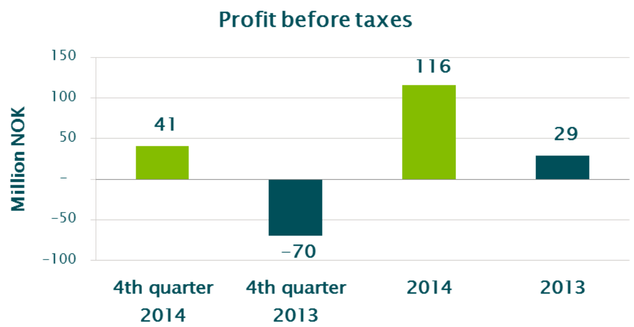
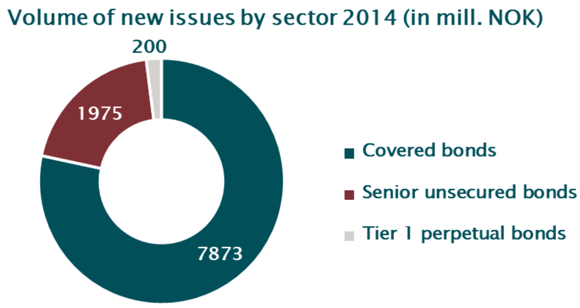
Eika Boligkreditt AS

Interim report for the fourth quarter 2014

Unaudited

Highlights





Fourth quarter 2014

- Pre-tax profit NOK 41 million (2013: loss of NOK 70 million)
- Pre-tax profit NOK 25 million excluding NOK 15.6 million in positive value changes related to changes in the price of basis swaps
- Lending up by 0.2 per cent quarter on quarter
- Commissions to owner banks of NOK 143 million (2013: NOK 138 million)
- NOK 200 million in new senior bonds issued

Full year 2014

- Pre-tax profit NOK 116 million (2013: NOK 29 million)
- Pre-tax profit NOK 131 million excluding NOK 15.3 million in negative value changes related to changes in the price of basis swaps
- Lending up by 5.5 per cent
- Commissions to owner banks of NOK 583 million (2013: NOK 467 million)
- Debt instruments with a nominal value of NOK 10.1 billion issued
- Assets under management of NOK 81 billion at 31 December, compared with NOK 70 billion a year earlier

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

INTERIM REPORT FOR THE FOURTH QUARTER

Introduction

Eika Boligkreditt's main purpose is to ensure access for the local banks and OBOS (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 length 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 December 2014, the owner banks had transferred a total of NOK 60.9 billion in residential mortgages and thereby reduced their own funding needs by a corresponding amount. Eika Boligkreditt is licensed as a credit institution and entitled to raise loans in the market through the issuance of covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and thereby established a new type of bond which has become an important source of financing within a few years for the lending activities of banks and credit institutions. By concentrating funding activities relating to covered bonds in Eika Boligkreditt, the owner banks have secured a player in the bond market with the necessary requirements for securing competitive terms both in Norway and internationally.

Profit and loss account for the fourth quarter and full year 2014

Pre-tax profit

Eika Boligkreditt showed a pre-tax profit of NOK 41 million for the fourth quarter, compared with a loss of NOK 70 million in the same period of 2013. Fourth-quarter profit included positive changes of NOK 15.6 million in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 25 million. In addition to value changes for basis swaps, fourth-quarter profit includes NOK 0.4 million in other changes to the value of financial instruments. That gives a total positive change of NOK 16 million in the value of financial instruments, compared with a negative change of NOK 115 million for the same period of 2013.

The company showed a pre-tax profit of NOK 116 million for the full year, compared with NOK 29 million in 2013. Excluding value changes for basis swaps, the pre-tax profit for the full year was NOK 131 million. In addition to the NOK 15 million in negative value changes for basis swaps, value changes to financial instruments included NOK 18 million in net gain on lending at fair value, a net loss of NOK 11 million on financial derivatives, a loss of NOK 5 million on fair value hedging of debt securities issued, and a net gain of NOK 10 million on bonds and certificates. Profit for the full year accordingly includes negative changes of NOK 3 million in the value of financial instruments, as against a negative NOK 111 million for 2013.

Basis swaps are a price component in the derivative contracts entered into in connection with long-term borrowing. The derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting. The derivatives are intended to hedge foreign exchange and interest rate risks. They accordingly serve as hedging instruments, and the effect of such value changes will be zero over the term of the instruments. The accounting effects will thereby reverse until the derivatives mature. This means that changes in the value of basis swaps only have an accrual effect with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early.

Income

Eika Boligkreditt's total interest income amounted to NOK 604 million in the fourth quarter, compared with NOK 583 million in the same period of 2013. Its net interest income for the period was NOK 180 million, compared with NOK 192 million for the fourth quarter of 2013.

The company's total interest income amounted to NOK 2 462 million in the full year, compared with NOK 2 205 million for 2013. Its net interest income for the full year was NOK 741 million, compared with NOK 637 million for 2013.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 143 million in the fourth quarter, compared with NOK 138 million for the same period of 2013.

For the full year, distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 582 million, compared with NOK 467 million for 2013. The sharp increase in these commissions reflected a combination of growth in the mortgage portfolio and higher margins to the owner banks on the company's residential mortgage portfolio.

Balance sheet and liquidity

Balance sheet

Assets under management by Eika Boligkreditt amounted to just over NOK 81 billion at 31 December, up by NOK 11 billion or 16 per cent from 1 January.

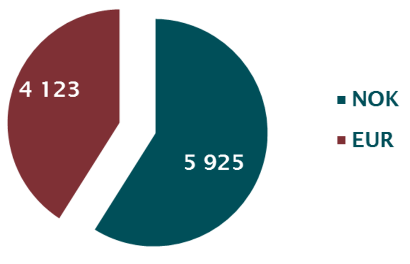
Lending

Eika Boligkreditt's residential mortgage portfolio at 31 December totalled NOK 60.9 billion, which represented a net increase of NOK 3.2 billion or 5.5 per cent from 1 January. This rise reflected a general growth in lending by the owner banks, combined with the fact that the owner banks transfer current residential mortgages from their own balance sheets to Eika Boligkreditt.

