation is based on a weighted fair value of NOK 13.1 billion. The calculation takes account of a return of NOK 158.6 million on bank deposits, bonds and certificates.
The return on reinvested cash collateral received is excluded from the calculation

	31 Mar 2018	31 Mar 2017	31 Dec 2017
Average term to maturity	**1,0**	**1,0**	**0,8**
Average duration	**0,2**	**0,1**	**0,2**

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 2018	31 Mar 2017	31 Dec 2017
NO0010502149	520 000	NOK	Floating	3M Nibor + 0,70 %	2009	2019	521 316	1 205 738	521 656
NO0010561103	1 948 000	NOK	Fixed	5.00 %	2009	2019	1 968 955	1 981 139	1 971 943
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000	1 000 000
NO0010612039	3 490 000	NOK	Floating	3M Nibor + 0,55%	2011	2018	3 491 212	5 507 814	5 502 851
NO0010612179	332 000	NOK	Fixed	4,65%	2011	2018	332 546	703 376	474 742
NO0010625346	1 500 000	NOK	Fixed	4.60 %	2011	2026	1 500 780	1 500 867	1 500 802
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0,60%	2012	2019	5 229 026	5 234 417	5 230 355
NO0010663743	1 000 000	NOK	Fixed	3,25%	2012	2019	1 002 885	1 004 595	1 003 306
NO0010664428	65 000	NOK	Floating	3M Nibor + 0,53%	2012	2018	65 020	1 000 535	65 027
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 000	996 695	996 925
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0,54 %	2013	2020	5 140 486	5 146 196	5 141 894
NO0010685704	550 000	NOK	Fixed	3,50%	2013	2020	551 218	551 665	551 327
NO0010687023	150 000	NOK	Fixed	4,10%	2013	2028	150 000	150 000	150 000
NO0010697204	300 000	SEK	Fixed	2.38 %	2013	2018	282 319	288 497	300 677
NO0010697212	700 000	SEK	Floating	3M Stibor + 0,50%	2013	2018	658 910	673 554	701 820
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0,28 %	2015	2022	7 959 034	4 347 490	7 956 421
NO0010733694	1 150 000	NOK	Fixed	1,75%	2015	2021	1 145 487	1 144 208	1 145 172
NO0010763022	850 000	NOK	Fixed	2,25%	2016	2031	842 942	842 403	842 810
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0,40 %	2016	2020	4 999 030	4 998 563	4 998 915
NO0010780687	700 000	NOK	Fixed	2,60%	2016	2027	699 387	699 320	699 371
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0,43 %	2017	2022	5 011 844	-	4 006 501
NO0010815376	1 600 000	NOK	Fixed	2,67%	2018	2033	1 587 659	-	-
NO0010648892	-	NOK	Floating	3M Nibor + 0,74 %	2012	2017	-	579 123	-
XS0794570944	650 000	EUR	Fixed	2,00%	2012	2019	6 280 247	5 949 645	6 390 077
XS0881369770	1 000 000	EUR	Fixed	2,125%	2013	2023	9 644 244	9 145 236	9 814 619
XS1044766191	500 000	EUR	Fixed	1,50%	2014	2021	4 820 642	4 567 185	4 905 100
XS1312011684	500 000	EUR	Fixed	0,625%	2015	2021	4 820 816	4 565 733	4 905 571
XS1397054245	500 000	EUR	Fixed	0,375%	2016	2023	4 807 571	4 552 063	4 891 816
XS1566992415	500 000	EUR	Fixed	0,375%	2017	2024	4 810 719	4 557 760	4 895 377
XS1725524471	500 000	EUR	Fixed	0,375%	2017	2025	4 806 150	-	4 890 743
XS0851683473	-	EUR	Fixed	1.25 %	2012	2017	-	9 172 484	-
Value adjustments							1 385 609	2 039 584	1 747 423
Total covered bonds[1]							**86 513 051**	**84 105 884**	**87 203 243**

[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). An overcollateralization of five per cent is also necessary to maintain the Aaa rating from Moody's Investor Service.