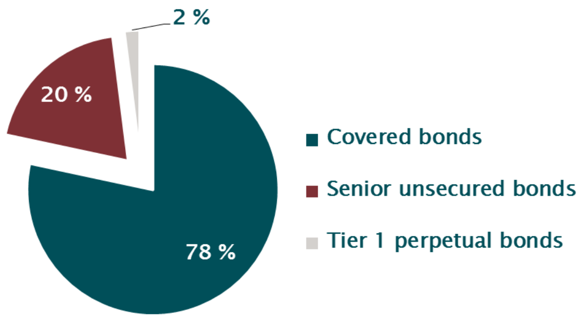
Borrowing

Eika Boligkreditt had a total issue volume of NOK 10.1 billion in the full year, which included NOK 7.9 billion as covered bonds, NOK 2 billion as senior unsecured bonds and NOK 200 million in tier 1 perpetual bonds.

Issues by currency (in NOK) million) in 2014



Issues by sector (in %) in 2014



Of the company's total issue volume of NOK 10.1 billion, 41 per cent was issued in euros and 59 per cent in Norwegian kroner. Covered bond issues accounted for 78 per cent of the issue volume.

The table below shows issues in 2014 and the three previous years by sector.

New issues (amounts in NOK million)	2014	2013	2012	2011
Covered bonds (issued in SEK)	-	925	-	-
Covered bonds (issued in EUR)	4 123	7 409	15 687	-
Covered bonds (issued in NOK)	3 750	10 508	5 713	11 830
Senior unsecured bonds (issued in NOK)	1 975	2 300	1 900	340
Subordinated loans (issued in NOK)	-	250	-	-
Tier 1 perpetual bonds (issued in NOK)	200	250	-	-
Totalt issued	**10 048**	**21 642**	**23 300**	**12 170**

The issue volume in 2014 was lower both than planned and in relation to 2013 and 2012. That reflected some slowdown in borrowing growth during 2014. The average tenor for new financing in 2014 was six years, while the average tenor for the company's whole borrowing portfolio at 31 December 2014 was 4.4 years – down by 0.4 years from 1 January 2014.

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

Carrying value in NOK million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011
Covered Bonds	69 952	61 129	43 613	29 178
Swap arrangement with the Norwegian govt.	-	-	6 920	10 365
Senior unsecured bonds	2 926	2 410	1 150	1 368
Senior unsecured certificates	-	350	900	300
Subordinated loans	250	429	319	318
Tier 1 perpetual bonds	448	249	-	-
Total borrowing	**73 576**	**64 567**	**52 902**	**41 530**

The company's total borrowing at 31 December was NOK 73.6 billion, up by NOK 9 billion from 1 January.

Liquidity

Following the high level of activity in issuing covered bonds during the first quarter, the company maintained a high level of liquidity in 2014. At 31 December, the company had a total liquidity portfolio of NOK 11.6 billion, including cash collateral of NOK 4.26 billion received from counterparties to derivative contracts. Cash collateral is held in bank deposits and in various high-quality securities. In addition to cash collateral, the company has received high-quality bonds corresponding in value to NOK 3.3 billion. The value of the bonds provided as collateral is not recognised in the company's balance sheet.

Risk management and capital adequacy

Eika Boligkreditt had a total primary (tier 2) capital of NOK 3 623 million at 31 December 2014. Total primary capital was reduced by NOK 180 million in the fourth quarter through a regulatory call on a subordinate loan. The company's total primary (tier 2) capital increased over the full year by NOK 556 million. The company issued a tier 1 perpetual bond for NOK 200 million in the first quarter, and conducted a share issue of NOK 500 million to existing shareholders in the second quarter.

Under internal rules, the loan-to-value ratio of residential mortgages in Eika Boligkreditt's cover pool may not exceed 60 per cent of the mortgaged property at origination.

Capital adequacy is calculated in accordance with the standard method specified in the regulations on capital requirements. Since the third quarter of 2014, 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 existing capital requirement for credit risk related to counterparty risk for derivatives. Taking account of CVA risk and the growth in overall lending have meant a corresponding rise in the basis for calculating the capital adequacy ratio, which amounted to NOK 25.2 billion at 31 December 2014. This amount represents a quantification of the company's risk, and its primary capital is calculated as a value in relation to this calculation base.

The table below presents developments in the capital adequacy ratio.

Amounts in NOK million	31 Dec. 2014	31 Dec. 2013
Risk-weighted assets	25 155	21 445
Total primary capital (tier 2 capital)	3 623	3 077
Capital adequacy ratio in per cent	14,4 %	14,3 %

Following the rise in the systemic risk buffer from two to three per cent at 1 July 2014, the company has increased its internal capital targets. The new targets apply from 1 July 2014 and are specified as follows:

- core tier 1 capital ratio: 10 per cent (11.6 per cent at 31 December 2014)
- tier 1 capital ratio: 11.5 per cent (13.4 per cent at 31 December 2014)
- tier 2 capital ratio: 13.5 per cent. (14.4 per cent at 31 December 2014)

These targets satisfy regulatory requirements and are adequate in relation to capital requirements based on the company's internal risk assessment. As shown in the table above, the applicable buffer requirements were fulfilled at 31 December 2014 with a capital adequacy of 14.4 per cent.

Outlook

The board expects somewhat higher growth in the residential mortgage portfolio during 2015 compared with 2014. While the portfolio rose by NOK 3.2 billion in 2014, the budgeted increase for 2015 is NOK 5 billion or nine per cent. This level exceeds the general growth in lending in Norway. Statistics Norway's credit indicator showed a 12-monthly increase in household debt of 6.5 per cent in October 2014.

Growth in house prices was relatively strong for 2014 as a whole, after a weak performance in late 2103. These prices rose by 8.1 per cent for the full year following a drop of 3.7 per cent in the fourth quarter of 2013.[1] Developments in the housing market for the full year were stronger than expected at 1 January. The consensus among analysts indicates a marginally weaker trend for house prices in 2015 than in 2014.

The average margin (commission) of the banks on the company's mortgage portfolio was 0.81 per cent at 31 December 2014, compared with an average of 0.95 per cent for 2014 as a whole. Increased mortgage margins over the past couple of years are a consequence of the need by banks and financial institutions for more capital to satisfy the higher capital requirements set by the authorities. In the latest lending survey from the Bank of Norway, the banks reported minor changes in borrowing demand from households and reduced mortgage margins in the fourth quarter as well as expectations of increased competition in 2015. Eika Boligkreditt's mortgage margins have shown the same trend as described and expected in the survey.

Since the summer, oil prices have halved, the exchange rate of the Norwegian kroner has fallen considerably and the outlook for Norway's petroleum-dependent economy has worsened considerably. Economic growth is expected to slow (while remaining at a higher level than in the eurozone), and unemployment will

[1] Source: Eiendom Norge, FINN.NO and Eiendomsverdi

probably rise somewhat (from a very low level). Since Norway has its own currency, the weakening of the krone – combined with more moderate pay rises – has improved Norwegian competitiveness. This will help to simplify restructuring of Norwegian industry towards sectors other than petroleum. The government pension fund – global and the fiscal rule mean that the Norwegian authorities have considerable room to manoeuvre if required, while the amount of oil money available for into the economy is virtually divorced from the government's current oil and gas revenues. Norway differs from most of the other major oil and gas exporting countries in this respect. Despite the reduction in oil prices and petroleum revenues, the board believes that interest in Norwegian covered bonds among Norwegian and international investors will be good.

Oslo, 3 February 2015
The board of directors of Eika Boligkreditt AS

Martin Mæland Chair	Bjørn Riise
Odd Inge Løfald	Tor Egil Lie
Terje Svendsen	Kjartan M Bremnes CEO

Statement of comprehensive income

Amounts in NOK 1,000	Notes	4Q 2014	4Q 2013	2014	2013
INTEREST INCOME					
Interest from loans to customers		**553,574**	543,596	**2,242,552**	2,006,957
Interest from loans and receivables on credit institutions		**10,328**	9,724	**41,060**	33,999
Interest from bonds, certificates and financial derivatives		**34,599**	25,228	**159,174**	147,952
Other interest income		**5,233**	4,075	**18,772**	16,033
Total interest income		**603,733**	582,623	**2,461,558**	2,204,941
INTEREST EXPENSES					
Interest on debt securities issued		**408,776**	377,787	**1,661,167**	1,533,154
Interest on subordinated loan capital		**10,769**	8,279	**41,731**	24,114
Other interest expenses		**4,249**	5,070	**18,059**	10,903
Total interest expenses		**423,794**	391,136	**1,720,957**	1,568,171
Net interest income		**179,939**	191,487	**740,600**	636,770
Commission costs		**140,331**	133,439	**571,145**	448,527
Net interest income after commissions costs		**39,608**	58,048	**169,456**	188,243
Dividend from shares classified as available for sale		-	-	**4,769**	4,769
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE					
Net gains and losses on bonds and certificates	Note 3	**(64)**	(967)	**10,073**	(994)
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**14,432**	(116,461)	**(20,653)**	(115,654)
Net gains and losses on financial derivatives	Note 3	**(12,916)**	578	**(11,264)**	22,606
Net gains and losses on loans at fair value	Note 3	**14,546**	2,252	**18,407**	(16,937)
Total gains and losses on financial instruments at fair value		**15,998**	(114,598)	**(3,437)**	(110,979)
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES					
Salaries, fees and other personnel expenses		**6,685**	6,115	**24,855**	22,235
Administrative expenses		**4,578**	2,646	**15,571**	14,742
Total salaries and administrative expenses		**11,263**	8,761	**40,426**	36,977
Depreciation		**434**	460	**1,962**	1,730
Other operating expenses		**3,271**	3,779	**12,652**	13,893
Losses on loans and guarantees		-	-	-	-
PROFIT BEFORE TAXES		**40,638**	(69,550)	**115,748**	29,433
Taxes		**11,337**	(17,341)	**29,924**	8,357
PROFIT FOR THE PERIOD		**29,301**	(52,209)	**85,824**	21,076
Other comprehensive income that will not be reclassified subsequently to P&L		**(1,650)**	(1,350)	**(1,650)**	(1,350)
Taxes on other comprehensive income		**445**	365	**445**	365
COMPREHENSIVE INCOME FOR THE PERIOD		**28,097**	(53,194)	**84,620**	20,091

The total comprehensive income for the period above is attributable to the shareholders of the company.

Balance sheet

Amounts in NOK 1,000	Notes	31 Dec. 2014	31 Dec. 2013
ASSETS			
Lending to and receivables from credit institutions		**3 708 022**	3 402 638
Lending to customers	Note 4, 9	**60 888 984**	57 691 853
Other financial assets		**119 841**	94 994
Securities			
Bonds and certificates at fair value through profit or loss	Note 5,9	**7 920 530**	5 366 627
Financial derivatives	Note 8,9	**8 608 941**	3 217 425
Shares classified as available for sale	Note 10	**15 000**	15 000
Total securities		**16 544 471**	8 599 052
Other intangible assets			
Deferred tax assets		**32 419**	35 045
Fixed intangible assets		**4 609**	5 177
Total other intangible assets		**37 028**	40 222
TOTAL ASSETS		**81 298 346**	69 828 760
LIABILITIES AND EQUITY			
Loans from credit institutions	Note 12	**4 260 484**	2 347 027
Financial derivatives	Note 8,9	**76 018**	72 092
Debt securities issued	Note 6	**72 877 916**	63 888 693
Other liabilities		**355 539**	379 245
Pension liabilities		**6 683**	4 507
Subordinated loan capital	Note 7	**697 976**	677 998
TOTAL LIABILITIES		**78 274 617**	67 369 562
Called-up and fully paid capital			
Share capital		**713 455**	592 082
Share premium		**1 746 928**	1 368 300
Other paid-in equity		**477 728**	477 728
Total called-up and fully paid capital	Note 11	**2 938 111**	2 438 110
Retained earnings			
Other equity		**85 618**	21 088
Total retained equity	Note 11	**85 618**	21 088
TOTAL EQUITY		**3 023 729**	2 459 198
TOTAL LIABILITIES AND EQUITY		**81 298 346**	69 828 760