Senior unsecured bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Mar 2018	31 Mar 2017	31 Dec 2017
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 957	199 897	199 942
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 220	425 365	425 256
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	249 943	249 895	249 931
NO0010739287	600 000	NOK	Floating	3M Nibor + 0.70%	2015	2020	599 690	298 295	599 655
NO0010764160	350 000	NOK	Floating	3m Nibor +0.95%	2016	2019	350 319	350 615	350 392
NO0010776099	500 000	NOK	Floating	3m Nibor +0.92%	2016	2020	499 815	499 742	499 797
NO0010782048	500 000	NOK	Floating	3m Nibor +0.95%	2017	2022	501 919	249 660	502 044
NO0010705593	-	NOK	Floating	3M Nibor + 0.65 %	2014	2017	-	600 179	-
NO0010732886	-	NOK	Floating	3m Nibor +0.30%	2015	2017	-	149 997	-
Total senior unsecured bonds							**2 826 862**	**3 023 647**	**2 827 016**

Total debt securities issued	**89 339 913**	**87 129 531**	**90 030 259**

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 2018	31 Mar 2017	31 Dec 2017
NO0010679632	1 000	NOK	Floating	3M Nibor + 2.20% [1]	2013	2023	1 000	249 886	249 961
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85% [2]	2015	2025	199 892	199 832	199 877
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% [3]	2016	2026	149 822	149 762	149 808
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40% [4]	2018	2028	324 371	-	-
Total subordinated loan capital							**675 085**	**599 480**	**599 646**

[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. Eika Boligkreditt redeemed the equivalent of NOK 249 million before the call date during the first quarter of 2018 which give a remaining nominal value of NOK 1 million as of 31 March 2018.

[2] Subordinated loan of NOK 200 million maturing on 21 January 2025, with a redemption right (call) on 21 January 2020 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

[3] Subordinated loan of NOK 150 million maturing on 17 March 2026, with a redemption right (call) on 17 March 2021 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

[4] Subordinated loan of NOK 325 million maturing on 2 February 2023, with a redemption right (call) on 2 February 2023 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

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). An overcollateralization of five per cent is also necessary to maintain the Aaa rating from Moody's Investor Service. Nominal values are used when calculating the five-per-cent overcollateralisation. Pursuant to section 11-7 of the financial institutions regulations, an overcollateralisation of at least two per cent of the value of the covered bonds in the cover pool is required. Calculating the two-per-cent requirements is based on fair value and the company's own holding of covered bonds.

Calculation of overcollateralisation at fair value (calculated in accordance to section 11-7 of the financial institutions regulations)

Cover Pool

	Fair value		
Amounts in NOK 1 000	**31 Mar 2018**	**31 Mar 2017**	**31 Dec 2017**
Lending to customers [1]	78 000 851	72 145 393	76 667 013
Substitute assets and derivatives:			
Financial derivatives (net)	6 256 453	6 929 756	7 375 742
Substitute assets [2]	10 089 488	12 070 802	10 895 772
Total	**94 346 792**	**91 145 951**	**94 938 526**
The cover pool's overcollateralisation [3]	105.88%	108.22%	106.33%

Covered bonds issued

	31 Mar 2018	**31 Mar 2017**	**31 Dec 2017**
Covered bonds	86 513 051	84 105 884	87 203 243
Premium/discount	181 626	118 039	183 251
Own holding (Covered bonds)	2 412 000	-	1 902 000
Total covered bonds	**89 106 677**	**84 223 923**	**89 288 493**

Calculation of overcollateralisation using nominal values (calculated in accordance to the requirements in the company's borrowing programme and according to Moody's Investors Service methodology)

Cover Pool

	Nominal values		
Amounts in NOK 1 000	**31 Mar 2018**	**31 Mar 2017**	**31 Dec 2017**
Lending to customers [1]	77 998 330	73 400 476	76 649 966
Substitute assets and derivatives:			
Substitute assets [2]	10 054 627	12 035 940	10 860 316
Total	**88 052 957**	**85 436 416**	**87 510 282**
The cover pool's overcollateralisation [3]	109.87%	110.82%	109.80%