Statement of changes in equity

Amounts in NOK 1,000	Share capital [1]	Share premium [1]	Other paid in equity [2]	Retained earnings: other equity [3]	Total equity
Balance sheet as at 1 January 2013	**420 014**	**820 369**	**477 728**	**82 736**	**1 800 846**
Result for the period	-	-	-	20 498	**20 498**
Equity issue	23 319	76 681	-	-	**100 000**
Balance sheet as at 31 March 2013	**443 333**	**897 050**	**477 728**	**103 234**	**1 921 344**
Result for the period	-	-	-	22 838	**22 838**
Equity issue	41 421	128 579	-	-	**170 000**
Disbursed dividends for 2012	-	-	-	(81 738)	**(81 738)**
Balance sheet as at 30 June 2013	**484 754**	**1 025 629**	**477 728**	**44 333**	**2 032 444**
Result for the period	-	-	-	29 950	**29 950**
Equity issue	-	-	-	-	-
Balance sheet as at 30 September 2013	**484 754**	**1 025 629**	**477 728**	**74 282**	**2 062 394**
Result for the period	-	-	-	(53 194)	**(53 194)**
Equity issue	107 329	342 671	-	-	**450 000**
Balance sheet as at 31 December 2013	**592 082**	**1 368 300**	**477 728**	**21 088**	**2 459 198**
Result for the period	-	-	-	(929)	**(929)**
Equity issue	-	-	-	-	-
Balance sheet as at 31 March 2014	**592 082**	**1 368 300**	**477 728**	**20 159**	**2 458 269**
Result for the period	-	-	-	21 007	**21 007**
Equity issue	121 373	378 628	-	-	**500 000**
Disbursed dividends for 2013	-	-	-	(20 089)	**(20 089)**
Balance sheet as at 30 June 2014	**713 455**	**1 746 928**	**477 728**	**21 077**	**2 959 187**
Result for the period	-	-	-	36 446	**36 446**
Equity issue	-	-	-	-	-
Balance sheet as at 30 September 2014	**713 455**	**1 746 928**	**477 728**	**57 522**	**2 995 632**
Result for the period	-	-	-	28 097	**28 097**
Equity issue	-	-	-	-	-
Balance sheet as at 31 December 2014	**713 455**	**1 746 928**	**477 728**	**85 619**	**3 023 729**

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] Other equity comprises earned and retained profits

Statement of cash flows

Amounts in NOK 1,000	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	85 824	21 056
Taxes	29 924	8 357
Income taxes paid	(37 455)	(24 495)
Ordinary depreciation	1 962	1 730
Non-cash pension costs	527	465
Change in lending to customers	(3 197 131)	(10 606 058)
Change in bonds and certificates	(2 553 903)	703 472
Change in financial derivatives and debt securities issued	52 343	61 353
Interest expenses	1 720 957	1 568 171
Paid interest	(1 741 973)	(1 534 814)
interest income	2 461 558	(2 188 908)
received interests	(2 437 420)	2 173 016
Changes in other financial assets	(48 985)	271
Changes in short-term liabilities and accruals	7 914	54 078
Net cash flow relating to operating activities	**(5 655 859)**	**(9 762 306)**
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(1 394)	(2 589)
Net cash flow relating to investing activities	**(1 394)**	**(2 589)**
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	9 866 770	21 124 354
Gross payments of bonds and commercial paper	(6 317 480)	(12 840 843)
Gross receipts on issue of subordinated loan capital	199 632	498 244
Gross payments of subordinated loan capital	-	(138 847)
Gross receipts from issue of loan from credit institution	1 913 457	1 951 995
Payments of dividend	(20 089)	(81 738)
Paid-up new share capital	500 000	720 000
Net cash flow from financing activities	**5 962 637**	**11 233 165**
Net changes in lending to and receivables from credit institutions	305 384	1 468 270
Lending to and receivables from credit institutions at 1 January	3 402 638	1 934 368
Lending to and receivables from credit institutions at end of period	**3 708 022**	**3 402 638**

Noter

Note 1 – Accounting policies

General

Eika Boligkreditt has prepared the accounts for 2014 in accordance with 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 as well as 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 2013 contains further details of accounting policies after IFRS.

The financial statements for the fourth quarter of 2014 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 2013, 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 that 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, 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 (i.e. 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 per 31 December 2014.

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	4th quarter 2014	4th quarter 2013	2014	2013
Net gains and losses on loans at fair value	14 546	2 252	18 407	(16 937)
Net gains and losses on bonds and certificates	(64)	(967)	10 073	(1 036)
Net gains and losses on financial debts, hedged[1]	(4 779 972)	(907 489)	(5 439 933)	(3 022 415)
Net gains and losses on interest swaps related to lending	(12 916)	578	(11 264)	25 242
Net gains and losses on interest swaps related to bonds and certificates	-	-	-	42
Net gains and losses on interest and currency swaps related to liabilities	4 794 404	791 028	5 419 280	2 906 761
Net gains and losses on interest swaps not related to liabilities	-	-	-	(2 636)
Net gains and losses on financial instruments at fair value [2]	**15 998**	**(114 598)**	**(3 437)**	**(110 979)**

[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] Fourth-quarter profit includes positive changes of NOK 15.6 million in the value of basis swaps. In addition to value changes for basis swaps, fourth-quarter profit includes NOK 0.4 million in other changes to the value of financial instruments. That gives a total positive change of NOK 16 million in the value of financial instruments, compared with negative NOK 114.6 million for the same period of 2013.

In addition to the NOK 15.3 million in negative value changes for basis swaps, value changes to financial instruments for 2014 included NOK 18.4 million in net gain on lending at fair value, a net loss of NOK 11.3 million on financial derivatives, a loss of NOK 5.3 million in fair value hedging on debt securities issued, and a net gain of NOK 10.1 million on bonds and certificates. Profit for 2014 accordingly includes negative changes of NOK 3.4 million in the value of financial instruments, as against a negative NOK 111 million for 2013.

Basis swaps are derivative contracts entered into in connection with long-term borrowing in foreign currencies, whereby the foreign currency is converted to Norwegian kroner. This is a hedging instrument, and the effect of such value changes will be zero over its term. The accounting effects will thereby reverse over time, so that the unrealised loss at 31 Desember 2014 will be reversed up to the point when the derivatives mature. 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. The latter would not be natural given the nature of 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 Dec. 2014	31 Dec. 2013
Installment loans - retail market	52 047 723	48 557 318
Installment loans - housing cooperatives	8 791 895	9 103 576
Adjustment fair value lending to customers [1]	49 365	30 959
Total lending before specific and general provisions for losses	**60 888 984**	**57 691 853**
Individual impairments	-	-
Unspecified group impairments	-	-
Total lending to and receivables from customers	**60 888 984**	**57 691 853**

All lending concerns residential mortgage loans with a loan-to-value ratio of up to 60 per cent at origination. The company has no non-performing loans as of 31 December 2014.

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

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	59 818 358	59 818 358
Fixed rate loans	1 021 261	1 070 626
Toal lending	**60 839 619**	**60 888 984**

31 Dec. 2013

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	56 290 358	56 290 358
Fixed rate loans	1 370 536	1 401 495
Toal lending	**57 660 894**	**57 691 853**

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 interest rate at the balance sheet date.