Covered bonds issued

	31 Mar 2018	**31 Mar 2017**	**31 Dec 2017**
Covered bonds	80 145 213	77 092 213	79 696 713
Total covered bonds	**80 145 213**	**77 092 213**	**79 696 713**

[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]Liquid assets in excess of the overcollateralisation requirement are considered to be unencumbered when calculating the liquidity coverage ratio (LCR). See the LCR guidelines of 21 December 2016 from the Financial Supervisory Authority of Norway.

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 2018		31 Dec 2017	
Assets				
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	4 106 140	20 141	850 370	5 631
Interest rate and currency swap[2]	26 445 213	6 693 710	45 416 713	7 446 888
Total financial derivative assets	**30 551 353**	**6 713 851**	**46 267 083**	**7 452 520**

Liabilities				
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	2 771 506	15 539	2 620 988	26 055
Interest rate and currency swap[2]	4 350 000	171 194	850 000	50 022
Interest swap placement	241 975	785	235 270	701
Total financial derivative liabilities	**7 363 481**	**187 517**	**3 706 258**	**76 779**

[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 2018		31 Dec 2017	
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]	22 339 073	6 251 561	44 566 713	7 396 866
Hedged items: financial commitments incl foreign exchange[2]	22 339 073	(6 549 464)	44 566 713	(7 689 781)
Net value recognised in balance sheet	-	**(297 903)**	-	**(292 915)**

[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 2018	1st quarter 2017	2017
Hedging instruments	(1 138 571)	(476 632)	70 714
Hedged items	1 152 519	472 132	(78 916)
Net gains/losses (inefffectiveness)[3]	**13 947**	**(4 500)**	**(8 202)**
Net gains and losses from redemption of debt	(8 073)	-	-
Sum net gains and losses on issued bonds and certificates at fair value	**5 874**	**(4 500)**	**(8 202)**

[3]The negative change in value for financial instruments in 2018 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 and not issued in Euro. 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 2018. Valuation of shares classified as available for sale are based on discounted cash flows.

31 March 2018

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 729 284
Bonds and certificates at fair value through profit or loss	2 999 396	8 271 954	-
Financial derivatives	-	6 713 851	-
Shares classified as available for sale	-	-	32 200
Total financial assets	**2 999 396**	**14 985 806**	**3 761 484**
Financial liabilities			
Financial derivatives	-	187 517	-
Total financial liabilities	**-**	**187 517**	**-**

No significant transactions between the different levels have taken place in 2018.

31 December 2017

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	3 647 877
Bonds and certificates at fair value through profit or loss	3 782 032	8 930 268	-
Financial derivatives	-	7 452 520	-
Shares classified as available for sale	-	-	32 200
Total financial assets	**3 782 032**	**16 382 788**	**3 680 077**
Financial liabilities			
Financial derivatives	-	76 779	-
Total financial liabilities	**-**	**76 779**	**-**

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

Detailed statement of assets classified as level 3

2018 Beløp i tusen kroner	01 Jan 2018	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2018	Other comprehensive income	31 Mar 2018
Lending to customers (fixed-rate loans)	3 647 877	556 327	(458 512)	-	(16 408)	-	3 729 284
Shares available for sale	32 200	-	-	-	-	-	32 200
Total	**3 680 077**	**556 327**	**(458 512)**	**-**	**(16 408)**	**-**	**3 761 484**

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 Dec 2017
Lending to customers (fixed-rate loans)	3 570 403	608 558	(548 360)	-	17 276	-	3 647 877
Shares available for sale	29 700	-	-	-	-	2 500	32 200
Total	**3 600 103**	**608 558**	**(548 360)**	**-**	**17 276**	**2 500**	**3 680 077**

Interest rate sensitivity of assets classified as Level 3 at 31 March 2018

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 120 million. The effect of a decrease in interest rates would be an increase of NOK 120 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 2018 and cumulatively.