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

31 December 2014

Amounts in NOK 1,000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	1 225 524	1 225 549	1 225 999
Credit institutions	4 800 416	4 824 927	4 825 490
Government bonds	726 612	737 758	737 367
Treasury bills	1 132 273	1 132 699	1 131 674
Total bonds and certificates at fair value through profit or loss	**7 884 824**	**7 920 933**	**7 920 530**
Change in value charged to the profit and loss account			**(403)**

Average effective interest rate is 1.92 per cent annualised. The calculation is based on a weighted fair value.

31 December 2013

Amounts in NOK 1,000

Bonds broken down by issuer sector	Nominal value	Cost price	Market value
Commercial banks	50 000	50 228	50 273
Corporations owned by municipalities	25 000	25 015	25 077
Municipalities	1 652 300	1 652 395	1 652 602
Credit institutions	3 323 500	3 338 629	3 340 580
Treasury bills	300 000	298 089	298 095
Total bonds and certificates at fair value through profit or loss	**5 350 800**	**5 364 355**	**5 366 627**
Change in value charged to the profit and loss account			**2 272**

Average effective interest rate is 1.85 per cent annualised. The calculation is based on a weighted fair value.

	31 Dec. 2014	31 Dec. 2013
Average term to maturity	**1.4**	**1.1**
Average duration when hedging is taken into account	**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 below. 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 Dec. 2014	31 Dec. 2013
NO0010502149	5 000 000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	1 212 344	860 225
NO0010542244	1 000 000	NOK	Floating	3M Nibor + 0.35 %	2009	2014	-	21 002
NO0010536089	315 000	NOK	Floating	3M Nibor + 0.40 %	2009	2015	199 948	349 699
NO0010561103	2 000 000	NOK	Fixed	5.00 %	2009	2019	2 008 631	2 020 854
NO0010565211	827 000	NOK	Fixed	4.40 %	2010	2015	327 116	1 211 093
NO0010572373	5 000 000	NOK	Floating	3M Nibor + 0.53 %	2010	2016	4 608 526	4 997 196
XS0537088899	487 133	EUR	Fixed	2.13 %	2010	2015	4 404 735	4 171 905
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000
NO0010612179	1 000 000	NOK	Fixed	4.65 %	2011	2018	709 778	712 624
NO0010612039	3 500 000	NOK	Floating	3M Nibor + 0.55 %	2011	2018	2 703 910	2 502 256
NO0010625429	906 000	NOK	Floating	3M Nibor + 0.40 %	2011	2014	-	914 451
NO0010625346	1 600 000	NOK	Fixed	4.60 %	2011	2026	1 501 072	1 501 164
NO0010630148	1 035 000	NOK	Floating	3M Nibor + 0.45 %	2011	2014	-	1 234 685
NO0010631336	850 000	NOK	Fixed	3.75 %	2011	2016	850 657	851 103
XS0736417642	500 000	EUR	Fixed	2.25 %	2012	2017	4 513 900	4 163 486
NO0010648884	588 000	NOK	Floating	3M Nibor + 0.42 %	2012	2015	307 961	1 097 531
NO0010648892	2 000 000	NOK	Floating	3M Nibor + 0.74 %	2012	2017	1 401 061	1 401 497
XS0794570944	650 000	EUR	Fixed	2.00 %	2012	2019	5 851 519	5 396 187
XS0851683473	1 000 000	EUR	Fixed	1.25 %	2012	2017	9 027 429	8 329 544
NO0010663727	5 500 000	NOK	Floating	3M Nibor + 0.60 %	2012	2019	5 246 545	4 140 899
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53 %	2012	2018	1 001 254	1 001 574
NO0010663743	1 000 000	NOK	Fixed	3.25 %	2012	2019	1 008 460	1 010 178
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	996 007	995 701
XS0881369770	1 000 000	EUR	Fixed	2.125 %	2013	2023	9 006 347	8 311 211
NO0010685480	5 000 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	3 029 766	1 173 554
NO0010685704	1 000 000	NOK	Fixed	3.50 %	2013	2020	552 673	300 749
NO0010687023	1 000 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000
NO0010697204	300 000	SEK	Fixed	2.38 %	2013	2018	287 680	282 697
NO0010697212	700 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	672 197	660 811
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	4 491 684	-
Value adjustments							2 880 442	365 276
Total covered bonds [1]							**69 951 642**	**61 129 152**

[1] For covered bonds ascribed to the company's cover pool, an overcollateralization requirement of 5 per cent applies. This means that the company must at all times have assets in its cover pool that exceed at least 105 per cent of the total outstanding covered bonds.

Senior unsecured bonds - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec. 2014	31 Dec. 2013
NO0010532906	1 000 000	NOK	Floating	3M Nibor + 0.90 %	2009	2014	-	349 894
NO0010662521	1 000 000	NOK	Floating	3M Nibor + 0.80 %	2012	2014	-	109 982
NO0010672157	500 000	NOK	Floating	3M Nibor + 0.65 %	2013	2014	-	199 975
NO0010673106	250 000	NOK	Floating	3M Nibor + 0.80 %	2013	2015	250 095	250 581
NO0010685043	500 000	NOK	Floating	3M Nibor + 0.42 %	2013	2014	-	499 921
NO0010685035	300 000	NOK	Floating	3M Nibor + 0.43 %	2013	2014	-	299 870
NO0010691991	200 000	NOK	Floating	3M Nibor + 0.69%	2013	2015	199 953	199 893
NO0010697733	600 000	NOK	Floating	3M Nibor + 0.90%	2013	2016	600 018	299 751
NO0010699234	200 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 762	199 702
NO0010705593	600 000	NOK	Floating	3M Nibor + 0.65 %	2014	2017	601 076	-
NO0010708936	225 000	NOK	Floating	3M Nibor + 0.82%	2014	2019	425 693	-
NO0010711716	400 000	NOK	Floating	3M Nibor + 0.82%	2014	2016	399 889	-
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.72%	2014	2019	249 789	-
Total senior unsecured bonds							**2 926 275**	**2 409 569**

Senior unsecured certificates - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec. 2014	31 Dec. 2013
NO0010682123	200 000	NOK	Fixed	2.13 %	2013	2014	-	199 984
NO0010690704	150 000	NOK	Floating	3M Nibor + 0.32 %	2013	2014	-	149 989
Total senior unsecured certificates							**-**	**349 973**