Detailed statement changes in debt related to currency changes

2018 Amounts in NOK 1 000	01 Jan 2018	Purchases/ issues	Disposals/ settlements	31 Mar 2018
Change in debt securities issued [1]	41 887 570	-	(778 420)	41 109 150
Total	**41 887 570**	**-**	**(778 420)**	**41 109 150**

2017 Amounts in NOK 1 000	01 Jan 2017	Purchases/ issues	Disposals/ settlements	31 Dec 2017
Change in debt securities issued 1	43 156 438	(2 027 100)	758 232	41 887 570
Total	**43 156 438**	**(2 027 100)**	**758 232**	**41 887 570**

[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 %
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	31 Mar 2018	31 Mar 2017	31 Dec 2017
Share capital	1 045 700	926 479	1 003 932
Share premium	2 814 683	2 433 904	2 681 451
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	1 015	1 009	1 014
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**4 339 125**	**3 963 206**	**4 164 125**
Fund for unrealised gains	14 700	14 700	14 700
Intangible assets	(6 476)	(5 058)	(5 989)
Deferred tax assets[1]	-	-	-
Prudent valuation adjustments of fair valued positions	(15 064)	(17 428)	(16 685)
Total core tier 1 capital	**4 332 285**	**3 955 420**	**4 156 151**

Core capital adequacy ratio (core tier 1 capital)	**31 Mar 2018**	**31 Mar 2017**	**31 Dec 2017**
Weighted calculation basis	32 037 149	30 445 918	31 468 201
Core tier 1 capital	4 332 285	3 955 420	4 156 151
Core tier 1 capital ratio	**13.5%**	**13.0%**	**13.2%**
Total core tier 1 capital	4 332 285	3 955 420	4 156 151
Tier 1 perpetual bonds	625 902	449 349	549 540
Total tier 1 capital	**4 958 188**	**4 404 769**	**4 705 690**

Capital adequacy ratio (tier 1 capital)	**31 Mar 2018**	**31 Mar 2017**	**31 Dec 2017**
Weighted calculation basis	32 037 149	30 445 918	31 468 201
Tier 1 capital	4 958 188	4 405 686	4 705 690
Tier 1 capital ratio	**15.5%**	**14.5%**	**15.0%**
Total tier 1 capital	4 958 188	4 404 769	4 705 690
Subordinated loans	675 085	599 480	599 646
Total primary capital (tier 2 capital)	**5 633 272**	**5 004 249**	**5 305 336**

Capital adequacy ratio (tier 2 capital)	**31 Mar 2018**	**31 Mar 2017**	**31 Dec 2017**
Weighted calculation basis	32 037 149	30 445 918	31 468 201
Total primary capital (tier 2 capital)	5 633 272	5 004 249	5 305 336
Capital adequacy ratio	**17.6%**	**16.4%**	**16.9%**
Required capital corresponding to eight per cent of calculation basis	2 562 972	2 435 673	2 517 456
Surplus equity and subordinated capital	3 070 300	2 568 576	2 787 880

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

31 March 2018

Calculation basis	**Weighted calculation basis**	**Capital requirement**
Credit risk	29 958 242	2 396 659
Operational risk	422 053	33 764
CVA risk[2]	1 656 853	132 548
Total	**32 037 149**	**2 562 972**

Levereage Ratio	**31 Mar 2018**	**31 Mar 2017**	**31 Dec 2017**
Total Leverage Ratio exposure	101 496 191	98 363 490	102 892 327
Tier 1 capital	4 958 188	4 398 466	4 705 690
Levereage Ratio	**4.9 %**	**4.5 %**	**4.6 %**

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 2018, 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 32 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, and in changes to the company's liquidity portfolio, the calculation basis for capital adequacy at 31 March was NOK 0.5 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 13 per cent, a tier 1 capital ratio of 14.5 per cent and a tier 2 capital ratio of 16.5 per cent. These targets are adequate in relation to the legal requirements, the company's Pillar 2-demands, 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 2018 with a core tier 1 capital ratio of 13.5 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 2017.

Note 13 – Loans from credit institutions

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkreditt for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost. At 31 March 2018, Eika Boligkreditt had received cash collateral of NOK 2.9 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 1.8 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

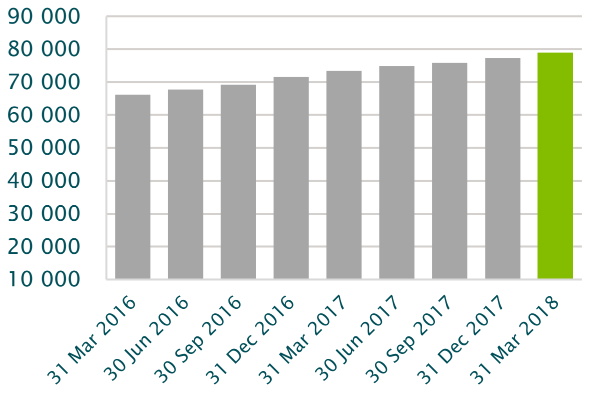
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2017 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby 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 2017.

Note 15 – Risk management

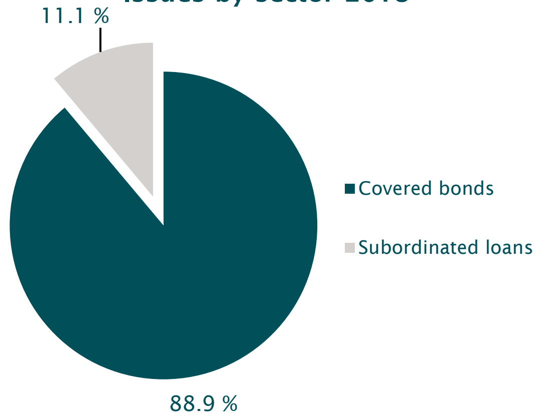
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts for 2017 describes the company's financial risk, which also applies to financial risk in 2018.