Total debt securities issued	**72 877 916**	**63 888 693**

Note 7 – Subordinated loan capital

Tier 1 perpetual bonds - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec. 2014	31 Dec. 2013
NO0010679640	250 000	NOK	Floating	3M Nibor + 4.20 % [1]	2013	Perpetual	248 983	248 683
NO0010701220	250 000	NOK	Floating	3M Nibor + 3.50 % [2]	2014	Perpetual	199 332	-
Total tier 1 perpetual bonds							**448 315**	**248 683**

[1] NOK 250 million in tier 1 perpetual bonds which can be called at 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 1 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

[2] NOK 200 million in tier 1 perpetual bonds which can be called at 5 March 2019 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 1 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

Subordinated loans - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec. 2014	31 Dec. 2013
NO0010592991	180 000	NOK	Floating	3M Nibor + 2.40 % [1]	2010	2020	-	179 753
NO0010679632	250 000	NOK	Floating	3M Nibor + 2.20 % [2]	2013	2023	249 661	249 561
Total subordinated loans							**249 661**	**429 314**

[1] NOK 180 million in subordinate loan maturing on 15 December 2020 incorporate the right to a call on 15 December 2015. This loan was redeemed on 15 December 2014 because new official regulations have introduced changes which meant it could no longer be treated in full as tier 2 capital.

[2] Subordinated loan of NOK 250 million with maturity date 23 May 2023, with redemption right (call) 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.

Total subordinated loan capital	**697 976**	**677 998**

Note 8 – Coverpool

	Fair Value	
Amounts in NOK 1,000	31 Dec. 2014	31 Dec. 2013
Lending to customers	60 888 984	57 691 853
Substitute assets and derivatives:		
Financial derivatives (net)	8 532 923	3 145 333
Substitute assets [1]	7 366 271	6 420 907
Total	**76 788 178**	**67 258 093**
The cover pool's overcollateralisation	109.74 %	109.99 %

Issued Covered Bonds

	31 Dec. 2014	31 Dec. 2013
Covered Bonds	69 951 642	61 129 152
Premium/Discount	22 215	21 137
Total Covered Bonds	**69 973 856**	**61 150 288**

[1] Substitute assets include lending to and receivables on credit institutions, bond and certificates at fair value through profit or loss and reverse repurchase agreements (reverse repo).

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 of lending at a fixed interest rate.

	31 Dec. 2014		31 Dec. 2013	
Assets Amounts in NOK 1,000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending [1]	-	-	(41 060)	229
Interest rate and currency swap [2]	43 050 563	8 608 941	37 178 063	3 217 196
Total financial derivative assets	**43 050 563**	**8 608 941**	**37 137 003**	**3 217 425**
Liabilities Amounts in NOK 1,000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending [1]	1 000 352	61 429	1 520 425	50 394
Interest rate and currency swap [2]	487 865	14 589	1 500 000	21 698
Total financial derivative liabilities	**1 488 217**	**76 018**	**3 020 425**	**72 092**

[1]The hedging instruments related to the lending portfolio with fixed interest rate are rebalanced when necessary. The negative nominal value is a result of a previously entered swap being reversed as a result of rebalancing.
[2]Nominal amount is converted to historical currency exchange rate.

Fair value hedging

Eika Boligkreditt applies fair value hedging on fixed-rate financial liabilities with the exception of loans related to the swap arrangement with the Norwegian government. The hedge object is the swap interest element of the financial liabilities. Interest and currency swaps are used as hedging instruments.

	31 Dec. 2014		31 Dec. 2013	
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]	42 562 698	8 594 352	38 678 063	3 195 498
Hedged items: Financial commitments incl foreign exchange [2]	42 562 698	(8 749 764)	38 678 063	(3 308 226)
Net value recognised in Balance Sheet	-	**(155 412)**	-	**(112 728)**

[1]Nominal amount is converted to historical currency exchange rate.
[2]The book value of the hedging instruments is net market value. The book value of the hedged objects is the cumulative change in value associated with hedged risk and is an adjustment of financial liabilities at amortised cost.

Gains/losses on fair value hedging

Amounts in NOK 1,000	4th quarter 2014	4th quarter 2013	2014	2013
Hedging instruments	4 794 404	791 028	5 419 280	2 906 761
Hedged items	(4 779 972)	(907 489)	(5 439 933)	(3 022 415)
Net gains/losses (inefffectiveness) [3]	**14 432**	**(116 461)**	**(20 653)**	**(115 654)**

[3]The positive change in value for financial instruments in the fourth quarter of 2014 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. 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 values 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 is obtained from an acknowledge 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 interest rate at 31 December 2014.

31 Dec. 2014

Amounts in NOK 1,000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1 070 626
Bonds and certificates at fair value through profit or loss	1 869 041	6 051 489	-
Financial derivatives	-	8 608 941	-
Shares classified as available for sale	-	-	15 000
Total financial assets	**1 869 041**	**14 660 430**	**1 085 626**
Financial liabilities			
Financial derivatives	-	76 018	-
Total financial liabilities	**-**	**76 018**	**-**

No significant transactions between the different levels have taken place in 2014.

31 Dec. 2013

Amounts in NOK 1,000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1 401 495
Bonds and certificates at fair value through profit or loss	298 095	5 068 532	-
Financial derivatives	-	3 217 425	-
Shares classified as available for sale	-	-	15 000
Total financial assets	**298 095**	**8 285 957**	**1 416 495**
Financial liabilities			
Financial derivatives	-	72 092	-
Total financial liabilities	**-**	**72 092**	**-**

No significant transactions between the different levels took place in 2013.

Detailed statement of assets classified at level 3

2014 Amounts in NOK 1,000	**1 Jan. 2014**	Purchases/ issues	Disposals/ Settlements	Transfers in/out of level 3	Allocated to profit or loss 2013	Other comprehensive income	**31 Dec. 2014**
Lending to customers (fixed rate loans)	1 401 495	241 122	(590 398)	-	18 407	-	1 070 626
Shares available for sale	15 000	-	-	-	-	-	15 000
Total	**1 416 495**	**241 122**	**(590 398)**	**-**	**18 407**	**-**	**1 085 626**

2013 Amounts in NOK 1,000	**1 Jan. 2013**	Purchases/ issues	Disposals/ Settlements	Transfers in/out of level 3	Allocated to profit or loss 2013	Other comprehensive income	**31 Dec. 2014**
Lending to customers (fixed rate loans)	1 701 189	85 988	(368 744)	-	(16 937)	-	1 401 495
Shares available for sale	15 000	-	-	-	-	-	15 000
Total	**1 716 189**	**85 988**	**(368 744)**	**-**	**(16 937)**	**-**	**1 416 495**

Interest rate sensitivity of assets classified at Level 3 at 31 December 2014

A one percentage point increase in all interest rates would reduce the value of the company's fixed-rate loans at fair value at year-end by NOK 33 million. The effect of a decrease in interest rates would be an increase of NOK 33 million in the value of fixed-rate loans at fair value. The amounts are calculated by means of 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

Because of 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. This applies both for 31 December 2014 and cumulatively.

Note 11 – Capital adequacy ratio

Amounts in NOK 1,000	31 Dec. 2014	31 Dec. 2013
Share capital	713 455	592 082
Share premium	1 746 927	1 368 300
Paid, but not registered, share capital	-	-
Other paid-in equity	477 728	477 728
Total comprehensive income for the period	-	-
Other equity	999	997
Total equity recognised in the balance sheet	**2 939 109**	**2 439 107**
Intangible assets	(4 609)	(5 177)
Deferred tax assets [1]	-	(35 045)
Prudent valuation adjustments of fair valued positions	(9 206)	
Total core tier 1 capital	**2 925 294**	**2 398 885**

Core capital adequacy ratio (core tier 1 capital)	**31 Dec. 2014**	**31 Dec. 2013**
Weighted calculation basis	25 154 656	21 444 688
Core tier 1 capital	2 925 294	2 398 885
Core tier 1 capital ratio	**11,6 %**	**11,2 %**
Total core tier 1 capital	2 925 294	2 398 885
Tier 1 perpetual bonds	448 315	248 683
Total tier 1 capital	**3 373 609**	**2 647 568**

Capital adequacy ratio (tier 1 capital)	**31 Dec. 2014**	**31 Dec. 2013**
Weighted calculation basis	25 154 656	21 444 688
Tier 1 capital	3 373 609	2 647 568
Tier 1 capital ratio	**13,4 %**	**12,3 %**
Total tier 1 capital	3 373 609	2 647 568
Subordinated loan capital	249 661	429 314
Total primary capital (tier 2 capital)	**3 623 270**	**3 076 882**

Capital adequacy ratio (tier 2 capital)	**31 Dec. 2014**	**31 Dec. 2013**
Weighted calculation basis	25 154 656	21 444 688
Total primary capital (tier 2 capital)	3 623 270	3 076 882
Capital adequacy ratio	**14,4 %**	**14,3 %**
Required capital corresponding to eight per cent of calculation basis	2 012 372	1 715 575
Surplus equity and subordinated capital	1 610 897	1 361 307

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

31 December 2014

Calculation basis	**Weighted calculation basis**	**Capital requirement**
Credit risk	23 125 227	1 850 018
Operational risk	311 738	24 939
CVA risk [2]	1 717 691	137 415
Total	**25 154 656**	**2 012 372**

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

[1]Deferred tax asset attributable to temporary differences and amounting to less than 10 per cent of core tier 1 capital is 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 31 December 2014.

[2]At 31 December, 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 existing capital requirement for credit risk related to counterparty risk for derivatives.

The company will maintain a buffer at all times in relation to the minimum requirement of eight per cent capital adequacy. This buffer will be sufficient to cope with relevant risks the company may face. The company's internal capital adequacy assessment process (ICAAP) is pursued to ensure that it has a sufficient buffer in relation to the minimum requirements. The company is planning to capitalise continued strong growth in the residential mortgage portfolio. Because of increased systemic risk buffer from 2 % to 3 % effective from 1 July 2014 the company increased its capital targets to 10 per cent core tier 1, 11.5 per cent tier 1 capital and 13.5 per cent tier 2 capital. These targets satisfy regulatory requirements which came into force on 1 July 2014, and are adequate in relation to capital requirements based on the company's internal risk assessment. As presented in the table above, the applicable buffer requirements were fulfilled at 31 December 2014 with a capital adequacy of 14.4 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 25 to the annual financial statements for 2013.

Note 12 – Loans from credit institutions

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt AS has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkreditt AS for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost. At 31 December 2014, Eika Boligkreditt had received cash collateral of NOK 4.26 billion posted by counterparties to derivative contracts. In addition to cash collateral, the company has received bonds worth NOK 3.30 billion as collateral from counterparties to some of the derivative contracts. The value of the bonds provided as collateral is not recognised in the company's balance sheet.

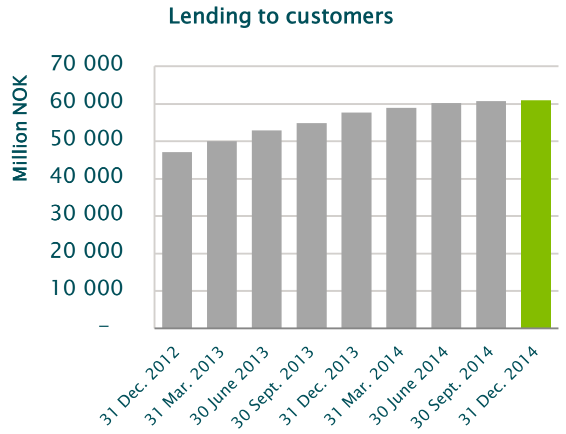
Note 13 – Contingency and overdraft facilities

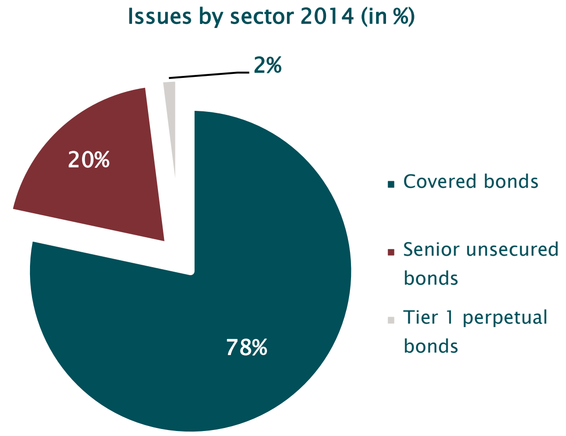
The company has an overdraft facility with DNB Bank ASA (DNB). It also has a contingency facility with DNB which allows covered bonds to be issued for an amount not exceeding NOK 1 billion. Note 15 to the annual financial statements for 2013 provides a more detailed presentation of the overdraft and contingency facilities 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 2013.