Key figures – Development

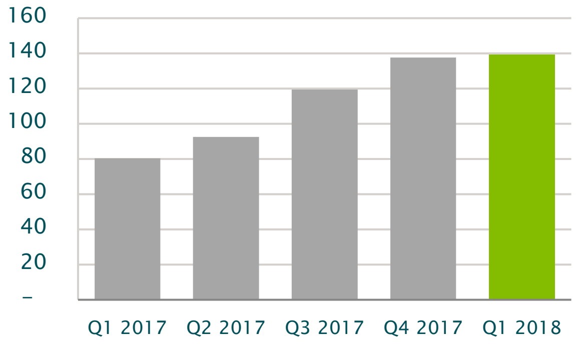
Lending to customers



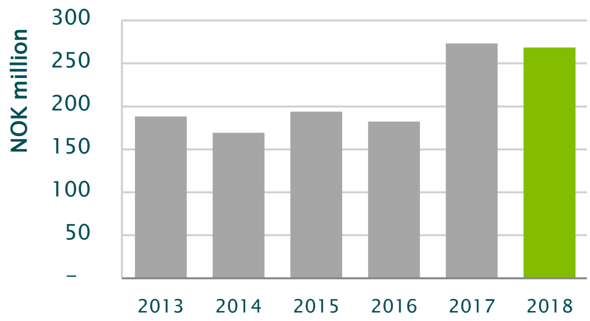
Issues by sector 2018



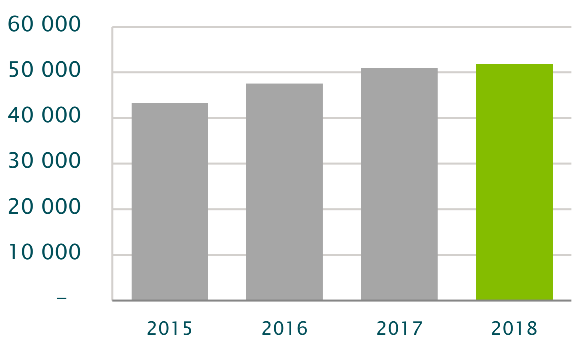
Distributor commissions



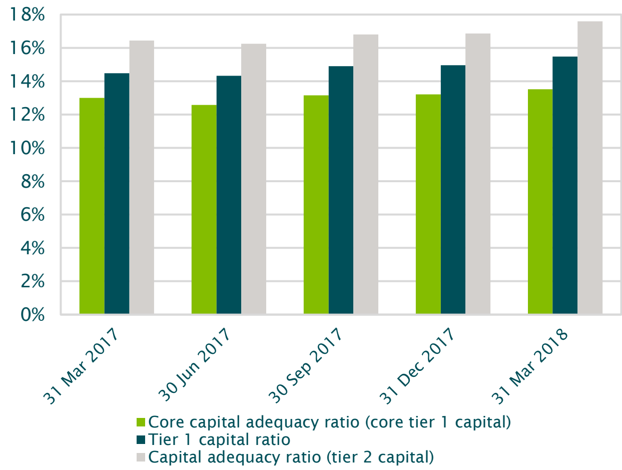
Net interest income after commissions costs (annualised)



Number of loans



Capital adequacy ratio



Key figures – Unaudited

Amounts in NOK 1 000	31 Mar 2018	31 Mar 2017	31 Dec 2017
Balance sheet development			
Lending to customers	78 876 990	73 420 473	77 285 950
Debt securities issued	89 339 913	87 129 531	90 030 259
Subordinated loan capital	675 085	599 480	599 646
Equity	5 059 075	4 515 632	4 769 647
Equity in % of total assets	5.1	4.7	4.8
Average total assets[1]	99 202 189	96 021 654	99 465 781
Total assets	98 801 403	96 026 278	99 602 975
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.5	0.3	0.4
Staff and general administration expenses in relation to average total assets, annualised (%)	0.05	0.05	0.05
Return on equity before tax, annualised (%)[2]	1.7	-0.0	1.9
Total assets per full-time position	4 989 970	4 849 812	5 030 453
Cost/income ratio (%)[3]	23.6	26.5	24.1
Financial strength			
Core tier 1 capital	4 332 285	3 955 420	4 156 151
Tier 1 capital	4 958 188	4 404 769	4 705 690
Total primary capital (tier 2 capital)	5 633 272	5 004 249	5 305 336
Calculation basis capital adequacy ratio	32 037 149	30 445 918	31 468 201
Core tier 1 capital ratio (%)	13.5	13.0	13.2
Tier 1 capital ratio (%)	15.5	14.5	15.0
Capital adequacy ratio % (tier 2 capital)	17.6	16.4	16.9
Leverage ratio (%)[4]	4.9	4.4	4.6
NSFR totalindicator i %[6]	101	100	101
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

Liquidity Coverage Ratio (LCR)[5]:

31 Mar 2018	NOK	EUR	Totalt
Stock of HQLA	2 319 870	258 344	7 288 788
Net outgoing cash flows next 30 days	918 349	95 785	3 227 421
LCR indicator (%)	**253 %**	**270 %**	**226 %**

31 Mar 2017	NOK	EUR	Totalt
Stock of HQLA	2 272 407	304 398	5 359 603
Net outgoing cash flows next 30 days	1 048 302	309 705	3 887 768
LCR indicator (%)	**217 %**	**98 %**	**138 %**

31 Dec 2017	NOK	EUR	Totalt
Stock of HQLA	2 229 202	358 547	9 319 994
Nettoutbetalinger neste 30 dager	655 897	137 213	3 713 814
LCR indicator (%)	**340 %**	**261 %**	**251 %**

[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 Coverage Ratio (LCR):

$$\frac{\text{High-quality liquid assets}}{\text{Net outgoing cash flows next 30 days}}$$

[5] 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.
[6] NSFR totalindicatorr: Is calculated in accordance with the CRR/CRD IV regulatory and is based on the Basel Committee recommendations.

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