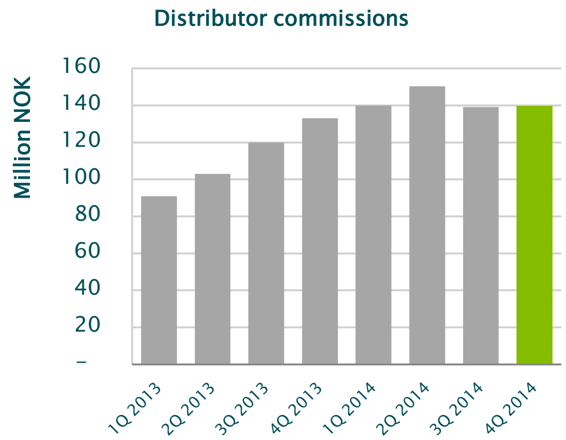
Note 14 – Risk management

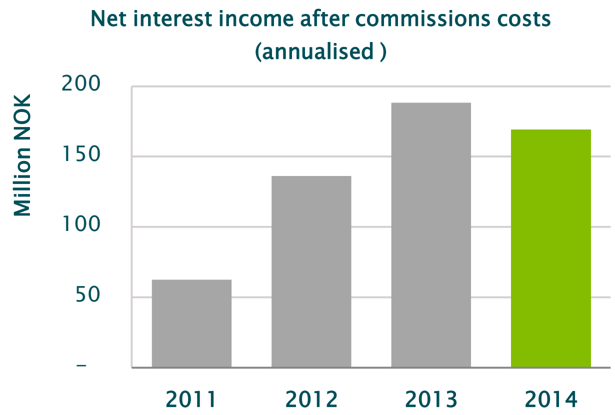
Eika Boligkreditt AS has established a framework for risk management and control in the company that defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts for 2013 describes the company's financial risk which also applies to the financial risk in 2014.

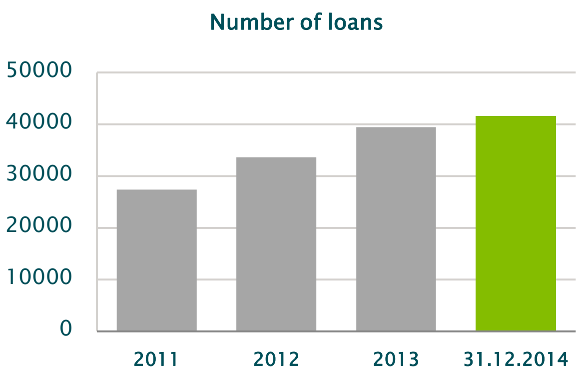
Key figures – Development

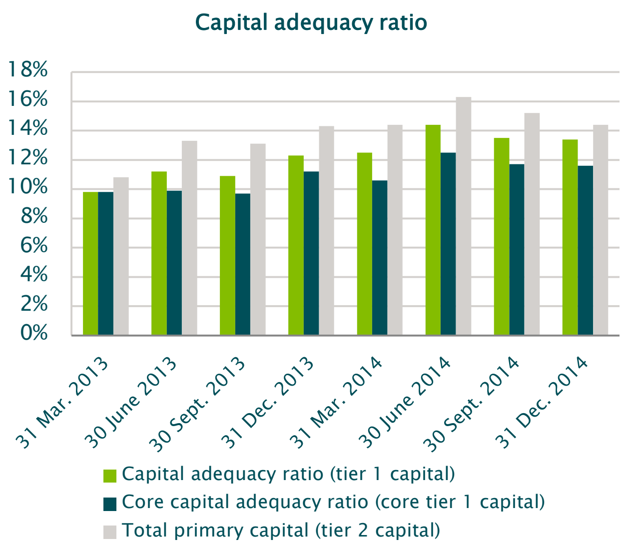












Key figures – Unaudited

Amounts in NOK 1,000	31 Dec. 2014	31 Dec. 2013
Balance sheet development		
Lending to customers	60 888 984	57 691 853
Debt securities issued	72 877 916	63 888 693
Subordinated loan capital	697 976	677 998
Equity	3 023 729	2 459 198
Equity in % of total assets	3,72	3,52
Average total assets	76 845 438	63 765 113
Total assets	81 298 346	69 828 760
Rate of return / profitability		
Fee and commission income in relation to average total assets, annualised (%)	0,74	0,70
Staff and general administration expenses in relation to average total assets, annualised (%)	0,05	0,06
Return on equity, before taxes annualised (%) [1]	4,13	1,48
Total assets per full-time position	4 105 977	3 714 296
Cost/income ratio (%) [2]	32,48	27,94
Financial strength		
Core tier 1 capital	2 925 294	2 398 885
Tier 1 capital	3 373 609	2 647 568
Total primary capital (Tier 2 capital)	3 623 270	3 076 882
Calculation basis capital adequacy ratio	25 154 656	21 444 688
Core tier 1 capital ratio (%)	11,6	11,2
Tier 1 capital ratio (%)	13,4	12,3
Capital adequacy ratio % (Tier 2 capital)	14,4	14,3
Leverage ratio (%) [3]	3,97	-
Defaults in % of gross loans	0,00	0,00
Loss in % of gross loans	0,00	0,00
Staff		
Number of full-time positions at end of period	19,8	18,8

Overview of liquidity indicators and prognosis

	Actual	Prognosis			
As of	31 Dec. 2014	31 Mar. 2015	30 Jun. 2015	30 Sep. 2015	31 Dec. 2015
Liquidity Indicator I [4]	103 %	107 %	106 %	106 %	107 %
Liquidity Indicator II [5]	111 %	113 %	122 %	115 %	117 %
Average of indicators	**107 %**	**110 %**	**114 %**	**111 %**	**112 %**

[1] Profit/loss before taxes, in % of average equity (return on equity).

[2] Total operating expences in % of net interest income after commissions costs.

[3] Leverage ratio is calculated in accordance to the CRR/CRD IV regulatory. The calculation of the leverage ratio is described in the regulations article 416 and 417.

[4] Liquidity Indicator I:

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

[5] Liquidity Indicator II:

$$\frac{\text{Funding with remaining time to maturity exceeding 1 month}}{\text{Illiquid assets}}$$

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